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THE WHITE HOUSE

WASHINGTON

July 26, 1982

Dear Mr. McCarthy:

Thanks very much for the letter you handed me in St. Louis. I was delighted to read of your tremendous accomplishments in Kansas City. You have every reason to be proud of such a record.

I'm passing your letter along to Bill Verity who, as you probably know, is chairman of our National Private Initiative Task Force. I know he'll be pleased to have the information and will make good use of it.

Again, my thanks.

Best regards,

RONALD REAGAN

Mr. Jack McCarthy
Power and Light Building
Suite 1903
106 West 14th Street
Kansas City, Missouri 64105

820727

Kansas City Alliance of Business

Affiliate of National Alliance of Business

POWER AND LIGHT BUILDING, SUITE 1903, 106 WEST 14TH STREET, KANSAS CITY, MISSOURI 64105 816/842-5177

Kansas City Metro Chairman

William H. Dunn
J. E. Dunn Construction Co.
1980

July 21, 1982

The President, Ronald Reagan

Dear Mr. President:

Kansas City business, in partnership with public agencies and many community-based organizations, is meeting your challenge to establish new levels of private sector leadership and initiatives to meet community needs. The local NAB affiliate, the Kansas City Alliance of Business, is leading the 8 county metro area Summer Jobs for Youth Program for 1982. Key initiatives in support of the effort are:

1. The sixteen major metro area Chambers of Commerce joining together for the first time to promote jobs with their members which resulted in more than 2,300 jobs being developed.

2. The JOBS Alliance Breakfast, of April 27, which brought together some 300 top business executives and executives of public agencies and community-based organizations to create awareness of the need for a public-private partnership to create jobs for youth and other disadvantaged.

3. The school systems, other public agencies, community-based organizations and business conducted job orientation programs for youth wanting summer jobs.

4. The cooperative effort of community colleges in Kansas and Missouri to establish a computer based job service for youth.

5. The phone bank operation of the AT&T Long Lines National Telemarketing which contacted some 3,400 small businesses from mid-May to mid-June identified 660 job openings and more than 800 jobs already filled.

6. A Special Employment Program of the City of Kansas City and the business sector which raised $1 million ($700,000 from the City, matched by $350,000 from business) to create summer jobs for 600 CETA eligible youth and 92 jobs of 6 months duration for adults.

7. A coalition of the Kansas City Council on Crime Prevention, the Parks and Recreation Department, universities and businesses have formed teams of 10 Special Employment Program youth to work in the parks this summer under volunteer business and university supervisor/instructors. One day in ten, or any inclement day, the youth get classroom instruction in horticulture and groundskeeping - a marketable work skill.

8. The Urban League acting as a contractor to provide teams of youth to businesses for building and grounds maintenance. As an example, Kansas City Power & Light contracted for 83 youth in the summer of '81 and 52 this year.

To summarize, exciting things have happened in the Kansas City area because the business and public sector have worked hard at establishing a viable partnership. The result has been more than 4,000 jobs in business, 600 in the public-private Special Employment Program and more than 2,000 in the Worlds of Fun and Oceans of Fun amusement parks. CETA funds provided another 2,800 or so jobs in the metro area.

Sincerely,

Jack McCarthy
Vice President
United Telecommunications
& Kansas City Metro Director

090393
PR003

THE WHITE HOUSE

WASHINGTON

July 27, 1982

Dear Mr. Jones:

I'm pretty late with this reply to your letter of June 14th, but want you to know how grateful I am for your letter and the cards. Let me also express my thanks for your words of support.

I know things are tough, particularly in your business, and I wish there could be some instant solution. I believe, however, that much of our trouble is due to government quick fixes and printing press money over the past few decades. Let me assure you, I do intend to stick with the program we've started, and your letter helps.

Sincerely,

RONALD REAGAN

Mr. Frederick B. Jones
3301 South 14th Street
River Oaks Village
Abilene, Texas 79605

820727

OLYMPIA
The Olympia Company, Realtors
3301 South 14th St.
River Oaks Village
Abilene, Texas 79605
915. 695-2525

Mr. Ronald Reagan,
President of the United States
The White House
Washington, D.C. 20000

June 14, 1982

Dear Mr. President:

Recently, the National Association of Realtors sponsored a Paralysis in Government campaign to emphasize to our national leadership the concern that grass roots America has over the condition of our country and the imperative that we must get our country on the road to economic recovery. I had the privilege of serving as chairman of the Abilene, Texas, campaign.

I forward the enclosed post cards with the hope they will reinforce your commitment to continue in your program. Some background on the cards may be of interest. On Saturday, June 5, 1982, the Abilene Jaycees sponsored a celebration of the 101st birthday of our community. We of the Board of Realtors along with the local association of the Homebuilders took the opportunity to set up a booth to solicit signatures. The response was overwhelming! In short time we were out of post cards, and began using petitions, which will be forwarded to our senators and congressman.

Comments from those contacted were overwhelmingly favorable and very positive. Mr. President, the folks in this area of Texas are strong in support of you and the programs which you have placed in effect. Underlying this support were expressions of real concern over the well-being of our country. Americans from all walks of life and crossing the entire economic spectrum believe our Nation is in serious trouble and that aggressive positive action must be taken now.

Mr. President, I hope these cards will let you know that we are concerned, want something done, and will support programs that are solutions to our problems.

Sincerely Yours,

Pete Jones

Frederick B. (Pete) Jones
Chairman, Abilene Board of Realtors
PING Committee

375

LAY POLITICS ASIDE, SAVE AMERICA.

BALANCE THE FEDERAL BUDGET

NAME: R. DENNIS SHEPHERD

Gen'
Contractor

ADDRESS P.O. BOX · 161

ABILENE, TX.

090399
WE

THE WHITE HOUSE

WASHINGTON

July 26, 1982

Dear Mr. Riedel:

I'm sorry to be so late in answering your letter of May 23rd. Sometimes it takes awhile before mail gets to my desk.

I'm sorry about the layoff and hope things will be better soon. But let me tell you your letter is greatly appreciated and did a lot to brighten my day. To write as you did in the face of your troubles was more than kind and I'm most grateful.

I believe we are doing what has to be done if we are to have a real return to prosperity and the right kind of country for those children of yours and I thank you for your support.

Give my regards to your family and God bless you.

Sincerely,

RONALD REAGAN

Mr. Bob Riedel
1256 Country Acres
Wichita, Kansas 67212

820727

Dear Mr President,

May 22nd 1982

May I first tell you who I am and something about me. My name is Bob Riedel and I work at Cessna Aircraft Company for 8 years. I am married and have eight (8) children of whom six (6) are home. Yesterday Cessna informed me I will be laid off June 2nd. Also I have two sons living at home that are laid off.

Now contrary to what you probably think, this letter is written to tell you I believe you are doing a great job, a job right now that has very little ~~pressure~~ praise in our uncertain times. The majority of my fellow workers are against you but I tell them what you are doing needed to be done and if you didn't do it their future and their childrens would be in a lot worst shape than we have it today.

So if anybody gripes to you about how hard they have it tell them you know of a family of 10 whose Dad is laid off and if he can make it anybody can. It is about time to start thinking positive and until we do our country will stay in the economic rut.

I am sorry to take up your time but as a blue collar worker I think you should hear some good things from us also.

Thank you for listening
Yours truly
Bob Riedel

P.S. I am also a member of the IAM union.

May 23, 1982

Dear Mr. President:

May I first tell you who I am and something about me. My name is Bob Riedel and I work at Cessna Aircraft Company for 8 years. I am married and have eight (8) children of whom six (6) are home. Yesterday Cessna informed me I will be laid off June 2nd. Also I have two sons living at home that are laid off.

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I am sorry to take up your time but as a blue collar worker I think you should hear some good things from us also.

Thank you for listening

Yours truly

Bob Riedel

P.S. I am also a member of the I.A.M. union.

1256 Country Acres

Wichita, Kansas 67212

July 27, 1982

090400
FI007

Dear Mr. Long:

Thank you very much for your wire, but thank you even more for what you are doing with regard to interest rates. I'm convinced we can lick this recession, and interest rates are key to getting it done.

You were very kind to let me know of your action and I'm most grateful.

Sincerely,

RONALD REAGAN

Mr. I. A. Long
Chairman of the Board
Southwest Bank of St. Louis, Missouri
Post Office Box 6087
Southwest Station
St. Louis, Missouri 63139

RR:AVH:pps

RR Dictation

820727

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A.H.

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PMS PRESIDENT RONALD REAGAN RPT DLY MGM

WHITE HOUSE DC

WE HAVE REDUCED OUR PRIME RATE FROM 16 1/2 PERCENT TO 16 PERCENT EFFECTIVE IMMEDIATELY.

I. A. LONG CHAIRMAN OF THE BOARD SOUTHWEST BANK ST LOUIS MISSOURI
P O BOX 6037 SOUTHWEST STATION
ST LOUIS MO 63139

NNNN

090401
PR003

THE WHITE HOUSE

WASHINGTON

July 27, 1982

Dear Mr. Haack:

I'm very late in thanking you for your letter of May 17, but I do thank you. I appreciate your words of support for what we're doing and agree with you that we must not repeat the quick fixes and false economics of the past.

Please be assured I'll stick with our plan and, as you say, "hang tough." Letters like yours make it easier to do that.

Sincerely,

RONALD REAGAN

Mr. Gordon W. Haack
6314 S.E. 18th Avenue
Portland, Oregon 97202

820727

6314 S. E. 18th Ave.
Portland, Ore. 97202
May 17, 198[illegible]

Pres. Ronald Reagan
White House
Washington, D. C.

Dear Mr. President,

I am 67 and on Social Security. I took early retirement at 62 and 5 months. I think indexing S.S. to the CPI is ridiculous and have written both my Senators and my Representative to this effect. It is tax-free and constitutes a great deal more net than if a taxpayer had his wages or salary indexed the same way. I am in agreement that this indexing should be cut back to a realistic figure to insure SS solvency.

Do we have to have a Crisis in S.S. before those children in Congress quit playing politics and games?

I agree with your philosophy. Our problems stem from the liberal give-away congressmen in past Congresses. I don't see any of these genius's offering any alternative except of more of the same mistakes of the past 30 years.

Maybe you should have offered last year's budget with no increases at all.

I wish you would come out swinging.

For the good of the country, [illegible] tough.

Sincerely,

[illegible signature]

Gordon [illegible]. [illegible]ack

To Mr. Jack McCarthy – Power & Light Bldg. Suite 1903
106 West 14th St. Kansas City Mo. 64105

Dear Mr. McCarthy

Thanks very much for the letter you handed me yesterday in St. Louis. I was delighted to read of your tremendous accomplishments in Kansas City. You have every reason to be proud of such a record.

I'm passing your letter along to Bill Verity who as you probably know is chairman of our Nat. Private Initiative task force. I know he'll be pleased to have the information & will make good use of it.

Again my thanks & Best Regards

RR

To Mr. Frederick B. Jones - 3301 So. 14th St. River Oaks Village
Abilene Texas 79605

Dear Pete Jones

I'm pretty late with this reply to your letter of June 14th but want you to know how grateful I am for your letter & the cards. Let me also express my thanks for your words of support.

I know things are tough particularly in your business and I wish there could be some instant solution. I believe however that much of our trouble is due to govt. quick fixes and printing press money over the past few decades. Let me assure you I do intend to stick with the program we've started & your letter helps.

Sincerely RR

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Dear Mr. Riedel

I'm sorry to be so late in answering your letter of May 23rd. Sometimes it takes a while before mail gets to my desk.

I'm sorry about the lay off and hope things will be better soon. But ~~to~~ let me tell you your letter is greatly appreciated and did a lot to brighten my day. To write as you did in the face of your troubles

(over)

was more than kind and I'm most grateful.
I believe we are doing what has to be done if we are to have a real return to prosperity and the right kind of country for those children of yours and I thank you for your support.

Give my regards to your family & God Bless you.

Sincerely RR

To Mr. J.A. Long - P.O. Box 6087 Southwest station
St. Louis Mo. 63139

Dear Mr. Long

Thank you very much for your wire but thank you even more for what you are doing with regard to interest rates. I'm convinced we can lick this recession & interest rates are key to getting it done.

You were very kind to let me know of your action & I'm most grateful.

Sincerely RR

To Mr. Gordon W. Haack 6314 S.E. 18th Ave.
Portland Ore. 97202

Dear Mr. Haack

I'm very late in thanking you for your letter of May 17 but I do thank you. I appreciate your words of support for what we're doing and agree with you that we must not repeat the quick fixes and false economies of the past.

Please be assured I'll stick with our plan and as you say "hang tough". Letters like yours make it easier to do that.

Sincerely RR

End
case
File

July 27, 1982

081130
FI010-02

Dear Larry:

I hope you realize how I really feel about any of the tax increases. They are part of the price we've had to pay for our continued program of reducing Federal spending. I'm convinced that tax cuts are the way to go and will wind up producing more government revenue by virtue of a broadened economic base.

We had suggested a year ago that we could identify some thirteen billion dollars in unintended tax benefits and uncollectible taxes and would support correction of this. The result has been the present program, of which only 25% — due to the success of our efforts — represents actual tax increases. The other 75% is basically improved tax compliance.

With regard to the particular issue you raised we've gotten Senator Dole to reduce the 10% level to 7% and it passed. We think another effort in the conference committee — when it starts to reconcile House and Senate versions — might bring it down to 5% or 6%. All I can say is I'm not giving up on more tax reductions as well as cuts in spending.

It was good hearing from you even if I can't give a happier reply. Nancy sends her best, as do I.

Sincerely,

RON

Mr. Laurence W. Beilenson
1946 North Gramercy Place
Los Angeles, California 90068

RR:AVH:pps

RR Dictation

THE WHITE HOUSE

WASHINGTON

July 23, 1982

MEMORANDUM FOR THE PRESIDENT

FROM: CRAIG L. FULLER

SUBJECT: Medical Expense Deductions

This afternoon, Mike Deaver gave me the attached letter you received from Laurence Beilenson concerning medical expense deductions. The Treasury Department has provided us with the attached information.

Let me know if any additional information is necessary.

cc: Mike Deaver

THE WHITE HOUSE

WASHINGTON

July 26, 1982

MR. PRESIDENT:

There is a chance that the 7 percent number referred to in the attached may be reduced to 5 or 6 percent in the Senate-House Conference on this. This is not certain, of course.

Dick

Richard G. Darman

- The original Senate Finance Committee proposal did indeed increase the floor above which medical expenses would be deductible. The floor used to be 3 percent. The Senate Finance Committee proposal raised it to 10 percent. Treasury preferred a smaller increase and worked to have the increase lowered.

- In the consideration of the Senate Finance Committee bill last night, Senator Dole offered an amendment to reduce the proposed 10 percent floor to 7 percent. Treasury supported that amendment and it passed.

- This increase does still result, by itself, in a small tax increase for those who have significant medical expenditures. At the same time, however, this increase does disallow relatively small deductions that are not of a truly catastrophic nature. It was the intent to limit this deduction to catastrophic medical expenditures. Since in the past medical costs have risen more rapidly than prices in general, relatively normal or expected medical expenses can exceed 3 percent of adjusted gross income in a given year and thus be deductible under current law. Such expenses are, however, not related to a medical casualty which the deduction was intended to cover.

Source: Dept of the Treasury

LAURENCE W. BEILENSON
1946 NORTH GRAMERCY PLACE
LOS ANGELES, CALIFORNIA 90068
TELEPHONE (213) 467-6479

President Ronald Reagan July 17, 1982

Dear Mr. President:

Senator Dole has proposed as one of his projected tax increases that the percentage of adjusted gross income to be subtracted from deductible medical expenses be increased from 3% (existing law) to 10%. Suppose a taxpayer has a catastrophic illness in his family, as I do. (Gerda has had nurses around the clock for almost 10 years.) If the taxpayer's medical expenses are $75,000 and his adjusted gross income is $130,000, the taxpayer's tax is increased $9,100. True, he gets the 10% general reduction, but that will be far less than his increase. Compare a taxpayer with the same adjusted gross income but no catastrophic illness; he gets the 10% tax cut and no raise. Irrespective of whether the 10% cut should be eroded at all, the method of burdening taxpayers already hurting from illness in the family as against more fortunate taxpayers hardly seems fair. In lower brackets, the proposal also hurts. A taxpayer with medical expenses of $8,000 and an adjusted gross of $40,000 pays a tax increase of $2,800 under Senator Dole's proposal.

Sincerely,

Larry

LWB:dc

[illegible] Beilenson 1946 No. [illegible]
L.A. Calif. 90068

Dear Larry

I hope you realize how I really feel about any of the tax increases. They are part of the price we've had to pay for our continued program of reducing Fed. spending. I'm convinced that tax cuts are the way to go & will wind up producing more govt. revenue by virtue of a broadened ec. base.

We had suggested a year ago that we could identify some $13 bil. in unintended tax benefits & inability to collect taxes due and would support correction of this. The result has been the present program which we did succeed in holding to about 25% tax increase. The other 75% is basically improved tax compliance.

With regard to ~~your~~ the particular issue you raised we've gotten Sen. Dole to reduce the 10% level to 7% & it passed. We think another effort in the conference committee when it starts to reconcile House & Senate versions might bring it down to 5 or 6%. All I can say is I'm not giving up on more tax reductions as well as cuts in spending.

It was good hearing from you even if I can't give a happier reply. Nancy sends her best — as do I.

Sincerely
Ron

End
case
File

The President has seen____.

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TA 003

THE WHITE HOUSE
WASHINGTON

July 29, 1982

MR. PRESIDENT:

The attached statement on grain reflects the decision you made this morning. It has been approved by NSC, Department of Agriculture, and selected White House staff.

If you approve, we propose to release this statement (or your edited version thereof) at 10:15 tomorrow morning -- before the commodities markets open at 10:30. Don Regan and Jack Block will then brief the press on this decision.

If you would bring this in to the office in the morning, there will be enough time to type it and release it before 10:15.

Thanks,

Dick

Richard G. Darman

OK RR

DRAFT ANNOUNCEMENT OF DECISION ON U.S.-USSR GRAIN AGREEMENT

The U.S.-USSR grain agreement, which has governed our grain trade with the Soviet Union since 1976, is due to expire September 30. After discussion in the Cabinet, I have authorized U.S. officials to explore the possibility with the Soviet Union of a one-year extension of the existing grain agreement. I have further authorized them to explore in the consultations with the Soviets, normally conducted under the agreement, the possibility of additional grain sales to the Soviet Union.

In this decision, I have ruled out any negotiation of a new long-term agreement at this time. On December 29th, I postponed such negotiations until the Soviet Union indicates that it is prepared to permit the process of reconciliation in Poland to go forward and demonstrates this desire with deeds and not just words. My decision reinforces this objective. The Soviets should not be afforded the additional security of a new long-term grain agreement as long as repression continues in Poland.

At the same time, American farmers will not be made to bear alone the burdens of this policy toward the Soviet Union. In the spring of 1981, I lifted the grain embargo, imposed by the previous Administration, because it was not having the desired effect of seriously penalizing the USSR for its brutal invasion and occupation of Afghanistan. Instead, alternative suppliers of this widely available commodity stepped in to make up for the grain which would have been normally supplied by U.S. farmers. These developments substantially undercut the tremendous sacrifices of our farmers and I vowed at that time not to impose a grain embargo unilaterally unless it was part of a general cut-off of trade between the U.S. and the Soviet Union.

I renew that pledge to American farmers today. American farmers can be assured that they will continue to have a fair opportunity to export grain to the USSR on a cash basis. Other suppliers, who sometimes criticize our grain sales, also supply grain to the Soviet Union. Grain sales have little impact on Soviet military and industrial capabilities. They absorb hard currency earnings, and feed the people of the Soviet Union who are suffering most from the disastrous economic policies of the Soviet Government.

End case File

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THE WHITE HOUSE

WASHINGTON

August 2, 1982

Dear Al:

I can't quarrel with your editorial except that Bob Dole was only carrying out what had to be done in order to get the entire package of spending cuts, etc. We cooperated to the extent of sending up a list of taxes we could not support and suggestions as to revenue that would be acceptable.

Very simply, the tax bill is the price we had to pay for support on the whole program. If the budget resolution is fully implemented, we will get cuts in outlays at a ratio of about $3.00 for every $1.00 of tax. That statement isn't quite accurate in that $31 billion of the $99 billion tax bill consists of better compliance in collecting taxes that are owed under present law and which are being evaded. That part of the bill is what we'd spoken of last year during the budget battle saying we'd attempt to correct it this time around.

Let me recall to you that the forces now calling this our tax increase were moving heaven and earth to cancel our tax reductions. This headed them off. From '83 through '85 our 1981 bill's tax cuts will amount to $408 billion, so we stayed ahead of what they were trying to get.

I have your previous letter on my desk and no, I haven't been told of what you told me in the letter. I intend to get into the subject you raised. Incidentally, a thank you, very late, for all your help in the campaign and since the election.

You'll be hearing from us.

Sincerely, Ron

Mr. Alfred H. Kingon
Financial World
150 East 58th Street
New York, New York 10155

THE WHITE HOUSE

WASHINGTON

July 28, 1982

Dear Al:

I can't quarrel with your editorial except that Bob Dole was only carrying out what had to be done in order to get the entire package of spending cuts, etc. We cooperated to the extent of sending up a list of taxes we could not support and suggestions as to revenue that would be acceptable.

Very simply, the tax bill is the price we had to pay for support on the whole program. ~~We did~~ If the budget resolution is fully implemented, we will get cuts in ~~spending~~ outlays at a ratio of about $3.00 for every $1.00 of tax. That statement isn't quite accurate in that $31 billion of the $99 billion tax bill consists of better compliance in collecting taxes that are owed under present law and which are being evaded. That part of the bill is what we'd spoken of last year during the budget battle saying we'd attempt to correct it this time around.

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You'll be hearing from us.

Sincerely,

Mr. Alfred H. Kingon
Financial World
150 East 58th Street
New York, New York 10155

FINANCIAL WORLD

ALFRED H. KINGON
Editor-in-Chief

July 26, 1982

The President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I have a feeling that you might find this editorial that will run in the August 15th issue of Financial World "right on" in spirit, but troublesome for practicing politicians. I hope you will forgive me the fact that I, at the moment, only have a soap box and no responsibilities.

I fully recognize that the Dole bill may indeed be essential to break up any congressional log jam vis-a-vis the budget and retain the essentials of the Reagan program.

But I did think it necessary to set the lights on high so that at least we can all know what we are doing.

I sent you a very personal letter two weeks ago. I hope you've had the chance to peruse it.

Best personal regards.

Sincerely,

AHK/lh
Enc.

150 East 58th Street, New York, N.Y. 10155

Crowding in on "crowding out"

Lamont Cranston (alias "The Shadow" for you younger folks) is alive and well. How do I know? Just go to Washington. Men's minds are clouding over by the hour down there. I don't know what it is about the place, but whatever causes the illness, it gets a lot worse in the months prior to election.

The new hero of the hour is Senator Bob Dole of Kansas. What did he do? Well, and I'm not kidding, he somehow snatched the tax increase ball from the Democrats, browbeat his fellow Republicans on the Senate Finance Committee to accept it and deftly ran it past the whole Senate.

How did our Kansas folk hero (read: Presidential aspirant) pull it off? Why, cajoled Senator Dole, we must raise these taxes to close the budget gap and reduce the deficit. Then, he promised, the government will not have to go into the market to borrow so much, interest rates will come down, red ink will be less, the economy will rise again and all will be well in America.

Oh how they thrash this way and that to somehow escape the effects that they've caused. It's time for a refresher course that even, well, Congressmen can understand. Let's begin with the heart of their arguments, the sinister phrase "crowding out."

•

No one ever heard about crowding out until William Simon became Treasury Secretary. That estimable gentleman, combining his Wall Street and government experience, declaimed the obvious: When the government comes into the market to borrow money it reduces the supply of savings available for investment in the private sector. And if the engine for our economic expansion, and for improving our productivity, is capital investment in the private sector (whether equity or debt), to the extent that the government comes into the market, private industry, and thus the economy, is that much poorer.

It was radical talk in those days because Simon, and later others, were fundamentally saying that deficits were indeed bad and that there was a long-term cost to them that had been ignored. But now, eight years later, Simon's wisdom has generally been accepted. And all those big spenders in Washington, who for years thought nothing about an extra few billion here and there, are now assuring their constituents that they want nothing more than to reduce the deficit. Heaven forbid, we would want to crowd out the badly needed private investment that would build our economy and make it competitive again.

There's just one flaw. Washington, as usual, has learned half the lesson. What troubles our peerless Potomac leaders is that, notwithstanding the recession and inflation's fall, interest rates are hanging in there at extraordinarily high levels. Theories abound as to why. Most, if not all of them, do not stand up under scrutiny. But one thing is very clear: In postponing the tax cuts while money was being tightened with a vengeance, a deep recession was insured and the shortfall of revenues that accompanies every recession is the cause of the climbing budget deficit.

> *It doesn't make any difference whether Uncle Sam diminishes the savings pool by selling Treasuries or raising taxes.*

And, equally clear, is that by seeking to close the budget deficit that arose from the revenue shortfall by raising taxes in a recession, our Washington kingpins are again guilty of crowding out private investment.

How? Simple! If there's a pool of savings available for investment, it doesn't make any difference whether Uncle Sam diminishes it by selling Treasury bonds or by taking it in the form of increased taxes. Either way the savings pool is reduced.

To take it a step further, since hiking taxes will dip into the same savings pool as government borrowing, it makes absolutely no sense to raise taxes to close the budget deficit now. If anything, raising taxes will probably prolong the recession and thereby further delay the resumption of the normal revenue flow to Treasury coffers and thus widen the flow of red ink. Can anything be simpler? Well, then, go tell your Congressmen.

•

Yet doesn't the deficit count? Of course, it does. No one said it didn't.

But let's recognize that there are only two sound ways to reduce the Federal deficit. One is to stimulate growth in our economy and thereby increase government revenues. This the Administration is trying to do with its badly delayed tax cutting program.

The second way is, of course, to cut spending. You remember cutting spending don't you? That's what your elected representatives promised before the last election. But listen to them now. House Majority Leader Wright wants to rescind the 1983 tax cuts. Ways and Means Chairman Rostenkowski wants to raise your taxes. Tip O'Neill wants to spend more to help "the poor." That's how they want to cut spending and close the budget deficit.

Given the current situation, there's only one way to stanch the flow of red ink. We must cut government spending—getting into the myriad of Federal programs that, in general, haven't fulfilled their aims and have exacerbated existing problems.

But, if our elected representatives don't have the backbone for that, if they are paralyzed by "electionitis," then at least they shouldn't muck up any possible recovery by raising taxes. That will only "crowd" all of us out of any possible prosperity.

Alfred H. Kingon

Editor-in-Chief

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To Mr. Alfred H. Kingon - Financial World
150 East 58th St. N.Y. N.Y. 10155

Dear Al

I cant quarrel with your editorial except that Bob Dole was only carrying out what had to be done in order to get the entire package of spending cuts etc. We cooperated to the extent of sending up a list of taxes we could not support and suggestions as to revenue measures that would be acceptable.

Very simply the tax bill is the price we had to pay for support on the whole program. We did get cuts in spending at a ratio of about $3 for every $1 of tax. That statement isnt quite accurate in that $31 bil. of the $98 bil. tax bill consists of better compliance in collecting taxes that are owed under present law & which are being evaded. That ~~is the~~ part of the bill

(over)

is what

we'd spoken of last year during the budget battle saying we'd attempt to correct it this time around.

Let me recall to you that the forces now talking this our tax increase were moving heaven & earth to cancel our tax reductions. This headed them off. From '83 through '85 our tax cuts will amount to 408 bil. so we stayed ahead of what they were trying to get.

I have your previous letter on my desk and no I haven't been told of what you told me in the letter. I intend to get into the subject you raised. Incidentally a thank you, very late, for all your help in the campaign since the election.

You'll be hearing from us.

Sincerely Ron

End
case
File

July 29, 1982

087544
FI 010-02

Dear Mrs. Frankl:

Needless to say, I am not in agreement with your charge that tuition tax credits somehow penalize the poor and benefit the more affluent. Let us start with the primary source of revenue for public schools and whether Federal funding cuts have reduced to any extent public education financing.

Federal funds for elementary and secondary schools total only 8.1% of total costs. May I interject that for that small amount of aid, the Federal government has been claiming a right to interfere that is out of all proportion to its contribution. But much of the reduction is based on what we believe will be the reduced administrative overhead from elimination of Federal red tape. By putting the money into block grants, we give local school authorities much more flexibility in setting priorities and management procedures.

We differ also on who is being helped by a tuition tax credit. The parents of children attending independent schools are not all in the $25,000 income level. The great majority are from that level down. I recently visited a school in Chicago, Illinois. It is in the most crime-ridden neighborhood in the country. Once a Catholic school, the Archdiocese had to give up on it, but black teachers and parents determined not to let it close have waged a heroic struggle to keep it open.

One last point regarding the tax situation: the tax credit applies to Federal taxes; public education is funded more than 90% by local and state fonds. The top 10% of income earners pay more than 50% of the total income tax. The top 50% pay 93% of the total tax.

820729

I believe the tax credit will permit schools to increase tuition without taxing the parent, thus preventing the closure of many of these schools. How much would local taxes have to be raised to handle an influx of students now attending independent schools? There would be no increase in the tax base because their parents are already paying their full share of school taxes.

Thank you for writing and giving me an opportunity to comment. Incidentally, in recent years the growth in public school administrators has been several times as great as the increase in teachers or enrollment. I wonder if part of this could be due to increased work which usually accompanies receipt of a Federal grant.

Best regards,

RONALD REAGAN

Mrs. Jeanne Silver Frankl
Chairperson
Citizens in Support of Public Education
and Against Tuition Tax Credits
Public Education Association
20 West 40th Street
New York, New York 10018

PS 7/28/82

Document No. 081161

WHITE HOUSE STAFFING MEMORANDUM

DATE: 7/27/82 ACTION/CONCURRENCE/COMMENT DUE BY: C.O.B. TODAY

SUBJECT: DRAFT RESPONSE TO JEANNE FRANKL, CHAIRPERSON, CITIZENS IN SUPPORT OF PUBLIC EDUCATION AND AGAINST TUITION TAX CRED:

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	GERGEN	☐	☐
MEESE	☐	☐ called 7/28	HARPER O.K.	☑	☐
BAKER	☐	☐	JAMES	☐	☐
DEAVER	☐	☐	JENKINS	☐	☐
STOCKMAN	☐	☐	MURPHY	☐	☐
CLARK	☐	☐	ROLLINS	☐	☐
DARMAN	☐P	☐SS	WILLIAMSON	☐	☐
DOLE	☐	☐	WEIDENBAUM	☐	☐
DUBERSTEIN	☐	☐	BRADY/SPEAKES	☐	☐
FIELDING	☐	☐	ROGERS	☐	☐
FULLER	☐	☐	______	☐	☐

Remarks:

This is the President's draft response. Please edit and return to my office by close of business today. Thank you.

Richard G. Darman
Assistant to the President
(x2702)

Response:

THE WHITE HOUSE

WASHINGTON

July 27, 1982

MEMORANDUM FOR RICHARD G. DARMAN

FROM: for EDWIN L. HARPER by B. Ayers

SUBJECT: Draft Response to Jeanne Frankl, Chairperson, Citizens in Support of Public Education and Against Tuition Tax Credits

The Office of Policy Development recommends approval of the draft response to Jeanne Frankl. We have no editorial changes.

'82 JUL 28 A10:03

DOCUMENT NO. 085413 PD

OFFICE OF POLICY DEVELOPMENT

STAFFING MEMORANDUM

DATE: 7/27/82 ACTION/CONCURRENCE/COMMENT DUE BY: COB TODAY

SUBJECT: DRAFT RESPONSE TO JEANNE FRANKL, CHAIRPERSON, CITIZENS IN SUPPORT OF PUBLIC EDUCATION AND AGAINST TUITION TAX CREDITS

	ACTION	FYI		ACTION	FYI
HARPER	☐	X	DRUG POLICY	☐	☐
PORTER	☐	☐	TURNER	☐	☐
BARR	☐	☐	D. LEONARD	☐	☐
BAUER	☐	☐	OFFICE OF POLICY INFORMATION		
BOGGS	☐	☐	GRAY	☐	☐
BRADLEY	☐	☐	HOPKINS	☐	☐
CARLESON	☐	☐	PROPERTY REVIEW BOARD	☐	☐
DENEND	☐	☐	OTHER	☐	☐
FAIRBANKS	☐	☐		☐	☐
FERRARA	☐	☐		☐	☐
GUNN	☐	☐		☐	☐
B. LEONARD	☐	☐		☐	☐
MALOLEY	☐	☐		☐	☐
MONTOYA	☐	☐		☐	☐
SMITH	☐	☐		☐	☐
UHLMANN	☐	☐		☐	☐
ADMINISTRATION	X	☐		☐	☐

Remarks:

BOB CARLESON FOR ACTION

May I please have any changes on attached by COB today.

Judy Johnston 7/27

cc: Roger Porter

7/27

O.K.

Edwin L. Harper
Assistant to the President
for Policy Development
(x6515)

Please return this tracking sheet with your response.

Document No. ____________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 7/27/82 ACTION/CONCURRENCE/COMMENT DUE BY: C.O.B. TODAY

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DOLE	☐	☐	WEIDENBAUM	☐	☐
DUBERSTEIN	☐	☐	BRADY/SPEAKES	☐	☐
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FULLER	☐	☐	____________	☐	☐

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Best regards,

Ronald Reagan

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Best regards,

Ronald Reagan

THE WHITE HOUSE
WASHINGTON

TO: [illegible]

FROM: KATHY OSBORNE
Personal Secretary
to the President

☐ Information

☐ Action

OK —
cleared by
OPD
[illegible]

Public
Education
Association

20 West 40th Street
New York, New York 10018
(212) 354-6100

087544

July 7, 1982

Bob Hill

The President
The White House
Washington, D. C.

Dear Mr. President:

In your recent press conference, discussing tuition tax credits, you said you did not practice political ploys to get votes. However, your further comments distorted the real implications of a measure which will hurt public education systems serving 90% of the nation's children in order to benefit primarily prosperous parents of the remaining 10%.

You say you support tuition tax credits to "give a break" to people who "are willing to pay for one system of education by taxes that they do not use at all and then out of their own pockets pay for another system of education to educate their own children." But the tax credit measure would exempt private school parents from the burden of all other American taxpayers who, whether they have children or not, pay for the public schools.

The public schools -- in a democracy particularly -- are important to all citizens whether to prepare their own or their neighbor's children for the privileges and responsibilities of adult life. Tax credit proponents argue that special tax treatment for private school parents will not hurt public education. Yet, unless the costs of private school parents' tax credits are defrayed by raising the taxes of other folks, they would clearly reduce resources available for public school support. This has already been made clear in the drastic 1982 cuts in federal public education aid which amounted to $5 billion. More than 25% of these cuts could be restored to public education if that were your priority rather than private education which you propose to aid through, it is estimated, $1 1/2 billion in tuition tax credits.

By and large, moreover, the diversion of public funds to tax credits is from poor and minority people to the middle class and rich. You noted in your press conference that the "overwhelming majority" of independent school parents have incomes under $25,000 per year and 40% of students in Chicago Catholic schools are black. But 72% of Chicago's public school students are minorities, and incomes of $25,000 are nearly three times the poverty level for a family of four. Studies have shown that tax credit measures will in fact provide too little help to finance private schooling for poor children; help many middle class parents who choose church supported schools over the public system; and allocate 20% of the credit to the wealthiest 10% of the country's population. The curtailed federal funds for public education, in contrast, were largely targeted for poor and disadvantaged children.

In short, substituting tuition tax credits for support of public education administers a direct blow to the poor accompanied by direct benefits to a selected few of the middle class and well to do! It is done at the cost of the rest of the taxpayers, the expense of the public schools, and the sacrifice of moral and constitutional commitment in this country to restrict public support to public and non-religious purposes. Not surprisingly, Americans of all religious persuasions have voted resoundingly to oppose them in repeated polls and referenda. We believe you are ill advised in endeavoring to lead a reluctant country in their support.

Sincerely yours,

Jeanne Silver Frankl

Jeanne Silver Frankl
Chairperson
Citizens in Support of Public Education
and Against Tuition Tax Credits

JSF:mcg

THE WHITE HOUSE

WASHINGTON

July 27, 1982

Dear Mr. Johnson:

Thank you very much for your letter and your generous words of support. I'm most grateful. I intend to bring your suggestions to the attention of our Secretary of Defense, and I thank you for them.

You'll be pleased to know I have put together a task force of experienced people from business and industry to go into our agencies and departments to see where and how modern business practices could be put to work. Their first step will be the Department of Defense.

Again, my heartfelt thanks and best regards.

Sincerely,

Ronald Reagan

Mr. J. Seward Johnson
Harbor Branch Foundation, Inc.
Link Port RFD 1, Box 196
Fort Pierce, Florida 33450

820727

HARBOR BRANCH FOUNDATION, INC.
LINK PORT • RFD 1, BOX 196 • FORT PIERCE, FLORIDA 33450 • 305/ 465-2400

June 8, 1982

The President
The White House
Washington, D.C. 20004

Dear Mr. President:

I have been very impressed by the masterful job being done by your administration in reducing inflation in this country. Your achievements are all the more praiseworthy when one observes so many other countries that have failed to control their inflation.

Because of my respect for what you are doing and are trying to do, I have joined a group called the Friends of the President. Moreover, I stand ready - as a person of considerable means - to give my financial support to the election campaigns of candidates selected by the White House. Thus, I hope you understand that what I am about to say is said as a friend.

It seems evident to me that your success in reducing inflation will be only temporary as long as government spending is not controlled and as long as such spending is financed by recourse to an ever expanding national debt. I know it is easy for me to say cut spending and/or raise taxes; I know the pressures on you to spend and to reduce taxes are enormous. But if you are to make your mark as a great President, and if you are to control inflation permanently and to set our economy back on a healthy basis, you must have the political courage to buck these political pressures.

I am a youngish eighty-six year old who served as a commander of a United States submarine chaser during the First World War in the Mediterranean. I recall Will Rogers saying then that all President Wilson needed to do to beat the Germans was to fill up all their U-boats with water. When asked how the President could do that, Rogers replied, "I've given the President the idea; now all he needs to do is work out the details."

I fully realize that "the details" of how to cut spending and how to eliminate deficits are anything but easy. However, may I suggest certain approaches toward achieving these goals. Here I speak as one who was engaged for over sixty years with my brother in building our family business, Johnson & Johnson, into an industrial giant. I also speak from many years' experience in developing underwater oceanographic tools through an organization named Harbor Branch Foundation which I have funded and directed. In addition, during the Second World War, I ran the Atlantic Diesel Corporation which supplied materials for the Armed Forces, including parts for the Curtis dive bomber, to which I will return in a moment.

In my opinion, the principal area where major spending cuts can be made is in the procurement of military hardware. While I wholly share your view that we must enhance our military strength, I believe the Armed Forces have all too often been "equipment happy." For example, the Curtis dive bomber, designed for the Navy in the Second World War, was originally a capable weapon. The Navy, however, added "improvements" which, in turn, put heavier loads on the plane. As a result, when the pilots pulled out of their attacks, the wing hinges gave way. Apart from the loss of lives and planes involved, these "improvements" cost the Navy a great deal of downtime as the planes required additional servicing and retooling.

From what I can observe, the Generals' and Admirals' appetite for more and more refined equipment has been largely unrestrained since World War II. You will recall President Eisenhower's warning of just this in his farewell speech of 1960. The soaring price tags on such equipment speaks for itself. For example, I gather then the cost to manufacture our F-16 fighters is now $11 million a piece. I also understand that these planes' controls and weaponry are so sensitive that the planes require three hours of servicing by highly sophisticated mechanics for each hour they are in the air. I believe it must be possible to build a technically proficient fighter with, let's say, 90 percent the capacity of the F-16 for a small fraction of the cost. I understand the MIG-21 costs only $2 million. Instead of having one super-sophisticated plane, would we not be better off with several less expensive planes and a spending reduction to boot?

I understand that your proposed budget calls for 7,000 new tanks to meet the Russian tank threat. Here again, it appears that cost is no object to the military planners - something is terribly wrong if we cannot procure tanks for less than the announced price tag of $1.8 million a piece. The Russians quite simply would not have our tanks outnumbered if their tanks cost as much as ours.

And why do we seek to match the Russians tank for tank? I would recommend building "Tank Killers." By this I mean light, four-wheel-drive vehicles equipped with teams of soldiers having light rockets designed to destroy tanks. I seriously believe that a few thousand of such teams could outmatch all the Russians in their numerous tanks. Obviously, these "Tank Killer" units will be far less expensive than building new tanks. As a consequence, we could afford many Tank Killers for each Russian tank.

I am afraid the same tendency to overprocure military equipment is operating throughout our defense establishment in such diverse areas as atomic ballistic weapons, intercontinental missiles, the multiplication of aircraft carriers and submarines. The rule seems to be "The more sophisticated and expensive the weapon - the better." Simpler inexpensive weapons are often ignored or altered by the addition of unreasonable capabilities. For example, the Curtis dive bomber and, more recently, the M-1 automatic rifle that was wastefully redesigned.

Unfortunately, the observed tendency of the military to buy ever more fanciful hardware seems to operate without restraint. One obvious reason for this is that the most knowledgeable people in the private sector are the manufacturers of this equipment. It is in their economic interest to encourage military procurement programs or at least not to offend the military personnel who are placing the orders. Other private citizens hesitate to speak out either because they lack knowledge or are afraid to be accused of undermining our national security. I suspect this latter reason explains the suppine behavior of our politicians in appropriating untold billions for equipment without seriously examining its efficiency.

How, then, can we come to understand and then to control what appears to be unlimited military procurement spending? I would suggest that you establish a council of military procurement advisors charged with responsibility for simplifying our weaponry and cutting costs. The members should be persons with military and/or industrial manufacturing backgrounds, but who do not expect to return to careers involving the military. Such persons might well include Admiral Rickover, John J. McCloy, General Van Vleet, Ambassador George Kennan, and other men of the highest stature.

Somehow we must find a way to take a good, hard, objective look at our military expenditures if we are ever to control government spending and if we are to set our economy on the road to long term recovery.

With all respect,

Seward Johnson

J. Seward Johnson
Chairman

JSJ:tp

Ms. Joanne Silver Frankel Pub. Ed. Assn.
20 W. 40th St. N.Y. N.Y. 10018

Dear Ms. Frankel

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One last point re - the tax ~~sit~~ situation; the tax credit applies to Fed. Taxes, public ed. is funded more than 90% by local & state funds. The top 10% of income earners pay more than 50% of the total income tax. The top 50% pay 93% of the total tax.

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Best Regards RR

To Mr. J. Seward Johnson - Harbor Branch Foundation Inc.
Link Port RFD. 1 Box 196 Ft. Pierce Fla. 33450

Can I have 2 Xeroxes of the attached letter?

Dear Mr. Johnson

Thank you very much for your letter and your generous words of support. I'm most grateful. I intend to bring your suggestions to the attention of our Sec. of Defense, and I thank you for them.

You'll be pleased to know I have put together a task force of experienced people from business & industry to go into our agencys & dept's. to see where & how modern business practices could be put to work. Their first stop will be the Dept. of Defense.

Again my heart felt thanks & Best Regards

Sincerely RR

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THE WHITE HOUSE

WASHINGTON

July 30, 1982

Dear John:

I'll be happy to answer your question although the answer seems so obvious I'm surprised that I have to.

If you don't mind, I'll use the three-year projection figures which seem to be the ones being discussed on the Hill and in the press. Besides, I haven't much confidence, if any, in economic projections ~~as~~ far out as 1987.

Over the three years the increased revenue from the Senate Bill will total roughly $99 billion. Of that amount, $31 billion is not additional tax. It is tax owed under the present laws but not now being collected. The remaining $68 billion is from shutting off unintended tax advantages such as the estimated 60% tax cut some insurance corporations received as the result of faulty legislation a few years ago and some new taxes.

I point this out as a preface to refuting the common practice of calling this the biggest single tax increase in history. It is no such thing. Even if you take the entire $99 billion for '83 through '85 that is less than the $112 billion increase in the Social Security Tax for the same period. There are other equally valid examples.

Now, to answer your question of "why?". It's very simple. This was the price we had to pay to get a reduction of outlays which amount to three dollars for every one dollar of increased revenue.

Leaders of the opposition were determined to cancel the remaining tax cuts passed last year and which come into place beginning in 1983. (The tax cuts from our 1981 bill total $408 billion for '83 through '85.) We found we could not put last year's coalition together unless we agreed to some increases in revenue. The defectors were on both sides of the aisle.

Personally, I had to swallow very hard. I believe in "supply side," and that tax increases slow the recovery. I'm also determined that we haven't had all the spending or tax cuts we're going to get. However, I could not stand by and see the further cuts in spending go down the drain when the price, distasteful as it is, gave us the biggest share of what we were seeking.

John, I can't conclude this letter without telling you I believe the July Conservative Digest is one of the most dishonest and unfair bits of journalism I have ever seen.

Ron

Mr. John Lofton
Conservative Digest
7777 Leesburg Pike
Falls Church, Virginia 22043

DRAFT

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I point this out as a preface to refuting the common practice of calling this the biggest single tax increase in history. It is no such thing. Even if you take the entire $99 billion for '83 through '85, that is less than the $112 billion increase in the Social Security Tax for the same period. ~~And if you adjust for inflation (the depreciated dollars of today), several tax increases can be found in past years that exceed this~~ ~~the $68 billion portion of~~. There are other equally valid examples.

Now, to answer your question of "why?". It's very simple. This was the price we had to pay to get a reduction of outlays which amount to three dollars for every one dollar of increased revenue.

Leaders of the opposition were determined ~~(for)~~ to cancel the remaining tax cuts passed last year and which come into place beginning in 1983. ~~Those tax cuts~~ (The ~~total~~ tax cuts from our 1981 bill) ~~'83 through '85~~ (for '83 through '85) ~~will~~ total $408 billion. We found we could not put last years coalition together unless we agreed to some increases in revenue. The defectors were on both sides of the aisle.

Personally, I had to swallow very hard. I believe in "supply side" and that tax increases slow the recovery. I'm also determined that we haven't had all the spending or tax cuts we're going to get. However, I could not stand by and see the further cuts in spending go down the drain when the price, distasteful as it is, gave us the biggest share of what we were seeking.

John, I can't conclude this letter without telling you I believe the July Conservative Digest is the most dishonest bit of journalism -- not excepting Pravda and Tass, that I have ever seen.

Mr. John Lofton
Conservative Digest
7777 Leesburg Pike
Falls Church, Virginia 22043

I suggest: "one of the most dishonest and unfair bits of journalism I have ever seen."

Dick Darman

To ~~Mr. Roy Wieghorst 5037 Bstn~~
To John Lofton – If we dont have his address "Press" probably does.

Dear John

I'll be happy to answer your question although the answer seems so obvious I'm surprised that I have to.

If you dont mind I'll use the 3 yr. projection figures which seem to be the ones being discussed on the hill & in the press. Besides I havent much confidence, if any, in ec. projections as far out as 1987.

Over the 3 years the increased revenue from the Sen. bill will total roughly $99 bil. Of that amount $31 bil. is not additional tax. It is tax owed under the present laws but not now being collected. The remaining $68 bil. is from shutting off unintended tax advantages such as the estimated 60% tax cut some insurance corps. received as the result of faulty legislation a few years ago and some new taxes.

I point this out as a preface to refuting the common practice of calling this the biggest single tax increase in history. It is no such thing. Even if you take the entire $99 bil for '83 through '85 that is less than the $112 bil. increase in the Soc. Security tax for the same period. And if you adjust for inflation (the depreciated dollars of today) several tax increases can be found in past years that exceed this.

Now to answer your question of, "why". It's very simple. This was the price we had to pay to get a reduction of outlays which amount to $3 for every one dollar of increased revenue.

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(over)

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R.R.

WHY NOW
RAISE TAXES
BY $228 BILLION
THROUGH 1987?
JOHN LOFTON

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End case File