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WITHDRAWAL SHEET

Ronald Reagan Library

Collection: PRESIDENTIAL HANDWRITING: Presidential Records **Archivist:** srj

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File Folder: Folder 19 (12/17/81-12/23/81) Box 2

Date: 1/02/01

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. letter	Justin Dart to Pres. Reagan re: Stockman issue. 1p,	12/18/81	P6/B6 R 3/19 jsm
2. letter	Pres. Reagan to Dart re: Stockman. 2p. <i>partial 3/19 jsm</i>	12/07/81	P6/B6
3. letter	handwritten draft of item #2. 2p. <i>partial 3/19 jsm</i>	nd	P6/B6
4. letter	Justin Dart to Pres. Reagan re: Stockman. 1p.	11/24/81	P6/B6 D 3/19 jsm

RESTRICTIONS

P-1 National security classified information [(a)(1) of the PRA].
P-2 Relating to appointment to Federal office [(a)(2) of the PRA].

P-3 Release would violate a Federal statute [(a)(3) of the PRA].
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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

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

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THE WHITE HOUSE
WASHINGTON

December 17, 1981

Dear Jude:

Thanks very much for your letter and for the
script of the Business Week article. I've read
it and assure you it is being distributed "in
house".

I know there is great difference on this subject
among top economists, even with one of my favorite
people Milton F. opposed, but I'm looking hard at
it. As you know, I have a task force studying
gold, so will refrain from comment until they
report in.

Please believe me, there is less disarray among
our family here than the press would lead you to
believe. I'm totally pledged to our economic
program (the tax cuts), and no one is pushing
the other way.

Again, thanks and best regards.

Sincerely,

Ron

Mr. Jude Wanniski
President, Polyconomics, Inc.
66 Macculloch Avenue
Morristown, New Jersey 07960

Milton Friedman

To Jude Wanniski

Dear Jude

Thanks very much for your letter and for the script of the Business Week article. I've read it & assure you it is being distributed "in house".

I know there is great difference on this subject among top economists, with even one of my favorite people Milton F. opposed, but I'm looking hard at it. As you know, I have a task force studying ~~this~~ ^{the} so will refrain from comment until they report in.

Please believe me, there is less dis-unity among our family here than the press would lead you to believe. I'm totally pledged to our E.C. program (the tax cuts), and no one is pushing the other way.

Again thanks & Best Regards
Ron

End
case
File

04831455
AT

THE WHITE HOUSE
WASHINGTON

Date: 12/18/81

NOTE FOR: MAX FRIEDERSDORF

The President has

seen ☒
acted upon ☐
commented upon ☒

the attached; and it is forwarded to you for your:

information ☐
action ☒ AND/OR

Richard G. Darman
Assistant to the President
(x-2702)

cc: David Stockman

Orig: Central Files ✓

The President has seen.

THE WHITE HOUSE

WASHINGTON

December 17, 1981

/// RANDUM FOR THE PRESIDENT

Max Friedersdorf
Senator Strom Thurmond (R-S.C.)

Senator Thurmond called personally to request that I bring enclosed letter to your personal attention.

so understand that he has discussed this matter with Baker at last night's Congressional reception and may requesting to see you personally regarding this project.

11 We sent a copy of it to our Congressional Correspondence
11 We for acknowledgement and will be checking with OMB
11 We the status of the project.

Attachment

Hasn't this been cleared
up as a budget item or am
I getting ahead of the game?
RR

JOHN TOWER, TEX., CHAIRMAN

STROM THURMOND, S.C.
BARRY GOLDWATER, ARIZ.
JOHN W. WARNER, VA.
GORDON J. HUMPHREY, N.H.
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HARRY F. BYRD, JR., VA.
SAM NUNN, GA.
GARY HART, COLO.
J. JAMES EXON, NEBR.
CARL LEVIN, MICH.

RHETT B. DAWSON, STAFF DIRECTOR AND CHIEF COUNSEL

United States Senate

COMMITTEE ON ARMED SERVICES

WASHINGTON, D.C. 20510

December 17, 1981

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

I urgently request that you support the continued funding of a new facility to produce nuclear fuel for Navy nuclear-powered ships. This project, which will cost about \$175 million, was authorized to begin in FY-82 and \$15 million has already been appropriated for that purpose.

My understanding is that the project has been stopped by OMB in the FY-83 budget process to enable a study of the possibility of providing naval nuclear fuel by commercial enterprise.

There is no argument with the requirement for this facility. With 140 nuclear-powered ships in the fleet, including all of our strategic missile submarines, a guaranteed second source of nuclear fuel is vital.

A careful look was taken at the option of having a commercial firm produce the fuel during review of the FY-82 budgets. There is no commercial firm that has the facilities necessary to produce naval nuclear fuel. If a commercial firm were chosen, the same capital investment (about \$175 million) would have to be made in the necessary facilities. Without long-term guarantees, commercial enterprise could not be enticed to make such an investment in facilities. Cost analyses comparing the commercial option with the government-owned, contract-operated facility option have shown the latter to be the most cost effective.

The most persuasive argument for building a government-owned, contractor-operated facility is the factor of relative risk of assured production. Clearly the probability of producing naval nuclear fuel to meet demanding Navy requirements with respect to quality and schedule is much higher with a government-owned, contractor-operated plant. The inability to produce naval nuclear fuel puts serious national security questions at risk.

I am most concerned that this project has apparently been stopped, despite the strong support that it has from your trusted officials. Both the Secretary of Defense and the Secretary of Energy support this project vigorously. They have the technical expertise to validate requirements and to examine options. They are convinced that the project should proceed now. Admiral Rickover, who has always struck a careful balance between government facilities

and private enterprise and whose frugality with the taxpayer's dollar is legend, has told me personally that this facility is vital to our national defense and should proceed with all possible haste. The project has already been endorsed by the Congress in the FY-82 budget.

I have a special interest in this project because it has been authorized for construction at the Savannah River Plant in South Carolina. But my overriding interest is one of national security and I would be making this same appeal regardless of where the facility was to be built.

When this project was being considered for authorization in the FY-82 budget process, there was extensive lobbying by General Atomic, a firm based in San Diego, California, which contended that they had the capability to produce naval nuclear fuel in their plant. They do not. I have been unofficially advised that it was continued lobbying by General Atomic that persuaded OMB to overrule both the Secretary of Defense and the Secretary of Energy. I can see no other logical reason to stop the project at this point in time.

Let me say that you have no stronger supporter in the Senate for your policy of getting the Federal government out of those activities that can be accomplished by private enterprise. But the Federal government does have responsibilities - the foremost of which is national defense. To stop this project now to restudy the commercial option, which is not viable in this case, will only delay the project and endanger our national security.

I respectfully urge your personal reconsideration of this important national security issue.

Respectfully,


Strom Thurmond

End
case
File

048351SS
AR

THE WHITE HOUSE
WASHINGTON

Date: 12/18/81

NOTE FOR: BUD NANCE

The President has

seen ☒

acted upon ☐

commented upon ☒

the attached; and it is forwarded to you for your:

information ☐

action ☒

Please forward to Gene Rostow.

Richard G. Darman
Assistant to the President
(x-2702)

cc: Files ✓

The President has seen —

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
WASHINGTON

OFFICE OF
THE DIRECTOR

17 December 1981

Dear Mr. President,

It's moved up town from
Second Avenue, but isn't this
Paul Muni's play?

Merry, merry Christmas -

Yours sincerely

Gene

I think so
but can not be
positive. Ron

Theater: 'Shop' at the Folksbiene

By RICHARD F. SHEPARD

That splendid and durable company, the Folksbiene Playhouse, is offering in its 67th season, on East 55th Street, a play that should ring bells of reminiscence for New York's Jewish community. This Yiddish production of "Shop" is by H. Leivick, a poet and playwright whose feeling of social concern for the exploited and for the individual in a cruel society makes him a sort of forebear of Clifford Odets.

"Shop" was written in 1926 and is about a strike in the garment industry. In it, we sit through the interaction of those who worked in the shop, the fat, repulsive boss, the gentle workers, the frivolous girls working at tedious and underpaid jobs, the fiery union sloganeers, the people who are in self-conflict at the moment of decision, whether to strike or not.

As adapted and directed by Misha Nuchi, "Shop" lives, a period piece to be sure, but an evocation of what is now called the world of our fathers.

The Cast

SHOP, by H. Leivick; adapted and directed by Misha Nuchi; music by Zalmen Mlotek; balladeers' lyrics and dialogue by Marvin Gordon; choreography by Felix Fibich; set design by Natan Nuchi; costumes by Kulyk Costumes; lighting design by Leslie Ann Kilian. Presented by Folksbiene Playhouse, Inc. At 123 East 55th Street.

Balladeers	Lydia Saxton and Ric Cherwin
Gould	Morris Adler
Lazer	Jacob Gostinsky
Wolf	Karol Latowicz
Barkan	I. W. Firestone
Humle	Jacques Brawer
Phillip	Richard Silver
Mina	Luba Stolarska
Bea	Felix Fibich
Raya	Zipora Spaisman
Katie	Beth E. Velsberg
Sadie	Roslyne Hahn
Lippman	Moishe Rosenfeld
Shloyme-Chaim	Joshua Zeldis
Gertie	Eve Elbert
Leybl	Sam Josephson
Young Wife	Renee Bravin Lerer
Sharker	Irving Jacks

about workers and bosses, about greenhorns and Americans.

The play is done in the usual tasteful, glowing Folksbiene style. The set by Natan Nuchi gives us a shop, with worktables, sewing machines and windows that look out on other garment loft buildings; it is somewhat stylized but at the same time impressively real. It is all spread before us as the curtain goes up on a stunning tableau.

The language is Yiddish, interspersed with Americanisms. Occasional ballads in English effectively carry the mood and plot to non-Yiddishists. They are written by Marvin Gordon and performed by Lydia Saxton and Ric Cherwin to tender, touching and rousing music written by Zalmen Mlotek.

"Shop" has no star, but almost everyone in it has a moment in the sun. Karol Latowicz gives a persuasive performance as the immigrant onetime Socialist and tortured at finding himself a partner in business, particularly since the love of his life, played at this performance by Luba Stolarska, is the shop's union leader. Morris Adler, as his partner, is as crass as they come and has no feeling for the newcomers to America.

Zipora Spaisman is particularly poignant as the old maid torn between her fervor for the workers and her love of the manager, a non-striker, played by I. W. Firestone. Moishe Rosenfeld, as a worker, represents movingly the voice of compassion, the man who is able to feel for the humanity on all sides of the abyss. Joshua Zeldis conveys the sense of the times an old worker who tells a sort of parable about a pious worker who must sew a certain number of garments before the Messiah arrives (and never does, even unto the grave).

Everyone in the cast, including Felix Fibich (he also did the choreography of this non-musical with some music), helps make this a true taste of the emotions that once shook the city and its people.

This sounds like the Mami Day.

End
case
File

37
K.S.

JUSTIN DART

No Papers
RR

December 18, 1981

Dear Ron:

Can't tell you how grateful I am for your letter of explanation regarding the Stockman situation. I have been so hopeful right along that you did the right thing in letting him remain. I feel much better about it since your letter.

Punky joins me in sending our love to Nancy and warmest wishes for a wonderful Christmas,

Just

The President
The White House
Washington, D.C. 20500

THE WHITE HOUSE
WASHINGTON

December 7, 1981

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FG 006-11
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PR 005-02
PR 016

Dear Jus:

REDACT REDACT REDACT REDACT REDACT REDACT REDACT REDACT
REDACT REDACT REDACT REDACT REDACT REDACT REDACT REDACT
REDACT REDACT REDACT REDACT REDACT REDACT REDACT REDACT

Jus, we've never had a chance to visit about Dave Stockman, so let me just briefly lay it out. The writer (an admitted liberal) is a longtime friend of Dave's and they've argued (like you and I used to when I was a Democrat) about their philosophical differences.

Being longtime friends, Dave agreed to give him progress reports on the building of the economic program with the understanding they were off the record, not for quote or attribution, and that once the program was in place his friend (?) would do an article on the birth of the economic program.

Well, his friend (an assistant editor of the Washington Post) called him and said he was doing the article and using quotes. When Dave told him this was a violation of their understanding, the reply was that the "off the record" only applied to the Washington Post.

If you read the article carefully, you'd see that Dave's quotes were not the damning part, it was the writer's interpretation.

Dave came to me and tendered his resignation -- saying he wanted to spend his time publicly repudiating the charges in the article that I didn't believe in the program and was deliberately mis-stating the case to the people. I refused his offer to resign.

David Stockman Magazine Article

Jus, the whole thing has faded here and he is completely rehabilitated on the hill. In the recent battle that led to my veto, the Senators and House members were totally dependent on him and his figures.

I've had any number of letters from the Congress expressing their happiness that I'd kept him on. I think the appearances he's making are part of his desire to make sure no lingering suspicion remains that we were insincere about our program. One thing is sure -- you can bet he's no longer a friend to that journalistic prostitute he once trusted.

Hope we see you soon, and hope you are feeling better. Love to Punky.

Sincerely,

Ron

Mr. Justin Dart
Chairman, Executive Committee
Dart and Kraft, Inc.
Post Office Box 3157
Terminal Annex
Los Angeles, California 90051

THE WHITE HOUSE
WASHINGTON

Dear Jim

Just we've never had a chance to visit about Dave Stockman so let me first briefly lay it out. The inviter (an admitted liberal) is a long time friend of Dave's and they've argued (like you^d used to when I was a Dam.) ~~disparately~~ about their philosophical differences.

Well his friend (an assistant editor of The Wash. Post) called him & said he was doing the article and using quotes. When Dave told him this was a violation, their understanding the reply was that the "off the record" only applied to The Wash. Post.

Dave came to me & tendered his resignation - saying he wanted to spend his time properly repudiating the charges in the article that I didn't believe in the program & was deliberately mis-stating the case to the people. (over)

I refused his offer to resign.

Just the whole thing has faded here and he is completely re-habilitated on the hill. In the recent battle that led to my veto the Senators & House members were totally dependent on him & his forgeries.

I've had any number of letters from the Congress expressing their happiness that I'd kept him on. I think the appearances he's making are part of his desire to make sure no lingering suspicion remains that we were insincere about our program. One thing sure - you can bet he's no longer a friend to that journalistic prostitute he once trusted.

Hope we see you soon & hope you are feeling better. Love to Penny.

Sincerely

Ron

RONALD W. REAGAN LIBRARY

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 4 LISTED ON THE
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

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THE WHITE HOUSE
WASHINGTON

DECEMBER 26, 1981

MEMORANDUM FOR THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT

FROM: CRAIG L. FULLER *CS*

SUBJECT: HUD BUDGET APPEAL

The President has reviewed and made a decision with regard to the three budget items which were appealed.

Section 8 Program Reforms

The President agreed to proceed with the voucher proposal developed by the Department. However, he determined that the rent subsidy should be set at an average value of \$2,000. The President disapproved of indexing the voucher for inflation.

Community Development Block Grants and Urban Development Action Grants

The President approved the Department's appeal for funding as indicated in your presentation. He did ask that you continue to work with the Office of Policy Development to continue to improve upon the effectiveness of this program.

Number of HUD Subsidized Tenants

The President approved the funding level recommended by the Office of Management and Budget.

If you have any questions concerning these decisions, you may contact me or the OMB budget examiner who works with HUD.

EF
THE WHITE HOUSE
WASHINGTON.

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December 21, 1981

MR. PRESIDENT:

All but three of the HUD issues have been settled. The remaining three remain for you to decide. They are attached at Tabs A, B, and C.

Selected White House views (strongly held) are at Tab D.

Dick

Richard G. Darman

Presidential Appeals Session - FY 83 Budget
Department of Housing and Urban Development

Copy of President's decision (Memos) on Budget appeal
relating to HUD attached

Notebook filed CF Oversight Attachment # 50

THE WHITE HOUSE

WASHINGTON

December 21, 1981

NOTE FOR DAVID A. STOCKMAN

FROM: RICHARD G. DARMAN



Attached is a copy of the President's decisions on budget appeals relating to the Department of Housing and Urban Development.

cc: Meese

Baker

Anderson

Fuller (for formal and detailed transmission to Cabinet, as appropriate)

PRESIDENTIAL BUDGET DECISION PAPER

Agency: Department of Housing and Urban Development

Appeal Item: Section 8 Program Reforms

Budget Impact:

	<u>First Year</u>	<u>Fifth Year</u>
<u>Number of Vouchers (units)</u>	400,000	400,000
HUD Voucher Subsidy (dollars)	\$2,189	\$2,978
OMB Voucher Subsidy (dollars)	\$1,800	\$1,800
HUD Outlays (dollars in millions)	\$876	\$1,191
OMB Outlays (dollars in millions)	\$720	\$720
<u>Savings through</u> <u>OMB Approach</u> (dollars in millions)	\$156	\$471

Program Facts:

- ° The voucher proposal is a modification of a current (Section 8 Existing) housing program in which tenants are given a government subsidy to live in private sector rental housing which meets certain housing standards. The tenant now pays 26% of his adjusted income for rent and the government pays the remainder.
- ° The voucher program provides housing for low-income households in a way that costs about half as much as the construction programs that HUD is terminating.
- ° HUD currently sets maximum rents for these units, but the rents have exceeded what these units would have rented for in the private market.
- ° The program as it is currently structured inflates rents of subsidized units and is unnecessarily costly.
- ° HUD and OMB agree that the program would be less costly if the tenant were given a government subsidy of a set amount (voucher) which he could use to supplement his rent payment for any unit of his choice, provided the unit meets certain standards.
- ° HUD and OMB disagree on how big a subsidy the government should provide the voucher recipient initially, and whether it should be indexed for inflation.

OMB Position

- ° OMB has provided a fixed \$1,800 average rent subsidy for voucher recipients for the full five years of the program.
- ° OMB strongly opposes inflationary annual cost-of-living rent adjustments. Historically, the Section 8 Existing inflation adjustments have increased 10% in excess of increases in rents in the private rental market.
- ° Indexing entitlement programs has been a major source of our current budget problem, which the Administration has been attempting to correct. Indexing this program is totally inconsistent with that effort.
- ° Indexing the voucher payment for inflation reduces one of the major benefits of the voucher reform proposal -- providing the tenant an incentive to shop around for the lowest cost standard rental unit. If the government shares the cost of future rent increases, the tenant has less incentive to shop around.
- ° Even without an inflation adjustment, the OMB voucher subsidy provides the tenant a reasonable opportunity to occupy standard decent housing for the length of the program (1983-1987).
- ° In 1983, the tenant would be able to move into 45-60% of the rental units in his community. Without an inflation adjustment, by 1987, the tenant would still be able to move into 30-40% of the rental units in his community assuming rents increase at 5% per year.
- ° The OMB voucher will cover 80% of the estimated rent of unsubsidized low-income renters. By 1987, the OMB voucher would cover 65% of the rent which the unserved target population would be paying. HUD's voucher would cover 110%.
- ° In 1983, the OMB voucher will effectively increase the average recipient's income by 25%. By 1987, the OMB voucher will effectively increase the average recipient's income by 20%.

HUD Position

Appropriate Level of Subsidy Required in the First Year

- HUD has reduced the payment standard in the voucher program by 7 percent, to the minimum level consistent with objectives of enabling households to live in standard housing, at a rent-to-income ratio of 30 percent.
- HUD estimates first year subsidy costs of \$2,189. OMB estimate of \$1,800 will force many households to take on rent burdens in excess of 30 percent.
- The 7 percent reduction proposed by OMB, added to the 7 percent already proposed by HUD, would have a total effect of cutting subsidy levels 14 percent. Many PHA's think current levels are barely adequate -- if not inadequate -- for efficient program operation. Program design changes allow absorption of some decrease in subsidy, but not a 14 percent drop.

- The OMB subsidy level will force displaced tenants and tenants in substandard units to pay an unacceptably large amount of their income to secure standard quality housing in areas with little turnover and low rental vacancy rates.
- \$1,800 results in average rent burden of 36 percent in first year. Jump from 30 percent to 36 percent of income will be out-of-pocket expense necessary to get standard housing.

Should Vouchers Include a Provision for Inflation?

- OMB argues that the amount of subsidy should be held constant for five years, with any increases in rent borne wholly by the tenant.
- HUD argues that the program should allow for sharing effects of inflation. As the tenants' income goes up, his payment increases even if rents don't. If rent goes up faster than acceptable to HUD, tenant will make up difference.
- Without higher subsidy costs in later years, tenant rent burden will rise steadily. With an inflation rate of 8 percent in rents and tenant incomes, rent burden would increase by 2 percentage points each year, so that by the fifth year the average tenant rent burden will be 44 percent of adjusted income.

Decision:

_____ OMB Recommendation.

_____ HUD Position.

✓ RR Alternative Position:

*Yes on vouchers - at a value averaging 2000
 No on inflation*

RR

PRESIDENTIAL BUDGET DECISION PAPER

Agency: Department of Housing and Urban Development

Appeal Item: Community Development Block Grants and Urban Development Action Grants

Budget Impact (dollars in millions):

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
° <u>OMB Recommendation</u>					
<u>Budget authority</u>	2,338	2,338	2,338	2,338	2,338
<u>Outlays</u>	3,899	3,204	2,515	2,338	2,338
° <u>Agency Position</u>					
<u>Budget authority</u>	3,896	3,896	3,896	3,896	3,896
<u>Outlays</u>	4,010	3,784	3,896	3,896	3,896
° <u>Add-Back to Deficit</u>					
<u>OMB Position</u>	+551	+1,186	+1,622	+2,194	+2,338
<u>Agency Position</u>	+662	+1,766	+3,003	+3,752	+3,896
<u>Difference</u>	+111	+580	+1,381	+1,558	+1,558

Program Description

- ° The Community Development Block Grant (CDBG) program provides entitlement grants to all large cities and urban counties and nonentitlement, discretionary grants (either decided and administered by HUD or States) to smaller communities. These grants can be used for a wide range of community and economic development activities, principally to benefit low- and moderate-income people and neighborhoods.
- ° The Urban Development Action Grant (UDAG) program provides discretionary grants (as decided and administered by HUD) to units of local government for use in conjunction with private and other public funds to promote project-specific economic development.

Important Congressional and Special Interests

- ° The CDBG program, a Republican initiative in 1974, has strong support from:
 - Congress,
 - local governments (especially large ones which receive considerable support), and
 - many States (which, due to a Reagan Administration initiative, may elect to administer the small city, nonentitlement portion of this program).
- ° The UDAG program, a Democratic initiative in 1977, has strong support (though less than for the CDBG program) from:
 - Congress (the Administration's efforts to combine this program with CDBG in 1981 was not approved by Congress), and
 - local governments (especially large ones which receive considerable support).

OMB Position

- The CDBG and UDAG programs provide funds to some communities at the expense of others, thereby shifting community and economic development from one place to another. There is no net national economic gain.
- A recent HUD evaluation of UDAG did not consider this shifting of economic resources.
- UDAG is a categorical program with decision-making at the Federal level, and is thus inconsistent with policies we are pursuing in many other areas.
- CDBG and UDAG distribute funds to cities and localities for activities that are primarily a local (or State) responsibility and provides benefits to those living in those areas at the expense of others in other areas.
- CDBG is almost a revenue sharing program -- of revenues we do not have. An expensive program in a time of large budget deficits.

Agency Position

- The deep and drastic cuts and terminations proposed for these programs, play into the hands of the Administration's severest critics, damaging the accomplishments that have already been achieved and reducing the Administration's future credibility.
- Mayors and Governors, Republican and Democratic across the country, will vehemently fight program cuts.
 - Governors are now paying close attention to proposed 1984 funding levels. A number of Governors have already indicated that they would not participate in a State block grant program if they did not see a sustained funding source.
- Deep reductions in 1983 and termination of the CDBG and UDAG programs by 1984 will be widely perceived as the Reagan Administration's neglect of cities and lack of concern for the consequences to the public.
 - States and cities are faced with a growing need to maintain and replace deteriorating infrastructures.
 - These jurisdictions lack the resources to carry out Block Grant and UDAG activities on their own.
 - Reforms to transfer revenue-generating capacity to State and local governments are not in place.
- Additional cuts in the Block Grant program will establish a damaging precedent that will spell defeat for incorporating block grants as a viable "New Federalism" approach to reduce and redirect other Federal programs.
- Termination of the CDBG program will open the Administration to a charge that the block grant approach, sold by the Administration as offering increased local flexibility and an enlarged role for State governments, was a ruse for winning support of the first round of budget cuts.

- UDAG is in tune with the Administration's "New Federalism". Local governments, working with private enterprise, develop and implement projects. Projects with State/local incentives are encouraged under the UDAG statute.

Decision

✓ RR

OMB Position.

HUD Position.

Alternative:

PRESIDENTIAL BUDGET DECISION PAPER

Agency: Department of Housing and Urban Development

Appeal Item: Number of HUD Subsidized Tenants

Budget Impact (dollars in millions; units in 000's)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1987</u>
° <u>OMB Recommendation</u>						
Outlays	5,750	6,738	7,216	7,732	8,194	8,491
Units/households	3,371	3,598	3,720	3,788	3,800	3,762
° <u>Agency Position</u>						
Outlays	5,750	6,738	7,259	8,312	9,347	11,318
Units/households	3,371	3,608	3,798	4,002	4,191	4,477
° <u>Addback to Deficit</u>						
OMB Recommendation	--	+671	+780	+685	+700	+498
Agency Position	--	+671	+823	+1,265	+1,853	+3,325
Difference	--	--	+43	+580	+1,153	+2,827

Program Facts

- ° At the end of 1981, there were 3.37 million subsidized households and 9.5 million individuals receiving HUD housing subsidies.
- ° In addition, HUD had a pipeline of 700 thousand subsidized units that were committed but not yet occupied. Most of these units would be constructed and occupied over the next 5 years. Some would need additional resources (amendments) to meet further cost increases to be completed.

Important Congressional and Special Interests

- ° Strong Congressional opposition to expensive new construction programs, but Banking Committees (especially Democrats in House and some Republicans in Senate) will strongly oppose total termination of new construction and no incremental growth in number of units.
- ° Low-income housing coalitions and other housing interest groups will support voucher if it means additional households receiving subsidies.
- ° Low-income housing developers (a small subset of all builders) and state housing agencies will oppose elimination of new construction programs.
- ° President's Housing Commission supports voucher and attempts to switch more expensive subsidy programs to vouchers but may object to no incremental housing units beyond those in the pipeline.

OMB Position

- The OMB proposal increases subsidized housing from 3.37 million occupied units at the end of FY 1981 to 3.8 million occupied units by 1985. This provides substantial growth--over 100,000 units per year--and housing assistance to another 1.2 million.
- The OMB proposal would not complete the entire pipeline of additional housing units planned by the Carter Administration and previous Congresses. To do so would:
 - Increase total government assisted housing to 4.1 million units by 1985--a 22 percent increase from the Carter FY 1981 level.
 - Add \$6.7 billion to the deficit over FY 1983-87.
 - Increase the unfunded housing liability of the Federal government from \$240 billion to \$284 billion by 1987.
- Instead, the OMB proposal would reduce, where possible, the building of expensive new units in the pipeline.
- It would also convert some units now occupied from expensive subsidy programs to the less expensive, more efficient voucher program.
- The OMB proposal would not mandate cities to build new housing units where they are not needed or wanted, but instead permit available funds to be used for repair and modernization.
- But, in this housing program as in others, the OMB proposal would not provide additional vouchers to substitute for the number of units that would not be built.
- The Administration does not need to consider itself obligated to provide the increase in subsidized housing units voted by a previous Congress. If the Administration or the Congress wishes in some future year to subsidize even more households, it can do so by providing more vouchers at that time--and the effect will be immediate (no construction lag).

HUD Position

PIPELINE CHARACTERISTICS: Obligations Funded by Congress through end of FY 1981:

Commitments to private multifamily and single family developers: 252,000

- Commitments to fund private development are legally binding and it will be difficult to induce anyone to surrender them.

Certificates distributed to tenants looking for apartments: 40,000

- Revocation of certificate authority would be counterproductive since it is the basis of the agreed upon new voucher approach.

Public Housing: Commitments to fund new development: 150,000

- While it is mutually agreed that we will try to induce public housing authorities to convert development funds to modernization, HUD's best estimate is that no more than 20,000 such units can legally be reprogrammed.

All Programs: Units actually under construction:	258,000
	Obligated 700,000
	Occupied 3,400,000
Current Total Obligated/Occupied Households:	4,100,000

It is unrealistic to expect Congress and interest groups to accept an absolute reduction in numbers of units already funded by Congress.

NEED FOR GROWTH IN NUMBER OF HUD ASSISTED HOUSEHOLDS:

- OMB position inconsistent with recommendations of President's Commission on Housing which states that any budget authority retrieved from de-obligations should be used for vouchers.
- HUD proposal provides for a modest 2-1/2%/year increase over 4.1 million households committed to through 1981 resulting in 4.5 million households by the end of 1985.
- Voucher substitute costs \$13,000 in new budget authority as opposed to \$120,000 for the current "new buildings" policy.
- With essentially no production programs, such an increase in assisted households is needed to make this cost effective program palatable to Congress; otherwise Congress will probably design its own production program.
- Moderate increase through new voucher program essential to maintaining safety net for the very poor.

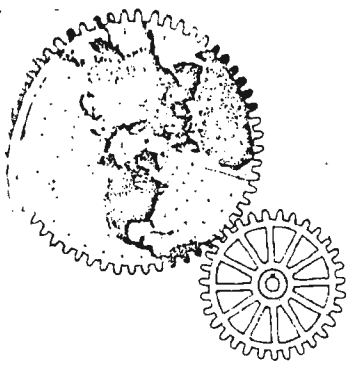
Proposed growth in assisted households: 1981-1985:	400,000
GOAL FOR HUD-ASSISTED HOUSEHOLDS BY 1985:	4,500,000

Decision:

✓ RR OMB Recommendation.

_____ HUD Position.

_____ Alternative Position:



POLYCONOMICS; INC.

Political and Economic Communications

Jude Wanniski
President
66 Macculloch Avenue
Morristown, N.J. 07960
201-267-4640

November 18, 1981

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

I've sworn I'd never write to you unless the news was really bad. It's now bad enough. The enclosed typescript will run as an article in Business Week in about ten days. I urge you to read it. It represents the viewpoint of the supply-siders outside your administration, a viewpoint you have not been getting inside because the inside supply-siders have arranged a non-aggression pact with the monetarists. We are on the verge of a global depression, but your economic advisers are blinded by the slide in interest rates into predicting prosperity just around the corner.

Please don't ask for a summary of the enclosed. It is too packed with information for realistic summary. I guarantee you will be glad you read it when you've finished.

Sincerely, as ever,

Jude Wanniski

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enclosure

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Dear Mr. MacDonald:

I have recently received letters from Americans all across the country asking that I give Presidential recognition to those Navajos who served our country as code talkers during World War II. I am deeply impressed with their concern.

In view of this, I am honored to be able to give such recognition as an expression of the gratitude America feels for the dedicated, and, indeed, highly effective service her Navajo sons gave during that war. I would add, as well, my personal appreciation and admiration for the devotion of these men who, almost forty years ago, volunteered for duty with the Marine Corps to perform such a vital mission in their country's defense. I am sure the code talkers themselves are proud to see that many of their own sons, grandsons, and nephews have volunteered to carry on that mission today. I trust this new generation of young Navajo men who have now completed training in San Diego will emulate the courage and patriotism of their fathers.

It is my pleasure to send to you for the records of the Navajo Nation a Certificate of Recognition on behalf of all Americans, for the valiant role played by the Navajo code talkers in the winning of World War II.

With my best wishes to all of the people of the Navajo Nation,

Sincerely,

ROBERT H. TAVELAN

Mr. Peter MacDonald
Chairman
Navajo Tribal Council
The Navajo Nation
Window Rock, Arizona 86515

11224

December 23, 1981

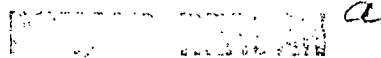
Dear Mr. Wynn:

I just wanted to drop you a note and let you know of the public response to your recent program on the Navajo Code Talkers. I've received letters from all over the country asking that I give recognition to these Marines for their devoted service in World War II. Of course, I have been only too happy to do so.

I have written to Mr. Peter MacDonald sending in his care a Certificate of Recognition expressing the gratitude of America to these fine men who played such a valiant role in our country's defense.

With best wishes,

Sincerely,

 a

Mr. Robert Wynn
Producer
George Schlatter Productions
8321 Beverly Boulevard
Los Angeles, California 99948

RR:AVH:RCH:pps

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THE SECRETARY OF DEFENSE
WASHINGTON, THE DISTRICT OF COLUMBIA

2 DEC 1981

MEMORANDUM FOR THE PRESIDENT

THROUGH: Michael Deaver, Assistant to the President and
Deputy Chief of Staff

SUBJECT: Navajo Code Talkers

We have run the matter of proper recognition for the code talkers through the system twice, but no really good suggestion for medals has been forthcoming. The problem is that the normal recognition, the "Presidential Unit Citation" is not appropriate because the code talkers were not a unit. They were assigned to a number of different units, most of which have, in fact, already received Presidential citations. Some of the Navajos, as individual Marines have, of course, also received individual medals. Also, in 1969 the 4th Marine Division Association gave commemorative medals to all living former code talkers.

It would be possible to order a new Navy medal since most of the Navajos were in the Marines or in Navy units, but the full procedure for ordering a new medal is roughly equivalent to the process for canonizing a saint. I am also advised there would be serious morale problems if I simply wandered over to the Mint and told them to strike a new one (which at this point I am tempted to do). Appropriate recognition at this stage appears to be a letter from you to the groups most concerned, and I am attaching two proposals that might be useful. I have also discussed with Mike the possibility of mailing them some form of Presidential certificate.

For further information, I am attaching a fact sheet produced by our system here, which is somewhat more negative than it would have been had I been writing it. Please let me know if there is anything further that you think we should do on this. I am sorry it has taken this long to get this far.

*Cap - I approve the
letter & the idea of a
certificate. Ron*

Jep.

FACT SHEET

Subj: The Marine Corps Navajo Code Talkers' Program

1. The Marine Corps Navajo Code Talker Program was established in early 1942 with 29 Navajos comprising the first group initially recruited. Eventually, between 375 and 420 Navajos were involved in the program. It is known that many more Navajos volunteered to become code talkers than could be accepted. However, an undetermined number of other Navajos served in the war, but not as code talkers.
2. Following recruit training, the Navajos were assigned to the Field Communication Battalion, Camp Pendleton, where they were taught basic communications procedure and equipment, and the first 29 Navajos devised a vocabulary of Navajo words for military terms which were not part of their language. Alternate terms were provided in the code for letters frequently repeated in the English language. To compound the difficulty of the program, all code talkers had to memorize both the primary and alternate code terms, for while much of the basic material was printed for use in training, communications security was fully maintained, curtailing the use of the printed material in combat.
3. In May 1943, in response to a request for an evaluation report of the code talkers, the various division commanders reported to the Commandant that excellent results had been achieved to date in the employment of Navajo code talkers in training and combat situations and that they had performed in a highly commendable fashion. In November 1944, the 6th Marine Division stated that use of the Navajo code talkers in various situations provided reasonable security to transmissions and their employment considerably reduced the time of delivery of messages which otherwise would have had to be encoded if they were to be sent by CW radio transmission. The 6th Division recommended that the program of recruiting and training Navajos be continued.
4. There is no indication that, outside of their unique language capability, the use of which guaranteed communications security, the Navajos' accomplishments were greater or more worthy of comment than those of other Marine signalmen in the war. Based on the information currently available, there really is no outstanding accomplishment which can be attributed to the Navajo code talkers, nor are there apparently any Navajos who were awarded the higher level combat decorations. It should also be reiterated that the Navajos never served in combat as a unit, but as individual communicators assigned to various Marine signal units from corps level on down to battalion level.

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THE WHITE HOUSE
WASHINGTON

December 23, 1981

Dear Brute:

Thanks very much for your letter and, since the Owl's Nest meeting is long over, I can only say I missed all of you.

A special thanks for the column you did. I'm truly grateful. By the time you get this I will have spoken on the subject of the Soviets and Poland. I'm going to try out "Sweet" on our team here.

Foreign Policy Address.

And, since I'll be late, let me just say I hope your holidays were merry and bright.

Again, thanks.

Sincerely,

Lt. General V. H. Krulak, USMC (Ret.)
3665 Carleton Street
San Diego, California 92106

811223

3-24-81

T. Ben Victor H. Krulak

Dear Bruce

Thanks very much for your letter and since the OWLS Meet meeting is long over I can only say I missed all of you.

A special Thanks for the column you did. I'm truly grateful. By the time you get this I will have spoken to the subject of the Soviets & Poland. I'm going to try out "Sweet" on our team here.

And since I'll be late let me just say I hope your holidays were merry & bright.

Again Thanks Sincerely
Ran

Don't need copy -

VICTOR H. KRULAK

053950

30 November 1981

The Honorable Ronald Reagan
President of the United States
c/o William French Smith
Gibson, Dunn & Crutcher
515 S. Flower - 47th Floor
Los Angeles, California 90071

Dear Mr. President:

Last week we enjoyed the pleasure of being with Hornsby and Eleanor Wasson and Eddie and Nell Carlson at our place in the desert. Your stewardship, and our prayers for your success were paramount in our discussions.

By the time the weekend was over I was inspired to write the enclosed column which has now gone out to over 800 newspapers.* I hope it will help you in pursuing what is certainly the most exciting foreign policy initiative of the decade.

We have an Owl's Nest camp meeting in San Francisco next week and, you may be sure, you will be missed. Every one of our campmates hungers to let you know how proud we are and how deeply we appreciate your steadfast behavior.

Every good wish to you for a blessed Christmas and a fulfilling New Year.

Sincerely,

Brutz

Enclosure

* I believe that "SWEET" is a better acronym than "SALT", and hope you agree.

B

V. H. KRULAK

The disposition to do political mischief to President Reagan could not be better exemplified than by some of the reaction to his dramatic proposal that the Russians join the United States in seeking the "zero option" in missile deployments affecting Western Europe. His plan, while not a new one, having earlier been offered by German Chancellor Schmidt, carried powerful meaning because it was offered officially by our Chief of State, and not through a trial balloon press leak or by a low level and non-attributable "source".

In one stroke, he put the cat on the Russians' back. In one stroke he gave the lie to the demonstrators on European campuses who have trumpeted that it is the Americans who are the aggressive warmongers. In one stroke he gave the lie to the demonstrators on our own campuses whose theme has been that Mr. Reagan is spoiling for a nuclear confrontation with the Soviets in Europe.

The reaction of demonstrating groups, both at home and abroad, was identical -- a declaration, unsubstantiated, that the President's proposal was insincere, that it was nothing more than a propaganda stunt.

The news media played an interesting counterpoint to this negative attitude, publicising the dramatic announcement briefly on the two days following the event, with the liberal

press following the lead of the New York Times in evaluating the proposal as just a political tactic and then turning to other, more tantalizing, projects. David Stockman's true confessions and Richard Allen's "smoking envelope" absorbed far more press resources than a sober proposal by Mr. Reagan to start the world on the road toward freedom from the nuclear threat. In a signal example of misdirection, one national news service, reporting that the House of Representatives voted 382-3 to applaud the President's action, devoted over a third of its story to the negative remarks of one of the three dissenters -- Representative Robert Kastenmeier of Wisconsin.

The reaction of the Russians was equally disappointing, albeit more to be expected. Following an initial knee-jerk, where the theme of the controlled Soviet press was "another insincere American scheme; sheer demagoguery" the Politburo clearly had second thoughts. This, they realized, is no Carter administration that now confronts them. It is a national leadership that gives every evidence of being resolute and serious and, as a result, the refined Soviet line now takes a more sophisticated course. There is no real weapons imbalance in Western Europe, they say. Tass, the official news agency, declares that their 270 new multiple warhead SS-20 missiles targeted on the NATO countries are more than counterbalanced by our own nuclear capable aircraft in the theater, our submarine based missiles plus missiles deployed by Britain or by non-NATO France.

The fact that the Russian argument is specious is plain to even a casual observer. As they count our aircraft, they choose to ignore their own. And, as they count their missiles, they choose to count only the new SS-20 and to ignore several hundred older -- but altogether lethal -- missiles of their own, SS-4's and SS-5's.

Taken all together we see the Soviets menacing Western Europe with some 3,725 assorted nuclear systems, air and ground, while we muster a total of only 560, none of which are ground based missiles.

The critical issue, beyond the sobering weapons imbalance that is there for all to see, is the forthcoming talks on missile limitation in Geneva between the United States and the Russians. Soviet President Leonid Brezhnev has fired the opening gun in a proposal that everything be frozen in the status quo, which is to say endorse a dangerous 6 to 1 Soviet advantage. President Reagan, for his part, has made a solid proposition that, for the first time, might result in a reduction of the hazard of nuclear war.

In this age of acronyms Mr. Reagan's initiative ought to be called "SWEET" -- Strategic Weapons Elimination Talks, and what he needs now, throughout the land -- in the press, in his own government -- is the kind of solidarity exhibited by the House of Representatives in its 382-3 vote commending the President and pledging to work with him "so that the threat of nuclear war can be eliminated in our lifetime".

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THE WHITE HOUSE
WASHINGTON

December 23, 1981

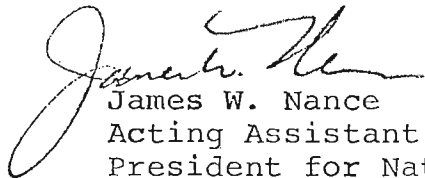
Dear Mr. Brown:

The President has asked me to reply to your letter of November 30 concerning Manuel Fraga Iribarne.

Mr. Fraga does appear to be a politician of increasing popularity in Spain and, as you point out, "a good friend of the United States". As such, I can assure you he will be received at an appropriately high level -- commensurate with his position as leader of an opposition party -- should he decide to visit Washington during the next few months. Fraga is in touch regularly with Ambassador Todman and his staff in Madrid and if he keeps them informed of his plans I am sure appropriate appointments can be arranged.

President and Mrs. Reagan thank you for your renewed messages of support.

Sincerely,



James W. Nance
Acting Assistant to the
President for National
Security Affairs

Mr. Alan Brown
Box R-4526
A.P.O New York 09283

RECEIVED 17 DEC 81 14

TO NANCE

FROM BREMER

DOCDATE 16 DEC 81

BROWN, ALAN

30 NOV 81

KEYWORDS: SPAIN

IRIBARNE, MANUEL F

SUBJECT: PROPOSED RESPONSE TO BROWN LTR RE SPANISH POLITICIAN FRAGA

ACTION: PREPARE MEMO FOR NANCE

DUE: 19 DEC 81 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

RENTSCHLER

BLAIR

COMMENTS

Backup attached

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LOG 8106915

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MEMORANDUM

NATIONAL SECURITY COUNCIL

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December 22, 1981

MEMORANDUM FOR ADMIRAL NANCE

SIGNED

FROM: DENNIS BLAIR *DB*

SUBJECT: Response to a Letter about Spanish
Politician Manuel Fraga

On November 30, Mr. Alan Brown, apparently a friend of the President, wrote to him requesting a high-level reception for Manuel Fraga. State Department has drafted a reply telling Mr. Brown that we will be happy to arrange "appropriate appointments" for Mr. Fraga.

I have prepared the letter at Tab I for your signature to Mr. Brown. The last time the White House replied to Mr. Brown, the letter was signed by Peter McCoy, so it seems appropriate that you sign this one.

RECOMMENDATION:

That you sign the letter at Tab I.

Approve _____ Disapprove _____

Tab I Letter to Mr. Brown
A - Incoming Letter

8135684

Box R-4525

A.P.O., NEW YORK NY 09283

Telephone: Madrid, Spain
207 73 02

30 November 1981

Dear Mr. President:

Thank you so much for your warm and kind letter of 12 October. A great deal has happened since then, and I congratulate you on the resounding AWACS victory, and your latest foreign policy coup showing up the Russians for what they are. Magnificent!

If I may presume to follow up on my previous letter about Spain -- you may recall that I suggested that our government see a Spaniard with a different point of view from the present governing party, and certainly opposite to that of the Socialist Workers Party (read "Marxist" Workers Party despite their official denials and coverups). The man I recommend is Manuel Fraga Iribarne, head of Alianza Popular. He is a conservative who knows how to campaign in the Reagan manner -- directly to the people. He is a Deputy in the Spanish Parliament and recently won for his party a landslide victory in Galicia in Northern Spain against both the government party and the Socialists. He is opposed to extremism of the left or right, and to the trend toward separatism in Spain. He is right of center, is for a united and economically-sound Spain, for membership in NATO and the Common Market, and is a good friend of the United States.

Fraga is the only current leader I know who is really totally for his country and its best interests (like you). He was in the Franco government as Minister of Information and Tourism, and was regarded then by the media as a progressive and forward-looking man. He was Spanish Ambassador in Britain for two years, and was a minister in the King's first government. He is a man of courage and principle, and is receiving a great deal of media attention since his party's victory in Galicia (and its predicted victory in two forthcoming regional elections). He may be invited to join the present government as a minister, and I believe he is one of the few Spaniards who can save Spain from going Socialist in the 1983 elections. He is a potential and possible President, and when I look at the map of Europe, North Africa and the Middle East, and see how many nations are Socialist or Communist, I think we need an anchor in the Mediterranean that is firmly embedded in Western bedrock, and not in the sands of Socialism.

A year ago I could not have felt that Manuel Fraga Iribarne, whose party is small, could even aspire to the Presidency. I now think he has a chance, and that his victory would be beneficial to our side. A victory of the opportunist Felipe Gonzalez, the Socialist who is a Marxist without a shadow of a doubt (the willing pupil of Willy Brandt), would be totally against our interests. Gonzalez is powerful, and we don't need to spit in his eye, but we do need, I most respectfully believe and suggest, to hedge our bets and treat Fraga with friendship.*

My hope is that, of course, Mr. Fraga might meet with you personally, or with someone you designate, and that, if it is not possible to fit him into your incredibly crowded official hours, he might be included in some White House affair.

Forgive my importunate presumption in addressing you so soon again, but I feel strongly that it is a matter of sufficient importance, especially since I observe that it appears to be Gonzalez who is receiving tacit U.S. approval at the moment, and his way is not the way of democracy, no matter how much the diplomatic front tries to encourage the belief that he will turn moderate once in power.

Fraga is soon to visit Washington to make some speeches at Georgetown University and elsewhere. I would be delighted to tell him to communicate with someone in Washington to arrange the highest-level meeting possible, or he may be addressed as follows:

Hon. Manuel Fraga Iribarne
c/o Alianza Popular
Calle Silva 23
Madrid-13, Spain

I congratulate you again, and am proud of both you and Nancy. My deep affection and warmest best wishes to you both.

Very respectfully,


Allan Brown

The President
The White House
Washington, D.C.

*President Carlos Solala is currently flirting with

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October 12, 1981

Dear Alan:

I hope you won't mind my answering your most informative letter to Nancy. I've finally gotten around to this on the day before the King's arrival. Your information will be most helpful in tomorrow's meeting.

JUAN CARLOS

One wonders at times if some of our friends and allies haven't taken a narcotic that keeps them smiling vacantly while termites eat away the timbers supporting the ivory towers in which they live.

I'll do my best in the upcoming meetings but will of course have to be subtle and look for an opening. For one thing, I'm going to do my best to extol the virtues of joining NATO.

Nancy sends her best -- as I do. Thanks again.

Sincerely,

Ron A

Mr. Alan Brown
Box R-4526
APO, New York, New York 09283

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