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*Last Updated: 02/10/2025*

(Rohrabacker)

February 27, 1981  
First Draft

NATIONAL LEAGUE OF CITIES LUNCHEON  
MARCH 2, 1981

It is a pleasure to be with you today for your Annual Congressional-City Conference. I understand and appreciate the part your organization has played in the Pennsylvania Avenue Development Plan here in Washington. The new 12-story building you've constructed, overlooking Western plaza is a fine example of what can be done with private funds to revitalize the inner city. It should serve to stimulate others to invest in such worthwhile efforts.

As you are well aware, I am making the rejuvenation of the American economy the number one priority of my Administration. This I believe was the mandate of the voters last November, a mandate I sought, yet something all elected officials should understand, because it is a mandate for us all. The election did not commission me to attempt to change the direction of the country alone. Instead, I was commissioned by the people to work with elected officials--Federal, state and local--to put America's economic house in order.

And that's why I'm here. We've got a job to do, together, and I believe we should open up a clear line of communication now in the early days of my Administration. The job, of course, is to get the economy of the United States moving again. It is essential for you as representatives of the cities. It is essential for all of us, as Americans.

One thing is certain, the time for business-as-usual has passed. In the last two decades the American middle class has suffered ever-increasing taxation, inflation, unemployment and interest rates. Those people-who are indeed the lifeblood of democracy and the American way of life--cannot withstand these pressures indefinitely. And if the American middle class should fall everything worthwhile about this nation will go too.

There are those who claim that I am exaggerating the need for basic economic reform. Yet the facts speak loud and clear;

-- We are suffering the worst inflation in 60 years, with double digit inflation ravaging our people for two years in a row.

-- Almost eight million Americans continue to be out of work, a statistic that barely suggests the misery that it brings to the families it touches.

-- Interest rates have climbed to an unprecedented 20 percent, with home mortgaging rates of 15 percent, destroying for most young people the dream of home ownership.

-- Investment in industry is lagging behind our major competitors, with the personal savings of our people flowing into nonproductive inflation hedges instead of job-creating long term investment or savings.

-- For the first time in recent history, the standard of living of the average American is actually going down.

About that last item: It is shocking and a depressing fact that after being adjusted for the continued cheapening of the dollar by inflation, the hourly earnings of American workers have dropped by five percent in the last five years. This is a complete reversal of the American experience and will have profound impact on the spirit of our people if something is not done--and done quickly.

And while our workers have been experiencing a decline in their standard of living, government has continued to spend money like there is no tomorrow--a selffulfilling philosophy, perhaps. In those same five years that the worker's real wages declined, their taxes went up 67 percent. Federal spending grew to 23 percent of the Nation's gross national product--the highest share in our history. The Federal government has shown a deficit every year since 1969. In fiscal year 1980 that deficit was 59.6 billion--the second largest in history. And we face another deficit of similar magnitude in fiscal 1981.

This kind of irresponsibility can't go on. What most Federal officials have been afraid to admit is that Federal spending has been for some time, totally out of control. Frightenly, if left unchecked, the current situation would lead to a redoubling of the Federal budget within five years.

For a time it appeared that Congress had more solutions than the country had problems. Just conceiving of a program that might help someone, somewhere, was itself reason enough to pass a law and appropriate money. Eventually, with so many programs, safeguarding public funds became an impossible task. \_\_\_\_\_ estimated that between one and ten percent of all spending on social programs was--and probably still is--being lost to fraud alone, at a cost of up to \$25 billion. When the price of waste is added to that sum, the figures boggle the mind.

Of course, spending isn't the only aspect of government that seems out of control. In the last decade American business--and, yes, local government--has had to deal with an avalanche of Federal regulation. Between 1970 and 1979 expenditures for the major regulatory agencies quadrupled, the number of pages published annually in the Federal Register nearly tripled, and the number of pages in the Code of Federal Regulation increased by nearly two-thirds. The cost of this has been staggering. \$100 billion per year is added on to the cost of everything we buy just to pay for the cost of Federal regulations. Then there is an unseen cost which is much harder to calculate, but nevertheless devastating: regulation tends to smother innovation, discourage new investment, increase labor costs and reduce competition. Yes, hard to calculate, but you can bet we're all paying the price.

Let us make no mistake about it. It is this Federal monster--unleashed and uncontrolled--that brought us to the economic brink now confronting this Nation. Elected officials, including the last President, appeared to feel totally helpless in the face of the monumental task of restoring order to the Federal government's economic policies. Perhaps no one had the clout to get the job done. Whatever the reason, now that I am President of the United States, I can assure you that together we can put our economic house in order again.

We must never forget that the economic crisis confronting America is not the result of a natural disaster or a catastrophe beyond our control. The inflation, the unemployment, all of it--was caused by decisions we as a people made. And the only power needed to restore America is "will" power.

I have submitted to Congress a four part program which will get this country moving in the right direction again, increase the standard of living of our people and cut the inflation and unemployment rate.

First, I have asked for a substantial reduction in the growth of Federal expenditures.

Second, I have asked for a significant reduction in Federal taxes.

Third, I have asked for a prudent elimination of excessive regulation.

Fourth, I have asked for a monetary policy from the Federal Reserve Board which is consistant with those policies.

These four complementary policies form an integrated and comprehensive program--the details of which have been examined by the best economic minds in the country--men who are working with me on a daily basis. However, this program now faces a political gauntlet of interest groups.

And this is where you come in, as representatives of a very important interest group--the cities, you are not only important because of the power you wield on Capitol Hill, but also because you are looking out for the interests of millions of citizens who inhabit the great urban areas of America. We--you and I--have shared goals. We both want what is best for those who dwell in this Nation's cities. Just as I am sure, we both want what is best for the people of this country, wherever they reside.

I know that you, like all Americans recognize the importance of getting our economic house in order. When inflation soars, I don't have to remind you of the effects on local government. The cost of every service you provide skyrockets. And when you couple this with the increased unemployment, the economic burden reaches the critical stage. Local government was not designed to withstand that kind of economic upheaval. Unless something is done to turn the economy around, local governments will fail right along with many other respected American institutions.

The Federal government can offer no greater gift to the cities than a vibrant and expanding American economy. And while the Program for Economic Recovery now before Congress is of utmost importance, we've already started to do what we can within the Executive Branch to cut back spending and regulation. The Office of Management and Budget is now putting together an Interagency Task Force to vigorously attack waste and fraud. Highly motivated and expertly trained professionals will be appointed as Inspector Generals of the cabinet departments. We have suspended for 2 months the flood of last-minute rulemaking done by the previous administration. We have eliminated the ineffective and counterproductive wage and price standards of the Council of Wage and Price Stability. And accelerated the decontrol of domestic oil. We have concentrated our efforts to enhance the effectiveness of the Paperwork Reduction Act of 1980. And, as you all know, we've placed a freeze on Federal hiring.

Also, the departments and agencies are taking action on particularly controversial rules. For example, rules mandating extensive bilingual education programs, passive restraints in large cars, the labeling of chemicals in the workplace, controls on garbage truck noise, and increased overtime payments for executives have been withdrawn or postponed. The actions taken already are expected to save the American public and industry almost \$1 billion annually. The Administration will be reviewing a host of other regulations in the near future.



All of this being done to start us on the road toward recovery. What is important is that we begin. We will get control of spending, cut taxes, reduce the regulatory burden and establish a sound monetary policy. It will require us to work together. I am sure we will get there.

You know there are those who oppose almost everything in the Recovery Program. They oppose the program though, generally, they have no alternative to offer. I've been told that some members of Congress disagree with my tax cut proposal. It has been said that taxation is the art of plucking the feathers without killing the bird. I don't want to be the barer of bad tidings, but the bird is almost dead and it just doesn't have any feathers left.

Nonetheless, the real threat to the Economic Recovery Program comes from those who will oppose only a small part of the overall program, while supporting the vast majority of what it is trying to do. Needless to say the small portion they oppose usually deals with cuts that effect them directly. Those cuts they oppose. They favor everybody else's cuts as an important step in ending inflation and getting the country moving again. The accumulative effect of this short sightedness could be damaging.

We tried to be as fair and even handed in developing our package as was humanly possible. It is important to remember, when someone says that the Administration is planning to cut the budget, what he really means is we are planning to cut the growth in the Fiscal Year 81 budget by \$41 billion.

At the same time we are asking for increased user fees and other off-budget savings amounting to \$7.7 billion, for a total savings of \$49.1 billion. That is a cut in increased expenditures.

Obviously, within the restructuring we've proposed, some programs are eliminated while others are strengthened. Yet we did nothing to weaken the social safety net which protects the truly needy in this society.

Full retirement benefits for more than 31 million social security recipients will be continued along with an annual cost of living increase. The Medicare program will not be cut, nor will veterans pensions, nor supplemental income for the blind, aged and disabled. The school lunch and breakfast programs will continue for the children of low income families, as will nutrition and other special services for the aging. And, yes, there will be no cut in the Project Head Start or summer youth jobs. And when considering these essential programs, please remember, the very best thing that can be done to strengthen things like Social Security would be to get the American economy going and put people back to work, so they will be paying into the trust fund once again.

Even with all our attempts there will be those who will, undoubtedly, charge that we are requiring sacrifices from the rest of the government, but not from the Defense Department, and then suggest that this proves we were not even-handed as was promised. I would remind those of you who like to get

beyond slogans, to examine my appointment to the job of Secretary of Defense. Cap Wienberger is anything but a big spender. And although the international situation dictates more spending for defense, it does not imply that the Defense Department will be free from the cut and trim philosophy of the Administration. I can assure you that Cap is going to do a lot of trimming over there in Defense to make sure the American taxpayer is getting more bang for every buck that is spent.

In our attempt to be even-handed we tried whenever possible to cushion the budget blows. In the case of money going to the cities, yes, undeniably, we are cutting the amount of money the cities could have expected had we continued through this economic crisis with a business-as-usual attitude. But while we are reducing some of these subsidies, we are at the same time converting many categorical grants into block grants--reducing wasteful administrative overhead and giving local governments more flexibility and control. Corresponding to that, we are working to end duplication of Federal programs and reforming those that are not cost effective.

This leaves the local governments with less revenue than expected, but it gives them the power to decide which local areas should be cut back. And certainly, there must be areas in local government that can, and should be, cut back during times of economic hardship. And the decision as

to where is, as designed by our program, left to the cities.

But accepting responsibility--especially for cutbacks--is not easy. Adli Stevenson once said "there are no gains without pains." Nevertheless, the Economic Recovery Package should be looked at by the state and local governments as a great step forward toward not only getting America moving again, but toward a restructuring of the power system led to economic stagnation and the deterioration characterized the cities for several decades.

For many of this countries major cities, economic stagnation is not a recent phenonemom. Interestingly, while power has centralized in Washington D.C. many great urban areas declined. And as the power flow accelerated so did the decline of the cities, many of which cannot remember a time when they were economically healthy.

Of course, the Nation's cities were not always blighted with seemingly unsolvable problems. The industrial revolution could not have happened without the cities. In the last century American cities were shining examples of enterprise. They were places of optimism, where the free men working together didn't know the meaning of the word impossible. Alexis de Tocqueville, noted this vitality of American cities when touring this country in the 1830's. He observed: Towns are like great meeting houses with all the inhabitants as members. In them the people wield immense influence over their magistrates and often carry their desires into execution without intermediaries."

He describes a land and a people which seem a far cry from those of today. But why? We are the same people. If we are not, what is different? What has changed is the intervention of Federal authority. Only fifty years ago Americans still felt they could accomplish anything, and they did. Today the descendants of these pathfinders, peer through a maze of government regulation and give up even before they've tried.

Local officials who once saw the local voters as boss, now look to Washington D.C. before considering a move. And what once was a Federal helping hand is quickly turning into a mailed fist. Instead of assistance, the Federal government is giving orders--they call 'em mandates. More often than not the command comes from Washington, but none of the funds to implement the order can be found in the envelope. Major Koch of New York has detailed the problem of mandates better than anyone. He said that last year his city was driven by 47 Federal and state mandates, with a total cost of \$771 million in capital expenditures, \$6.25 billion in expensbudget dollars and \$1.66 billion in lost revenue. And people wonder why New York sings the economic blues.

Not only are the funds not available to meet all these mandates, often the mandates themselves are impossible to fullfill. In Fairfax County, Virginia, for example, students come from fifty different language backgrounds, fifteen of which are spoken by more than twenty students. Were it able to follow the former HHS guidlines, the country would incur

the expense of sponsoring bilingual programs in fifteen different languages, including Urdu, Hindi, and Laotian.

I am totally aware of the quagmire Federal mandates have created for the cities and today I renew a pledge I made to your conference in Atlanta in December. I will reexamine the mandates issued by the Federal government and action will be taken to remove the undue burden placed upon the local governments throughout the country.

Centralization of power in the hands of the Federal government did not happen by accident. Over the years local politicians have created power flow by turning to the Federal government to solve local problems, what appeared to be an easy way out. Many of these same local politicians discovered a great ploy to use during campaigns. When trying to convince the public to support projects they felt to extravagant for their own pocket books, the local political huckster would shout that he could get Federal money for at least part of the project. The people went gleefully to the polls, believing they were voting for people who could get them something for nothing. Apparently they thought the Wizard of Oz or the tooth fairy simply produced Federal money on request for those lucky enough to know the magic words. By now that myth has been tucked away with other childish notions.

Local officials are becoming ever more aware that to get a job done, the very last thing one wants is federal money.

First, there are so many strings attached that Federal projects take much longer to complete. And second, local money pays the bill in the end anyway. Once the Federal vacuum cleaner gets through with the pockets of local taxpayers there isn't enough spare change to run the local government.

What we must do is strive to recapture the bounty of vigor and optimism de Tocqueville found in American cities. We can start by reestablishing the proper relationship between the Federal, state, and local governments. The block grant program in the Economic Recovery Package is the first step. It cuts considerable red tape and returns power and decisions to the cities for money that has been coopted by the Federal government. It is something we in the years ahead can build upon. Working together we can establish a dialogue about the proper functions of the respective levels of government, and go about restructuring the Federal system to maximize efficiency and freedom.

This is, as I've said, just a start. Today is just a start. But it is a first step in the right direction. I hope in the years to come we will be in direct communication. It really is going to take team work to get this country back on the right track and it won't happen overnight. You can count on my cooperation with you to make the cities of America, once again, the thriving areas of commerce, culture and freedom that once attracted the attention of people from the world over.

It is a pleasure to be with you today for your Annual Congressional-City Conference. I understand and appreciate the part your organization has played in the Pennsylvania Ave Development Plan. The new 12-story building <sup>here in Washington</sup> you've constructed, ~~there~~ overlooking Western Plaza is a fine example of what can be done <sup>with private funds to</sup> ~~by private organizations and~~ <sup>revitalize the inner city. It</sup> ~~such worthwhile efforts.~~ should serve to stimulate others to invest in ~~the inner city.~~ The building, I understand, ~~was built entirely through private investment, without grants or subsidies.~~

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They oppose the program though, generally, they have no alternative to offer. I've been told that some members of Congress disagree with my tax cut proposal. It has been said that taxation is the art of plucking the feathers without killing the bird. I don't want to be the barer of bad tidings, but the bird is almost dead and it just doesn't have any feathers left.

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We tried to be as fair and even handed in developing our package as was humanly possible. It is important to remember, when someone says that the administration is planning to cut the budget, what he really means is we are planning to cut the growth in the budget. Our plan calls for cutting the expenditure growth in the FY 81 budget by \$41.4 billion. At the same time we are asking for increased user fees and other off-budget savings amounting to \$7.7 billion, for a total savings of \$49.1 billion. That is a cut in increased expenditures. (2.)

Obviously, within the restructuring we've proposed, some programs are eliminated while others are strengthened. Yet we did nothing to weaken the social safety net which protects the truly needy in this society.

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And when considering these essential programs, please remember, the very best thing that can be done to strengthen things like Social Security would be to get the American economy going and put people back to work, so they will be paying into the Trust fund once again.

Even with all our attempts there will be those who will, undoubtedly, <sup>change</sup> suggest that we are requiring sacrifices from the rest of the government, but not from the Defense Department, and then suggest that this proves we were not even-handed as was promised. I would remind those of you who like to get beyond slogans, to examine my appointment to the job of Secretary of Defense. Cap Wienberger is anything but a big spender. And although the international situation dictates more spending for defense, it does not <sup>imply</sup> ~~suggest~~ that the defense department <sup>will be</sup> ~~should feel~~ free from the cut and trim philosophy of the administration. I can assure you that Cap is going to do a lot of trimming over there in Defense to make sure the American taxpayer is getting more bang for every buck that is spent.

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For many of this countries major cities, economic stagnation is not a recent phenomenon. Interestingly, while power has centralized in Washington D.C. many great urban areas declined. And as the power flow accelerated so did the decline of the cities, many of which can not remember the time when they were economically healthy.

Of course, the nation's cities were not always blighted with seemingly unsolvable problems. The industrial revolution could not have happened without the cities. In the last century American cities were shining examples of enterprise. They were places of optimism, where free men working together didn't know the meaning of the word impossible. Alexis de Tocqueville, noted this vitality of American cities when touring this country in the 1830s. He observed: " Towns are like great meeting houses with all the inhabitants as members. In them the people wield immense influence over their magistrates and often carry their desires into execution without intermediaries."

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Not only are the funds not available to meet all these mandates, often the mandates themselves are impossible to fullfill. In Fairfax County, Virginia, for example, students come from fifty <sup>f</sup> different language backgrounds, fifteen of which are spoken by more than twenty students. Were it able to follow the <sup>former</sup> HHS guidelines, the county would incur the expense of sponsoring bilingual programs in fifteen different languages, including Urdu, Hindi, and Laotian.

I am totally ware of the quagmire federal mandates have created for the cities and today I renew a pledge I made to your conference in Atlanta in December. I will reexamine themandates issued by the federal governe~~m~~nt and action will be taken to remove the undue burden placed upon the local governments thrughout the cou~~n~~try.

Centraliztion of power in the hands of the federal government did not happen by accident. Over the years local politicians have created power flow by turning to the federal government to slove local problems, what appeared to be an easy way out. Many of these same local politicians discovered a great ploy to use during campiagns. When trying to convince the public to support projects they felt to extravagant for their own pocket books, the local political huckster would shout that he could get federal money for at least part of the project. The people went gleefully to the polls, beleiving they were voting for people who could get them something for nothing. Apparently they thought the Wizard of Oz or thetooth fairy simply produced federal money on request for those lucky enough to know the majic words. By now that myth has been tucked away with other childish notions.

Local officials are becoming ever more aware that to get a job done, the very last thing one wants is federal money. First, their are so manystrings attached that federal projects take much longer to complete. And second, local money pays the



bill in the end anyway. Once the federal vacuum cleaner gets through with the pockets of local taxpayers there isn't enough spare change to run the local government.

What we must do is strive to recapture the bounty of vigor and optimism deTocqueville found in American cities. We can start by reestablishing the proper relationship between the federal, ~~government and the state~~ and local governments. The block grant program in the Economic Recovery Package is the first step. It cuts considerable red tape and returns power and decisions to the <sup>cities</sup> ~~states~~ for money that has been coopted by the federal government. It is something we in the years ahead can build upon. Working together we can establish a dialogue about the proper functions of the respective levels of government, and go about restructuring the federal system to maximize efficiency and freedom.

This is, as I've said, just a start. Today is just a start. But it is a first step in a right direction. I hope in the years to come we will be in direct communication. It really is going to take team work to get this country back on the right track. ~~and it won't happen overnight~~ You can count on my cooperation with you to make the cities of America, once again, the thriving areas of commerce, culture and freedom that once attracted <sup>the attention of</sup> people from the world over, ~~to come to this great land and make it, and our cities their home.~~



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

February 26, 1981

Ken:

Attached is the information you requested on the burden imposed on State and local governments as a result of categorical grant programs and the resultant savings from consolidating these programs.

Jim Tozzi

- o Under Title XX of the Social Security Act, HHS funds a \$2.9 billion program for social services to citizens. These services are diverse and include:
  - o alcohol detoxification
  - o adoption services
  - o chore services\*
  - o day care services\*
  - o delinquency prevention and youth development
  - o family planning services
  - o homemaker services\*
  - o etc.
- o As a requirement to receive Federal grant funds, State and local governments need to develop plans for the social services which are needed by their citizens.
- o The Comprehensive Annual Services Plan (CASP) for the Title XX Social Services Program requires 5 million hours of State and local government reporting burden.
- o The authorizing statute lets each State determine if the reporting burden will be completed by the State or by its counties. Ten States have county-administered planning; 3 States have a mixture of State-supervised and county-administered planning. The remaining States all have State-supervised planning.
- o By consolidating social services in the President's block grant proposal, counties in the 13 States will save up to 1 million hours spent reporting to the Federal government and have discretion to spend these funds to meet locally determined needs.

Note:

10 county-administered

Alabama  
 California  
 Colorado  
 Minnesota  
 Nebraska  
 Ohio  
 South Carolina  
 Virginia  
 Wisconsin  
 Wyoming

3 mixture of State and  
 county-administered

Montana  
 New Jersey  
 North Dakota

\*most frequent social services

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

DATE 2/24/81 . . . . .

TO: STEPHEN STUDDERT \*\*\*\*\*

FROM: GREGORY J. NEWELL

SUBJ: Approved Presidential Activity

Please take the necessary steps to implement the following and confirm with Helene von Damm, ext. 2699. The appropriate briefing paper should be submitted to Dick Darman by 3:00 p.m. of the preceding day.

Meeting: Speak at Midwinter Congressional Conference, National League of Cities.

Mrs. Reagan Participation: Not required

Date: Mon., March 2      Time: Luncheon      Duration:

Location: Washington Hilton

Press Coverage: Coordinate with Press Office

Purpose: \*\*\*\*\* Background material attached.  
Coordinate with Rich Williamson.

Note: Following the President's meeting, please submit a confirmed list of actual participants, including staff or Administration attendees to me. Include full names and business titles for non-White House participants.

CC: Michael Deaver	Elizabeth Dole
James Brady	Craig Fuller
David Gergen	Peter McCoy
Joseph Canzeri	Nina Wormser
David Fischer	Jennifer Fitzgerald
Richard Darman	Helen Donaldson
Richard Williamson	Mabel Brandon
Ken Khachigian	WHCA
Larry Speakes	Jerry Parr

THE WHITE HOUSE  
WASHINGTON

*Approved  
Limo  
Speech.*

MEMORANDUM

FEBRUARY 11, 1981

TO: RICH WILLIAMSON  
FROM: GREGORY J. NEWELL  
VIA: PATRICIA A.E. RODGERS  
SUBJ: SCHEDULING REQUEST

PLEASE PROVIDE YOUR RECOMMENDATION AND COMMENTS ON  
THE FOLLOWING REQUEST UNDER CONSIDERATION:

Event: REQUEST FOR THE PRESIDENT TO ADDRESS THE  
MIDWINTER CONGRESSIONAL ~~CHAMBER OF COMMERCE~~ *conference.*

Date: MARCH 2, 1981

Location: WASHINGTON HILTON HOTEL

Background: THIS IS A LUNCHEON MEETING WITH THREE TO  
FOUR THOUSAND PEOPLE REPRESENTING THE GRASS ROOTS LEVEL  
LOCAL GOVERNMENT OFFICIALS. THE SUBJECT WOULD BE THE ECONOMY.

☒ RECOMMEND ACCEPT

☐ RECOMMEND REGRET

COMMENTS:

☐ RECOMMEND SURROGATE

☐ RECOMMEND MESSAGE

*This would be excellent  
event w/ "one grass roots"  
leaders. Hint is 100% with us -  
gd to sell Econ Package - Rich*

THE WHITE HOUSE  
WASHINGTON

INVITATION FOR THE PRESIDENT

Date Received 2/9/81

FROM letter from Bill Hudnut (mayor of Indianapolis)

DATE OF EVENT March 2nd

LOCATION Washington Hilton

TIME luncheon meeting

DISTRIBUTION JWC

DURATION open

GJN

REMARKS REQUIRED yes

MRS. REAGAN TO ATTEND no

CONTACT Bill Hudnutt

ADDRESS see letter

PHONE \_\_\_\_\_

COMMENTS Hudnut is writing in his capacity as the Chairman of the  
National League of Cities. He would like the President to  
address their session listed above. Please advise asap.

RECOMMENDED BY \_\_\_\_\_

ACCEPTED/REGRETED BY \_\_\_\_\_

DATE \_\_\_\_\_

PROJECT OFFICER \_\_\_\_\_

*Handwritten signature/initials*



## CITY OF INDIANAPOLIS

WILLIAM H. HUDNUT, III  
MAYOR

February 4, 1981

Mr. Joseph Canzeri  
Deputy Assistant to the President  
The White House  
Washington, D. C. 20500

Dear Joe:

It was a pleasure to meet you yesterday when we had lunch, and I want to thank you for the courtesies that were extended to me and the other mayors by the President and the members of his staff. I hope you felt the meetings were a constructive use of your time, and assure you that we were honored and privileged to have the chance to spend a few hours with you all.

To follow up on one item of our conversation, it is my sincere hope (and I am speaking as the President of the National League of Cities) that the President will be able to clear his schedule to accept the invitation we have extended him to address our Midwinter Congressional Conference on March 2nd at the Washington Hilton Hotel during our luncheon meeting. There will be three to four thousand people there, representing grass-roots local government officials from all over the country, and it seems to me that this would afford the President an ideal opportunity to state his case about the economy and marshal support from a very important element of his total constituency. I believe there is a letter on file from our Executive Director, Alan Beals, but just wanted to add this word to his to let you know how significant I think the chance would be if you and the President's other advisers deem it an appropriate invitation for him to accept.

Thank you for any consideration you may give to this matter.

Please know of my sincere desire to work with you in whatever way possible, and please be assured that if there is anything I can do to help you by expressing support for the programs you are initiating, I will be only too happy to oblige.

Warmest personal regards and best wishes.

Sincerely yours,

A handwritten signature in dark ink, reading "Bill Hudnut".

William H. Hudnut, III

WHH:m

cc: Alan Beals, Executive Director, National League of Cities

THE WHITE HOUSE  
WASHINGTON

*Appare*

INVITATION FOR THE PRESIDENT

Date Received 2/9/81

FROM letter from Bill Hudnut (mayor of Indianapolis)

DATE OF EVENT March 2nd

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REMARKS REQUIRED yes

MRS. REAGAN TO ATTEND no

CONTACT Bill Hudnutt

ADDRESS see letter

PHONE \_\_\_\_\_

*3/2  
12 Noon  
Speed*

COMMENTS Hudnut is writing in his capacity as the Chairman of the National League of Cities. He would like the President to address their session listed above. Please advise asap.

RECOMMENDED BY WILLIAM B.

ACCEPTED/REGRETED BY WILLIAM B.

DATE \_\_\_\_\_

PROJECT OFFICER \_\_\_\_\_

*Rick Williams*

*Wm B.?  
Wm B.?  
H.C.?  
State Rep.?*





## CITY OF INDIANAPOLIS

WILLIAM H. HUDNUT, III  
MAYOR

February 4, 1981

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Deputy Assistant to the President  
The White House  
Washington, D. C. 20500

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Warmest personal regards and best wishes.

Sincerely yours,

William H. Hudnut, III

WHH:m

cc: Alan Beals, Executive Director, National League of Cities

THE WHITE HOUSE  
WASHINGTON

February 28, 1981

MEMORANDUM FOR THE PRESIDENT

FROM: Kenneth L. Khachigian  
SUBJECT: National League of Cities Speech

Here are the suggested remarks for Monday. Rather than plowing new ground or announcing any new urban programs, this is a basic restatement of the program -- pitched to the local levels.

We will be here all day Saturday, and I will be here part of the day Sunday so that we can help work over any editing that you might have. We can put it on to half sheets either Sunday evening or very first thing early Monday morning.

Please let me know any way I can help.

*Here it is Ken  
& Thanks. Thanks too for  
the "Toasts" for the P.M. Dinner.  
They were great  
RR*

NATIONAL LEAGUE OF CITIES LUNCHEON -- MARCH 2, 1981

It is a pleasure to be with you today for your Annual Congressional-City Conference. I am especially pleased to have been introduced by my longtime personal friend, Mayor Bill Hudnut. I understand and appreciate the part your organization has played in the Pennsylvania Avenue Development Plan here in Washington. The new 12-story building you've constructed, overlooking Western Plaza, is a fine example of what can be done with private funds to revitalize the inner city. It should serve to stimulate others to invest in such worthwhile efforts.

As you are well aware, rejuvenation of the American economy is the number one priority of my Administration. This, I believe, was the mandate of the voters last November, a mandate I sought, yet something all elected officials should understand, because it is a mandate for us all. The election did not commission me to attempt economic reform alone, but to work with elected officials -- Federal, State and local -- to put America's economic house in order.

And that's why I'm here. We've got a job to do -- together -- and I believe we should open up a clear line of communication now, in the early days of my Administration. Our job, of course, is to get the economy of the United States moving again. It is essential for you as representatives of the cities. It is essential for all of us, as Americans.

One thing is certain: the time for business-as-usual has passed. In the last two decades Americans have suffered oppressively increased taxation, inflation, unemployment and interest rates. The middle-class, ~~who are~~ ~~indeed~~ the lifeblood of democracy and the American way of life, cannot withstand these pressures indefinitely. And the economic tremors rippling through our economy suggest that these people are near the breaking point.

- We are suffering the worst inflation in 60 years.
- Almost eight million Americans continue to be out of work.
- Interest rates have climbed to an unprecedented 20 percent, with home mortgage rates of 15 percent destroying for millions the dream of home ownership.
- Investment in industry is lagging behind our major competitors, with too much of the personal savings of our people flowing into non-productive inflation hedges instead of job-creating long-term investment or savings.
- Millions of Americans feel that, for them, the standard of living is actually going down.

*And it is.*  
~~About that last item:~~

It is shocking and a depressing fact that after being adjusted for the continued cheapening of the dollar by inflation, the hourly earnings of American workers have dropped by five percent in the last five years. This is a complete reversal of the American experience and

will have profound impact on the spirit of our people if something is not done -- and done quickly.

And while our workers have been experiencing a decline in their standard of living, government has continued to spend money like there is no tomorrow <sup>AND THAT COULD BE A</sup> -- a self-fulfilling prophecy, ~~perhaps~~. In those same five years, the workers' taxes went up 67 percent. Federal spending grew to 23 percent of the Nation's gross national product -- the highest peacetime share in our history. Further, the Federal Government has shown a deficit every year since 1969. In fiscal year 1980 that deficit was \$59.6 billion -- the second largest in history. And we face another deficit of similar magnitude in fiscal 1981.

This kind of irresponsibility can't go on. What most Federal officials have been afraid to admit is that Federal spending has been, for some time, increasingly out of control. If left unchecked, the current situation would lead to a redoubling of the Federal budget within five years.

For a time it appeared that Congress had more solutions <sup>OR PUT ANOTHER WAY CURES WERE INVENTED FOR WHICH THERE ARE NO KNOWN DISEASES.</sup> than the country had problems. Just conceiving of a program that might help someone, somewhere, was itself reason enough to pass a law and appropriate money. Eventually, with so many programs, safeguarding public funds became an impossible task. One government estimate suggested that between one

and ten percent of all spending on social programs was -- and probably still is -- being lost to fraud alone, at a cost of up to \$25 billion. When the cost of waste is added to that sum, the figures are even more appalling.

Of course, spending isn't the only aspect of government that seems out of control. In the last decade American business -- and, yes, local government -- has had to deal with an avalanche of Federal regulation. Between 1970 and 1979 expenditures for the major regulatory agencies quadrupled. The number of pages published annually in the Federal Register nearly tripled. And the number of pages in the Code of Federal Regulation increased by nearly two-thirds. The cost of this has been staggering. An estimated \$100 billion per year is added on to the cost of everything we buy just to pay for the cost of Federal regulations.

Then there is an unseen cost which is much harder to calculate, but is nonetheless devastating: regulation tends to smother innovation, discourage new investment, increase labor costs and reduce competition.

This Federal goliath -- unleashed and uncontrolled -- brought us to the economic brink now confronting this Nation. Too many officials appeared to feel totally helpless in the face of the monumental task of restoring order to the Federal Government's economic policies.

Perhaps no one had the clout to get the job done. Whatever the reason, we now have much work to do. ~~I can assure you that~~ Together we can put our economic house in order again and regain control of this situation.

We must <sup>REALIZE</sup> ~~never forget that~~ the economic crisis confronting America is not the result of a natural disaster or a catastrophe beyond our control. ~~The~~ Inflation, ~~the~~ unemployment -- all of it -- was basically caused by decisions <sup>THAT</sup> we as a people made. <sup>Now</sup> ~~And~~ the only power needed to restore America's strength is "will" power.

I have submitted to Congress a four-part program which will get this country moving in the right direction again, increase the standard of living for our people and cut the inflation and unemployment rates.

First, I have asked for a substantial reduction in the growth of Federal expenditures.

Second, I have asked for a significant reduction in Federal tax rates.

Third, I have asked for the prudent elimination of excessive regulation.

Fourth, while recognizing the independence of the institution, I have pledged to work with the Federal Reserve Board to develop a monetary policy which is consistent with those policies.

These four complementary policies form an integrated and comprehensive program -- the details of which have been examined by the best economic minds in the country -- people who are working with me on a daily basis. However, this program now faces a political gauntlet of interest groups <sup>AND IN FINDING IT INCREASINGLY DIFFICULT NOT TO CALL THEM <sup>SOME OF</sup> SELFISH INTEREST GROUPS.</sup>

And this is where you come in, ~~as representatives of a very important interest group in the cities.~~ You are not only important because of the power you wield on Capitol Hill, but also because you are looking out for the interests of millions of citizens who inhabit the great urban areas of America. You and I have shared goals. We both want what is best for those who live in our cities. Just as, I am sure, we both want what is best for the people of this country, wherever they reside.

I know that you, like all Americans, recognize the importance of getting our economic house in order. The plague of inflation and stagnation is brutalizing this country. I don't have to remind you of the effects on local government. The cost of every service you provide skyrockets. Tax revenue declines when businesses close their doors. And when coupled with the increased unemployment, the economic burden reaches a critical stage. Local government was not designed to withstand this kind of economic upheaval. Unless something is done to turn the economy around, local governments will suffer right along with many other respected American institutions.



One principle we should never forget is this: There is no better Federal program than an expanding American economy.

Even as our program for economic recovery awaits action by the Congress, we've already started to do what we can within the Executive Branch to cut back spending and regulation. The Office of Management and Budget is now putting together an Interagency Task Force to vigorously attack waste and fraud. Highly-motivated and expertly-trained professionals will be appointed as Inspectors General of the cabinet departments.

We have suspended for two months the flood of last-minute rulemaking done by the previous Administration. We have eliminated the ineffective and counterproductive wage and price standards of the Council of Wage and Price Stability. We accelerated the decontrol of domestic oil. We have concentrated our efforts to enhance the effectiveness of the Paperwork Reduction Act of 1980. We placed a freeze on Federal hiring.

We have also begun taking action on particularly controversial rules. For example, rules mandating extensive bilingual education programs, passive restraints in large cars, the unnecessary labeling of chemicals in the workplace, controls on garbage truck noise, and increased overtime payments for executives have been withdrawn or postponed.

These actions alone are expected to save the American public and industry almost \$1 billion annually. The Administration will be reviewing a host of other regulations in the near future. Vice President Bush, who will be ~~speaking~~ with you shortly, is heading a special Task Force to clear away as many regulatory roadblocks as possible. His role in our regulatory reform effort should suggest the importance we place on the issue.

I'm aware that Bill Hudnut is circulating a questionnaire regarding regulatory relief which will be presented to Vice President Bush and the Task Force on Regulatory Relief this afternoon.

All of this is being done to start us on the road toward recovery. What is important is that we begin. ~~It will require us to work together.~~ I am sure we will get there IF WE WORK TOGETHER.

There are those who oppose almost everything in the recovery program. They oppose the program <sup>BUT FOR THE MOST PART</sup> ~~though generally~~ <sup>OFFER</sup> they ~~have~~ no alternative ~~to offer.~~ Well, hoping things get better won't make it so. I've been told that some members of Congress disagree with my tax cut proposal. It has been said that taxation is the art of plucking the feathers without killing the bird. <sup>WELL IT'S TIME THEY REALIZED</sup> ~~I don't want to be the bearer of bad tidings, but~~ the bird ~~just~~ doesn't have any feathers left.

Nevertheless, the real threat to recovery comes from those who will oppose only a small part of the overall program, while supporting the overall effort. Needless to say, the small portion these parochial groups oppose always deals with cuts that effect them directly. Those cuts they oppose. They favor cutting everybody else's subsidy as an important step in ending inflation and getting the country moving again. The accumulative effect of this short-sightedness can be damaging. ~~To turn the economy around people will have to understand getting the economic ship functioning is important to everyone.~~ We are all in the same boat and ~~we're going to~~ <sup>W/N</sup> ~~have to make sure~~ <sup>G&T</sup> the engines ~~get~~ started before the ship goes over the falls.

~~With this in mind, we~~ <sup>HAVE</sup> tried to be as fair and even-handed in developing our package as was humanly possible. It is important to remember, when someone says that the Administration is planning to cut the budget, what he really means is we are planning to cut the growth in the fiscal year '82 budget by \$41.4 billion -- or from 16 percent to 7 percent per year.

At the same time we are asking for increased user fees and other off-budget savings amounting to \$7.7 billion, for a total savings of \$49.1 billion. That is a cut in the increase in spending. It still allows an increase of \$40.8 billion over FY 1981.

Obviously, within the restructuring we've proposed, some programs are eliminated while others are strengthened. Yet we did nothing to weaken the social safety net which protects the truly needy in this society.

Full retirement benefits for more than 31 million Social Security recipients will be continued, along with an annual cost of living increase. The Medicare program will not be cut, nor will veterans' pensions, nor supplemental income for the blind, aged and disabled. The school lunch and breakfast programs will continue for the children of low-income families, as will nutrition and other special services for the aging. And, yes, there will be no cut in Project Head Start or summer youth jobs. ~~And~~ When considering these essential programs, please remember, the very best thing that can be done to strengthen things like Social Security <sup>is to</sup> ~~would be to~~ get the American economy going and put people back to work, so they will be paying into the trust fund once again.

<sup>NOW I KNOW</sup>  
~~Even with all our attempts,~~ there will be those who ~~will, undoubtedly,~~ charge that we are requiring sacrifices from the rest of the government, but not from the Defense Department. <sup>They will</sup> ~~and then~~ suggest ~~that~~ this proves we're not even-handed as was promised. I would remind those of you who wish to get beyond slogans, to examine my appointment to the job of Secretary of Defense. Cap Weinberger is <sup>AND WAS ONCE GIVEN A NICK NAME TO CONFIRM THAT FACT.</sup> ~~and~~ although the international

situation dictates more spending for defense, it does not ~~imply that~~ <sup>mean</sup> the Defense Department will be free from the cut and trim philosophy of the Administration. I can assure you that Cap is going to do a lot of trimming over there in Defense to make sure the American taxpayer is getting more bang for every buck that is spent. I've even heard that there was a sigh of relief in several departments when it was learned that Cap-the-Knife was going to Defense.

In our attempt to be even-handed we tried, whenever possible, to cushion the budget blows. In the case of money going to the cities, yes, undeniably, we are cutting the amount of money the cities could have expected had we continued through this economic crisis with a business-as-usual attitude. But while we are reducing some of these subsidies, we are at the same time converting many categorical grants into block grants <sup>thus</sup> -- reducing wasteful Federal administrative overhead and giving local governments more flexibility and control. Corresponding to that, we are working to end duplication of Federal programs and reforming those that are not cost effective.

Take for example the Urban Development Action Grants program (UDAG). I want to let you all know that we have decided to preserve the UDAG function in the Presidential program.

The UDAG function and the Community Development Grant program will be combined into a Community Development Support program, and we will be sending up legislation in the near future to enable the program to continue.

As I said, we will be funding this new community support function at a slightly smaller amount than before, but we will be providing greater flexibility and autonomy to localities which show the ability to run these programs effectively. ~~WE BELIEVE THE REDUCTION WILL BE COVERED BY THE ELIMINATION OF ADMINISTRATIVE OVERHEAD. WE'RE CUTTING FAT NOT MUSCLE.~~ <sup>LARGELY</sup>

~~While this leaves the local governments with less total revenue than expected, it gives them the power to~~ <sup>WERE GIVING LOCAL GOVT THE</sup> decide what will be done with the money. Handled efficiently, the level of benefits may not suffer as might be suggested at first glance. However, there ~~must~~ <sup>COULD WELL</sup> be something in local government that can, and should be, cut back during times of economic hardship. ~~There must be some savings that can~~ <sup>IF SO YOU WILL SET YOUR OWN PRIORITIES; YOU NOT SOME WASH. BUREAUCRACY WILL DECIDE</sup> take place by taking control of these funds from the Federal ~~where cuts will be made if cuts are necessary. bureaucracy and putting it in the hands of the cities.~~

~~Importantly, if cuts are necessary, the decision of what to cut is left to the cities.~~

~~I KNOW THAT~~  
~~But~~ accepting responsibility -- especially for cutbacks -- is not easy. <sup>BUT</sup> This package should be looked at by the State and local governments as a great step toward not only getting America moving again, but toward a restructuring of a power system which has led to economic stagnation and urban deterioration.

For many of this country's major cities, economic stagnation is not a recent phenonemon. Interestingly, while power centralized in Washington, D.C., many great urban areas declined. And as the power flow accelerated so did the decline. Many cities cannot even remember a time when they were economically healthy.

~~Of course, the Nation's cities~~ <sup>But they</sup> were not always blighted with seemingly unsolvable problems. ~~The industrial revolution could not have happened without the cities.~~ In the last century American cities were shining examples of enterprise. They were places of optimism, where free men and women working together didn't know the meaning of the word impossible. Alexis de Tocqueville noted the vitality of American cities when touring this country in the 1830's. He observed: "Towns are like great meeting houses with all the inhabitants as members. In them the people wield immense influence over their magistrates and often carry their desires into execution without intermediaries."

He describes a land and a people which seem a far cry from those of today. But why? We are the same people. If we are not, what is different? <sup>Well the answer to that</sup> ~~What has changed~~ is the <sup>INCREASED</sup> intervention of Federal authority. Only fifty years ago Americans still felt they could accomplish anything, and they did. Today the descendents of these pathfinders peer through a maze of government regulation and often give up even before they've tried.

Local officials who once saw the local voters as boss now look to Washington, D.C. before considering a move. And what once was a Federal helping hand is quickly turning into a mailed fist. Instead of assistance, the Federal government is giving orders -- they call them mandates. More often than not the command comes from Washington, but few funds to implement the order can be found in the envelope. Mayor Koch of New York has detailed the problem of mandates better than anyone. Last year he said his city was driven by 47 Federal and State mandates, with a total cost of \$771 million in capital expenditures, \$6.25 billion in expense-budget dollars and \$1.66 billion in lost revenue. And people wonder why New York sings the economic blues.

Not only are the funds not available to meet all these mandates, often the mandates themselves are impossible to fulfill. In Fairfax County, Virginia, for example, students come from fifty different language backgrounds, fifteen of which are spoken by more than twenty students. Were it able to follow the former HHS guidelines, the County would incur the expense of sponsoring bilingual programs in fifteen different languages, including Urdu, Hindi, and <sup>Laotian</sup> ~~Laotian~~.

~~I am totally aware of the quagmire Federal mandates have created for the cities and~~ Today I renew a pledge I made to your conference in Atlanta in December. I will reexamine the mandates issued by the Federal Government and ~~TAKE~~ <sup>action</sup> ~~will be taken~~ to remove any undue burden placed upon ~~the~~ local governments throughout the country.



Centralization of power in the hands of the Federal government did not happen by accident. Over the years local officials <sup>HELPED</sup> ~~have~~ created this power flow by turning to the Federal Government <sup>FOR SOLUTIONS</sup> ~~to~~ local problems. -- ~~what~~ <sup>it</sup> appeared to be an easy way out.

<sup>Now you</sup> ~~Local officials~~ are becoming ~~ever~~ more aware that to get a job done, the very last thing <sup>you</sup> ~~they~~ should ask for is Federal money. First, there are so many strings attached that Federal projects take much longer to complete. And, second, local money pays the bill anyway. Once the Federal vacuum cleaner gets through with the pockets of local taxpayers there isn't enough spare change to run the local government.

What we must do is strive to recapture the bounty of vigor and optimism de Tocqueville found in American cities. We can start by reestablishing the proper relationship between the Federal, State, and local governments. The block grant program in our package is the first step. It cuts considerable red tape and returns power and decisions to the cities for money taken by the Federal Government. It is something we, in the years ahead, can build upon.

Shortly, my Administration will announce the creation of a Federalism Task Force to find out, specifically, what can be done to reestablish a balance between the levels of government. Your input and participation will be important in this process. Working together we can establish a

dialogue about the proper functions of the respective levels of government, and go about restructuring the Federal system to maximize efficiency and freedom.

This is, as I've said, just a start. But it is a first step in the right direction. I hope in the years to come we will be in direct communication. It will take teamwork to get this country back on the right track and it won't happen overnight. You can count on my cooperation to make the cities of America, once again, the thriving areas of commerce, culture and freedom that once attracted the attention of people the world over.



The UDAG function has been been preserved in the Presidential program.

The UDAG function and community development block grant program ~~will~~ will be combined into a community development support program.

The Administration will be sending legislation out to enable the programs to continue.

We can get the job done  
by giving greater flexibility  
to those who show ability to  
do it.

1/2 bill - bill to 185

new community support function will  
be funded at a slightly  
smaller amount but provide flexibility