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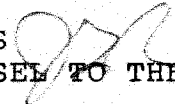
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THE WHITE HOUSE

WASHINGTON

March 18, 1986

MEMORANDUM FOR THOMAS F. GIBSON III
SPECIAL ASSISTANT TO THE PRESIDENT AND
DIRECTOR OF PUBLIC AFFAIRS

FROM: JOHN G. ROBERTS 
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Draft Presidential Answers to
Questions from Closeup Foundation

Counsel's Office has reviewed the above-referenced draft Presidential answers, and finds no objection to them from a legal perspective.

cc: David L. Chew

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING☐ H - INTERNAL☐ I - INCOMINGDate Correspondence
Received (YY/MM/DD) _____Name of Correspondent: Dee Chew☐ MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Draft Presidential answers to
Questions from Claremont Foundation

ROUTE TO:

ACTION

DISPOSITION

Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CUTROLL</u>		ORIGINATOR	<u>860318</u>			<u>1 1</u>
<u>cut 18</u>		Referral Note:				
		<u>R</u>	<u>860318</u>		<u>S</u>	<u>860319</u>
		Referral Note:				<u>10 am</u>
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ACTION CODES:

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Comments: _____

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Always return completed correspondence record to Central Files.

Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

WHITE HOUSE STAFFING MEMORANDUMDATE: 3/18/86 ACTION/CONCURRENCE/COMMENT DUE BY: 10:00 a.m. 3/19/86SUBJECT: DRAFT PRESIDENTIAL ANSWERS TO QUESTIONS FROM CLOSEUP FOUNDATION

	ACTION FYI			ACTION FYI	
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REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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CHAVEZ	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	GIBSON	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
KINGON	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please give your comments/edits directly to Tom Gibson, with an info copy to my office by 10:00 a.m. tomorrow. Thanks.

RESPONSE:

1986 MAR 18 11:12:50

David L. Chew
Staff Secretary
Ext. 2702

March 18, 1986

DRAFT PRESIDENTIAL ANSWERS TO QUESTIONS FROM CLOSEUP FOUNDATION

1. In his first term, a President is constrained by the decisions made during a previous administration and the pressures of a reelection campaign. Neither is a factor in your second term. Has your decision making changed since your second inaugural?

You are right in saying that decisions made in previous administrations tend to have lasting effects. Much of the current federal budget, for example, is the result of decisions made by previous occupants of the Oval Office. Indeed, today we are still paying for the spending habits of successive Congresses and administrations over the past two decades.

As for the pressure of reelection, I have to say that I really didn't feel it during my first four years in the White House. Years ago, as Governor of California, I made a promise to myself that I did not want to hear any advice from my staff on how a given decision might affect future elections. I have enforced the same rule here at the White House. I firmly believe that the people elect their leaders to make decisions which we believe are right and in the best interests of our country.

Is my second term shaping up to be especially different than the first? No. I am the same person, with the same basic philosophy that we brought to Washington in 1981 -- a fact that continues to disturb many Democrats in Congress. I believe that we must keep our country strong to protect the peace and defend freedom. And we must remove government obstacles to individual initiative.

2. As you look back on your tenure in office, what do you see as the most important decisions you have made?

While the decisions each President makes are important, three key areas stand out in my mind.

First, national defense. When I became President our militart was suffering from low morale; many of our ships couldn't sail and planes couldn't fly for lack of experienced crews and spare parts. Crucial strategic weapons programs were behind schedule or had been scrapped altogether. The weapons procurement program was riddled with waste and inefficiency.

(question 2, continued)

It was critical that we turn the situation around -- and our progress these past five years has been substantial. We reduced the cost growth in major weapons programs from 14 percent to 1 percent, and we will do more to ensure that a dollar spent on defense yields a dollar's worth of security. With the addition of the B-1 bomber, the M-X "Peacekeeper" missile, and the Trident submarines, we have made the first significant improvement in strategic capability in 20 years. And our recruitment goals are being met with some of the highest quality men and women our armed forces have ever seen. We have laid the foundation for the most effective military we have ever had in peacetime.

A second crucial decision was to go forward with efforts for real reductions in nuclear weapons with the Soviets, and to conduct research on a strategic defense system. We would like to develop an alternative to retaliation -- and mutual destruction -- and to guard against the use of nuclear weapons by a madman. This project, the Strategic Defense Initiative, could someday make the world safer by rendering nuclear missiles obsolete.

Third, I set out in 1981 to unleash the American economy. We reduced the rate of growth in federal spending, cut tax rates by 25 percent, reduced regulation and red tape, and promoted stable monetary policies. And the people responded, creating an economic expansion that has put well over nine million Americans to work since November 1982. Now we are working with Congress to reform our tax laws by reducing rates and making taxes simpler. When we do that, the top individual rate will drop to its lowest level in 31 years, the tax burden will be lifted off the backs of millions of the working poor, and the cost of capital will be reduced so the economy can keep growing.

3. You have had an active career, both in and out of politics. Your life seems to be an example of the American dream -- that any citizen has the opportunity to become President. Is this dream alive and well in the America of the 1980s? Can anyone aspire to be the most powerful person in the world?

This is the best possible time to be alive, to be an American and to have a dream. Just look at the sense of renewal of America's mind and its heart and its spirit! I'm proud that our policies have played a role in bringing this about. And when I think about the young people I meet on their visits to the White House or on my trips across the country, I become more firmly convinced than ever that America's future is bright.

(question 3, continued)


America is the land of opportunity, and in this land of opportunity anyone -- man or woman, black or white, Christian or Jew -- can be elected President.

THE WHITE HOUSE

WASHINGTON

March 19, 1986

MEMORANDUM FOR THOMAS F. GIBSON III
SPECIAL ASSISTANT TO THE PRESIDENT AND
DIRECTOR OF PUBLIC AFFAIRS

FROM: JOHN G. ROBERTS 
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Domestic Briefing Materials for the
Scheduled New York Times Interview

Counsel's Office has reviewed the above-referenced briefing materials and finds no objection to them from a legal perspective.

cc: David L. Chew

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User Codes: (A) _____ (B) _____ (C) _____

Subject: Domestic Briefing materials for
the scheduled NLSimer interview

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CU HOLL</u>	ORIGINATOR	<u>86,03,19</u>			<u>1 / 1</u>
<u>CUst 18</u>	Referral Note:				
	<u>R</u>	<u>86,03,19</u>		<u>S</u>	<u>86,03,19</u>
	Referral Note:				<u>5pm</u>
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	Referral Note:				
		<u>1 / 1</u>			<u>1 / 1</u>

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WHITE HOUSE STAFFING MEMORANDUMDATE: 3/18/86 ACTION/CONCURRENCE/COMMENT DUE BY: 5:00 P.M. TODAYSUBJECT: DOMESTIC BRIEFING MATERIALS FOR THE SCHEDULED NEW YORK TIMES INTERVIEW

	ACTION FYI			ACTION FYI	
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REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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CHAVEZ	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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KINGON	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please give your comments/edits directly to Tom Gibson, with an info copy to my office by 5:00 p.m. today. Thanks.

RESPONSE: _____

ACID RAIN

RR and Canadian Prime Minister Mulroney commissioned a study of acid rain. The report was presented on January 8, 1986.

- o RR endorses the report which said acid rain is a serious environmental problem for the U.S. and Canada.
- o The U.S. pioneered air pollution controls and has spent \$75 billion since the 1970 passage of the Clean Air Act to limit emissions of pollutants that may lead to the creation of acid rain. By 1990, \$100 billion will have been spent for this purpose.
- o This Administration has provided substantial support for clean coal technologies.
 - For FY 1981 through FY 1985, \$2.2 billion in research funds has been allocated to develop technologies for cleaner use of coal.
 - In this year's budget, \$700 million is earmarked for clean coal research between FY 1986 and FY 1991. And an \$800 million joint industry/government program to demonstrate clean ways to burn coal will be implemented.
- o Since 1982, the Administration has spent \$225 million to assess the acid rain problem and its solution. The Administration has already planned to spend \$255 million between now and 1989 to continue this effort, with \$85 million for FY 1987.
- o The Administration will seek to provide future funding recommended in the report.
- o RR will direct Federal departments to work to identify cost-effective approaches leading to reduced emissions of pollutants linked to acid rain; strengthen consultations with Canada; and conduct reviews of research in light of the report.

ECONOMIC UPDATE

Some economists may want to focus on negative notes, but the U.S. is in its 39th month of economic expansion.

- o Real GNP has grown every quarter since the third quarter of 1982. And RR expects the trend to continue and achieve the Administration's forecast of 4% growth in 1986.

NOTE: Fourth quarter revisions for 1985 were announced Wednesday, March 19: Economic growth slumped to a rate of 0.7 percent in the fourth quarter of 1985; that put growth for 1985 at 2.2 percent, the slowest since 1982.

- o Jobs: The unexpected rise in the civilian unemployment rate from 6.7 percent in January to 7.3 percent in February is considered temporary. RR sticks to the Administration forecast of 6.7 percent unemployment for 1986.
- o Prime interest rates, now the lowest in over 7 years, is at 9.0 percent. Federal Discount Rate has been lowered by a half point to 7.0 percent.
- o The Producer Price Index for finished goods fell 1.6 percent in February, the biggest drop since we started collected data in 1947. That means a substantial stimulus to the overall economy and RR's economic advisers say it will sharply reduce consumer price increases in 1986.
- o The Value of the Yen has been rising against the dollar, making our goods less costly in Japan and their goods more expensive in the U.S. That should, over time, improve the trade balance with Japan.
- o The Dow-Jones Industrial Average has gained almost 500 points in the past nine months, and is nudging 1800.

TAX REFORM

Given the reservations of many in the Senate, will you endorse Senator Packwood's plan to help the process along?

- o Many of the components RR stipulated for true tax reform are present in the Packwood proposal.
 - The personal exemptions of \$2,000 for itemizers and non-itemizers;
 - Top personal rate for individuals no higher than 35 percent.
 - Basic tax incentives to reduce the cost of capital for American business.
- o The Treasury Department and CEA are currently reviewing the plan to make revenue estimates and calculate how the proposals would impact economic growth.
- o At present, the Packwood plan is not one RR could sign.

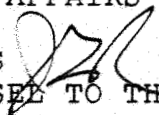
Note: The Senate Finance Committee will take up Senator Packwood's tax reform proposal. It allows individuals nearly the same reductions in the House bill. The Packwood plan would end the federal tax deduction companies now take for excise taxes and tariffs. Many analysts predict that could lead to higher prices for consumers.

THE WHITE HOUSE

WASHINGTON

March 19, 1986

MEMORANDUM FOR ALBERT R. BRASHEAR
SPECIAL ASSISTANT TO THE PRESIDENT
AND DEPUTY PRESS SECRETARY
FOR DOMESTIC AFFAIRS

FROM: JOHN G. ROBERTS 
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Additional Domestic Briefing Materials
For New York Times Interview

Counsel's Office has reviewed the above-referenced domestic briefing materials and finds no objection to them from a legal perspective.

cc: David L. Chew

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING☐ H - INTERNAL☐ I - INCOMINGDate Correspondence
Received (YY/MM/DD) 1 / 1Name of Correspondent: David Chew☐ MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Additional Domestic Briefing Materials
for NY Times Interview

ROUTE TO:

ACTION

DISPOSITION

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			<u>1 / 1</u>			<u>1 / 1</u>

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WHITE HOUSE STAFFING MEMORANDUMDATE: 3/19/86 ACTION/CONCURRENCE/COMMENT DUE BY: ASAPSUBJECT: ADDITIONAL DOMESTIC BRIEFING MATERIALS FOR NEW YORK TIMES INTERVIEW

	ACTION FYI			ACTION FYI	
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KINGON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please give your comments/edits directly to Rusty Brashear ASAP, with an info copy to my office. Thanks.

RESPONSE:

11:51

LIABILITY INSURANCE CRISIS

- o The President has received report from his Domestic Policy Council -- along with recommendations -- but has not yet made any decision.
- o The crisis is one of availability, affordability and adequacy of coverage.
- o Crisis affects municipalities, industry, business and professional sectors.

Causes of the Crisis:

- o Insurance Industry Performance
 - Industry suffered \$25 billion in losses when you compare income from premiums and outgo for claims.
 - That was not a problem when interest rates were at 18%, but because they cannot earn as much now from investments and lending programs, it has hurt them.
 - Industry was still profitable last year, but by much smaller margins.
- o Problems in Tort Law
 - Caused to a large extent by movement toward no-fault liability. As the tort system moves away from fault, it increasingly imposes liability upon persons and companies that have done nothing wrong.
 - The explosive growth in damage awards. For example, the average medical malpractice jury verdict went from \$220,018 in 1975 to \$1,017,716 in 1985. Average product liability verdicts increased 470% in same period.
 - Large increase in contingency fees. In study of asbestos claims, only 37 cents of every dollar in a trial claim were paid to victims.
 - Growing number of tort lawsuits. Number of product liability suits in federal courts, for example, has increased 785% in 1985.
 - Concept of joint and several liability, whereby plaintiffs often get large awards from deep-pockets defendants who only had a small share of actual liability.

ACID RAIN

- o At Quebec Summit last year, the President and Prime Minister Mulroney decided that Special Envoys should examine the dispute over acid rain.
- o The Joint Report from Drew Lewis and his Canadian counterpart was delivered January 8, 1986. President thanked Lewis, praised envoy process and promised to study.
- o President's Domestic Policy Council reviewed the study and reported to the President on February 18, in preparation for President's March 18 meeting with Prime Minister Mulroney.
- o President fully endorsed joint report March 19 in meeting with Prime Minister Mulroney. Endorsement includes support for:
 - Commitment to seek funds for a \$5 billion government/private sector program to fund development of innovative control technologies;
 - Cooperative activities, and review of improvements possible under existing legislation; and
 - Research efforts.
- o We are still committed to dealing with what is a real concern both in the U.S. and in Canada.
 - The President has requested \$85 million in his FY '87 budget for further research, targeted at the key uncertainties.
 - Every area of the country is required to meet air quality standards that protect public health and welfare.
 - There has been a 28 percent reduction in sulfur dioxide emissions (the most important pollutant contributing to acid rain) during the 1973-83 period.

ECONOMIC UPDATE

- o U.S. in its 39th month of economic expansion.
- o Well over 9 million more Americans are working today than in November 1982.
- o It's true that unemployment rose to 7.3% (from 6.7%) in February, but two-thirds of that increase came in three states (California, Texas and Illinois) that only comprise 28 percent of the labor market.
 - One hundred thousand people alone lost their agricultural jobs in California because of flooding from the big winter storm.
 - We do not think that this is a trend, but believe instead that soon we will see the 10 millionth new job created since the Reagan expansion began in November 1982.
- o During the economic recovery, blacks have gained an average of 40,000 new jobs every month. More blacks are employed in the U.S. today than ever before -- over 10.7 million.
- o Real GNP has grown every quarter since the third quarter of 1982.
- o You have to go back a generation, to 1964-1967, to find four straight years of lower inflation (measured by CPI -- 3.8% in 1985). Producer Price Index fell 1.6% in February, the largest one-month decline since 1947.
- o Prime interest rates now lowest in over 7 years (9.0%).

Economic Outlook Healthy

- o Many private forecasters are revising their earlier economic projections for 1986 upward-- making our projection of 4% growth in real GNP look better all the time.

Recent Developments

- o Housing starts rose again in February, 22 percent above the February 1985 rate.
- o Dow Jones Industrial Average reached the 1700 mark, sparked by optimism on inflation and interest rates. It took only 14 trading days to move from the 1600s to the 1700s. There is no reason to believe it won't break the 1800 barrier in the very near future.

FY '87 BUDGET OVERVIEW

- o This budget sets the deficit on a downward path to a balanced budget by 1991. It does so: (1) without raising taxes; (2) without sacrificing our defense preparedness; and (3) without cutting benefits for the poor or the elderly.
- o Federal spending as a proportion of GNP remains at historic highs -- 23.4 percent in FY 1986 compared with about 20 percent throughout the 1960s and 1970s. The budget would reduce spending to its historical levels -- 18.9 percent of GNP by 1991.
- o Even if Congressional Budget Office's projections of declining deficits are correct, we would still face a deficit in excess of \$100 billion in 1991. Gramm-Rudman-Hollings still dictates that we eliminate deficits by then, and we intend to do so.

1986: Year of Decision

- o Economic growth is producing increased federal revenues. Revenues are rising faster than outlays for current services.
- o If the President's FY 1986 budget is adopted, the baseline for future years will be lowered so that large additional cuts will not be required to meet G-R-H targets in future years.
- o Of the \$38 billion deficit reduction needed to reach \$144 billion goal:
 - Over \$6 billion comes from increased receipts -- increased employee contributions to retirement funds, continuation of cigarette tax, IRS administrative initiatives, other fees;
 - Over \$3 billion comes from selling federal assets;
 - Over \$4 billion is from savings on defense and on interest payments; and
 - The rest, about \$22 billion, comes from making certain reductions in other domestic programs. The cuts come out of a \$418 billion base -- so we're cutting 5½ cents out of each dollar.

Congressional Reaction to Budget

- o House vote against President's budget was purely political. It was preceded by neither careful analysis nor any alternative.
 - o The Domenici compromise runs contrary to President's principles of balancing the budget without increasing taxes or sacrificing defense preparedness.
- We remain optimistic that we can work with the Committee to produce a budget that is acceptable both to the Senate and the President.

TAX REFORM

- o During House debate, the President stipulated certain changes he would need to see before granting final approval to a tax reform bill.
 - Raising personal exemptions to \$2,000 for itemizers and non-itemizers -- at least for those in lower and middle income brackets;
 - Basic tax incentives to reduce the cost of capital for American businesses;
 - Effective dates which erase doubts and apprehensions for those planning investments;
 - Minimum tax so individuals and business cannot escape paying their fair share;
 - Top personal rate for individuals no higher than 35%; and
 - Real tax relief for lower and middle income Americans.
- o The President has endorsed broad outline of Senator Packwood's Finance Committee bill after being assured it meets all of these demands.
- o Treasury Department is now analyzing Packwood proposal to assure us of its revenue neutrality. They are also trying to assess the effects of the interplay of various segments upon each other.

RECONCILIATION

- o Congress had originally agreed to more than \$60 billion in savings, but we are now debating a bill that claims to save only \$12 billion, half of which would come from new revenues.
- o Biggest obstacle has been equitable distribution between federal government and states of some \$7 billion in escrowed Outer Continental Shelf revenues. Thursday, the President agreed to accept a compromise offered by Congressman Henson Moore (R-La.). It would provide for:
 - States receiving 27 percent, or \$1.42 billion,
 - States receiving further recoupment payments over 15 years of another \$600 million,
 - State entitlement to 27 percent of future 8(g) royalties,
 - Removal of several issues objectionable to administration, including the Buy American provision and a limitation of secretarial discretion.
- o There is still no final agreement, but certainly we can say that Congressman Moore has made a good faith effort toward settling a very difficult issue.

THE DOLLAR

- o Pleased with movement of exchange rates since last September.
- o Plaza Agreement last September brought dramatic results.
- o Since September 22 dollar is down:
 - 28% against Japanese Yen
 - 22% against German mark
- o Good news for U.S. industry and farmers.
- o Will result in a substantial reduction in the U.S. trade deficit.
- o Shows clear results in a substantial reduction in the U.S. trade deficit.
- o World still needs stronger European and Japanese growth to help reduce trade imbalances further.
 - Recent reductions in U.S., European and Japanese interest rates represent a positive step.
 - Will continue discussions and consultations with partners.
 - Hope Summit will produce commitment to stronger growth.
- o We also need to consider how to strengthen the functioning of the system to provide greater stability.
 - Need to achieve closer economic coordination among countries.
 - Have therefore directed Secretary Baker to determine whether to convene a meeting of countries to consider the role and relationship of our currencies.

John White

THE WHITE HOUSE
WASHINGTON

April 4, 1986

MEMORANDUM FOR THOMAS F. GIBSON III
SPECIAL ASSISTANT TO THE PRESIDENT AND
DIRECTOR OF PUBLIC AFFAIRS

FROM: PETER J. WALLISON *PJW*
COUNSEL TO THE PRESIDENT

SUBJECT: Domestic Briefing Materials: 4/3/86

This office has reviewed the domestic briefing materials forwarded by David Chew and has no legal objection to the material contained in the following sections:

- Economic Update
- Oil Prices
- FY 1987 Budget Resolution
- Tort Reform/Product Liability (statistics have not been independently verified)
- Nuclear Waste Repositories
- Social Security/Medicare
- Illinois Primary/Lyndon LaRouche
- Tax Reform
- Farm Issues
- Trade/Economic Summit

With regard to the section on "Ethics in Government", I note the following:

The first sentence in the "Ethics in Government" section should be deleted. The Administration should not issue a blanket defense of the conduct of former officials in the absence of familiarity with all pertinent facts. As indicated by the first "note" item, we are still gathering those facts.

On the section titled "Balanced Budget Amendment -- Constitutional Convention", please see my memo at Tab A.

Thank you.


cc: David Chew

THE WHITE HOUSE

WASHINGTON

April 4, 1986

MEMORANDUM FOR THOMAS F. GIBSON III
SPECIAL ASSISTANT TO THE PRESIDENT AND
DIRECTOR OF PUBLIC AFFAIRS

FROM: PETER J. WALLISON 
COUNSEL TO THE PRESIDENT

SUBJECT: Constitutional Convention - Balanced
Budget Amendment

As requested, and in the short time allotted, this office reviewed the domestic briefing materials concerning a Constitutional Convention to adopt a Balanced Budget Amendment.

Because this is in large measure an issue of law, our comments are more substantial than would otherwise be the case. These comments are incorporated in the clean, retyped version of the materials attached to this memorandum.

It is important to recognize that Administration statements on this subject may have effect not only as guides for Congressional and public opinion, but as source material for later judicial interpretation. For this reason, Administration statements should seek to clarify or eliminate sticky issues rather than raise them. We have, therefore, suggested that the "Runaway Convention" heading and the statements beneath it be changed to a more positive, directive and reassuring tone.

We have also suggested that the President's preference for Congressional action, as announced by Larry Speakes on March 26, be emphasized.

Some other points:

- ° Forty-four states, and Puerto Rico, have constitutional budget or debt limitations.
- ° You may wish to note that the American Bar Association has also issued a statement concluding that conventions can be limited.
- ° Technically, the use of the Convention process is the exercise of existing Constitutional authority of the states, rather than a return of power to the states and the people.
- ° The point that three-fourths of the states must approve an amendment was made twice.
- ° 31 states, one short of the necessary two-thirds, called for a convention to adopt an amendment for the direct election of Senators between 1893 and 1912.

BALANCED BUDGET AMENDMENT -- CONSTITUTIONAL CONVENTION

Need for a Balanced Budget Amendment to the Constitution

- ° RR and the legislatures of 32 states (two short of the necessary two-thirds) want a Balanced Budget Amendment to discipline federal spending. Congress has said no.
- ° Gramm-Rudman-Hollings is not a substitute for a Constitutional amendment. G-R-H orders the budget to come into balance by 1991, but we need a permanent mechanism to keep it there.
- ° 49 states and Puerto Rico have balanced budget or debt limitation requirements in statute or as part of their own constitutions. 44 states and Puerto Rico have a constitutional requirement. (Only Vermont has no such requirement.)

Congressional Action Still Preferable

- ° It remains the President's hope that Congress will act responsibly to pass the Balanced Budget Amendment, avoiding the need for a Constitutional Convention. If Congress does not act soon, however, the states will have no choice.
- ° In the early 1900's, when U.S. Senators were still appointed, the American people wanted to vote for Senators themselves. The House of Representatives passed a direct election amendment, but the sitting Senators bottled it up, so the states started calling for a Constitutional Convention. When the number of states came within one of the necessary two-thirds, the Senate capitulated and sent the proposal to the states for ratification (17th Amendment).

Convention Procedures

- ° RR believes a Constitutional Convention could be limited to the Balanced Budget Amendment.
 - Legal scholars, including former President Carter's Attorney General Griffin Bell, the late Senator Sam Ervin, and the American Bar Association, agree that a Convention can be limited to the subject of the states' applications.
 - The states have themselves called for a limited convention on a Balanced Budget amendment only.
 - In the unlikely event of a "runaway convention," the approval of three-fourths of the states would still be required to ratify its proposals. An amendment must be ratified by three-fourths of the states whether it is initiated by Congress or a Convention.
 - The action of a Convention would be subject to review by the Supreme Court.

- There is nothing in Article V preventing the Congress from limiting the Constitutional Convention to the subject that made the states call for it and adopting rules to settle the "housekeeping" matters of a convention.
- Why do some in Washington believe that exercise of the Constitutional rights of the states and the people is something to be feared?