Collection: Baker, James A.: Files
Folder Title: Dick Darman's File
Box: 7

WITHDRAWAL SHEET
Ronald Reagan Library

Collection: BAKER, JAMES: FILES **Archivist:** cas

File Folder: Dick Darman's File ~~OA 10514~~ Box 7 **Date:** 3/1/99

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	Darman to Richard Wirthlin re tax strategy (per conversation) 3 p. (p. 2-3)	7/26/84	~~P5~~
2. memo	Darman to Fred Fielding re resignation of Jack R. Wells 1 p.	7/6/84	~~P6, F6~~ B6
3. memo	Darman to Robert McFarlane re conversation with Soviet Ambassador Dobrynin 3 p.	5/15/84	~~P1, F1~~ B1
4. paper	from RGD re budget 1 p.	3/5/84	~~P5~~
5. note	Darman to the President re attached memo (item #6) 1 p.	2/29/84	~~P5~~
6. memo	Ken Khachigian to the President re degicit talks 3 p.	2/27/84	~~P5~~
7. memo	Darman to the President re deficit reduction decisions 2 p. (p. 2, all)	nd	~~P5~~ GB 10/5/00

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]
P-1 National security classified information [(a)(1) of the PRA].
P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
P-3 Release would violate a Federal statute [(a)(3) of the PRA].
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]
F-1 National security classified information [(b)(1) of the FOIA].
F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
F-3 Release would violate a Federal statue [(b)(3) of the FOIA].
F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

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THE WHITE HOUSE

WASHINGTON

November 5, 1984

NOTES FOR ELECTION DAY INTERVIEWS
WITH TIME, NEWSWEEK, W. POST

MR. PRESIDENT:

Attached are domestic/political notes prepared by Mike Baroody. Additional foreign policy notes are being developed by Bud McFarlane.

PLEASE NOTE: For any questions that push for specifics beyond what you wish to divulge, you may wish to note:

"We will start the annual policy and budget review process with a series of meetings that begin immediately upon my return from California. The review process will continue well into December. I expect to receive the Treasury tax simplification study in December also. Decisions that result from this review will be announced as they usually are -- in the January State of the Union and Budget Messages."

Dick

Richard G. Darman

<u>GOALS AND PLANS FOR NEXT FOUR YEARS</u>

- o In just a few words: the one great goal is to expand <u>opportunity</u> for all Americans.

- o Need to do several things to achieve that goal, as RR outlined in his State of the Union and has repeated time and again since:

<u>In General</u>

-- <u>keep economy growing</u> by continuing to advance policies that will put more millions to work and keep inflation down;

-- <u>pursue arms reduction</u> so we, our children (and their children) can live in peaceful world;

-- <u>build on traditional values</u> with commonsense policies that reward work, punish crime, stress basics in schools -- and other things Americans have always valued;

-- <u>pioneer new frontiers</u> -- through, e.g., commercial use of space, shuttle, space station, to open up possibilities for even better life on earth -- better medicines, metals, etc.

<u>Some Specifics</u>

-- Bring down deficit with economic growth, line item veto, budget amendment;

-- Simplify tax system to bring rates further <u>down</u>, not up;

-- Create more jobs in depressed areas with enterprise zones, summer youth wage;

-- Enact tuition tax credits;

-- Make government more efficient, per Grace Commission recommendations;

-- Pass school prayer amendment;

-- Step up war on crime;

-- Return <u>excellence</u> to education -- continue emphasis on new <u>basics</u>, merit pay; further raise student test scores;

-- Help old industries modernize, high tech companies expand;

-- Develop permanent manned space station -- and encourage private sector in development of space-based techniques.

How does this election fit with recent political trends?

o Indicates country's come out of turmoil, doubts and pessimism of last 20 years.

o Marks new, positive mood of optimism and confidence. Contrasts with scandals and divisiveness of 1960s and 1970s, of economic breakdown and international embarassment of late 1970s.

o Voters seemed to decide in 1980 enough was enough. Wanted to put that past behind them, start anew.

o In 1984, seem to be saying they want to continue what they started four years ago.

How do you interpret your mandate? Will you use it more for fine-tuning what's already been done, or for taking what's been accomplished much farther forward?

o Was elected in the first place, in 1980, to restore the economy and re-assert America's rightful role of world leadership.

o Specifically, that meant lower taxes, slower budget growth, stronger defenses, among other things.

o Now, in 1984 the voters had a stark choice -- to stay on that new course they chose four years ago or go back to the old one.

o They made the choice and we're going forward further in the same direction.

Specifics?

o There are three primary goals:

1. continue the economic expansion -- and that means keeping spending under control. Going to be hard at work on budget during next 6-8 weeks, and making final decisions on 100s of specifics;

2. fairer, simpler tax code -- Don Regan will have specific recommendations to RR in about a month;

3. preserve peace -- through redoubled effort to get Soviets back to arms reduction talks.

<u>Legislative agenda for next Congress</u>?

- o The budget itself, of course, and tax simplification.
- o Also, other legislation to carry forward progress we've made in first term. <u>Some examples</u>:
- o Two reforms to give needed deficit fighting tools:
  - -- balanced budget amendment;
  - -- line-item veto.
- o To extend benefits of recovery more broadly:
  - -- enterprise zones to help distressed areas (even Mondale now supports this);
  - -- youth opportunity wage to create more jobs for teen-agers (Black Mayors behind this).
- o To enhance educational quality, competition in America:
  - -- tuition tax credits (long-overdue reform);
  - -- school prayer amendment.

MOST IMPORTANT/SIGNIFICANT ACCOMPLISHMENTS

Most important GENERAL Accomplishments:

- Put talk of malaise and era of limits behind us and in the last four years, we have disproved two major myths about America:
  - -- that her best days were behind her (you ain't seen nothing yet); and,
  - -- that government, people were powerless to solve problems and the system just didn't work anymore.
- One Carter official said we'd just have to learn to settle for less (Alfred Kahn); another called for major re-write of the Constitution because, he said, Presidents couldn't get anything done anymore (Lloyd Cutler).
- They were wrong.
- RR believes we have restored hope, confidence and optimism -- and made them Americans' birthright again.

Ten SPECIFIC accomplishments:

1. inflation: from 2 years in double digits to almost 3 years around 4 percent;
2. taxes: 25 percent rate reduction and indexing;
3. interest rates: prime down almost 9 points, others also down;
4. jobs: 6 million more in last 20 months;
5. regulation: reforms so far to save consumers and and business $150 billion over 10 years;
6. growth: restored it with low inflation;
7. education: shifted emphasis to how much students learn, not how much government spends; renewed commitment to excellence;
8. crime: rate dropped last 2 years in a row;
9. energy: U.S. far less dependent, and gasoline prices down a dime a gallon since inauguration;
10. social security: saved the system while benefits rose (up $180 for average retired couple).

THE WHITE HOUSE

WASHINGTON

July 26, 1984

TO : RICHARD WIRTHLIN

FROM : RICHARD G. DARMAN Dick

SUBJECT: TAX STRATEGY (PER CONVERSATION)

This memo simply summarizes points I made in our conversation this morning.

I. CURRENT POSITION

Mondale has said a tax increase is inescapable. (Most -- not all -- knowledgeable financial and budget analysts agree.) He says further that the differences between himself and the President are not on this issue, but rather:

- that the President has a "secret plan";
- that Mondale is willing to tell the truth and the President is not; and
- that the President's tax increase will favor the rich and hurt working Americans, whereas his will not.

In effect, he is simultaneously

- challenging the President's strength -- credibility;
- hitting at a key vulnerability -- our alleged favoring of the rich;
- pressuring us to explain how we would, as we claim, cut spending;
- while pre-empting in an area of his own potential vulnerability.

The President has responded by saying:

- he has no secret plan;
- he favors tax simplification not tax increases -- to bring personal income tax rates down, not up.
- Mondale favors tax increases as a first resort (to finance spending on special interest promises); whereas RR would consider tax increases only as a last resort (after every last dollar in potential spending reduction is achieved).

II. LIKELY EVOLUTION

There are two obvious vulnerabilities:

(1) Our own "team" -- led by supply-siders -- may weaken the President's position by trying to force us to rule out any tax increase, absolutely, in connection with the Republican Platform. If we accept this challenge, we lose credibility in financial markets -- and, perhaps, with the public at large. If we are forced to resist it publicly, we weaken our political position vis-a-vis Mondale. (To protect our policy flexibility, we can only rule out a "personal income" tax ["rate"] increase. If left unchallenged, this formulation would be popular. But visibly challenged by supply-siders, its vulnerability would be exposed.)

(2) Mondale may drop the other shoe. He may -- in September or early October -- produce his own tax plan. And it would presumably be a soak-the-rich-and-end-the-unfair-loopholes-and-hit-the-big-corporations plan -- with lots of superficial popular appeal. If, at that point, we simply stick to our cut-spending position, the pressure to say how we would cut spending can be expected to rise. (Mondale will presumably assert the cuts will come from Medicare, etc.)

III. POSSIBLE COUNTERS

There are at least these things we should do or consider:

(1) Avoid calling our own bluff in a platform fight (i.e., find compromise language that preserves our distinction between "income tax rates" and "taxes" -- opposing increases in the former, while being silent re the latter).

(2) Take Mondale at his word -- he means to increase taxes -- and ask him how. Put him on the defensive here. Say it's he who now has the "secret plan." Ask to see it.

Note: He says he'll reduce the projected deficit by two-thirds. He refers to projected deficits of roughly $300 billion. Implicitly, he favors a tax increase of $200 billion/year. That's almost $1,000 per American man, woman, and child. We could ask him, "Exactly how do you plan to raise that $1,000 per man, woman, and child?"

(3) Sharpen our current position by:

- adding to it the attack in point (2) above; and
- promising to veto any tax bill that would "raise income tax rates for working Americans" or "fail to make our tax system simpler and more fair."

NOTE: This could be done in the Saturday radio talk from the ranch on August 4. (See attached)

(4) Disect and critique Mondale's plan if and when he produces it; and

(5) Be ready to come forward with a plan of our own -- if necessary. This plan might have these basic elements:

(a) a flattening and lowering of personal income tax rates;

(b) the elimination of unproductive and unfair corporate and financial tax loopholes;

(c) the preservation of home mortgage interest deductions (for one home only?) and charitable deductions;

(d) an increase in the personal exemption;

(e) an increase (and spousal equalization) of deductions for IRAs; and

(f) a "mortgage burning" tax levied on manufacturers -- and put in a "special trust fund" to be used first to pay interest on the debt while we move toward a balanced budget, and then to reduce the national debt thereafter.

NOTE: We ourselves might consider doing this pre-emptively in our possible September 6 economics speech -- although I recognize that there is still a general inclination not to do so.

I hope this is of use to you as you do further polling and analysis, and as you prepare your memo for Stu Spencer.

c.c.: James A. Baker
Stu Spencer

TAXES (RADIO)

(1) Lately, we've heard talk of a "secret plan" to raise your taxes. Yes, there is such a plan: It's the plan of the Democratic nominee for President.

(2) He has said he would increase your taxes. But he hasn't said how.

(3) He has, however, come close to saying how much: He says he believes the projections of deficits rising to $300 billion. (I don't, but he says he does.) Living up to his spending promises would, presumably, raise those projected deficits even more -- over $300 billion. Yet he says he intends to reduce those deficits by two-thirds -- by raising taxes. That means a tax increase of over $200 billion.

(4) That amounts to almost $1,000 in increased taxes for every single American man, woman, and child.

(5) I think the Democratic nominee owes the American people at least some explanation of how and where he intends to get that $1,000 per American.

(6) My approach is entirely different. I've said we should cut spending not raise personal income taxes. Through the Grace Commission, we have developed over 2,000 recommendations of possible ways to reduce spending without hurting the needy. These recommendations are no secret. We have made them public. We've already begun to implement 20% of them. We're still completing our review of the rest -- but they are there for all to see. The ones that, upon full analysis, seem worth implementing will be implemented.

(7) As for taxes, my approach there is also well known.

(a) We've already reduced personal income tax rates by 25%.

(b) I mean to simplify the tax system and close unproductive tax loopholes -- so we can bring income tax rates further down, not up.

(c) And I can tell you now: I will veto any tax bill that would raise personal tax rates for working Americans or that failed to make our tax system simpler or more fair.

THE WHITE HOUSE
WASHINGTON

Date: 7/17/84

To: Dick Darman

In turning down requests for RR to do forwards to books (or any other type of participation) I have used the following language:
"White House policy does not allow the President to participate in commercial, for-profit ventures during his term of Office. We hope you will understand. The President appreciates your thoughtfulness in inviting his participation in your project. He sends his best wishes for your success."
(The last sentence only as appropriate.)

KATHERINE SHEPHERD
Presidential Correspondence
Office
Room 98, x7610

CAMPAIGN for PROSPERITY

499 S. Capitol Street, S.W. • Suite 417 • Washington, D.C. 20003 • 202/488-3547

Congressman Jack Kemp
Honorary Chairman

James C. Roberts
Director

July 5, 1984

Mr. Frank J. Donatelli
Deputy Assistant to the President
The White House
Washington, D.C. 20500

Dear Frank:

As I mentioned to you on the phone, I am coordinating the publication of a collection of speeches and articles by Jack Kemp.

Jack and I had talked some time ago about asking The President if he would provide a short foreword to the book, but in the process of moving offices and other reorganizing tasks here at Campaign for Prosperity, I neglected to follow up and make a formal request.

I would be grateful if you could ask whether such an introduction would be approved in principle. If so, I can have a copy to you Monday, July 9. What I envision is a brief, straightforward introduction which would be easy for The President to sign off on.

We are supposed to have galleys to the printer by July 27 which means we don't have much time. I apologize for the lateness of the request, but would appreciate whatever you could do.

Many thanks.

Sincerely,

Jim

James C. Roberts
Director

Over the last four years, the American people have swept aside politics as usual to set their country back on the right track after years of disarray. Before that could happen, however, we first had to win a battle of ideas. That victory preceded our legislative break-throughs, and it made them possible.

Ideas need champions, and this book is written by one of them.

Its author once worked for me, when I had the honor to be Governor of California. Now we work together from opposite ends of Pennsylvania Avenue, under the separation of powers devised by the framers of our Constitution. Jack's leadership in the Congress has helped to bridge that separation with good will and common purpose. His persuasiveness, both in the executive and in the legislative branch of government, is demonstrated anew in the pages of this volume.

It is a compendium of Jack's gentle crusade of the last several years to launch a new era of prosperity for all Americans. But the reader will notice, as the author's colleagues have long known, that his economic concerns are part of a broader vision. That wider range is an important element of this book. It reminds me of something I have often said, but which bears repeating: we have but one agenda for America. Restoring prosperity, rebuilding our national security and keeping the peace, recovering the ethical basis of our social order -- these goals cannot be isolated one from the other. They cohere. They interrelate. They mutually sustain.

Much of this book does concern the economy, but it is a far cry from the convoluted debates of traditional economics. It reminds us that sound public policy in this area must be based on the realities of daily life as it is lived in our most precious institutions: the home and family, our neighborhoods, on the job, and in the vast array of private organizations which strengthen and give direction to our society. The bottom line of economic policy is not an abstraction: budget numbers, a Treasury statistic, a mortgage rate. It is, rather, the flesh and blood people who earn, study, save, invest, and hope for a better future.

To them Jack Kemp has always directed his arguments, and to them this collection is properly addressed. For they and we are enlisted in an ongoing enterprise, as we look ahead to finish what we have begun. It is nothing less than restoring the greatness of America, the foundation for which is not government and not even national leadership. It is the people themselves.

If there is a bias in this book, it is in favor of the people, whose faith and family life and common sense have held our country together through good times and bad. Those are powerful forces, and government is at its best when it respects them and supports them. That, too, is a theme of this book, as it has been a part of our initiatives in Washington. But it is not enough to look back at what has been accomplished. Like the essays herein, we have to keep in sight the better tomorrow which every generation of Americans has envisioned and, through their vision, advanced.

So may it be with us. We have work to do.

JAB
Jaquel
MKD

THE WHITE HOUSE

WASHINGTON

July 9, 1984

MEMORANDUM FOR: JOHN S. HERRINGTON
LARRY M. SPEAKES

SUBJECT : COORDINATION OF PERSONNEL ANNOUNCEMENTS

FROM : RICHARD G. DARMAN R.G.D.

As you know, my office coordinates and clears not only the development of content, but also the timing of virtually all written Presidential statements and formal press releases. There has developed, however, a practice that amounts to an exception for one limited class of announcements: those announcements concerning agency appointments that do not require Senate confirmation and those announcements of "intentions" to nominate where Senate confirmation is required but formal nomination is not yet approved. (Note: Even among personnel actions, this is a limited exception. We do coordinate all formal nominations and all announcements concerning White House staff.)

The reasons for the general requirements of coordination are obvious and widely accepted. The limited exception appears to have arisen without general discussion or intent. Indeed, at the start of the Administration, the exception did not exist -- and it is not entirely clear how or why it has come into being.

I have discussed this exception with relevant senior staff. It is our view that the benefits of coordination in this area apply as much here as they do in other areas. I therefore request that henceforth we follow the following standard procedure:

> The Office of Presidential Personnel should continue to staff appointments and announcements thereof exactly as has been done to date. But, when a draft public announcement is ready, it should be submitted to my office at least one day in advance of the intended announcement. My office will then double-check with Legal Counsel and Legislative Affairs, and with the 8:15 Communications Group. If there is any problem, the Office of Presidential Personnel will be notified immediately. If there is no problem, the Press Office will be authorized to proceed with release.

I think this will be the simplest way to address the need for a coherent and consistent system of coordination. If you have other suggestions, let's discuss them with Messrs. Baker et al. tomorrow morning.

cc: JAB, MKD

THE WHITE HOUSE

WASHINGTON

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cc: JAB, MKD

RONALD W. REAGAN LIBRARY

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 2 LISTED ON THE WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

THE WHITE HOUSE

WASHINGTON

R E S I G N A T I O N — *for Personnel and Payroll Records:*

(Important note to individual completing this form: Please give specific reason for your resignation.)

7-6-84
(Date resignation written)

I RESIGN FOR THE FOLLOWING REASON:

I hereby resign as a member of the staff of the Office of Special Presidential Messages for personal reasons.

EFFECTIVE: 7-6-84
(Close of business date)

Jack R. Wells
(Signature)

FORWARDING ADDRESS AND TELEPHONE NUMBER to be used for communications, including separation papers, salary checks and bonds. If there is a restriction on the period of time during which this address is applicable, please indicate:

Jack R. Wells
1350 Beverly Road
#115-226
McLean, Virginia 22101

(703) 823-0314

NEW EMPLOYMENT ADDRESS AND TELEPHONE NUMBER:

Effective date if not immediate:

THE WHITE HOUSE
WASHINGTON

6/22/84

NOTE TO: DICK DARMAN

FROM: JIM BAKER

The President would like the speechwriters to have the attached two articles on U.S. Soviet Relations.

JAB, III

N KONDRACKE

ey?

alm down, everybody. Relations between the United States and the Soviet Union could be better, but they een a lot worse.

ple who say we are living h the worst period ever in oviet relations or that a "new ar" is under way have forgot- at things used to be like in the ld War.

hings have een a lot orse

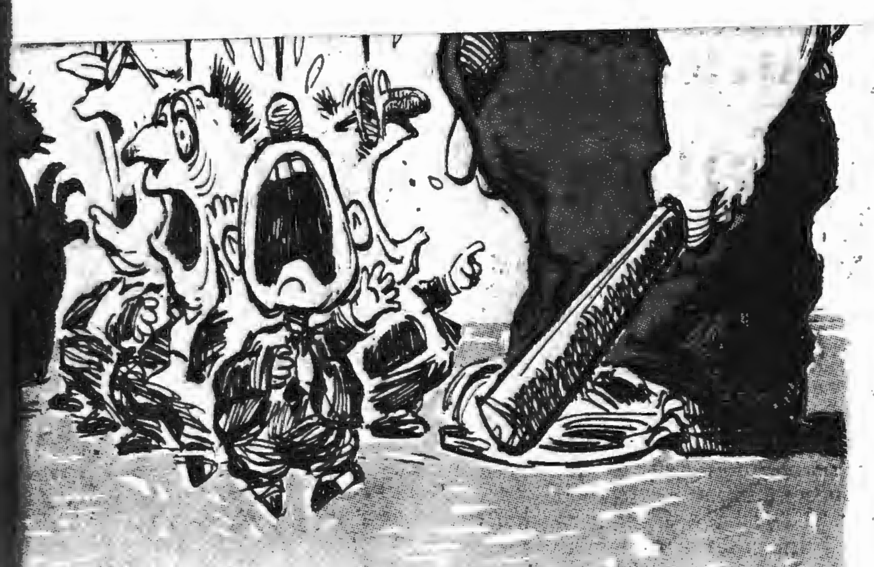
e 1940s, right after World the Soviet Union began gob- p one Eastern European after another. A Soviet e of West Berlin forced an nto the beleaguered city which no one knew for sure planes would not be shot

was created because the as afraid the Soviets to attack. The Marshall was devised because the United States feared that Western Europe would collapse economically and that communism would triumph.

Perhaps there was reason to be less scared than people were in those days, because the United States had nuclear weapons and the Soviets didn't, but that situation changed in 1949.

During the ensuing decade, the 1950s, both the United States and the Soviets had small, highly vulnerable arsenals of missiles and bombers that really might have been taken out in a first strike by one side or the other.

The U.S. strategic nuclear doctrine was called "massive retaliation," which meant that if the Soviets attacked anywhere we



THE WHITE HOUSE
WASHINGTON

6/21/84

NOTE TO: DICK DARMAN

FROM: JIM BAKER

The President would like the speechwriters to have the attached four memos.

JAB, III

THE WHITE HOUSE

WASHINGTON

May 15, 1984

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: RICHARD G. DARMAN Dick

SUBJECT: Conversation with Soviet Ambassador Dobrynin

As I mentioned to you this morning, Dobrynin lectured me last night on the management of U.S.-Soviet relations. This memo provides a summary of the lecture -- for whatever use it may be to you.

Context of Lecture

The setting was a dinner at Katharine Graham's in honor of Larry Eagleburger. Dobrynin and I have met a few times at social encounters over the past decade. We have never before had a serious or substantive conversation. He knows who I am and what I do. He took me aside privately after dinner for what he said was the purpose of trying to get a message through to us. For the first 15 minutes or so of his lecture, we were alone. For the next 15 minutes or so we were joined by Brent Scowcroft. For the remaining half hour of his lecture, we were joined by Larry Eagleburger and then miscellaneous other guests.

Summary of Dobrynin's Points

(1) State of U.S.-Soviet relations. Dobrynin lamented that the relationship was at a very low point. He expressed concern that it might sink lower -- and that the lack of effective channels of communication could prove dangerous. He professed strongly to wish to improve both communications and the relationship.

(2) Contacts within the Administration. He lamented, further, that he had no effective communication with the White House. He said that his meetings with the Secretary of State are too formal -- that each side is essentially reading a paper to the other, with no serious, informal, constructive dialogue. He said he had but minimal contact with you. He contrasted this pattern with what he said was one in which he enjoyed literally hundreds of meetings with Scowcroft and Kissinger. He said he had no effective way to understand what the President was really thinking and what the President was really trying to do -- since he didn't have

a wholly satisfactory relationship with any intermediary. He suggested that it was an unhealthy thing for the Soviet Ambassador to rely as much on the Secretary of State's comments to a pool of White House press reporters while on a trip to China as upon anything else. He argued that since the main communication seemed to be through the press, and since leaders on both sides did not really have a detailed and sophisticated understanding of each other, and since communication through the press tends to distort and exaggerate positions, the problem of explaining each to the other is compounded.

(3) The U.S. electoral campaign. He claimed that the Soviet Union was not conducting the relationship on a basis that was intended to influence the outcome of the U.S. presidential election. He allowed as how the decision on the Olympics had probably had an adverse effect (from a Soviet perspective) within the U.S. -- as, for example, with respect to the upcoming vote on MX. He said that the Soviets would be perfectly happy to see a substantial improvement in the relationship prior to the U.S. election. He said he would be happy to be put to the test on this point -- and he used the possibility of negotiations as a case in point (as discussed here below).

(4) Possibilities of negotiation. Dobrynin asserted that they were anxious to get talks going on such subjects as the nuclear test ban treaty and space. He said that these would be helpful to the President politically in the election year. He said that we didn't have to have full-fledged negotiations, but could have discussions. He stated that if we would give a positive response, he could give a positive response within 24 hours -- and that discussions or negotiations could commence within 5 days. He said that if we doubted this we should put him to the test -- that he would stake his personal reputation on this.

(5) Scowcroft mission. He expressed great respect for Scowcroft. He said that it was exactly because of Scowcroft's experience with the effective management of U.S.-Soviet relations that the handling of the Scowcroft mission was so troubling. (Because Scowcroft knew better than to do things the way he did, Dobrynin interpreted the matter as an intentional White House ploy and message.) He said it was insulting to both sides. He explained the history in a way that indicated that it was an immediately transparent attempt at an end run around him and Gromyko. But while this was apparently troubling in its own right, what he said was even more troubling was the idea that people in the White House could so seriously misunderstand the Soviet system that they would think that such a "secret" mission -- managed in the way that Scowcroft's was, without prior consultation with Dobrynin -- could lead to anything but rejection. He lamented the procedural mishandling of the Scowcroft mission, while seeming sympathetic toward both Scowcroft and the more general purpose that the Scowcroft mission was supposed to serve. He said that nothing could happen under the heading of the Scowcroft mission for at least a couple of months -- but that after that, maybe.

(6) In general, Dobrynin pointedly observed that there were only two people in the current Administration who understood how to manage U.S.-Soviet relations: Scowcroft, who he noted was not really a member of the Administration; and Eagleburger -- whose departure was the occasion for this dinner party.

I am sure Brent will give you a reading on this that is more sensitive to the subtleties than mine.

✓ cc: James A. Baker, III

(1) Defense is the key for our assessment of the "45/45/45" plan being advanced by Senate Republicans. (The revenue and domestic spending cut numbers would be acceptable.)

- If we can't meet a defense cut number of roughly 40, there will be no agreement that involves us.

- NOTE: Even if we were willing to accept something like 40 on defense, we should NOT move with Republicans first -- because, if history is any guide, the Senate Republicans will be unable to contain themselves. They will wish to be seen in the lead. The Democrats -- who really don't want a deal -- will then up the ante. The only way to get an agreed 40/40/40 solution would be to have the Democrats propose it first.

(2) If we are visibly to break off negotiations -- and go on t.v. a la Khachigian -- we need to do so in a way that will allow us to:

- keep the blame for the deficits on the Democrats;

- anticipate and somehow be protected against the undermining effects of Senate Republican adventurism; and

- keep the financial markets from getting too nervous.

(3) If our defense bottom line is 296, it is higher than the Khachigian approach assumes -- and the t.v. pitch will have to take into account that the total package we're proposing isn't much more than $100 billion over 3 years.

We would presumably say that:

- the negotiations have done as much as it appears they will be able to -- tho agreement is possible on many items, the Democrats are regrettably unwilling to stick to the less contentious issues;

- we have some give in defense, but we cannot responsibly accept the type of cuts some are suggesting;

- we also cannot accept the liberal Democrats' tax plan -- we want to cut spending not paychecks, and favor the likes of the Grace Commission recommendations for the longer term.

- we do now formally propose that the Congress act on our $100 billion proposal;

(4) It's not clear that this would be enough to achieve the objectives noted above at (2). And the question arises whether we should do something more -- like:

- flesh out our interest in "tax simplification" a bit more;

- state that if the Congress doesn't produce sufficient spending cuts this year, we'll appoint a Commission to develop support for that -- so that responsible action can be taken early in '85;

- Other?

THE WHITE HOUSE
WASHINGTON

March 2, 1984

MR. PRESIDENT:

The attached memo presents a summary of the status of the deficit "downpayment" negotiations. It also discusses 3 broad options on where to go from here.

The memo was prepared by Dave Stockman, based on discussions with the rest of the negotiating team (Baker, Regan, Darman, Oglesby).

Like the Khachigian memo, this memo requires discussion before any further action.

Dick

Richard G. Darman

cc: Meese
Baker ✓
Deaver
McFarlane

DEFICIT DOWNPAYMENT STATUS AND OPTIONS

I. Results of First Four Meetings

- o While there has been no specific agreement to the Administration tabled list of $90 billion in "less contentious" spending cuts and tax loophole measures (Attachment A), roughly 70% has been found non-objectionable by most Congressional participants.

  Note: This list consisted of $21 billion in specific domestic spending cuts, a $25 billion target for Grace Commission defense and non-defense savings and $45 billion in loophole closers recommended by the Treasury Department.

- o The Democrats have minimized the importance of general agreement on the Administration proposed list, arguing that these savings will be achieved anyway in the regular legislative process and that a significantly larger deficit reduction package is needed.

- o To this end, Congressional participants have tabled a variety of proposals in the contentious category for large defense cuts or general tax increases including:

  - o proposals by Jim Wright to cut defense budget authority by $100-120 billion over next three years;

  - o various proposals by Jim Wright to delay tax indexing, cap the third year rate cut or impose a surcharge on all and/or upper income taxpayers (possible tax increases of $100 billion or more over three years).

- o A proposal by Trent Lott for limited Presidential impoundment power (up to $20 billion/year with 25% from defense) was strongly rejected by some Republicans (Hatfield) and opposed by Democrats too.

- o While opposed by Administration representatives, the Domenici proposal to limit defense real growth to 5.0%/4.5%/4.0% over the next three years was generally viewed sympathetically by Republican and Democratic Congressional participants ($80 billion cut from Administration request of $1.03 trillion over FY 1985-1987).

- o A comprehensive deficit reduction package described as "45/45/45" and advanced by Senator Domenici would target three-year savings of $45 billion each in defense outlays, non-defense spending and tax loopholes. At the last meeting, this formula appeared to be something both Democratic and Republican representatives were interested in pursuing -- on their own if necessary.

- The downpayment discussions are now more or less deadlocked on these Congressional proposals -- with a growing potential for the Congressional participants to revert to the regular legislative process with or without White House support.

II. Assessment of Prospects for Downpayment Talks

- The Trent Lott limited impoundment power to achieve spending cuts is not likely to win Congressional agreement due to strong opposition of the Senate Appropriations Committee and House Democratic leadership.

- The Jim Wright tax proposals to tamper with indexing and the third year or impose surcharges can be eventually pushed aside because most House Democrats don't want a showdown on big tax increases and Chairman Rostenkowski is willing to work within a $50 billion loophole target.

- No overall agreement on a deficit downpayment package can be reached with Congress without a major compromise on defense. There is virtually no Congressional support -- Republican or Democrat -- for defense real growth much above 5-6% compared to our 13%.

  Note: Even Trent Lott has spoken of 5% real growth as being "in the ballpark" on the basis of advice from Jack Edwards (top pro-defense Republican on the House Appropriations Committee).

- There is little prospect for agreement on domestic spending cuts above $20-30 billion -- with $45 billion as an outside potential if coupled with the 45/45/45 plan.

  Note: Domestic spending cuts in our own FY 1985 budget are $26 billion over three years.

III. Possible Administration Options

Option #1 -- Stand firm on defense and break-off bipartisan discussions before the next meeting on grounds that by insisting on contentious tax and defense proposals the Democrats are not participating in good faith and are only trying to make a political issue.

Option #2 -- Compromise on defense in the range of 5-6% real growth and seek a 45/45/45 package along the lines proposed by Domenici.

Domenici $# is 293.4 incl. DOE function

H.B. says his # is 297

Note on 5.0%/4.5%/4.0% Defense Proposal

o Congress uses a different real growth measure than we do (DOD) so the Domenici proposal compares as follows in terms of real growth:

	1985	1986	1987	Average
Domenici plan real growth on Congressional basis	5.0%	4.5%	4.0%	4.5%
Domenici plan real growth on our basis (DOD)	6.3%	5.9%	5.5%	5.9%
President's request real growth on our basis (DOD) ..	13.0%	9.1%	3.5%	8.5%

o On a dollar basis, the Domenici proposal would reduce our budget authority request for DOD by $81 billion or 8% over three years. This would save $45 billion in outlays:

Budget Authority	1985	1986	1987	Total
President	305	350	379	1,034
Domenici	286	317	351	953
Difference	-19	-33	-28	-81
(Outlay Savings)	(-6)	(-17)	(-22)	(-45)

o For one-year (1985) it is almost certain that the Domenici number ($286 billion) is higher than we would get from the Appropriations Committee in the absence of an agreement. Based on last year's pattern of Appropriations Committee cuts, the outlook is as follows:

	1985 DOD Budget
President's Request	$305
Domenici Proposal	$286
Appropriations Committee without agreement	281-284

o Option #3 -- Keep the door open to further discussions -- but do not push for additional meetings or seek a resolution of the defense issue. This is likely to result in the regular Congressional budget and appropriations process superceding the bipartisan talks and the need to switch our efforts to coping with proposals arising out of these proceeding on the Hill.

IV. Consequence of Options

- Option #1 would leave us free to fight for something closer to our original defense number in the regular legislative process and would eliminate the minor risk of a big tax bill, but it also could have the following downsides:

  - result in the Administration being blamed for no action on the deficit;

  - further unsettle financial markets, put upward pressure on interest rates and allow the Fed to say that its hands are tied if the economy slows down later this year;

  - result in recriminations and partisanship on the Hill -- with the possibility that even "non-contentious" deficit reductions will not be enacted in the short time available;

  - cause the Senate moderate GOP leadership to move forward with its own deficit plan: This would likely include an unacceptable defense number and efforts to raise the tax number from $45 billion to $60 billion or even $90 billion;

  - seriously complicate the already imposing challenge of getting another increase in the debt ceiling passed some time in April - May;

  - result in another Continuing Resolution for defense and an ultimate appropriation in the $281-$284 billion range (i.e. $21-24 billion cut from our request).

- Option #2 is probably the only basis for trying to keep the downpayment discussions alive. It could result in a better defense number than would result from a free-for-all in the appropriations process and would improve the chances for actual agreement and implementation of a $100-$135 billion deficit down payment; the latter in turn would reassure financial markets to some degree and help to defuse the "Reagan deficit" charge if anything goes wrong in the economy later in the year. However, there are significant downsides:

  - Cap Weinberger will find 5-6% real growth for 1985 far too low as a target for negotiations on defense, and be unwilling to accept the out-year growth numbers being proposed by Congress;

  - there is no absolute certainty that Congress would actually deliver even this number in the appropriations bill;

- o the House Democrats are likely to balk at the 45/45/45 formula on the grounds that defense savings are too small, non-defense cuts too big and the whole package inadequate (i.e. bipartisan agreement on this formula is by no means a sure thing).

- o only about half of the possible $45 billion in domestic cuts could be guaranteed because they would involve entitlement law changes that could be put in one or several bills immediately. The other half involve a possible freeze on discretionary appropriations that we would have to enforce with the veto if necessary.

o Option #3 would continue to offer the Democrats a White House forum to condemn Administration "inflexibility" and seek to pin the deficit problem on us (and vice versa). However, it would also:

- o avoid the Administration being blamed for a break-off in the down-payment talks;

- o provide a forum to air our case, expose their big tax proposals and exert some influence on the regular Congressional process which will soon be underway in full swing.

ATTACHMENT A

ILLUSTRATIVE SAVINGS ON CONSENSUS MENU

Proposal	3-Year Savings
Outlay Savings	
1) Modified Foley farm target price freeze and 1984 program adjustment	$3.8
2) Medicare cost savers from Rostenkowski, Waxman and Dole Reconciliation Bills (providers only)	6.6
3) Adjust pension guarantee premium (Administration)	0.5
4) Civilian, military, and veterans COLA delay (reconciliation bills)	3.6
5) Civilian pay raise caps	4.6
6) Continue current law medicaid matching rate reduction with offsets (Dingell Compromise).	1.4
7) Target for defense and non-defense appropriations savings via Grace Commission.	25.0
Tax Loophole Closers and Reforms	
8) Tax-exempt leasing (Treasury)	6.5
9) Increase ACRS from 15 to 20 years on non-owner occupied structures (DSG)	2.4
10) Repeal net interest exclusion (Rostenkowski tax freeze)	7.0
11) Tax shelter, accounting and corporate tax abuse proposals (Dole, Treasury)	12.0
12) Freeze charitable contributions deduction for non-itemizers (Rostenkowski tax freeze)	4.7
13) Limit income averaging (Dole)	3.2
14) Target for other possible loophole items (e.g. health exclusion cap, ITC adjustment)	9.0

THE WHITE HOUSE
WASHINGTON

February 29, 1984

MR. PRESIDENT:

The attached note from Ken Khachigian argues that we should end the "downpayment" negotiations -- and that you should go on the offensive with a televised address proposing a new deficit reduction package.

I have provided copies to Messrs. Meese, Baker, and Deaver. There are many considerations re the where-we-go-from-here question -- in addition to those raised by Ken. I'm sure you will wish to have group discussion of this.

Dick

Richard G. Darman

cc: Meese
Baker
Deaver

Received S S

1984 FEB 29 AM 9: 22

February 27, 1984

MEMORANDUM FOR THE PRESIDENT

FROM: Ken Khachigian

I believe the time has come for you to cut off the deficit talks with the Congress and go on the offensive with a plan that not only recaptures the policy ground for you, but also happens to be good politics as well.

After spending last week in Washington and witnessing the political antics of O'Neill, Wright et al. and their skillful use of your goodwill to blast you nightly, I became further convinced that these talks are pointless. Moreover, this continued fruitless negotiating with the Congress is not playing to the President's strengths, i.e., his ability to rise above the battle and exercise national leadership.

I shared these and other thoughts with Jim Baker last week, and Jim asked that I send you a brief note.

First, make a public announcement that you are disappointed with the Democratic Congressional Leadership's refusal to be realistic or fair. Their plans for new and higher taxes, a postponement of indexing, and massively dangerous cuts in the defense budget would put America back where it was four years ago and are plain unacceptable.

The President would then say that he will prepare a detailed downpayment on the deficit, and that he will present these ideas to the Congress and the Nation within 10 days. Remind the public of the fast one pulled by Congress in connection with TEFRA and the President's determination not only to save the recovery, but also to regain a sound financial footing which will keep inflation and interest rates down.

Second, the 10 days before the speech should include some careful preparation by which the American people clearly understand the President's commitment to this process. This must include, in my judgment, a clear and convincing effort by the President to take the initiative with regard to cuts in the Pentagon budget.

I believe, reluctantly, that the President must be visibly in front regarding defense cuts. I come to this conclusion because of my understanding that Congress not only has in mind deeper and more dangerous cuts, but that the Administration would likely have to swallow some of these cuts whether it wants to or not.

That being the case, why should the President have to take several months of partisan attack and then be forced to accept something that he could have lived with in the first place? If the President takes command of this situation, he would not only be more able to control the cuts, but also demonstrate clearly an ability to lead on a sensitive national concern.

However, defense cuts should not come merely by some vague public pronouncement, but from symbolic Presidential action. In 1981, the President built up great credibility about the budget and Economic Recovery program through conspicuous participation (with constant photo opportunities) in the process. We need to do the same, I believe, with the defense budget.

If the President agrees with this approach, then I believe he should quickly have briefing books prepared for him, and then schedule perhaps two consecutive days (a half day each) of briefings at the Pentagon. Each day the President should be seen on national television and in front page photographs, striding into the Pentagon carrying fat briefing books under each arm. There would be no public comment after each day.

There should be some tough questions for each service, briefings on various weapons systems, and deep discussions with the joint chiefs. Because of this very prominent look into the Defense budget, I'm convinced that the President will be more able to limit the cuts to those which cannot harm the national defense. The public, having witnessed his intense study of the issues, will be better able to accept the President's bottom line -- which, by the way, will reflect his willingness to achieve savings. (It's my understanding that we are talking in terms of some $10 billion a year in outlays and a little more in obligations.)

Third, these cuts now can be combined with domestic spending cuts and loophole closures to start the effort to control the deficit. I'm told the revenue increases are strictly limited to those which do not inhibit the recovery, which protect the individual cuts and indexing at all costs, and which do not substantially affect the middle class or the poor. The bottom line: this far and no further. America cannot tax itself to prosperity and balanced budgets.

Fourth, this entire package, some ten days after the President announced it, should be presented in a televised Oval Office speech -- an educational speech like the President gave in February 1981. It will explain the cause of the deficit, the clear necessity to preserve the tax cuts, the need to gain control of government, the President's willingness to pare down the Defense budget with cuts that don't use a meat-ax, and the belief that this three-year $100 billion slice into the deficit is just the tonic necessary to keep inflation down, the recovery roaring, and perhaps even encourage interest rates to come down.

This is one speech that ought to be long enough to get every argument in -- to set things out with great detail, sound argument and superb documentation. The goal: to take away from Congress their ability to determine this agenda, to use the bully pulpit to put the President back in the pre-eminent leadership role, and to stimulate public confidence which will preserve all that we have achieved. And the President ought to make clear that he's acting because the Congress wishes to politicize this issue.

This will not be sent up in the form of a new budget -- but it will be our way of asking the Congress to make these changes. On the other hand, once these recommendations are made, we must keep the heat on the Congress -- insisting that the package be as the President presented it, with no compromises on basic principles and no reduction in the numbers. Follow-up over the next few weeks is essential as is speaking with only one voice within the White House. If necessary, for the period of this battle, one economic spokesman could be designated.

The timing will be superb. This comes in mid-March; the President's foreign travel, including China, begins in April -- and while the Democrats are flailing around, the President will be strongly on top of every key public issue there is. These actions could be a tonic for the Nation. And, with some discipline in GOP ranks, could put the party as well as the President on a roll into the Convention. But to repeat -- this entire process requires the same kind of overriding commitment that was created in 1981. We're close enough to the end that I'm confident it will all be worthwhile.

Privately, I believe this will give the President all the latitude he needs to begin the second term with the kind of strong sense of constancy that has been his strength as President, and enable us to start phase two, in 1985, of controlling the growth of government and expanding personal freedoms.

THE WHITE HOUSE
WASHINGTON

January 9, 1984

MR. PRESIDENT:

The attached decision memo is to follow-up our luncheon discussion on deficit reduction. I have provided copies to Messrs. Meese, Baker, and Deaver -- with the suggestion that you discuss this at your 9:00 meeting in the morning.

Dick

Richard G. Darman

cc: Meese, Baker, Deaver

THE WHITE HOUSE

WASHINGTON

NOTE FOR THE PRESIDENT

FROM: RICHARD G. DARMAN Dick

SUBJECT: DEFICIT REDUCTION DECISIONS

This memo is for your convenience in reviewing and formalizing your deficit reduction decisions.

(A) STRUCTURAL REFORMS

It has been assumed that you have already decided to include the following in your program -- and to announce these in the context of the State-of-the-Union-and-Budget presentations:

- Constitutional amendment to provide Presidential line-item veto (with specific details still to be decided) ____YES ____NO

- Constitutional amendment to provide for balanced budget ____YES ____NO

Your advisers unanimously recommend that your program also include a commitment to study tax simplification -- with a visible directive to Treasury (in the State of the Union), that requires: adherence to principles seeking greater fairness, simplification, efficiency, reduction of cheating, and incentives for work, savings, investment, and growth; and a report to you at the end of 1984.

____YES ____NO

(B) BUDGET PROGRAM DECISIONS REVIEWED/APPROVED TO DATE

It has also been assumed that you intend to stick with the budget-cutting decisions you have already made in the budget review process, that you approve Don Regan's "cats and dogs" revenue measures (to which no objections have surfaced); and that you approve a space platform initiative (at the OMB/NASA budget compromise level). The deficit -- given these decisions and troika economic assumptions -- would then be projected as on page 1, line 3 of the attached memo (which you reviewed at lunch). NOTE: over five years, these decisions amount to a net of roughly $250 billion in deficit reduction (relative to our "current services projection).

____YES ____NO

(C) <u>ADDITIONAL DEFICIT REDUCTION OPTIONS FOR DECISION</u>

The options discussed at Monday's lunch (paper attached) should be viewed as addressing the question: <u>What, if anything, else?</u> As requested, I note here below who (among those at lunch) recommends what:

____YES ____NO Option (1): "All decisions to date with no additional measures"

Recommended by: Weinberger

____YES ____NO Option (2): "Additional 7.5% corporate/ individual surcharge"

Recommended by: Baldrige, Feldstein, Stockman

____YES ____NO Option (3): "Additional 3% outlay cut (ex social insurance) and matching contingency tax"

Recommended by: no one

____YES ____NO Option (4): "Additional 3% outlay cut (ex social insurance)"

Recommended by: Regan

____YES ____NO Option (5): "All decisions to date plus bipartisan deficit commission"

Recommended by: Baker, Darman, Deaver, Fuller, McFarlane, Meese, Oglesby, Svahn.
<u>NOTE</u>: If this option is selected, a supplementary paper on the detailed charter and membership of the Commission will be required for Presidential review and decision.

____YES ____NO Option (6): "Bipartisan deficit commission plus [some other option]"

<u>NOTE</u>: Shultz favors a Commission plus a consumption tax on energy. Baldrige favors a Commission on entitlements along with option (2).

A

SUMMARY OF BUDGET STATUS* TO DATE

Budget Component	1985	1986	1987	1988	Total
Budget Totals:					
1) Outlays	923	1,000	1,072	1,136	4,131
2) Revenue	744	814	887	978	3,423
3) Deficit	-179	-186	-185	-158	-708
Deficit Reduction Measures Reflected in Budget Totals:					
4) Non-DOD spending cuts	5	11	15	20	51
5) DOD savings from FY 1984 topline	11	12	12	12	47
6) Debt service savings	2	5	7	10	24
7) Treasury tax code reform	7	11	15	19	52
8) Sub-total	25	39	49	61	174
9) Memo item: Composition of Treasury tax code measures:					
10) Health cap reform	3.7	6.3	7.7	9.6	27.3
11) State/local leasing abuse	1.8	2.8	4.2	5.9	14.7
12) All other	1.6	1.9	3.0	3.5	10.0
Budget Shares of GNP:					
13) Outlays	23.7%	23.6%	23.4%	22.9%	---
14) Revenue	19.1%	19.2%	19.3%	19.7%	---
15) Deficit	-4.6%	-4.4%	-4.0%	-3.2%	---

* Based on approved FY 1985 economic forecast:

	Real GNP Growth	Unemployment Rate	T-bill	CPI Increase
1984	5.3%	7.7	8.5	4.4
1988	4.0%	5.8	5.5	3.9

ADDITIONAL DEFICIT REDUCTION OPTIONS

Budget Option	1985	1986	1987	1988
Option #1: All Budget Decisions to Date with no Additional Measures:				
1) Deficit Level	-179	-186	-185	-158
Option #2: Additional 7.5% Corporate/Individual Surcharge:				
2) 7.5% Surcharge	22	33	36	40
3) Deficit Level	-156	-149	-142	-110
Option #3: Additional 3% Outlay Cut (Excluding Social Insurance) and Matching Contingency Tax:				
4) Additional 3% Outlay Cut	16	27	31	33
5) Matching Contingency Tax	--	27	31	33
6) Deficit Level	-163	-128	-115	-80
Option #4: Additional 3% Outlay Cut (Excluding Social Insurance):				
7) Additional 3% Outlay Cut	16	27	31	33
8) Deficit Level	-163	-156	-149	-119
Option #5: All Budget Decisions to Date plus Bipartisan Deficit Commission:				
9) Commission Savings	--	50	65	83
10) Deficit Level	-179	-136	-120	-75
Option #6: Bipartisan Deficit Commission plus Any Option Above				

4-Year Total

	#1	#2	#3	#4	#5*
Outlays					
1) Non-DOD Savings	51	51	100	100	51
2) DOD Savings ...	47	47	105	105	47
3) Debt Service ..	24	44	50	40	24
4) Total Outlay ..	122	142	255	245	122
Revenue					
5) Treasury Pkg...	52	52	52	52	52
6) Tax Increase ..	0	131	91	0	0
7) Total Revenue..	52	183	143	52	52
Deficit					
8) Deficit Total..	-708	-557	-486	-587	-510

Deficit Share of GNP

	1985	1986	1987	1988
#1	4.6	4.4	4.0	3.2
#2	4.0	3.5	3.0	2.1
#3	4.2	3.1	2.5	1.6
#4	4.2	3.7	3.6	2.4
#5	4.2	3.2	2.6	1.5

* Commission deficit reduction target shown in deficit line only

FURTHER DETAILS ON DEFICIT REDUCTION OPTIONS

All Options: Treasury Would be Directed Now to Study and Develop New Tax Simplification Aproach Based on Following Principles:

- o The tax system must be made more simple
- o The tax system must be made more fair
- o Incentives for work, savings, investment and economic growth must be increased
- o Taxes must be easier to pay and easier to collect
- o Cheating must be substantially reduced

Option #2: Additional 7.5% Corporate/Individual Surcharge

- o Immediate transmittal and active Administration support of 7.5% surcharge.
- o Entitlement savings sought on parallel track "best efforts" basis.
- o Surcharge effective January 1, 1985 but triggers on only if FY 1985 non-DOD appropriations do not exceed Administration request.
- o Automatic expiration in 1987 -- replace with structural spending/ tax reform. Triggers-off before 1987 if deficit below 2.5% of GNP.

Option #3: Additional 3% Outlay Cut (Excluding Social Insurance) and Matching Contingency Tax

	Distribution of Additional 3% Cut 1985	1986	1987	1988	4-Year Total	% of Total
1) DOD	8	15	17	18	58	54%
2) National Interest	2	2	3	3	10	9%
3) Other Domestic	6	10	11	12	39	36%
4) Total	$16	$27	$31	$33	$107	100%
Memo Item: Impact on Defense Budget Authority vs. January FY 1984 Topline:						
o Cut agreed to by DOD	-17	-10	-11	-11	-49	N.A.
o Additional 3% Outlay Cut .	-19	-19	-19	-19	-76	N.A.
o Total B.A. Cut	-36	-29	-30	-30	-125	N.A.
o Revised DOD B.A. Level ...	286	328	359	394	1,367	

Description of Additional 3% Outlay Cut and Matching Contingency Tax

- o 3% outlay cut from previously approved FY 1985 levels for all budget accounts except social insurance programs (Social Security, Medicare, UI, etc.).
- o 10% cap on 1985 Budget Authority cut from previously approved levels to protect slow-spend programs. Proportionate B.A. cut in out-years.
- o Matching contingency tax not transmitted or supported by Administration until both previously approved and additional 3% domestic spending cuts enacted. Matching contingency tax triggers-on in FY 1986 if deficit above 2.5% of GNP and no recession.

Option #4: Additional 3% Outlay Cut (Excluding Social Insurance)

- o Same pro-rata outlay cut as in option #3.
- o No additional contingency tax.

Option #5: Details of Bipartisan Deficit Commission

- o Comprised of outsiders.
- o Recommendations non-binding.
- o Reporting date: December 1984.
- o Tax proposals: referral to Treasury for review as part of simplification study.
- o Spending cut proposals: referral to OMB and Congress.