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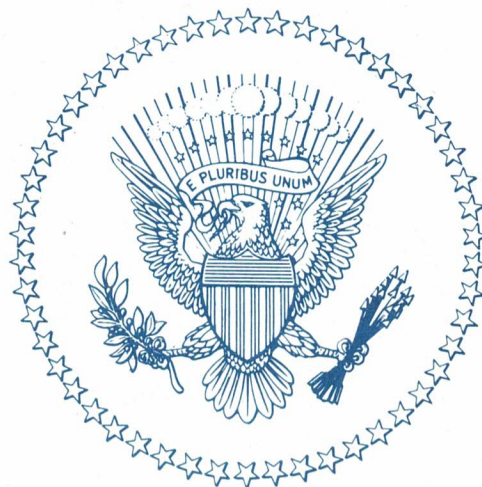
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THE REAGAN PRESIDENCY



**A REVIEW OF THE FIRST YEAR
1981**

THE
REAGAN
PRESIDENCY

A NEW BEGINNING:

A REVIEW OF THE FIRST YEAR

1981

A Report Compiled and Edited by the
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A NEW BEGINNING

It was a time of crisis and renewal. Not since the opening days of Franklin Roosevelt's New Deal had an incoming President been faced with such a broad array of challenges; and not since the New Deal had an incoming President gone to the people and the Congress with so sweeping a series of initiatives -- a program designed to turn the nation around and restore American strength, prosperity and greatness.

In January of 1981 the people of this country had just suffered through the first back to-back years of double-digit inflation since World War I. Interest rates were climbing above 20 percent -- higher than they had been since the Civil War. American workers were just saddled with the largest tax hike in history, yet yearly budget deficits were continuing to rise and the national debt was ready to break through the trillion-dollar mark.

Overseas, both our allies and our adversaries had begun to doubt the resolve of the most powerful nation on earth. America was perceived by many as an inconsistent friend and uncertain foe. Our defensive capability was seriously in question. During a period when NATO had been removing nuclear warheads, the Soviet Union was deploying new ones. Strategic Arms Limitation Talks were dead and the global balance of power was threatened.

Believing that the American people had sent him to Washington to end the decades of government mismanagement that had produced these problems, President Reagan immediately began to work changes that would return the country to the policies that had once made it great.

"For years, Government spending and taxation have grown faster than the underlying economy," the President said. "The American people elected us to reverse that trend, and that's just what we've begun to do."

Under the President's leadership, the Congress in 1981 passed the largest spending reductions in the history of the nation, and was warned that more were needed. American workers received the largest tax rate cut in history and business and industry were given new incentives to produce and invest.

Initiatives by the Vice President's Task Force on Regulatory Relief reduced the pace of new Government regulations by more than one-third while the Federal Reserve followed a policy of slow and steady money growth. By the end of 1981, the President's fight against waste and fraud had saved the taxpayers \$2 billion, the size of the Federal bureaucracy had been cut, and power and responsibility that did not belong in Washington was being returned to state and local government. Moreover, prime interest rates had

fallen six points, inflation was in single digits and the rate of increase in the cost of government had been cut nearly in half.

A recession caused by past policy mistakes gripped the country at year's end, but for the first time in many years, Americans felt there was hope. In December, President Reagan said America was "on the path of what will cure this recession," but he warned the cure would not be quick. "You can't undo in 11 weeks what it took several decades to create."

In addition to his domestic achievements, the President also made considerable headway in meeting foreign challenges. He came into office espousing the view that in order to regain respect overseas, the United States must once again become a strong, reliable partner in the search for peace. Mr. Reagan immediately set the nation upon that course, proposing a major rearming of our armed forces. Despite repeated predictions that the Congress would not go along, the country by the end of the year was pledged to substantial increases in defense spending. It was in that context that the President in November made a dramatic speech calling for nuclear arms reductions with the Soviet Union. In the President's view, the U.S. would for the first time in a number of years come to the bargaining table in a position of military strength.

Beyond the matter of national defense, President Reagan engaged in a number of other foreign policy initiatives in 1981; the Habib mission to the Middle East; laying the basis for a Caribbean Basin plan; new efforts to achieve allied unity; a new plan for Namibian independence...

As the year came to a close, it was clear that there were many challenges still ahead, both at home and abroad, but it was equally clear that 1981 had indeed been a "new beginning". The "Reagan Revolution" was underway; its course was set. Gradually, the country was moving toward a restoration of strength at home and abroad. Of equal importance, the President's view was that the American people had begun to believe in themselves once again -- to believe that they could shape their own destiny and once again enjoy the fruits of a peaceful, more prosperous world.

At the close of the Yorktown Bicentennial celebration, the President said, "We have been trusted with freedom and must ensure it for our children and for their children...We have economic problems at home and we live in a troubled and violent world. But there is a moral fibre running through our people that makes us more than strong enough to face the tests ahead." Quoting Thomas Paine, he said, "We have it in our power to begin the world over again." He added, "We only have to act worthy of ourselves."

A SUMMARY OF MAJOR REAGAN ACCOMPLISHMENTS IN 1981

A foundation for economic recovery has been put in place.

- 1.) The largest tax cut in history has been enacted: to total \$280 billion by 1984; \$750 billion by 1986.
 - individual rates to fall by 25 percent by 1984
 - savings incentives such as expanded IRAs
 - accelerated write-offs for business
- 2.) The growth of federal spending has been cut in half: it was growing at over 14 percent per year on average over the last three years -- it is now down to 7-1/2 percent.
 - Total budget savings of \$40 billion for fiscal '82. Safety-net firmly in place.
 - Waste and fraud campaign producing results -- \$2 billion saved in six months.
 - Brought in 1179 indictments, 656 convictions for fraud.
 - Uncovered over \$1.2 million in counterfeit food stamps in just one investigation in just one city alone (Chicago).
 - New debt collection emphasis also paying off. For example:
 - Cross-match of Social Security lists found 8500 dead people still being sent checks.
 - Farmer's Home Administration already reduced backlog of bad debts by \$1 billion.
- 3.) Regulatory activity has been cut substantially.
 - Number of new pages in the Federal Register is running one third below last year:
 - in first 10 months of '80 -- 73,061 pages,
 - in first 10 months of '81 -- 51,412 pages, 21,649 pages less.
 - The number of new rules is one-half of last year's total.

- For the first time, an effective White House review procedure is in place. A total of more than 2500 regulatory reviews completed this year. \$2 billion saved in operating costs, about \$5 billion in capital cost savings this year alone.

4.) At year's end, some results are beginning to show.

-- Inflation and interest rates have been the greatest obstacles to recovery -- both down dramatically.

- Year should end with inflation rate under 10 percent for first time since 1978. Was 13.3 in 1979 and 12.4 in 1980. October rate was 4.4 percent.
- Prime interest rates were 21.5 percent last December; peaked again last summer but have fallen fast since -- to 15-1/2 percent.

5.) President Reagan is making government work. Flexibility and authority is being restored to state and local government through federalism approach.

- The President obtained some grant consolidation; not all he wanted but a start. Had asked for block grants to replace about one-in-five of federal programs; got a little more than one-in-ten.
- 57 categorical programs combined nine block grants by Congress; paperwork, regulations vastly reduced -- and overhead costs. Example:
 - HHS block grant regulations take only six Federal Register pages, replacing 318 pages of former federal rules.
- The President also made Cabinet government a reality -- five Cabinet Councils have met 129 times this year; met with full Cabinet 29 times.

6.) A strong, productive relationship has been established with Congress.

- From the beginning, President Reagan has sought to meet the Congress half way, frequently traveling to Capitol Hill to talk with the leadership. Held regular meetings with both Republicans and Democrats in the White House.

- Had to use the veto only once -- on the 1982 Continuing Resolution. Action produced compromise with Congress the same day.
- Has begun to build a philosophical coalition in the House and in the Senate. Not only working well with Democrats, but Republicans in House have had one of the lowest Presidential disagreement rates in years.
- President Reagan has won seven straight major victories on key votes:
 - Gramm Latta I
 - Gramm Latta II
 - Tax Cuts
 - AWACS
 - Defense Appropriations
 - Foreign Aid
 - Continuing Resolution

7.) The first comprehensive strategic force modernization plan in 20 years has been developed. Modernization plan includes development of the:

- MX, B-1 (followed by "Stealth"), upgrading of communications and control systems, a new Trident II submarine missile, and enhanced strategic defense to protect mainland U.S.
- Plan will help to close "window of vulnerability"; double number of U.S. strategic weapons able to survive a Soviet strike by 1990.
- All can be paid for from defense funds already in the budget. Strategic weapons over next five years will account for less than 15 percent of overall defense spending compared to 20 percent in 60s.

8.) U.S. has furthered the cause of peace and freedom in the world.

- Call for so-called "zero-option" concerning intermediate range nuclear missiles in Europe illustrates commitment to arms reduction; also proposed to open strategic arms negotiations with the Soviet Union as soon as possible next year.
- Ambassador Philip Habib's mission brought cessation of hostilities in Lebanon when fighting was imminent last May.
- Life brought to stalled talks on Camp David autonomy.

- U.S. leadership led to start-up of stalled Namibian independence efforts; U.S. reconvened allied groups of U.S., U.K., Canada, West Germany and France to try to work out genuine independence for Namibia.
- President sent two AWACS to stations in Egypt to shore up air defenses there after Sadat assassination led to period of heightened tensions.

9.) More consistent, effective relations have been established with world leaders.

- President met several times each with leaders of Great Britain, W. Germany, France (strengthen alliance). Also four times with Trudeau, three times with Lopez-Portillo (new emphasis on North America).
- President held total of 72 meetings with foreign leaders, including the two summits at Ottawa (developed nations) and Cancun (Third World issues).
- President's message of economic self-development, more trade than aid, was supposed to provoke hostility at Cancun. Provoked dialogue instead.

A CHRONOLOGY OF THE FIRST YEAR

- January 20 President Reagan sworn into office, first ever on West front of the Capitol; immediately announces a freeze on federal hiring.
- January 20 The President announces his nominees for the Cabinet.
- January 21 The President swears-in the White House staff; requests resignations of Carter appointees.
- January 22 The President signs memorandum to Executive departments and agencies ordering reductions in federal spending for consulting contracts, superfluous office redecoration and other non-essentials.
- January 22 The President signs an Executive Order establishing the Task Force on Regulatory Relief, chaired by Vice President Bush, to identify and lessen needlessly burdensome government regulations.
- January 28 The President signs an Executive Order decontrolling oil to promote more prudent conservation and vigorous domestic production.
- January 29 The President signs an Executive Order eliminating the wage and price program of the Council on Wage and Price Stability.
- January 29 First nationally televised Presidential news conference.
- February 3 Senate completes action on Cabinet nominations; Cabinet completed.
- February 4 The President meets with the bipartisan Congressional leadership in his first trip to Capitol Hill after inauguration.
- February 5 The President makes his first nationally televised address to the nation outlining the state of the economy and describing his plans for recovery.
- February 7 The President approves an Act to provide for a temporary increase in the public debt to \$985 billion.
- February 13 The President withdraws 33 budget rescission proposals — totalling \$1.4 million dollars; converts them to deferrals to help curtail the growth of government.

February 17 The President signs an Executive Order requiring Office of Management and Budget review of proposed new regulations to improve their quality and lessen their burden.

February 17 The President issues an Executive Order ending all emergency building temperature restrictions.

February 17 The President issues an Executive Order allowing the Export Administration Act of 1979 to be implemented with minimum regulatory burden.

February 18 The President makes televised address to joint session of Congress; outlines his Program for Economic Recovery Recovery.

February 24 The President issues an Executive Order suspending litigation against Iran; implements the Claims Settlement Agreement agreed upon by the U.S. and Iran before the release of the hostages.

February 24 The President issues an Executive Order extending the Atomic Energy Act, saying failure to continue peaceful nuclear cooperation with the European Atomic Energy Community would be against U.S. nonproliferation objectives and jeopardize U.S. defense and security.

February 26 The Administration formally constitutes five Cabinet Councils.

March 2 The President issues an Executive Order establishing the President's Economic Policy Advisory Board, chaired by George Shultz; will advise the Administration on domestic and international economic policy.

March 2 The President speaks at the Mid-Winter Congressional City Conference of the National League of Cities in Washington, D.C.

March 5 The President approves federal aid to Atlanta in the wake of child killings there.

March 6 Nationally televised Presidential news conference.

March 9 The President proposes replacing federal hiring freeze with permanent federal hiring guidelines; part of budget package to be sent to Congress. Plan will reduce federal civilian employment by 33,000 in fiscal '81.

March 10 The President submits to Congress more details of the Program for Economic Recovery outlining 200 additional budget cuts.

March 13 The President directs the Federal Emergency Management Agency to replenish the national stockpile of strategic materials stored for defense purposes.

March 19 The President meets with the Automobile Task Force, headed by Secretary of Transportation Drew Lewis, to discuss the situation in the U.S. auto industry.

March 20 The President outlines his political philosophy in a speech at the Conservative Political Action Conference dinner in Washington, D.C.

March 24 The President announces his decision to have Vice President Bush chair the Administration's "crisis management" team, as part of the National Security Council system.

March 26 The President issues an Executive Order to establish the Council on Integrity and Efficiency in federal programs to be chaired by Edwin L. Harper; the Council will identify and eliminate federal waste, fraud and abuse.

March 26 The United States declares Poland should be allowed to resolve its own problems without interference from any outside power.

March 30 Attempted assassination of President Reagan by John Hinckley, Jr.; Press Secretary James Brady also shot and gravely wounded; Secret Service Agent Timothy McCarthy and D.C. Metropolitan Police Officer Thomas Delahanty also wounded; incident occurred after President spoke to AFL-CIO members at the Washington Hilton Hotel.

March 31 The President approves an Act providing for cuts in dairy price supports.

April 1 The Administration withholds aid to Nicaragua because of that country's arms trafficking to El Salvadorian guerillas.

April 1 President Reagan amends the Generalized System of Preferences in an Executive Order; allows Third World countries favorable trade treatment.

April 6 The President proposes to ease 34 environmental and safety regulations to help restore the auto industry by eliminating the need for \$1.4 billion in capital costs; proposal will lower consumer prices by \$9.3 billion over the next five years.

April 8 The President issues an Executive Order establishing the Presidential Advisory Committee on Federalism and Coordinating Task Force on Federalism chaired by U.S. Senator Paul Laxalt, to better define the relationship between federal and state power.

April 11 The President returns to the White House after 12 days in the hospital.

April 21 The President announces his decision to sell AWACS planes to Saudi Arabia.

April 22 The President sends to the Senate the nomination of Ernest LeFever to be Assistant Secretary of State for Human Rights and Humanitarian Affairs.

April 23 The President directs federal agencies to develop more effective debt collection practices.

April 24 The President lifts the Soviet grain embargo.

April 28 The President makes a nationally televised speech before a joint session of Congress; discusses his Program for Economic Recovery.

May 1 Japanese government announces its voluntary decision to limit auto exports to the U.S. for two years.

May 4 The Administration submits proposals to Congress for welfare cutbacks which would reduce welfare costs by \$1 billion in 1982.

May 4 The Administration reverses the policy of activist currency intervention. U.S. will now only intervene in foreign exchange markets in times of emergency to protect U.S. dollar.

May 5 The President terminates eight unnecessary federal advisory committees in an effort to reduce the size of government.

May 5 The President announces Philip Habib's mission to Israel, Lebanon and Syria to explore ways to reduce tension produced by Syria's deployment of surface-to-air missiles in Lebanon.

May 6 The Administration orders the Libyan diplomatic mission closed.

May 7 The House approves the Reagan bipartisan (Gramm-Latta) budget resolution.

May 12 The Senate approves the President's budget, incorporating major features of the House supported Gramm-Latta I spending resolution.

May 12 HHS Secretary Schweiker announces President's proposed Social Security revisions to return the system to financial stability yet protect basic benefits; proposals included changes in benefits to future early retirees and a three-month deferral of the 1981 cost of living increase for beneficiaries.

May 14 House and Senate conferees agree on the budget resolution.

May 17 The President addresses the 1981 graduating class at Notre Dame University commencement exercises.

May 20 The House agrees to the Conference Report on the budget

May 21 The Senate agrees to Conference Report on the budget.

May 27 The President addresses the 1981 graduating class at West Point commencement exercises.

May 28 In a formal letter to Congressional leaders, the President further defines the Administration's Social Security proposals outlining his commitment to three reforms and principles; asks for a bipartisan effort to save the Social Security system.

June 2 The President extends the Trade Act to promote better relations with Romania, Hungary and the People's Republic of China.

June 5 The President approves the Supplemental Appropriations and Rescission Act providing additional funds for certain agencies and rescinding funds for others.

June 5 The President issues an Executive Order establishing the Task Force on the Arts and Humanities, co-chaired by Hanna H. Gray, Charlton Heston and Daniel J. Terra; to find ways to enhance private sector support for the arts and humanities.

June 5 Ernest LeFever asks that his name be withdrawn as the President's nominee to be Assistant Secretary of State for Human Rights and Humanitarian Affairs.

June 12 The President proclaims July 17, 1981, National P.O.W.-M.I.A. Recognition Day.

June 16 Nationally televised Presidential news conference.

June 16	The President issues an Executive Order establishing the Presidential Advisory Commission on National Housing Policies chaired by William McKenna.
June 25	The Senate approves the Omnibus Budget Reconciliation Bill.
June 26	The House passes the Reagan bipartisan (Gramm-Latta II) budget, cutting the rate of federal spending growth in half.
June 29	The President speaks at the annual convention of the National Association for the Advancement of Colored People (NAACP) in Denver.
July 7	The President nominates Sandra Day O'Connor of Arizona to be the first woman Justice of the Supreme Court.
July 8	President Reagan establishes the Military Manpower Task Force to determine effectiveness of the all-volunteer armed forces.
July 16	The President announces U.S. policies for preventing spread of nuclear explosives and strengthening peaceful nuclear cooperation.
July 17	The Administration releases a national energy plan, stressing a free market approach to the nation's energy problems.
July 20-22	The President attends Ottawa Economic Summit Conference.
July 22	The President establishes Federal Regional Council to form interagency coordinating groups.
July 27	The President makes a television address to the nation to appeal for citizen support for his tax plan.
July 29	Congress passes the President's Economic Recovery Tax Act of 1981 — the largest tax cut in history.
July 30	The President announces major immigration and refugee policy.
July 30	The President speaks at the annual convention of the National Conference of State Legislatures in Atlanta.

July 31 The House and Senate agree on the Conference Report on the Omnibus Budget Reconciliation Bill.

August 3 The President responds on national television to an illegal strike by air traffic controllers; announces that those who do not return to work in 48 hours will be dismissed from the government.

August 5 The Administration announces 11 guidelines to revise the Clean Air Act, proposing them to the Congress as a basis for amending the Act.

August 6 The President signs legislation passed at his request transferring the Maritime Administration from the Department of Commerce to the Department of Transportation, thus consolidating transportation agencies within DOT.

August 13 The President signs into law the Economic Recovery Tax Act of 1981 and the Omnibus Budget Reconciliation Act of 1981; holds an informal press conference.

August 14 The President issues an Executive Order to coordinate federal response actions on environmental hazards.

August 20 Two U.S. Navy fighters shoot down two attacking Libyan fighters during a training exercise in the Mediterranean.

September 9 The President orders the termination of the six river basin commissions established to carry out the Water Resources Planning Act.

September 15 The President announces a program to increase participation of historically Black colleges and universities in federal programs.

September 18 The President speaks at the dedication of the Gerald Ford Presidential Museum in Grand Rapids, Michigan; meets with President Lopez Portillo of Mexico, Prime Minister Trudeau of Canada and Former President Giscard d'Estaing of France.

September 22 The President establishes the Presidential Commission on Broadcasting to Cuba.

September 24 The President addresses the nation on national television on his Program for Economic Recovery; proposes additional spending cuts of \$8.4 billion for fiscal '82; withdraws Social Security reform proposals and calls for appointment of bipartisan commission.

September 25 The President cancels proposed school lunch regulations defining "ketchup as a vegetable."

September 25 Sandra O'Connor sworn in as the first woman Justice of the Supreme Court.

September 28 The President outlines the Administration's plans to combat crime in America in speech to the International Association of Chiefs of Police in New Orleans.

September 29 The President issues an Executive Order and proclamation on interdicting illegal aliens attempting to enter the U.S.

September 30 The President signs a bill raising the national debt ceiling to more than \$1 trillion dollars.

October 1 The Administration authorizes sales to the USSR of an additional 15 million metric tons of grain in the current year.

October 1 Nationally televised Presidential news conference.

October 1 The President signs an Executive Order allowing Fort Allen to be used for the immediate relocation and temporary housing of Haitian nationals.

October 2 The President announces five-part comprehensive plan for modernization of U.S. strategic forces including his decision on the B-1 bomber and MX missile.

October 8 The Administration announces a series of nuclear energy policy initiatives to help meet America's need for new energy supplies.

October 8 Former Presidents Nixon, Ford and Carter meet with the President in the White House then depart for Cairo to attend President Sadat's funeral.

October 14 The President establishes Task Force on Private Sector Initiatives; will promote private sector involvement in meeting social problems.

October 18-19 The President attends the Yorktown Bicentennial celebration in Yorktown, Virginia, with French President Mitterrand.

October 20 The President establishes the President's Foreign Intelligence Advisory Board, chaired by Anne Armstrong; will enhance U.S. security by improving the quality and effectiveness of intelligence available to the U.S. The President also names members of the Intelligence oversight Board to ensure the legality of the intelligence community.

October 21-24 The President attends Cancun Summit.

October 28 Senate approves sale of five AWACS planes to Saudi Arabia.

November 3 The President signs Veteran's Health Care Training and Small Business Loan Act of 1981 extending programs for Vietnam-era veterans.

November 6 President Reagan announces a policy favoring the extension of the Voting Rights Act.

November 9 The President submits to the Senate the nomination of Elliott Abrams to be Assistant Secretary of State for Human Rights and Humanitarian Affairs.

November 10 Nationally televised Presidential news conference.

November 12 The President meets with OMB Director David Stockman, declines his resignation offer; Stockman discusses controversial Atlantic Monthly article in press conference.

November 17 The President announces all branches of the U.S. military achieved their recruiting goals for fiscal '81 -- the most successful year since the start of an all volunteer force in 1973.

November 17 The Senate confirms the nomination of Elliott Abrams to be Assistant Secretary of State for Human Rights and Humanitarian Affairs.

November 18 The President addresses the nation and the world via satellite to propose elimination of intermediate range, land-based missiles in Europe.

November 23 The President issues his first veto; disapproves of the continuing resolution for fiscal '82 appropriations. Later the same day, after compromise with Congress is achieved, the President signs legislation temporarily extending the continuing resolution for fiscal '82 appropriations through December 15, 1981.

November 23 Presidential Press Secretary James Brady returns to his home after an eight month hospital stay.

November 29 Richard Allen, National Security Advisor, takes administrative leave of absence.

November 30 Beginning of U.S.-Soviet European arms reductions talks with U.S. negotiator Paul Nitze and Soviet negotiator Yuliy Kvitsinskiy.

December 1 The President meets with officials of the Teamsters Union.

December 2 The President meets with members of the AFL-CIO Executive Council to discuss future consultations on national issues.

December 3 The President meets with Housing Commission and construction industry leaders; announces revision of pension plan regulations to permit construction-oriented pension funds to invest assets in home mortgage markets.

December 4 The President issues an Executive Order giving U.S. intelligence agencies authority to collect information in an aggressive but responsible manner; will revitalize America's intelligence system and protect U.S. interests from security threats.

December 9 The President lifts the ban on federal reemployment for fired air traffic controllers, allowing them to be considered for jobs in all agencies but the Federal Aviation Administration.

December 10 The President bans U.S. travel to Libya and calls on American corporations to return their 1500 U.S. employees to the United States as a precautionary step to assure the safety of American citizens in wake of reports of Libyan assassination plot against U.S. leaders.

December 10 The House passes the Continuing Budget Resolution with \$4 billion in domestic appropriations cuts asked for by the President.

December 11 The Senate passes the Continuing Budget Resolution.

December 11 The House passes the first Foreign Aid Appropriations Bill since 1979.

December 12 Martial law declared in Poland.

December 15 The President signs the Continuing Budget Resolution.

OFFICE OF THE VICE PRESIDENT

Vice President George Bush established himself during 1981 as a close and trusted advisor to President Reagan. With an office in the West Wing, the Vice President participated in virtually every Presidential meeting of substance.

Shortly after taking office, the President named the Vice President Chairman of the Administration's Task Force on Regulatory Relief, which oversees the implementation of the third major leg of the Economic Recovery Program (following tax and spending reductions). This Task Force took the lead in developing Executive Order 12291, which the President signed on February 17. It provides for central OMB review and coordination of Executive Branch regulatory activities under the supervision of the Task Force, which met regularly throughout the year. The subject of regulatory relief is so enormously complex that this Task Force will be in effect through the Administration's term in office.

In the first year, approximately 100 major existing regulatory and paperwork issues were targeted for review. More than one-third of these reviews resulted in some form of definitive agency action. Final actions already taken are estimated to have saved the economy several billion in annual recurring costs and \$3.8 - \$5.9 billion dollars in one-time capital investment costs. (See section on Regulatory Reform for further detail.)

In February, the President announced the establishment of a task force, with the Vice President as Chairman, to coordinate federal efforts and assist local authorities in the investigation of the deaths of 28 children in Atlanta, Georgia. The Vice President was also actively involved on behalf of the Administration with organized labor and the heads of Black colleges and universities.

Mr. Bush was also named Chairman of the Administration's Crisis Management team as part of the National Security Council system. He was also responsible for coordinating the preparation of substantive issues for the President's Ottawa Summit meetings.

In December, when martial law was declared in Poland, the Vice President was made head of the Special Situation Group to monitor the crisis and coordinate information from, and directions to, all relevant government agencies.

The Vice President lunches regularly with the President and has made it his practice to give advice and counsel to the President in these and other private sessions. The Vice President's every day responsibilities include attending high-level meetings on both foreign and domestic issues with the President and working with members of the House and of the Senate -- he serves as President of the Senate and maintains an office there and an active staff -- toward the enactment of Administration goals on the Hill.

As one of the primary spokesmen for the President's economic package, the Vice President travelled extensively throughout the United States advocating the budget and tax proposals. Another important part of the Vice President's domestic travels involved speaking engagements at Republican party functions and fund-raisers. In 1981, The Vice President travelled to 35 states on behalf of the President and the Republican party. He raised more than \$3 million speaking before Republican functions and helped the Party raise more than \$5 million dollars through direct mail solicitations from the major Republican committees.

Also, the Vice President travelled to nine nations in Europe, Central and South America, the Caribbean and Asia. He met at home or abroad with more than 130 foreign leaders. From March to December, he flew more than 110,000 miles advancing the domestic, foreign and political positions of President Reagan's Administration.

PRESIDENT REAGAN'S ECONOMIC POLICY

"It's time to recognize that we've come to a turning point. We're threatened with an economic calamity of tremendous proportions, and the old business-as-usual treatment can't save us. Together, we must chart a different course."

President Reagan
Address to the Nation
February 5, 1981

An End to Business-As-Usual

Signalling an end to the high taxes and spending of previous decades, President Reagan took office promising a new course in the direction of government and national policy.

The mismanagement of government and excessive taxing and spending policies of the past were taking a heavy toll. As the President stated in his February televised address to the American people, the nation was "in the worst economic mess since the Great Depression." Early action was needed, but early results could not be promised. The challenge that confronted the President and his new Administration emerges from a look at some of the economic indicators of the time:

-- The second straight year of double-digit inflation had just ended and the January rate was nearly 13 percent;

-- Unemployment had been through the worst six-year period since World War II and prospects were bleak for early improvement;

-- Interest rates were surging with the prime at 21-1/2 percent on January 1;

-- The nation had experienced its second straight year of declining productivity;

-- Americans' personal savings rate was the lowest in 30 years; in January, it was less than 5 percent;

-- Real weekly earnings had dropped by 14 percent since 1972;

-- Federal taxes had nearly quadrupled over the past 15 years, and federal spending had more than doubled in the past five;

-- The federal budget had been balanced only once in the last 20 years;

-- Federal regulations were costing Americans more than \$100 billion a year.

On February 5, after 16 days in office, President Reagan addressed the American people, detailing the country's economic problems and outlining his plans for confronting them. Thirteen days later, on February 18, the President went before a joint session of the Congress to present his four-part Program for Economic Recovery.

His program emerged from an intensive period of review conducted by the President and involving his entire Cabinet. The process was complex. It was also, necessarily, abbreviated. The comprehensive review that would normally take months was compressed to weeks so the program could be announced -- with further details promised for March 10 -- in time to be included in Congressional discussions leading up to passage of the First Budget Resolution by May 15.

While the process was not simple, it was guided by a simple truth -- that the creativity and ambition of the American people, freed from the obstacles government puts in their way, are the vital forces of economic growth. President Reagan's program provided a plan to reduce the burdensome, intrusive role of the federal government and increase the incentives for Americans to work, save and invest. The plan President Reagan unveiled to the Congress in February had four parts:

- Reduce the growth of federal spending;
- Reduce federal tax rates;
- Relieve the burden of federal regulations;
- Encourage a stable monetary policy by the Federal Reserve.

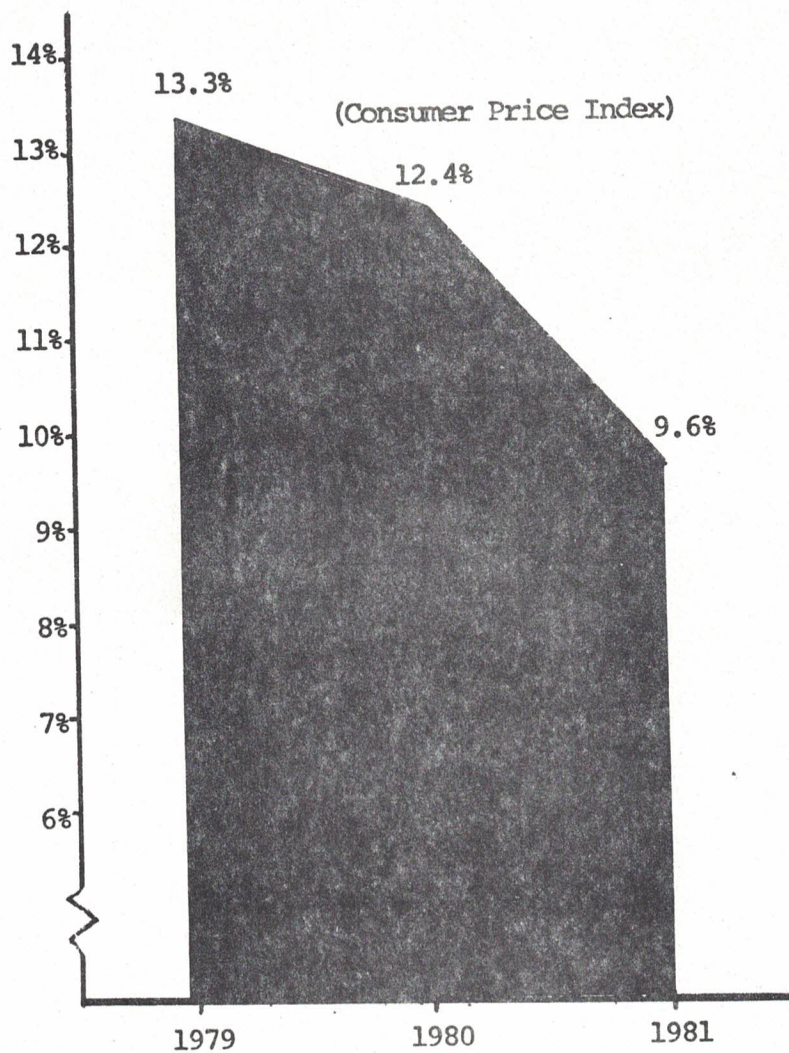
Not a one-year program, the President's plan envisioned a tax cut phased in over three years, continued spending restraint year-after-year, constant review and refinement of federal regulations, and a permanent end to stop-and-start monetary policy.

1981 was to be just the beginning. But as the year ended, with much of the Program for Economic Recovery in place, there were already promising signs:

-- Inflation for the year was estimated at 9.6 percent, the first single digit year since 1979;

INFLATION:

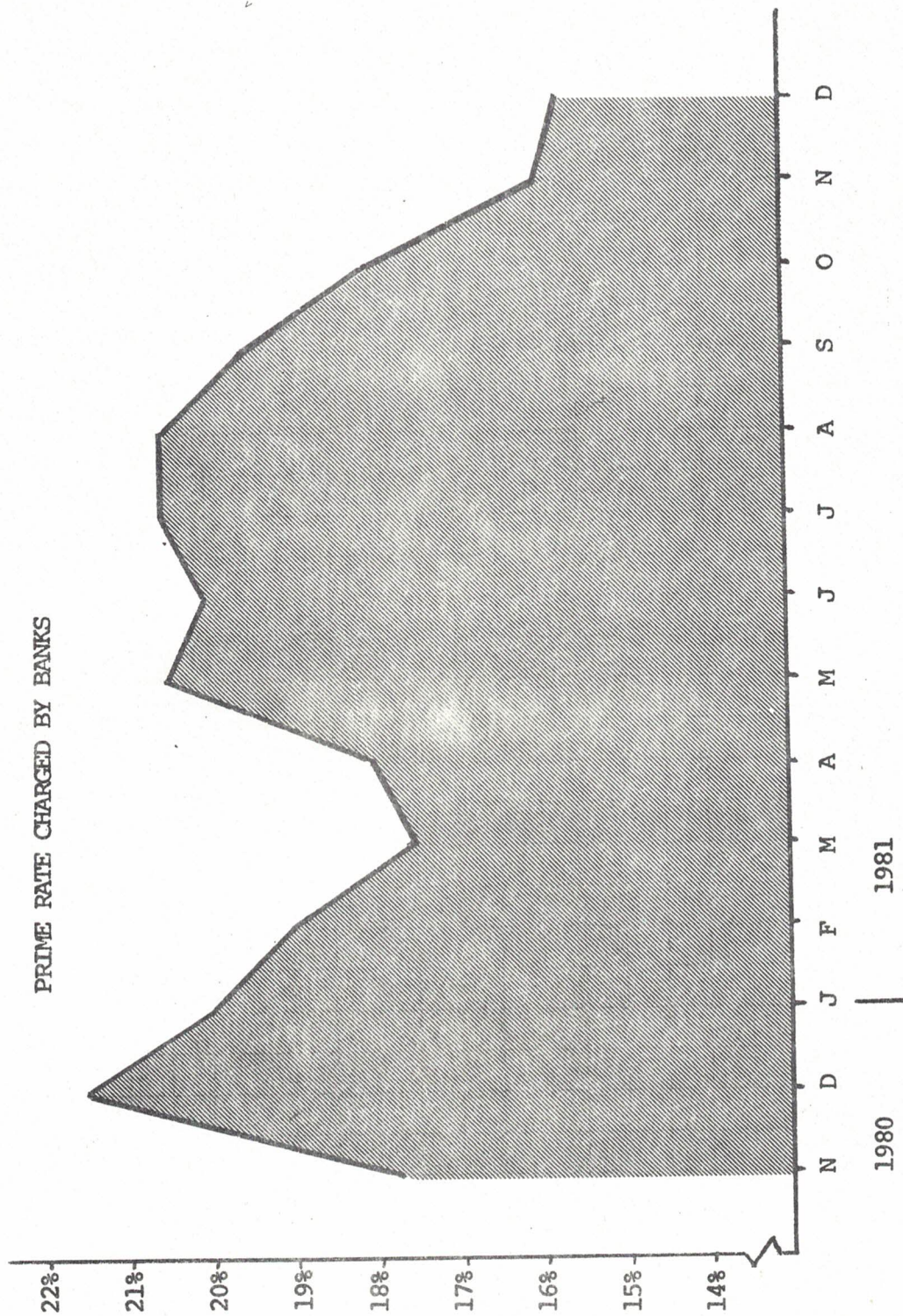
FIRST TIME BELOW
DOUBLE-DIGITS IN 3 YEARS



(ESTIMATED)

Source:

Based on data supplied by Department of Labor, Bureau of Labor
Statistics.



Source: Joint Economic Committee, 1981

-- The American personal savings rate, the lowest in the industrialized world, had risen from 4.6 percent in January to 5.9 percent in October, the first month of the tax cut;

-- Interest rates, which started the year at 21-1/2 percent for the prime, and stayed over 18 percent through much of the year, started to fall by late summer and hit 15-1/2 percent by December.

Cutting the Growth of Federal Spending

When President Reagan took office, a budget for fiscal '82 had already been proposed by the outgoing Administration and fiscal '81 was three months old. To restrain current year spending as much as possible, the President offered a proposal to rescind past appropriations. The Congress approved rescissions of \$12.1 billion in fiscal '81 and subsequent years, by far the largest amount ever at one time.

The President's budget revisions for fiscal '82 contained \$48 billion in proposed savings from program cuts, entitlement reforms, reduced subsidies to the non-needy, grant consolidations and cost recovery through users fees.

On April 28, in a televised address, President Reagan told the Congress, "It's been half a year since the election that charged all of us in this government with the task of restoring our economy....Six months is long enough. The American people now want us to act and not in half-measures."

Nine days later, the House of Representatives passed the Gramm-Latta Budget Resolution setting spending targets for fiscal '82 within range of the President's request. Senate passage followed on May 12.

In an unprecedented legislative procedure, Congress undertook to reconcile these overall spending targets with program-by-program spending levels. In order to make it possible to meet the lowered spending targets of the Gramm-Latta Resolution, it was necessary to make a host of changes in law. On June 26, in a historic bipartisan vote, the House of Representatives did so, passing an Omnibus Budget Reconciliation bill -- called Gramm-Latta II -- to cut spending for fiscal '82 by \$35 billion. This accomplished most, though not all, of the reductions the President sought, and was by far the largest cut in history. Over the three years from fiscal '82 to '84, the bill cut \$130 billion measured against previous spending trends, and it effected reform in eligibility criteria for such programs as food stamps, AFDC, Medicaid and other programs, the first time ever such entitlement reforms were achieved. These revisions were designed to tighten up assistance programs, direct assistance to the truly needy and get the non-needy and greedy off the rolls.

On August 13, President Reagan signed the budget reconciliation bill into law and asserted that more cuts would have to follow if spending were to be finally brought under control.

A call for additional cuts came on September 24 when President Reagan gave his fifth televised address on his economic program. The President called for new cuts in both defense and non-defense spending, further entitlements reform, cuts in federal loan activity and limited revenue raising proposals such as users fees and elimination of certain tax preferences. The package would have meant an additional \$16 billion in budget savings -- but with legislative time running short, the President deferred many of the specifics until presentation of the fiscal '83 budget.

Since no appropriations bills for fiscal '82 had yet passed the Congress, funding authority for the new fiscal year was granted by a temporary continuing resolution. With this authority expiring on November 20, Congress approved a new resolution authorizing spending to continue for the remainder of the year that included only \$2.3 billion of the President's request for \$8.2 billion in savings. President Reagan's veto on November 23 -- his first -- temporarily "brought the government to a halt" but also prompted Congress to reconsider. Later the same day, President Reagan signed a compromise continuing resolution Congress sent him, authorizing spending through mid-December.

On December 15, he signed a comprehensive continuing resolution running until March 31, 1982, after agreeing with the Congress on the inclusion of \$4 billion in additional cuts. This resolution contains appropriations for domestic non-entitlement programs \$49 billion below the amount requested by President Carter in January. This will produce savings in fiscal '82 and later years.

As the year ended, spending for fiscal '82 alone had been cut by \$40 billion. In the process, spending growth had been cut in half -- from over 14 percent in the previous three years to 7-1/2 percent, the first time such a large scale change in direction was ever approved by Congress.

Reducing the Tax Burden

On August 13, President Reagan also signed a second historic piece of legislation into law, the Economic Recovery Tax Act of 1981. His signature brought to an end a long controversy in the Congress which had begun with opponents against tax cuts altogether, and ended in a debate on whether they should be cut three years in a row -- or two.

When President Reagan took office, he was committed to tax reduction as a centerpiece of his plan for economic recovery. It was his belief -- uttered consistently throughout the 1980 campaign and before -- that high taxes were draining Americans of their hard-earned money and sapping incentives to work, save and invest. Cutting tax rates, he believed, would help restore growth to the American economy, increase productivity, stimulate business expansion -- helping to create 13 million jobs by 1986 -- increase personal savings and put a brake on government spending.

The President believed that even apart from these considerations a tax cut would be justified for one simple reason -- that taxes were just too high. As 1981 began, the tax burden on Americans was unacceptably heavy -- and scheduled to get worse:

-- America's middle-income families were being taxed at marginal rates reserved for the affluent only fifteen years before;

-- A family of four, earning the median income in 1981, was in the 28 percent bracket while a similar family in 1965, earning twice the median that year, was in only the 22 percent bracket;

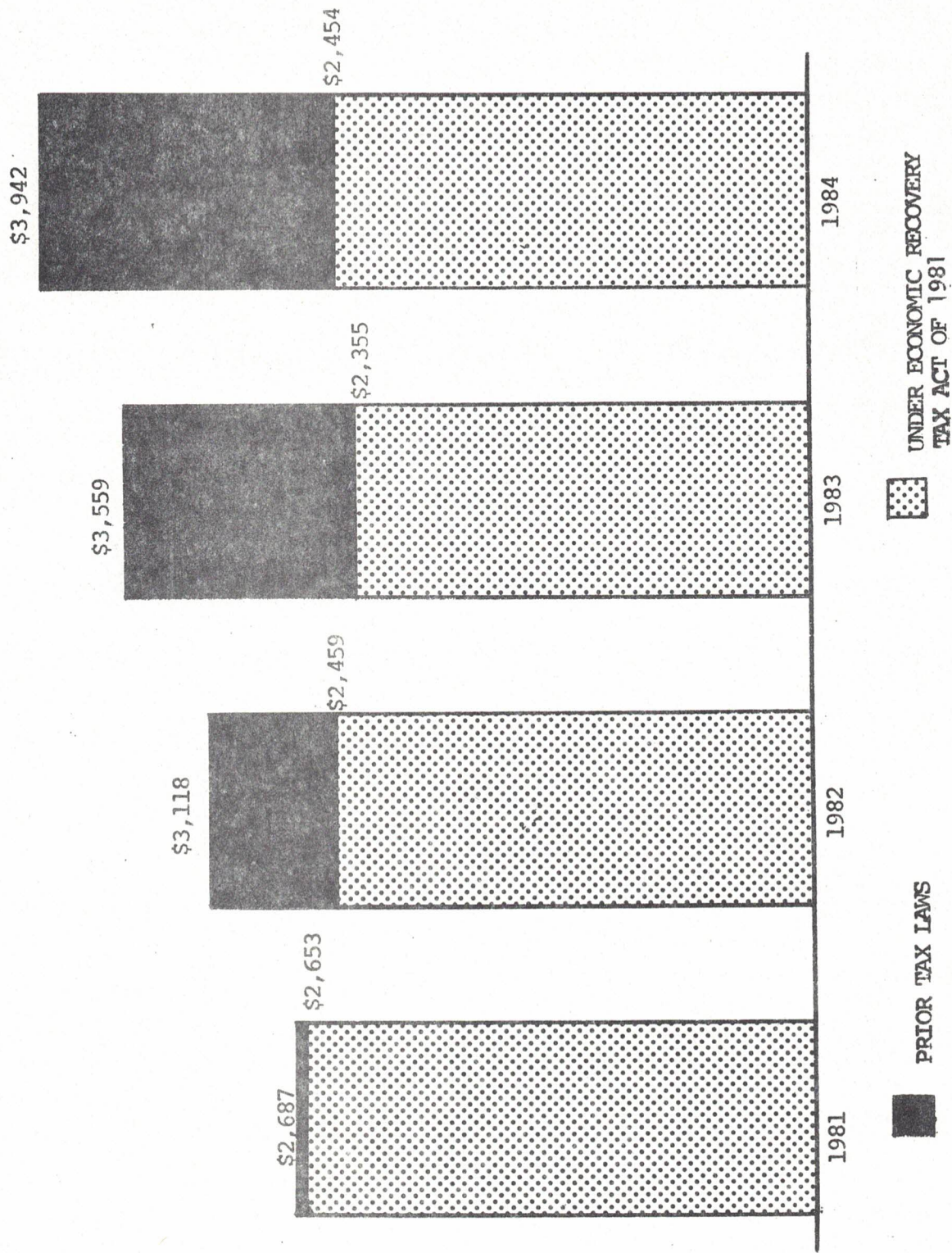
-- By 1984, without the cuts, the median income family's bracket would rise to 32 percent; President Reagan's individual rate cuts will return that median income family to about the 25 percent bracket.

"Reagan revolution" was a term applied to the President's success in achieving his tax victory in the Congress. Like the budget cut victories before it, however, the President got less than he wanted -- 25 percent cuts in across-the-board individual income tax rates over three years instead of 30 percent. And in this case, the President also got some things he hadn't asked for when the Congress added some provisions the President intended for inclusion in a planned second tax bill.

While differences at least over details of a tax bill emerged between even the Republican-controlled Senate and the President, it was in the Democratic-controlled House of Representatives where the major contest occurred. Between late spring and early summer, the majority on the House Ways and Means Committee worked to fashion an alternative tax plan -- paring back the individual rate cuts from three years to two, and targeting them more heavily at lower income levels. They also reshaped the business cuts and added numerous special provisions.

The week of July 27, the Committee was ready to take its bill to the floor. The President spoke on Monday, the 27th, in a fourth televised economic address, to contrast his approach to that of the House majority leadership. Citing estimates that

TAX REDUCTIONS FOR A FOUR-PERSON,
TWO-EARNER FAMILY EARNING THE MEDIAN INCOME*



* Assumes utilization of all applicable provisions in the tax program.

Source: Treasury Department, 1981

taxes would rise 25 percent by 1984 unless cuts were made -- and using charts to illustrate his point -- the President said,

"The majority leadership claims theirs gives a better break to the worker than ours, and it does -- that is, if you're only planning to live two more years. The plain truth is, our choice is not between two plans to reduce taxes; it's between a tax cut or a tax increase."

Moving faster than many expected, the House, by Wednesday of that same week, passed the Conable-Hance bipartisan tax bill which the President had endorsed. After House and Senate conferees ironed out the differences between their two bills, the President received a tax bill containing:

-- Across-the-board cuts in individual income tax rates totaling 25 percent over three years, with indexing to follow;

-- Marriage penalty relief;

-- Various individual savings incentives such as the All-Savers provision and IRA liberalization;

-- Accelerated Cost Recovery provisions for business, allowing for faster write-offs of investment, and other provisions.

Tax rate cuts went into effect on October 1, and some business tax changes took effect retroactively to January 1. These comprised the first installments on a tax reduction estimated to total \$280 billion by the end of 1984 and \$750 billion by the end of 1986 -- a revolution in national tax policy.

Regulatory Reform

One of President Reagan's first official acts in office was the creation of the Task Force on Regulatory Relief. Chaired by Vice President Bush, and established by Executive Order on January 22, the Task Force in its first year took action estimated to yield savings of about \$2 billion a year in operating costs and about \$5 billion in one-time capital investment costs.

The work of the Task Force also meant a significant slowing in the pace of new regulations flowing out of Washington. For example, after the first 10 months of the Reagan Administration, the number of new pages added to the Federal Register was one third less than a comparable period in 1981 -- from 73,061 to 51,412 pages. Similarly, the number of new regulations was down almost fifty percent for the same period.

President Reagan believes continued regulatory review can yield additional savings several times larger than these.

Along with creating the Task Force, President Reagan designated the Office of Management and Budget as the central reviewing agency for all proposed regulations. Under this procedure, no notice of a proposed or final rule can be published in the Federal Register until an OMB review is completed.

President Reagan's idea of White House regulatory oversight and coordination was not new; indeed, the need for it had long been acknowledged. But effective implementation of the idea had eluded the Executive Branch because the triangle of influence formed by the regulated, the regulators and their Congressional committee overseers operated individual bureaucracies as independent governments. By moving rapidly and simultaneously with deregulatory appointments and an Executive Order requiring central OMB review under the supervision of the Task Force, the President was able to implement an oversight mechanism before the traditional triangles were able to emerge at the start of the Administration.

The Task Force undertook an initial review of one hundred regulations. These regulations were contained in three separate lists released during March, April and August. Sixty percent of the regulations specified for review on the first two lists resulted in definite agency action and about \$1.5 billion in first-year operating cost savings.

At year's end much more was in the pipeline as the agencies went through the time consuming public comment process mandated by administrative law. In addition, OMB has achieved significant reductions in paperwork -- and blocked new unnecessary paperwork burdens -- under the Paperwork Reduction Act of 1980.

By December 2, 1981, 2655 new regulations had been received for review by OMB. Of 2561 completed reviews, 2274 of these proposed regulations were found consistent with the President's regulatory principles; 129 were returned or withdrawn.

Over the course of the year, agencies also proposed 43 "major" new regulations -- those estimated to have an economic impact of \$100 million or more -- requiring a new "Regulatory Impact Analysis" under the President's new provision. Thirty-two of the major regulations were found consistent as submitted with President Reagan's regulatory policies while another eight were made consistent after suggested revisions.

Monetary Policy

The fourth component of the President's economic program is a stable, consistent, and non-inflationary monetary policy. President Reagan recognizes that monetary policy is the responsibility of the Federal Reserve Board and he respects its independence. At the same time, the success of the economic program depends on the effective interaction of the Fed's monetary policy with other aspects of the program.

Early on, President Reagan succeeded in establishing a close working and consulting relationship with the Federal Reserve -- and its Chairman, Paul Volcker -- to ensure that its monetary policy and the Administration's fiscal policies were not working at cross purposes.

Working within the Treasury Department, the Administration established an office to deal exclusively with monetary policy. While members of the Administration -- especially during late summer and early fall -- suggested the Board's actions had been tighter even than its own money growth targets had predicted, the President believes that, overall, the relationship has been successful -- and growth of the money supply has been maintained at non-inflationary levels consistent with the President's program. The President continues to support efforts to increase the stability of moderate money growth.

THE SOCIAL SAFETY-NET

The concept of the "social safety-net" is first and foremost a commitment to people. It comprises America's promise -- and President Reagan's -- that benefits will be available to people who have earned them and to the needy who cannot support themselves.

The President's commitment to the safety-net never precluded reform of programs. In fact, it required it as the means of trying to ensure that every dollar spent for social programs will go to those -- and only those -- for whom they are intended. Every dollar that goes elsewhere -- to the non-needy, the greedy, or those eligible only because the formulas are too loosely drawn -- is a dollar unavailable for the truly needy in benefits, or for the taxpayer in lower taxes.

In the last decade, spending for just one safety-net program -- Medicaid -- rose 450 percent to an average of \$1300 per year per eligible beneficiary. Spending for entitlement programs of all kinds -- safety-net programs make up most of these -- comprised about about 48 percent, nearly half, of all federal spending in fiscal '81.

While seeking to restrain the growth of federal spending, President Reagan remains committed to keeping the safety-net in place. While the rate of growth in federal spending was cut to below eight percent overall for fiscal '82, spending for safety-net programs will grow about 10 percent -- \$24 billion -- over fiscal '82 levels. And estimates are that it will continue to grow more than \$20 billion per year at least through 1986.

It is President Reagan's belief that government can remain compassionate as it also becomes more efficient. Thus, in 1982, under the Reagan program:

- Nearly 4 million more people will receive food stamps in 1982 than in 1975, a recession year;

- The federal government will subsidize about 100 million meals a day;

- About 40 million people will receive about \$50 billion dollars in cash and in-kind benefits from eight major federal assistance programs.

MAKING GOVERNMENT WORK

"It's not my intention to do away with government. It is rather to make it work -- work with us, not over us; to stand by our side, not ride our back."

President Reagan
Inaugural Address
January 20, 1981

It was no secret, as President Reagan took office, that many Americans had lost faith in their government and its ability to effect change or respond to popular needs and desires.

In 1980, a senior advisor to President Carter had suggested that sweeping constitutional revision may be necessary "to find a way of coming closer to the parliamentary concept...to enable the elected President to carry out the program he ran on."

And early in 1981, pollster Lou Harris found that 78 percent of Americans felt that elected officials had lost control over the bureaucracy (up 13 percent since 1974). Harris found overwhelming sentiment (82 percent) that local government was more responsive and a large, growing majority, 59 percent -- up from 32 percent eight years before -- who agreed that the least government is the best government.

Ronald Reagan assumed office committed to revitalizing federalism, enhancing cooperation between Congress and the President and effectively managing the central government's bureaucracy, against a backdrop of widespread skepticism that he, or any President, could carry it off.

Effective Management of the Executive Branch

Reducing the Federal Work Force

If the challenges to making government work were large, the first obstacle was the fact that government itself was too big. The President's first official action, after being sworn in on January 20, was directed at making it smaller. He issued an Executive Order freezing all federal civilian hiring.

Later, on March 10, as part of his formal submission of fiscal '82 budget revisions to the Congress, the President called for permanent reductions in the federal civilian work force -- cuts of 33,000 in that fiscal year. And in his September 24 address outlining further plans for budget savings from 1982-84, President Reagan proposed reductions of an additional 6-1/2 percent, equaling 75,000 federal civilian non-defense positions.

These actions, which represent one phase of the President's plan for reducing the size and cost of the federal workforce, resulted in the following reductions in fiscal '81:

Executive Branch
Federal Non-Defense Civilian Permanent Employment *
(excluding the Postal Service)

Carter Administration Budget September '81 Estimate	September '81 Actual	Difference
Full-time Permanent	Full-time Permanent	Full-time Permanent
1,008,600	966,256	-42,344

* despite increases in some other employment categories, total federal employment was down 18,530.

Cabinet Government

President Reagan was committed to the use of the Cabinet not just as agency managers, but as a consultative body which, together with him, could shape the direction of government and the policies of the Administration. To that end, on February 26, President Reagan formally constituted five Cabinet Councils. These would meet some 129 times by December 15, 12 times with the President attending, to discuss and debate complex policies and make recommendations to the President. The five Cabinet Councils are:

-- The Cabinet Council on Economic Affairs, chaired by the Secretary of the Treasury;

-- The Cabinet Council on Commerce and Trade, chaired by the Secretary of Commerce;

-- The Cabinet Council on Human Resources, chaired by the Secretary of Health and Human Services;

-- The Cabinet Council on Food and Agriculture, chaired by the Secretary of Agriculture; and

-- The Cabinet Council on Natural Resources and the Environment, chaired by the Secretary of the Interior.

Serving as Executive Secretary of each Council is a member of the White House Office of Policy Development.

In addition, there were two preexisting Cabinet-level groups, the National Security Council, and the Trade Policy Committee.

During 1981, the President met 29 times with his full Cabinet, most often on budget review matters but also to discuss such issues as tax policy and the U.S. posture toward the Third World.

Relations With The Congress

"Although the enactment of legislation takes only a simple majority of both Houses, that majority is very difficult to achieve....," that same senior advisor to President Carter had written. "The separation of powers between the legislative and executive branches, whatever its merits in 1793, has become a structure that almost guarantees stalemate."

While getting less than all he wanted in 1981, President Reagan succeeded in building a strong and effective relationship with the Congress. Only once, on November 23, in the closing days of the session, did the President have to employ his prerogative of the veto -- on the first Continuing Resolution for fiscal '82. Far from leading to stalemate, that action produced compromise with Congress on the same day the veto was cast.

President Reagan set out early in his first year to build a working relationship with the Congress. He met with the leaders of both the Republican-controlled Senate and the Democratic-controlled House of Representatives just two weeks after taking office. They met not in the White House but in the Capitol, home of the Congress.

Because the President continued this process of frequent bipartisan consultation with Congress, when cooperation was possible, he got it; when opposition came, at least it was friendly. The President and House Speaker O'Neill agreed in June, "We may disagree during the day, but come 6:00 pm, we become friends."

During 1981, a philosophical coalition began to emerge in the House and Senate that was in agreement with the fundamental thrust of President Reagan's efforts to cut taxes and federal spending growth. As a result, the President enjoyed victories in the Congress on seven straight major votes:

- The Gramm-Latta budget resolution, setting spending targets for fiscal '82;
- Gramm-Latta II, the Omnibus Budget Reconciliation Act;
- The tax legislation cutting individual rates by 25 percent and providing other incentives for savings and investment;
- The AWACS sale to Saudi Arabia;
- The Defense Appropriations bill;
- Foreign Assistance Appropriations, the first such bill to be passed in three years;
- The Continuing Resolution, setting spending levels for fiscal '82.

Relations With The Non-Government Sector

To ensure that he is kept abreast of citizen concerns, President Reagan has made the Open Door a hallmark of his Administration. President Reagan insisted that the policies and initiatives of his Administration reflect more than just the interests of government policymakers. On numerous occasions in his first year, the President has embraced policies whose ultimate shape reflect much of the early input provided from consultations with organizations of private citizens.

He and his key advisors listened to and considered the views and concerns of the leaders and members of non-governmental organizations from virtually every sector of the economy and from every walk of life. An illustrative listing would include groups representing the aging, agriculture, arts, Blacks, business and industry, Catholics, conservatives, consumers, disabled, education, ethnics, fraternal organizations, Hispanics, Jews, labor, native Americans, professionals, Protestants, veterans, volunteers, women and youth.

The following s a list of first-year meetings held under the auspices of the President's public liaison office:

Meetings with the President	75
Meetings with Cabinet or Senior White House officials (in addition to those above)	187
Meetings, briefings	1,048

A Shift Back To State and Local Government

"It is my intention to curb the size and influence of the Federal establishment and to demand recognition of the distinction between the powers granted to the Federal Government and those reserved to the states or to the people. All of us need to be reminded that the Federal Government did not create the states; the states created the Federal Government."

President Reagan
January 20, 1981

Shortly after assuming office, the President took steps to further his commitment to federalism with its primary objective of clearing the way for state and local governments to regain greater flexibility and independence from Washington. The Reagan federalism program includes the following elements:

- Policy, regulatory budget, and tax changes;
- Use of block grants to return power to states and localities;
- Creation of a structure to advance these efforts, principally the Presidential Advisory Committee on Federalism, chaired by U.S. Senator Paul Laxalt. In addition, the President has consulted extensively with state and local officials during his first year in office.

Policy, Regulatory, Budget, and Tax Changes

It has often gone unnoticed during the first twelve months of the Reagan Presidency that three of the four key components of the President's Economic Recovery Package -- budget cuts, regulatory relief, and tax cuts -- reflect the President's federalism perspective.

-- The budget cuts reflect a reordering of budgetary priorities so that the national budget is addressed at truly national needs.

-- The regulatory relief effort, which is discussed in detail in another section, has made great strides in reducing the regulatory manacles which bind the hands of state and local officials.

-- Tax cuts, while designed to stimulate savings and investment, also provide a greater tax base for state and local governments by reducing oppressive levels of federal taxation.

In addition, each of the federal departments and agencies has taken major steps to return authority and responsibility to state and local governments.

Block Grants

President Reagan took command of a national government which he believed had usurped power over the years from the states and localities. Federal aid policies during the past two decades had spawned hundreds of specific categorical grants, resulting in a confusing tangle of large and small programs which overlap, conflict and overregulate:

-- The past two decades saw a 1462 percent increase in such grants, costing \$6.5 billion in 1959 and increasing to \$95 billion by 1981 -- 3.3 percent of the GNP;

-- With these grants came unnecessary burdens for state and local government -- time-consuming and inefficient paperwork needed to comply with complicated federal regulations and a loss of authority to target funds to specific local and state needs.

Shortly after his inauguration, the President proposed a far-reaching effort in the consolidation of these federal grant-in-aid programs. Congress concurred with some, but by no means all of his proposals and, as a result, 57 categorical grants were consolidated into nine new or modified block grants:

- Maternal and child health care
- Preventive health and health services
- Alcohol, drug abuse and mental health services
- Primary care
- Social services
- Low-income home energy assistance
- Community services
- Education
- State community development program for small cities

The reduction in regulatory burden is already apparent:

-- OMB estimates that the new block grants will result in a reduction in the paperwork burden on state and local officials from 6.5 million man-hours in fiscal '81 to 1.1 million man-hours in fiscal '82 -- an 83 percent reduction.

-- In an October news conference, the President himself demonstrated the reduced scope of federal regulation. In one hand he held the 318 pages of old federal regulations needed to comply with HHS categorical grants. In his other were just six pages of federal regulations required under the new HHS block grant programs.

Aside from regulatory relief, block grants also:

-- Permit government decisions again to be made by state and local officials who can be more responsive and held more directly accountable;

-- Save in administrative overhead and allow more innovation;

-- Reduce the impact of federal budget cuts by allowing state and local officials to better target money to areas and individuals whose needs are the greatest.

A Structure and a Process for Advancing Federalism

In addition to the current policies oriented toward federalism, the Administration has established a structure to further advance policies that promote federalism:

-- The Presidential Advisory Committee on Federalism was established in April, under the Chairmanship of Senator Paul Laxalt. It consists of Cabinet members, federal, state and local officials, as well as private citizens. The Committee advises the President on objectives and conduct of the overall federalism approach.

-- For the first time in many years, the Executive Branch participated actively in the Advisory Commission on Intergovernmental Relations (ACIR). For only the second time in its history, ACIR was chaired by an Executive Branch member, Interior Secretary James Watt.

-- Each Cabinet member and agency head designated a senior departmental official to handle intergovernmental affairs in each department or agency. These individuals consult with state and local officials and monitor programs to assure their positive effect on the state and local sector.

-- The President personally met with over 1500 state and local officials to discuss the problem of, and opportunities for, state and local governments. He also addressed the National Conference of State Legislatures and the National League of Cities.

THE CAMPAIGN AGAINST FRAUD AND WASTE

"I promised that we would follow every lead, root out every incompetent and prosecute every crook that we found cheating the people of this Nation."

President Reagan
December 7, 1981

President Reagan's promise to wage a hard hitting campaign against fraud and waste was one of his major commitments to the American people. While there are various aspects of the campaign, including debt collections and reduction of unnecessary publications, the heart of the campaign lies in the activities of the sixteen Inspectors General and the President's Council on Integrity and Efficiency.

On December 7, the President received a six-month action report from his Council on Integrity and Efficiency. It reported to him that from April 1 to September 30 the Inspectors General in the departments and major agencies had saved the taxpayers over \$2 billion through:

- Recovery of over \$405 million;
- Avoidance of over \$1.7 billion in expenditures;
- Obtaining 1179 indictments and 656 convictions;
- Firing 145 federal employees.

President Reagan established the Council in March 1981 to strengthen the Inspector General program and provide effective leadership for the Administration's campaign against fraud and waste. The Council is pursuing 16 separate interagency projects aimed at improving government operations and achieving savings, including:

- Collecting delinquent debts owed to the government;
- Using computers to find error and fraud in Social Security and welfare programs;
- Reviewing major construction contracts to provide safeguards against waste and fraud;
- Reviewing government-wide payroll systems.

In addition, the Assistant Secretaries for Management in the various departments are playing a key role in the campaign.

-- Their work in audit resolution has reduced the amount of unresolved audits from \$1.5 billion a year ago to less than \$250 million now.

-- They are developing internal control systems in areas such as training and consultant services which cost the government almost half a billion dollars a year.

Debt Collection

When the Administration began to assess its economic reform agenda, one of its first discoveries was the enormity of the amount of overdue debts owed the government. Approximately \$232 billion is owed and \$34 billion of this amount was in either a delinquent or default status. Interest alone on the delinquent debt has been costing taxpayers about \$14 million a day.

The President decided that an aggressive debt collection program must be pursued and he committed the Administration to collect \$1.5 billion a year in delinquent debts owed the government. This program is a two-pronged effort, consisting of administrative and legislative initiatives:

-- Twenty-four agencies, accounting for over 95 percent of the debts, have initiated comprehensive programs to improve their credit management and debt collection practices. These programs are designed to reduce the current backlog of delinquent debts quickly, to prevent unnecessary new delinquencies, and to recover new delinquencies as they occur.

-- The Administration has proposed 13 legislative changes to the Congress needed to make available to the government essential tools and techniques used effectively in the private sector to grant credit and to service and collect debt.

-- As one evidence of accomplishment in the new program, the Farmers Home Administration has already reduced its backlog of uncollected debts by \$1 billion.

-- For the first time, in 1981, an accurate assessment of total debt was made.

Reductions in Overhead

Publications: Wasteful expenditures on government publications and audiovisual materials were obvious targets for early elimination. In April the President ordered agencies to impose a moratorium on spending for new periodicals, pamphlets, and audiovisual products.

-- A total of \$104 million has been saved in budgeted projects for fiscal years '81 and '82;

-- Expenditures in audiovisual and publications programs will be reduced from \$309 million in fiscal '80 to \$302 million in fiscal '82, a real decline of 20 percent when inflation is taken into account.

Travel and Procurement: The President ordered each department to look into its own operations to determine ways to increase efficiency and reduce costs. On February 5, he told the American people, "As our Cabinet Secretaries take charge of their departments, they will search out areas of waste, and extravagance, and costly administrative overhead which could yield additional and substantial reductions."

In the same address, the President went on to outline other measures he had ordered taken to reduce waste of federal resources. These included cuts in government travel, cuts in the number of outside consultants to the government, and reductions in purchasing of such items as office equipment. Once in place, the President's efforts began to yield tangible results. For example, the effort for improving travel management within the departments is expected to result in an annual savings of \$200 million.

-- Overall travel savings in 1981 alone were estimated at \$144 million as a result of program reductions, tighter agency controls, and greater use of discount offerings for air fare and other travel costs.