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Domestic Issues [1]

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Domestic Brief
12/11/91

AGENDA 12/11/91

(1) More Outside Views on the Economy (by non-politicians)

(a) Blue Chip re real GNP (12/10/91):

- o 4Q -- plus 1.3%
- o 1Q -- plus 1.8%
- o 2Q -- plus 2.8%
- o 3Q -- plus 3.3%
- o 4Q -- plus 3.3%

Analytic commentary: Are these guys nuts?

(b) Purchasing Managers Survey (300 corporate purchasing executives):

- o average: 4.2% nominal for 1992 -- 1.2% real;
- o 45% expect payroll cuts; 21% expect increases;
- o 61% expect export increases;

(c) Today's Headlines:

- o "Fed, CBO . . . Forecasting 'Snapback' by Mid-'92, They warn of Risks From a Tax Cut" (WSJ, A-2);
- o "Middle-Class Tax Cut Seen as No Cure for Recession" (W.Post) -- reporting on CBO warning re interest rate effect;
- o "Spurning Fine-Tuning -- Economists Generally Losing Confidence in Various Fixes to Stimulate the Economy" (NYT);
- o "Fed Official Optimistic on Growth -- Hints Little Urgency to Cut Rates Again" (NYT, D-1))

(2) House Budget Committee Report (likely Panetta press conference today)

- o NOTE: Though much here is unfriendly, there is a breakthrough in the endorsement of an entitlement cap.

(3) Porter response to Presidential question re IRA proposals.



*Health is surpassing
Social Security.*

*endorse
Panetta ent. Hent
cap - out years*

*something like
cap enforced through
the budget process
i.e. inflation
plus population
growth.*

Domestic Budget

December 11, 1991

Employee Retirement Income Security Act of 1974

- Established IRAs to encourage retirement savings by employees not covered by pension plans.
- Individuals not actively participating in a pension plan could deduct a contribution of up to the lesser of \$1,500 or 15 percent of compensation.
- Withdrawals before age 59½ would face a 10 percent penalty, and any borrowing from the account would disqualify its tax-exempt status.
- Requires benefits to be distributed when taxpayer reaches 70½. At minimum, funds must be withdrawn in substantially equal installments based on the life expectancy of the recipient.
- Benefits (contributions plus earnings) would be fully taxable when distributed and would not be eligible for capital gains treatment, averaging rules or exclusion from estate and gift taxation.

Example:

- Annual contributions of \$1,000 from age 25-65.
- Account yields 8 percent compounded annually.
- Life expectancy of 85 years.
- Equal annual retirement distributions for life expectancy.
- Retirement tax bracket of 28 percent.

Cumulative contributions	40,000
Plus earnings	219,056
Accumulated total at age 65	259,056
Gross annual income	26,100
Taxes paid	7,308
Net annual income	\$18,792

Taxes are paid on both the cumulative contributions and the accrued earnings.

The Economic Recovery Tax Act of 1981

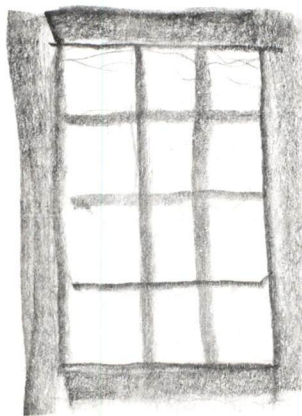
- Expanded eligibility to employees covered by other pension plans.
- Raised the annual contribution limit for single filers to the lesser of \$2,000 or 100 percent of compensation.
- Raised the limit for joint filers with both working to the lesser of \$4,000 or 100 percent of compensation. A nonworking spouse could contribute \$250 to an IRA.
- Maintained the provision that benefits (contributions plus earnings) would be fully taxable when disbursed.
- Estimated to cost \$8.324 billion over the five year period 1982-1986.

Example:

- Annual contributions of \$2,000 from age 25-65.
- Account yields 8 percent compounded annually.
- Life expectancy of 85 years.
- Equal annual retirement distributions for life expectancy.
- Retirement tax bracket of 28 percent.

Cumulative contributions	80,000
Plus earnings	438,113
Accumulated total at age 65	518,113
Gross annual income	52,000
Taxes paid	14,560
Net annual income	\$37,440

Taxes are paid on both the cumulative contributions and the accrued earnings.



The Tax Reform Act of 1986

- Scaled back the 1981 Tax Act's expanded eligibility criteria.
- Eliminated deductions for those actively participating in other pension plans and having an adjusted gross income (AGI) in excess of \$35,000, or \$50,000 on a joint return. Phased out deductions for individual returns between \$25,000 and \$35,000 or joint returns between \$40,000 and \$50,000.
- Requires distribution of benefits when employee reaches 70½. At minimum, funds must be withdrawn in substantially equal installments based on the life expectancy of the recipient.
- Maintained the contribution levels established in the 1981 Act.
- Maintained the provision that benefits (contributions plus earnings) would be fully taxable when disbursed.
- Permits individuals who are ineligible to deduct contributions to make nondeductible contributions up to the lesser of \$2,000 or 100 percent of compensation. At withdrawal, taxes will be due only on the account's earnings, not on the cumulative annual contributions.

Example:

- Annual contributions of \$2,000 from age 25-65.
- Account yields 8 percent compounded annually.
- Life expectancy of 85 years.
- Equal annual retirement distributions for life expectancy.
- Retirement tax bracket of 28 percent.

Cumulative contributions	80,000
Plus earnings	438,113
Accumulated total at age 65	518,113

Fully Deductible Contributions:

Gross annual income	52,000	Taxed on both the
Taxes paid	14,560	contributions and
Net annual income	\$37,440	accrued earnings.

Nondeductible Contributions:

Gross annual income	52,000	Taxed on earnings
Taxes paid	12,308	only.
Net annual income	\$39,691	

The Administration's First Time Home Buyers Proposal

- Waives the 10 percent penalty for early withdrawal by the purchaser for a first time home. *before age 59½*
- Limits the amount of withdrawal to \$10,000. *still have to pay taxes*
- Limits the cost of an eligible home to less than 110 percent of the median price of homes in the applicable geographic region.
- Estimated to cost roughly \$500 million over five years.

The Administration's Family Savings Account Proposal (a form of back-ended IRA)

- Limits contributions to \$2,500 per year and to two accounts per family.
- Prohibits the deductibility of contributions. Earnings would be excluded from income while in the account, and would be permanently excluded if the related contribution is held for more than seven years. Earnings on amounts left on deposit between three and seven years withdrawn would be subject to tax but without penalty.
- Earnings on withdrawals within three years of contribution would be subject to a 10 percent penalty.
- Limits eligibility to single individuals with incomes below \$60,000 or families with incomes below \$120,000.
- Estimated to cost roughly \$6.5 billion over five years.

Senator Bentsen's IRA Plus Proposal (S.1921)

- Restores the pre-1986 deduction rules for taxpayers by eliminating limitations on income and on active participation in other pension plans.
- Indexes the \$2,000 contribution limit for inflation.
- Permits the taxpayer the choice of taking the deduction up-front, when the contribution is made, or forgoing the deduction until the funds are distributed.
- Permits penalty free withdrawals for first-time home purchase, education or excessive medical expenses.
- Estimated to cost \$12.5 billion over five years.

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- Annual contributions of \$2,000 from age 25-65.
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- Equal annual retirement distributions for life expectancy.
- Retirement tax bracket of 28 percent.

Cumulative contributions	80,000
Plus earnings	438,113
Accumulated total at age 65	\$518,113

Front-loaded:

Gross annual income	52,000	Taxed on both the contributions and accrued earnings.
Taxes paid	14,560	
Net annual income	\$37,440	

Nondeductible Back-loaded:

Gross annual income	52,000	No additional taxes on contributions or on accrued earnings.
Taxes paid	0	
Net annual income	\$52,000	

House Republican's IRA Proposal

- Permits nondeductible contributions regardless of income or other pension coverage. Neither the earnings, nor the principal, would be taxed when distributed if held in the account for more than five years.
- Permits current, front-loaded IRAs to be "rolled over" into the new, back-loaded accounts, with previously deductible contributions subject to income tax at the time of transfer.
- Limits nondeductible contributions to \$2,000 per year per taxpayer, less the amount of deductible contributions made to a deductible IRA.
- Permits individuals to receive a tax-free withdrawal of up to 25 percent of contributions held in the account for over five years for the purchase of a first home, education, medical expenses or disability.
- Estimated to raise \$13.0 billion over five years.

but loses a lot of \$ in the out years

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- Retirement tax bracket of 28 percent.

Cumulative contributions	80,000
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Accumulated total at age 65	518,113

Fully Deductible Front-loaded:

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Net annual income	\$37,440	

Nondeductible Back-loaded:

Gross annual income	52,000	No additional taxes on contributions or on accrued earnings.
Taxes paid	0	
Net annual income	\$52,000	

Domestic Brief
12/11/91

Special Questions:

I. This past August, we asked our panel members for their evaluation of nine major "unmet needs" that Robert S. McNamara, former Secretary of Defense and past president of the World Bank and Ford Motor Co., says must be met if America is to retain its status as a political, economic and military superpower. You will recall that McNamara's plan had a 10-year timetable for meeting these needs. This month, we asked the panel members to revisit McNamara's plan, rating which of his "unmet needs" should be given the highest priority in 1992. We've asked the panel members to use our regular 10-point rating scale in making their evaluations (10 = Highest priority, 1 = Lowest priority). Below are the results.

Rank	Unmet Needs For Prompt Action In 1992¹	Blue Chip CONSENSUS Rating (10 = High Priority, 1 = Low Priority)
1.	Strengthen primary and secondary education.	8.0
2.	Rebuild the physical infrastructure.	7.3
3.	Strengthen scientific and technological advance.	7.1
4.	Increased savings to support capital investment for growth.	7.1
5.	Provide health care for 31 million uninsured.	6.0
6.	Lower the number of citizens -- particularly children -- living in poverty.	5.9
7.	Reduce the rate of environmental deterioration.	5.8
8.	Address: widespread drug abuse; rising crime levels; the problem of the homeless; and disgracefully low levels of assistance to developing countries.	5.6
9.	Increased savings to finance retirement accounts.	5.3

¹"A Vision For Our Nation In The 21st Century," by Robert S. McNamara, before the Economic Club of Phoenix, Arizona Biltmore Resort Hotel, Phoenix, AZ, April 17, 1991.

1992 Real GNP Consensus Falls To +2.2%

Don Brief
12/11/91

DECEMBER 1991 Forecast For 1992 SOURCE:	Percent Change 1992 From 1991 (Year-Over-Year)								Average for Year-1992			Total Units-1992			1992- Net Exports (Con. \$)
	1 Real GNP (Con. \$) (Output)	2 GNP Deflator (Prices)	3 Total GNP (Cur.\$)	4 Consumer Price Index	5 Indust. Prod. Total	6 Dis. Income (Con.\$)	7 Pers. Income (Con.\$)	8 Non-Res. Fix. Inv. (Con.\$)	9 Treas. Bills 3-mo. Bonds	10 Corp. Aaa	11 Unempl. % Labor Force	12 Housing Starts (Mil.)	13 Auto Sales Total (Mil.)	14 Truck Sales Total (Mil.)	
Bostian Economic Research	4.1H	3.6	7.9H	3.7	6.5	3.5	7.5H	24.0H	6.6H	8.9H	5.7L	1.50H	9.7	5.0H	16.0H
Sears Roebuck & Co.	3.0	3.5	6.5	4.4H	4.6	2.9	5.0	15.0	5.9	8.9H	5.8	1.27	9.5	--	-20.0
Morgan Stanley & Co.	3.0	3.0	6.1	3.2	4.6	2.6	5.4	10.1	--	--	6.7	1.28	9.6	--	-23.0
Wayne Hummer & Co.-Chicago*	2.9	3.6	6.5	3.5	3.6	2.9	4.1	13.0	5.3	8.7	6.5	1.31	9.5	4.8	-1.0
Morris Cohen & Associates	2.8	2.7	5.6	3.8	4.5	3.8H	4.0	15.0	6.2	8.2	6.4	1.35	9.5	4.8	-3.0
Robert Genetski & Assoc., Inc.	2.8	2.6	5.4	2.6	6.7H	2.5	6.8	18.9	4.7	8.6	6.6	--	9.3	4.4	-18.0
Arnhold & S. Bleichroeder*	2.7	3.6	6.4	3.3	5.0	3.2	1.4	13.0	5.8	8.8	6.2	1.25	10.0H	4.5	-8.8
Caterpillar	2.7	3.4	6.3	3.1	4.7	2.3	5.2	14.7	5.0	8.3	6.4	1.13	9.1	4.4	-29.4
Faimodel	2.7	3.0	5.8	3.1	3.4	3.0	0.6	12.5	5.9	8.5	6.3	1.34	9.2	--	-52.0
Cahners Economics	2.6	3.1	5.8	4.4H	3.9	2.4	3.0	8.9	4.9	8.5	6.4	1.24	6.3L	4.0L	-4.6
Turning Points (Micrometrics)	2.6	2.8	5.6	3.6	3.9	3.0	2.5	10.0	5.8	8.6	6.5	1.20	9.4	4.3	-4.5
Econoclast	2.6	2.7	5.3	2.9	4.4	2.5	2.6	10.0	5.0	8.5	6.8	1.20	9.1	4.1	-15.0
PNC Financial Corp.	2.5	3.4	5.9	3.6	3.7	2.7	2.1	8.3	5.8	8.7	6.5	1.20	9.5	4.5	-26.2
Prudential Insurance Co.	2.5	3.2	5.7	3.3	3.7	3.0	2.5	5.5	4.9	8.3	6.6	1.30	9.2	--	-20.0
First Interstate Bancorp	2.5	2.9	5.6	3.2	3.4	2.5	5.5	5.7	5.0	8.3	6.6	1.28	9.3	4.5	-31.0
Northern Trust Company	2.4	3.2	5.7	3.5	4.1	2.4	4.3	8.1	4.2	8.4	6.7	1.14	9.2	4.6	-25.8
Econoviews International Inc.	2.3	4.0H	6.2	4.3	3.0	1.0L	2.0	10.0	6.0	8.5	6.5	1.45	9.6	4.4	-20.0
Metropolitan Life Insurance Co.	2.3	3.8	6.2	3.9	4.3	2.4	2.0	18.0	5.1	8.5	6.6	1.29	9.5	--	-19.0
Georgia State University	2.3	3.3	5.7	3.6	3.7	2.0	0.8	8.5	4.9	8.6	6.9	1.17	9.1	4.1	-17.0
Eggett Econoic Enterprises, Inc.	2.3	3.1	5.5	3.6	4.0	3.0	3.5	13.0	5.5	8.5	6.5	1.30	9.5	4.7	-5.0
Chrysler Corporation	2.3	2.9	5.3	3.2	2.7	2.5	2.9	14.0	4.6	8.6	6.7	1.16	9.3	4.9	-37.8
Laurence H. Meyer & Assoc.	2.3	2.7	5.1	3.1	3.3	2.1	2.8	8.3	5.0	8.1	6.7	1.18	8.9	--	-29.0
Ford Motor Co.	2.2	3.7	6.0	3.5	2.9	2.3	2.0	--	4.8	--	6.4	1.29	--	--	-27.8
Univ. of Michigan M.Q.E.M.**	2.2	2.7	4.9	3.5	1.6	1.7	-1.0	15.5	4.7	8.1	6.7	1.20	9.1	4.4	-35.3
Merrill Lynch	2.1	3.4	5.6	3.7	3.4	2.3	2.1	18.8	4.7	8.7	6.7	1.15	9.4	--	-29.4
First National Bank of Chicago	2.1	3.3	5.4	3.2	3.2	2.2	0.2	10.3	4.0	--	6.9	1.22	9.4	4.7	-16.1
Mortgage Bankers Assn. of Amer.	2.1	2.9	5.1	3.2	2.6	1.6	1.1	12.0	4.2	7.8L	6.7	1.20	8.7	--	-25.5
U.S. Trust Co.	2.1	--	5.2	3.4	4.0	--	--	--	4.2	8.5	6.7	1.26	9.0	--	--
Dun & Bradstreet	2.0	3.5	5.5	3.0	3.5	2.2	6.5	7.0	4.8	8.4	6.6	1.08	9.2	4.4	-25.0
E I Du Pont de Nemours & Co.**	2.0	3.4	5.4	3.5	3.7	1.9	3.0	--	4.8	8.5	6.6	1.23	9.3	4.7	-31.5
National Assn. of Home Builders	2.0	3.0	5.0	2.9	3.9	1.9	3.5	10.5	4.8	8.5	6.6	1.19	8.9	4.6	-37.8
Manufacturers Natl Bank-Detroit	2.0	3.0	5.1	3.2	2.2	2.1	2.0	10.0	5.2	8.5	6.4	1.20	8.8	4.8	-20.0
Brown Brothers Harriman	1.9	3.1	5.1	3.1	3.1	1.7	3.2	7.7	--	--	6.4	1.27	9.2	--	-23.8
SOM Economics, Inc.	1.8	3.7	5.6	4.0	2.0	1.5	1.0	11.5	4.6	8.2	6.7	1.18	8.8	4.4	0.0
Reeder Associates (Charles)	1.8	3.3	5.1	3.3	2.2	1.5	0.3	4.0	4.6	8.1	6.9	1.20	8.7	4.3	-1.3
Conference Board	1.8	3.2	5.1	3.2	3.7	2.2	-0.5	8.9	4.9	8.3	6.8	1.16	8.5	4.4	-15.2
CoreStates Financial Corp.	1.8	3.0	4.9	2.9	3.2	1.8	2.9	7.2	5.3	8.3	7.0	1.14	8.6	--	-18.3
General Motors	1.8	2.9	4.8	3.4	2.9	1.3	5.5	15.7	4.7	8.1	6.8	1.09	--	--	-38.3
Security Pacific Natl. Bank	1.8	2.8	4.6	3.1	2.5	1.8	1.1	2.7	4.4	8.3	6.9	1.16	8.6	--	-29.0
Manufacturers Hanover Trust Co.	1.8	2.4	4.3	2.1L	2.6	2.2	-4.4	4.6	5.3	8.7	6.7	1.16	9.5	--	7.5
UCLA Business Forecast*	1.8	2.2L	4.1	2.7	3.2	2.1	2.7	9.2	4.7	8.3	7.2	1.18	9.1	4.2	-25.0
CRT Government Securities	1.7	3.5	5.3	3.2	3.4	2.0	3.6	6.9	4.8	8.2	6.8	1.08L	9.0	4.7	-32.7
Bankers Trust Co.	1.7	3.1	4.9	3.2	2.2	1.8	2.5	6.4	--	--	6.7	1.18	8.7	4.3	-33.1
Natl. City Bank of Cleveland	1.6	3.8	5.4	4.0	1.9	1.4	1.8	12.0	4.9	8.7	6.9	1.20	8.8	4.5	-22.0
Shawmut National Corp	1.6	3.4	5.1	3.5	2.9	1.9	3.3	13.9	4.2	8.4	6.9	1.25	9.1	4.0L	-40.3
U.S. Chamber of Commerce	1.5	3.2	4.6	4.0	2.5	2.0	0.2	6.9	5.1	8.6	7.1	1.17	9.0	4.3	-28.4
Chase Manhattan Bank	1.3	3.5	5.0	3.5	2.3	1.5	3.9	10.0	4.1	8.2	6.8	1.15	8.4	--	-46.0
Evans Economics	0.7	3.3	4.0	4.2	0.8	1.0L	-0.3	1.3	4.7	8.9H	7.4	1.09	8.5	--	-53.3L
Morgan Guaranty Trust Co.	0.0L	2.8	2.8L	2.8	-1.1L	1.3	-5.2L	-3.8L	3.8L	--	7.5H	1.14	8.4	4.3	-5.2
1992 Consensus: Dec. Avg.	2.2	3.2	5.4	3.4	3.3	2.2	2.4	10.3	5.0	8.4	6.7	1.22	9.1	4.5	-21.8
High 10 Avg.	2.9	3.7	6.4	4.1	4.9	3.1	5.6	17.0	5.9	8.8	7.1	1.34	9.6	4.8	-0.1
Low 10 Avg.	1.4	2.6	4.4	2.8	1.7	1.4	-0.9	4.0	4.2	8.1	6.2	1.12	8.3	4.2	-40.7
November Avg.	2.4	3.2	5.7	3.5	3.6	2.3	2.7	11.7	5.1	8.5	6.6	1.22	9.2	4.5	-22.5
Number Of Forecasts Changed From A Month Ago:															
Down	30	15	29	23	27	21	22	17	26	16	01	15	25	13	11
Same	18	31	19	23	18	23	21	24	19	21	29	26	22	17	23
Up	01	02	01	03	04	04	05	05	01	06	19	07	00	02	14
December Median	2.1	3.2	5.4	3.3	3.4	2.2	2.6	10.0	4.9	8.5	6.7	1.20	9.1	4.4	-23.4

BASIC DATA SOURCES: ¹Gross National Product (GNP), Constant 1987 \$, Bureau of Economic Analysis (BEA); ²GNP Implicit Price Deflator, BEA; ³GNP, Current dollars, BEA; ⁴Consumer Price Index-All Urban Consumers, Bureau of Labor Statistics (BLS); ⁵Total Industrial Production, Federal Reserve Board (FRB); ⁶Disposable Personal Income, Constant 1987 \$, BEA; ⁷Non-residential Fixed Investment, Constant 1987 \$, BEA; ⁸Corporate Profits Before Taxes, Current \$, with Inventory Valuation and Capital Consumption Adjustments, BEA; ⁹Treasury Bills, 3-Month, new issues, Bank Discount Basis, Economic Indicators; ¹⁰Moody's Seasoned, Economic Indicators; ¹¹Unemployment Rate For All Civilian Workers, BLS; ¹²Housing Starts, Bureau of Census, SAAR; ¹³Total U.S. Auto Sales, Annual Rate, BEA; ¹⁴Total U.S. Truck Sales, Annual Rate, Motor Vehicle Manufacturers Association; ¹⁵Net Exports Of Goods And Services, Constant 1982\$, SAAR, BEA. COPYRIGHT 1991, CAPITOL PUBLICATIONS, INC.

Domestic Brief
12/5
4:00 PM

December 5, 1991

Domestic Update

1. Legislative Activity of the 102nd Congress

- Finally, some major pieces of legislation, but still a lack of success similar to the 101st Congress.
- Veto record (and its capacity to influence legislation for good) still intact at 24.

2. National Council on Education Standards and Testing

- Threat of dissipating bipartisanship
- Need to maintain the momentum, preserve partnership with the Governors, and decentralized system to foster innovation.

3. Charitable Contributions

Some good news from Goodwill Industries.

4. Voluntary Restraint Agreements

- Machine Tools VRA expires at end of December 1991
- Steel VRA expires at end of February 1992

5. Conference Board Poll on Growth Initiatives

- Preserving budget agreement *60% support 40% break.*
- Middle income tax relief/upper income rate increase *80%*
- Preferences among investment incentives *95/5 against if top 85%*
 - Investment Tax Credit *Gratison plan*
 - Capital gains reduction
 - Passive loss real estate changes

Domestic Budget
12/5/91

Legislative Activity of the 102nd Congress

As of November 27, 1991, when it adjourned for the year, the Congress had passed 249 pieces of legislation.

- 83 are commemorative, asking for days, months, or years to be designated or commemorating anniversaries of past achievements
- 12 are by-products of Operation Desert Shield/Desert Storm and other elements of the Gulf Crisis
- 9 name public buildings
- 9 are from the Veterans Affairs committees and relate solely to the Department of Veterans Affairs
- 6 relate to the federal government's relationship with the District of Columbia
- 6 are technical amendments
- 3 are continuing resolutions
- 13 are appropriations bills

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The remaining 108 include:

- The Intermodal Surface Transportation Infrastructure Act
- The Civil Rights Act of 1991
- The Czechoslovakia and Hungary Import Restrictions Act (Emergency Unemployment Compensation)
- Comprehensive Deposit Insurance Reform/Taxpayer Protection Act
- Resolution Trust Corporation Funding Act of 1991

Domestic Bush
12/5/91

The Bush Administration's
Domestic Agenda
Statement of Principles

The Bush Administration's domestic agenda has been guided by three fundamental principles which have animated many of its legislative, regulatory, and other initiatives:

- enhancing economic growth,
- investing in America's future, and
- increasing opportunity for all Americans.

While striving to reduce the coercive role of government in American life -- whether it be through reduced regulation; the avoidance of new Federal mandates on States, localities, businesses and individuals; or by trying to fend off efforts to raise taxes and increase Federal spending -- the Bush Administration has sought ways:

- to promote choice and flexibility for individuals and families in areas such as education and child care;
- to guarantee greater opportunities for individual choice, entrepreneurship, and opportunity by eliminating bigotry and discrimination, and ensuring that our streets, schools and neighborhoods are free of crime and drugs;
- to ensure decentralized, market-based solutions to problems and to introduce incentives that will enhance efficiency rather than expand government direction or regulation;
- to provide competent, compassionate, and targeted government support to meet the health, education, and training needs of our neediest citizens;
- to focus on America's future to ensure international competitiveness through: sound investments in new technologies and research; balanced, cost-effective environmental stewardship; expanded free trade; reducing energy vulnerability; strengthening our highways and other infrastructure; ensuring a sound, restructured financial and pension system; developing a skilled and adaptable workforce; and looking to new technological frontiers such as space exploration; and
- to encourage nongovernmental entities -- families, churches, volunteer organizations, communities, and other partnerships -- to work together and with government to serve others and to strengthen the fabric of American life.

As President Bush has stated, "America's problem-solving does not begin or end with the Congress -- nor with the White House" but must draw upon the commitment, compassion, and courage of all Americans in developing the shared strength and promise of America.

America's participatory democracy is only as strong as each of our individual citizens: our strength and our genius lie not in bureaucracy but in our people and their communities. Our goal is not only a government that works but a government fully responsive to the American people.

Domestic Power
12/5/91

December 5, 1991

Education Standards and Assessment

1. The National Council on Education Standards and Testing has met several times and has reached consensus on the following issues:
 - National education standards are desirable in establishing student achievement levels.
 - These standards should be accompanied by a new student assessment system (what we have called voluntary national testing).
2. Unresolved issues remaining before the Council include what these new assessments will look like (i.e., one or more voluntary tests, a "cluster" model, or some other approach), and what entity will oversee future development of the standards and assessment process.
3. Some members of the Council favor creating by legislation a new, free-standing entity to replace the existing National Education Goals Panel.
4. The Council, by statute, is required to complete its activity and deliver its recommendations to the Secretary of Education, the Congress, and the National Education Goals Panel by December 31, 1991. Our objectives for the Council's final report are the following:
 - To recommend World Class Standards in each of the five core subject areas of the national education goals.
 - To establish an assessment system for these standards as soon as possible, consistent with your call for the first series of American Achievement Tests to be ready by school year 1993-94.
 - To preserve the bipartisan relationship forged with the nation's Governors at the Charlottesville Summit.
 - To keep the focus on and the governance with the National Education Goals Panel which will minimize the ability of interest groups to derail these important activities.
 - To ensure that the evolution of a standards and assessment system preserves the decentralized nature of our education system and does not result in either a national curriculum or federalizing education.

per Dick Darman

CURRENTLY OUTSTANDING ELEMENTS OF THE GROWTH AGENDA
(as of 11/21/91)

Investment/Asset Value Appreciation/Entrepreneurship

- o Capital gains cut

R&D Investment

- o Overall R&D investment increase
- o Applied civilian R&D investment/special programs
- o R&D tax incentives

Human Capital Investment

- o New American Schools, Educational Choice, Math/Science initiative, America 2000, [Lifetime Credit Card]
- o Focus on Young Children: Healthy Start; record investment
- o Anti-drug abuse strategy
- o [Improved job training]

Lifetime
Credit
Card

Service Sector Productivity Improvement/Competitiveness

- o Financial Services Reform
- o Transportation infrastructure investment
- o [Health Reform]

Increased Savings

- o IRA improvements
- o Family Savings Accounts
- o ["Mandatory" program reform]
- o Continued [strengthened] Budget Enforcement Act Discipline

Legal/Regulatory Reform

- o Regulatory Reform (various)/Competitiveness Council
- o Tort Reform/Product Liability Reform/Malpractice Reform
- o Civil Justice Reform
- o Takings Reform

Energy Efficiency/Reduced Vulnerability

- o National Energy Strategy

International Market Expansion

- o GATT
- o NAFTA
- o Enterprise for the Americas Initiative

Anti-Poverty

- o The above, plus
- o Enterprise Zones

Domestic Briefing 12/4/91

AGENDA -- 12/4/91

✓(1) Medicaid end-play: Waxman caved. NGA-Administration compromise was passed by both Houses -- is en route to President for signature.

✓(2) Expenditure Acceleration Project -- update (see hand-out).

✓(3) Brady-Boskin-Darman testimony -- selected hot issues:

- o "Bush-Gingrich plan"
- o Middle class tax cut
- o Budget agreement
- o Peace dividend
- o Bentsen plan
- o Pro-rich vs. pro-poor
- o Millionaires' tax
- o Real Estate
- o Use of "Emergency"
- o Timing
- o Issues of consistency/inconsistency

now involved
in an enormous
outreach to find
out what can
and should
be done.

3. Luxury Tax

Kemp (Gingrich)

bottom line - we're trying
to help the Real Estate
Industry

"No time for complacency"
Can't act as if all we've already
proposed is enough.

Even talking about bursing the budget
agreement will send long term
interest rates through the roof.
We'll be doing everything we can
to respect the budget agreement.

Credit Card
Interest Rates



12/3/91

Acceleration Project -- Status

<u>Agency</u>	<u>Activity</u>	<u>Amount</u> (in \$ millions)
---------------	-----------------	-----------------------------------

OMB Action Completed -- Agencies Now Implementing

Agriculture	PL-480 - move from 3rd and 4th quarter to 1st and 2nd	250
-------------	---	-----

FmHA	Rural Housing Loans -single family direct loans - move to 1st quarter (plus move up guarantees of \$330 million)	1,300
------	--	-------

FmHA	Farm ownership and operating direct loans - move to 1st and 2nd quarter (plus move up guarantees of \$2.5 billion)	1,900
------	--	-------

Agriculture	Conservation Reserve Program - make available in 1st quarter	700
-------------	--	-----

Agriculture	Construction of buildings and facilities (Agricultural Research Service) -- make funds available in 1st quarter	100
-------------	---	-----

Agriculture	Increased allocation to States 1st quarter for conservation, water, forestry programs	265
-------------	---	-----

⇒ DOD	Move up contractor payments within 7 day statutory payment window; generally accelerate contracting to extent feasible	indeterminate
-------	--	---------------

NRC	R&D, Admin. and other contracts -- move to 1st quarter	100
-----	--	-----

Total Action Completed - payments and direct loans		4,615
--	--	-------

Total Action Completed - guarantees		2,830
-------------------------------------	--	-------

OMB Staff Looking At

FEMA	Reduce backlog of disaster payments	400
HUD	Section 202 direct loans - reduce backlog	750
DOT	Various grant programs (UMPTA, bridges, etc.)	?
Commerce	Accelerate EDA grants	60
Agriculture	Change advanced deficiency payments from 30% to 50%	900
GSA	Accelerate purchases of 3,000 vehicles for agencies	30
Total - Looking at		<u>2,140</u>

add Highway \$ acceleration



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

November 7, 1991

THE DIRECTOR

MEMORANDUM FOR DEPUTY ASSOCIATE DIRECTORS

FROM: Richard Darman *Richard Darman*
SUBJECT: Apportionment Actions

In apportioning appropriated funds under the Anti-Deficiency Act, OMB is required to apportion so as to achieve the most efficient and economical use of funds (31 U.S.C. 1512(a)). OMB is also required to prevent budget obligation or expenditure at a rate indicating the necessity for a deficiency or supplemental appropriation (Id.). Situations arise where, consistent with these requirements, there is discretion to expend funds either earlier or later during the period of availability of the funds.

In the current economic environment, some would argue that accelerating obligations may help strengthen confidence and job-creation. To the extent that this may be the case, it would seem prudent to consider such acceleration. Therefore, where discretion can be exercised appropriately, and where the tests below are met, OMB should examine the possibility of allowing expenditure in the earlier period if such expenditure would be in the public interest.

Apportioning funds for earlier expenditure should be undertaken only where the following conditions are met:

- (a) acceleration would neither reduce efficiency, nor cause the uneconomical use of funds, nor cause deficiencies;
- (b) total budget obligations would remain within appropriated levels, all conditions of use would be met, and all other legal requirements (including procurement law) would be completely fulfilled; and
- (c) the action would be consistent with good business practice and would be in the best interests of the government.

Each case should be judged on its own merits. Cases to examine include ones where scheduled procurements, assistance payments, or expenditures have been delayed, and may, consistent with these guidelines, be made on a more timely basis; loan programs where a large backlog of approved projects has developed; and cases where the government is delaying in paying its bills or there are discretionary purchases, such as fleet purchases, that may be made either earlier or later during the year. Examples of cases that are not appropriate include ones where speeding up purchases would simply lead to excess inventory or would short-cut appropriate procedures.

Would you please discuss any candidates for acceleration that seem appropriate with responsible agency staff, and then with Bob Damus and me. If we determine that obligation or expenditure patterns should be modified for particular cases, we may then move forward within the legal and public interest standards noted above.

AGENDA -- 11/26/91

✓(1) Supplemental

- ✓- Whitten tirade, followed by enforced settlement:
- ✓- Desert Shield/Storm (as requested) *Conference is closed - victory!*
- ✓- FEMA (by-gones-be-by-gones, out-year fix)
- ✓- 400 million for Soviet build-down (DoD transfer authority) [and 100 for "transportation" (maybe)]
- ✓- \$2.6 billion other (dropped) *1.1 b Head Start WIC, etc. as emergency*
- ✓- Outstanding for final squeeze play: Agriculture (We want "less than a billion") *\$1.25 b in Ag, now \$500 m is requested.*

✓(2) Medicaid "Scam" Reform: Now in a can't lose situation

9:30 mtg. TX and OMB only hold out.

✓(3) Tax extenders -- 6 months, *meaning June Tax bill!*

NGA deal of 2 sided monitorium

(4) House Republican Budget(s)

-- Delay-Kasich-Miller-Santorum *"representative group of House Republicans"*

- cut defense 54 billion (5 years)
- cut international 21 billion (5 years)
- cut domestic discretionary 80 billion - *no specifics*
- means-test Medicare
- raise Medicare deductible (SMI)

-- Other Republicans' reactions

NOTE: Tomorrow -- Budget overview for the President and OMB passbacks; final decisions needed by December 30.

They are learning how hard it is.

\$999 M now - \$400 m to bank check 11/92

AGENDA -- 11/14/91

(1) Unemployment Insurance

-- A few facts re Mitchell's claim that the President reversed himself:

- o The President first said he would sign a bill in August, when he supported the Dole bill. (There has been no post-Pennsylvania change of position.)

- o The President insisted that:

(a) A signable bill must be temporary.

NOTE: The original House bill was permanent; the compromise is temporary.

(b) A signable bill must not invoke the "emergency" escape from fiscal discipline.

NOTE: The vetoed bills -- at Mitchell's insistence -- invoked the emergency escape. The compromise does not.

(c) A signable bill must be paid for -- on a satisfactory basis.

NOTE: The vetoed bills were not paid for. (Mitchell insisted they should not be.) After the veto of two unpaid-for bills, the Mitchell ploy switched to "pay" with foreign aid, thus breaking the budget agreement in another way. The compromise is fully paid for in each and every year (OMB estimate); is fully consistent with the budget agreement; does not raise taxes (and, as it happens, does include some sensible policy -- such as student loan reform).

- o The Administration also urged that any bill be based principally on reliable measures of unemployment. The two vetoed bills failed this test. The compromise largely passes it.

(2) Energy update -- today's meeting.

(3) Other

Economic and Domestic Policy

Increase Economic Growth

- Increase saving and investment (capital goods)
 - Reduce Federal borrowing (Budget Agreement)
 - Capital gains tax rate reductions
 - Family Savings Plan
 - IRAs for first time homebuyers
- Increase research and development
 - Federal R&D budget (public R&D)
 - Make R&D tax credit permanent (private R&D)
- Improve human resources (Education)
 - America 2000
 - Job training proposals
- Expand markets for U.S. exports
 - Uruguay Round
 - North America Free Trade Agreement
 - Enterprise for the Americas Initiative

Invest in America's Future

- Transportation Infrastructure
 - Surface transportation (Highway Bill)
 - Airport Modernization
- National Energy Strategy
- Comprehensive Banking Reform
- Quality of Life (Clean Air, the Environment)

Expand Opportunity for Individuals, Families and Communities

- Child Care Legislation (Giving choice to parents)
- Americans with Disabilities Act
- Civil Rights Bill
- Comprehensive Violent Crime Control Act/Drug Strategy
- Enterprise Zones

Card

Domestic Briefing 11/20

AGENDA -- 11/20/91

AC HAS SEEN

~~(1)~~ Supplemental:

- Byrd play: "line-item acceptance";
- tough bargaining ahead; marker/offer needed for Conference.

~~(2)~~ Trade agreements/U.I. bill

- Rosty attitude/play
 - o addition of Baltics MFN, Andean preferences, Soviet coins, Soviet MFN, CBW sanctions;
- Chafee/Danforth threats
 - o luxury tax, extenders;
- Bentsen play
 - o straight to Conference -- all but Andean, OK.

~~(3)~~ Older Americans Act/Social Security Retirement Test

- Metzenbaum play -- PBGC expansion;
- McCain play -- Social Security earnings test repeal;
- Rosty/Dole reaction;
- Conference letter: How to handle?

~~(4)~~ Medicaid Scam:

- Governors still "negotiating";
- Waxman one-sided moratorium;
- Bentsen (March '92)/Dole (March '93) two-sided moratorium.

11:00am Economy - Bolkin - Housing Starts ↑ 7%

per Sec. Mr. Lander

OUTLINE OF PRESIDENTIAL SPEECH ON "DOMESTIC POLICY"

Overview of World Situation

- We live in safer, more stable world;
- Tremendous expansion of democracy abroad;
 - Demise of communism in the Soviet Union and Eastern Europe,
 - Desert Storm demonstrated American resolve, influence and technology,
 - America is the leader of a much larger Free World,
 - Historic Middle East Peace talks underway for the first time to ensure a lasting peace.
- Peace dividend - while there are those who would urge us to spend a dividend, remember that peace is the dividend and cannot be measured in dollars;
 - Before we again let Congress spend money we don't have, let's cut the federal deficit,
 - Our military build-down has the costs of re-tooling some industry away from defense toward new manufacturing opportunities,
 - Our military security and our economic security are two sides of the same coin.

Current Situation - its time to enact a growth agenda

- 1980s were the longest peacetime expansion ever;
 - Created 20 million good, new jobs,
 - Increase in manufacturing productivity by 40%,
 - Rise in small business formation,
 - Increase in women/black/hispanic owned businesses.
- Adjustment period - I know many people are hurting today - it is my biggest concern;
Level playing field globally - NAFTA, FTA, GATT
- But, there are positive long-term factors;
 - Inflation down
 - Interest rates down
 - Personal debt down
 - Inventories down
 - Quality up
 - Exports up

Outline of Presidential Speech
Page 2

- It's a new era of cooperation...global cooperation;
 - New opportunities for exports that generate jobs for Americans,
 - New trading areas that lift our economy,
 - NAFTA
- I won't allow Congress to raise taxes that would reduce the capital available for new and small businesses to grow, expand and enhance their productivity;
- I would like to reduce taxes for the middle class, but cannot and should not bust the budget, placing an unfair economic burden on our children and grandchildren;
- I have directed the Treasury and other agencies to issue guidelines to make credit more available, particularly to small and medium size companies. We will continue to urge banks to make credit more available for those buying a home -- the lowering of interest rates by the Federal Reserve will be a help in this regard;
- We need to do more - enact a growth package that would ensure American competitiveness in world markets;
 - Near Term
 - * Capital gains tax cut to stimulate investment,
 - * Regulatory reform -- for business (particularly small business), banking, product liability, tort reform etc., (good opportunity to use a real life anecdote to illustrate benefit),
 - * Transportation infrastructure investment,
 - * Enterprise zones for those areas suffering the most,
 - * National Energy Strategy - projected to add 315,000 jobs by 2000,
 - Long Term
 - * Well-trained workforce - Education 2000 initiative,
 - * Level playing field globally - NAFTA, EAI, GATT,
 - * Domestic legislation - crime bill for a safer, more productive society.

American Spirit and Values

- Time to remember our greatness... not as a government, but as a free people... free markets... free society... The entire world is looking to America. Turning away from socialist economies, totalitarian governments;
- Lessons from the last several years - American belief in individual initiative and choice is the basis for a strong and prosperous nation - because of the lessening military threat and tensions we are more free today to focus our energy and talents to build prosperity for the 1990s -- it is the unbridled citizen who will build our future - time and time again we've shown that if given the opportunity Americans can compete with anyone, anywhere, anytime;

Conclusion

- Even though Congress has been slow to act in a timely fashion, the unemployment compensation and civil rights bills show that this country can pull together to address common needs:

"And let all Americans remember that no problem of human making is too great to be overcome by human ingenuity, human energy and the untiring hope of the human spirit. I believe this. I would not have asked to be your President if I didn't. And tomorrow, the debate on the plan I've put forward begins, and I ask the Congress to come forward with your own proposals. Let's not question each other's motives. Let's debate, let's negotiate, but let us solve the problem." [President Bush - Address to Joint Session of Congress, February 9, 1989]

- The American people deserve no less -- I pledge to work with the leaders of Congress, business, labor, and state and local government with all my energy and experience to move this great nation forward.

November 18, 1991

Economic and Domestic Policy

Increase Economic Growth

- Increase saving and investment (capital goods)
 - Reduce Federal borrowing (Budget Agreement)
 - Capital gains tax rate reductions
 - Family Savings Plan
 - IRAs for first time homebuyers
- Increase research and development
 - Federal R&D budget (public R&D)
 - Make R&D tax credit permanent (private R&D)
- Improve human resources (Education)
 - America 2000
 - Job training proposals
- Expand markets for U.S. exports
 - Uruguay Round
 - North America Free Trade Agreement
 - Enterprise for the Americas Initiative

Invest in America's Future

- Transportation Infrastructure
 - Surface transportation (Highway Bill)
 - Airport Modernization
- National Energy Strategy
- Comprehensive Banking Reform
- Quality of Life (Clean Air, the Environment)

Expand Opportunity for Individuals, Families and Communities

- Child Care Legislation (Giving choice to parents)
- Americans with Disabilities Act
- Civil Rights Bill
- Comprehensive Violent Crime Control Act/Drug Strategy
- Enterprise Zones



PRELIMINARY OUTLINE SCHEDULE

Revised 11/18/91 12:30 pm

Friday, December 6, 1991

(NOTE: POTUS departs from California en route Hawaii.)

TBD AIR FORCE ONE arrives Hickam Air Force Base,
Honolulu, Hawaii.

MOTORCADE departs Hickam Air Force Base
en route Hilton Hawaiian Village.

(Drive Time: 20 Minutes)

MOTORCADE arrives Hilton Hawaiian Village.

RON Honolulu, Hawaii

Saturday, December 7, 1991

6:30 am MOTORCADE departs Hilton Hawaiian Village en route
National Cemetery of the Pacific.

(Drive Time: 10 Minutes)

6:40 am MOTORCADE arrives National Cemetery of the
Pacific (Punchbowl).



- * PEARL HARBOR SURVIVORS CEREMONY
 - TBD Press
 - TBD Remarks
 - Flag Dedication
 - Wreath-Laying
 - 4,000 Attendees
- (6:45 am - 6:50 am)

6:55 am MOTORCADE departs National Cemetery of the Pacific
en route Merry Point Pier.

(Drive Time: 15 Minutes)

7:10 am MOTORCADE arrives Merry Point Pier.

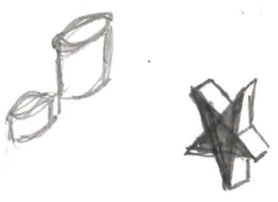
7:15 am

BOAT departs Merry Point Pier en route U.S.S. Arizona Memorial.

(Drive Time: 10 Minutes)

7:25 am

BOAT arrives U.S.S. Arizona Memorial.

- 
- * ATTEND 50TH COMMEMORATIVE CEREMONY OF PEARL HARBOR
 - Travel Pool
 - Brief Remarks
 - 200 Guests
- (7:30 am - 8:20 am)

8:25 am

BOAT departs U.S.S. Arizona Memorial en route Kilo 8 Pier

(Drive Time: 5 Minutes)

8:30 am

BOAT arrives Kilo 8 Pier.

- * ADDRESS WORLD WAR II VETERANS AND FAMILIES
 - Open Press
 - Remarks
 - Teleprompter
 - 2,500 Attendees
- (8:35 am - 9:00 am)

9:05 am

BOAT departs Kilo 8 Pier en route Merry Point Pier.

(Drive Time: 5 Minutes)

9:10 am

BOAT arrives Merry Point Pier.

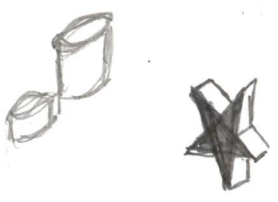
9:15 am

MOTORCADE departs Merry Point Pier en route CBS Booth Site.

(Drive Time: 10 Minutes)

9:25 am

MOTORCADE arrives CBS Booth Site.

- 
- * CBS INTERVIEW
 - Closed Press
- (9:30 am - 10:15 am)
- Taped*
- 9:45*
- Make up*

10:20 am

MOTORCADE departs CBS Booth Site en route
Hilton Hawaiian Village.

(Drive Time: 20 Minutes)

10:40 am

MOTORCADE arrives Hilton Hawaiian Village.

(PRIVATE TIME: 10:45 am - 5:05 pm)

- golf (?)
- see events below:

- * MEET WITH U.S. AMBASSADORS TO PACIFIC RIM
 - Photo Opportunity (at beginning only)
 - Headquarters of Pacific Air Forces, Hickam Air Force Base or Hilton Hawaiian Village?
 - TBD Time (30 Minutes)

- * BUSINESS ROUNDTABLE
 - TBD Time

- * TAPING
 - Closed Press
 - TBD Time
 - Pacific Fleet Intelligence Center

noon
6:30 pm

MOTORCADE departs Hilton Hawaiian Village
en route Hickam Air Force Base.

(Drive Time: 20 Minutes)

6:50 pm

MOTORCADE arrives Hickam Air Force Base.

7:00 pm

AIR FORCE ONE departs Honolulu, Hawaii
en route Andrews Air Force Base.

(Flying Time: 8 Hours 30 Minutes)
(Time Change: Ahead 5 Hours)
(Interchange: No)

Sunday, December 8, 1991

8:30 am
(E.S.T.)

AIR FORCE ONE arrives Andrews Air Force Base.

8:40 am

MARINE ONE departs Andrews Air Force Base
en route White House.

(Flying Time: 10 Minutes)

8:50 am

MARINE ONE arrives White House.

NOTES:

Punchbowl: Located just north of downtown Honolulu. The road to the Punchbowl is a narrow 2-lane winding road. A very congested area.

Pacific Fleet Intelligence Center: This is near the Arizona Memorial Visitor's Center. (Please see map.)

Handwritten mark

Domestic Briefing
11/14/91

AGENDA -- 11/14/91

(1) Unemployment Insurance

-- A few facts re Mitchell's claim that the President reversed himself:

- o The President first said he would sign a bill in August, when he supported the Dole bill. (There has been no post-Pennsylvania change of position.)
- o The President insisted that:

(a) A signable bill must be temporary.

NOTE: The original House bill was permanent; the compromise is temporary.

(b) A signable bill must not invoke the "emergency" escape from fiscal discipline.

NOTE: The vetoed bills -- at Mitchell's *personal* insistence -- invoked the emergency escape. The compromise does not.

(c) A signable bill must be paid for -- on a satisfactory basis.

NOTE: The vetoed bills were not paid for. (Mitchell insisted they should not be.) After the veto of two unpaid-for bills, the Mitchell ploy switched to "pay" with foreign aid, thus breaking the budget agreement in another way. The compromise is fully paid for in each and every year (OMB estimate); is fully consistent with the budget agreement; does not raise taxes (and, as it happens, does include some sensible policy -- such as student loan reform).

- o The Administration also urged that any bill be based principally on reliable measures of unemployment. The two vetoed bills failed this test. The compromise largely passes it.

(2) Energy update -- today's meeting.

(3) Other

980,000 Americans who would have gotten benefit last wk did not because of George Mitchell ... could have been done wks ago!

Don. Buehig 11/13/91

AGENDA - 11/13/91

- ✓(1) November Blue Chip (now public)
- consensus for 4th quarter: plus 1.9%;
 - consensus for '92: plus 2.4%
(October consensus was 2.7%);
 - all positive for '92 -- ranging from 0.8 to 4.1;
 - all could be wrong (Darman maxim: Macro-economists are closer to each other than to reality.)

- ✓(2) Supplemental: bullet probably dodged for now.

- ✓(3) UI update:
- Rosty offer getting very close to our latest offer -- but some problems remain;
 - if agreement reached this morning, this will be rammed through the House by Thursday.

- ✓(4) Medicaid "scam" reform: Peace may soon be at hand.

- ✓(5) Transportation: see side-by-side for reference. *not today*

- ✓(6) Rosty plan: adds 35% bracket at 85K and millionaires surtax

- ✓(7) Gramm-Gingrich meeting

*Kasten. Walker
Gingrich - Baby boomers
growing up package.
Kamp ↓*

*When Congress leaves
disappointment
Cone could get its job done
American people have to get
this more
inside Wash. mentality
is out of step*

Dom. Briefing 11/13

United States Senate

WASHINGTON, DC 20510

October 28, 1991

The Honorable George Bush
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

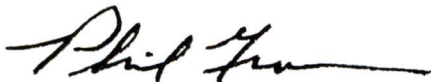
In each year of your administration, you have urged Congress to adopt a program to expand the incentives for Americans to work, save and invest in order to stimulate the economy and to create more jobs. Each year Congress has frustrated your efforts.

> We urge you to renew your efforts now to strengthen the economy and create more jobs for our people by presenting a new economic growth proposal.

⇒ We will vote against any proposal which breaks the budget summit agreement by raising the budget deficit, thereby driving up interest rates and putting more Americans out of work. In addition, we will vote against any bill which raises any American's taxes. Amid the economic uncertainties we face, our effort should be to create incentives for investment and work, not destroy them. We must not allow our efforts to stimulate the economy to be perverted by the Democrats into an effort to raise taxes.

If you will lead the effort, we stand ready to commit ourselves to support your economic growth agenda.

Yours respectfully,



Don. Bieda 11/13

1992 Real GNP Consensus Slips To +2.4%

NOVEMBER 1991 Forecast For 1992 SOURCE:	Percent Change 1992 From 1991 (Year-Over-Year)										Average for Year 1992				Total Units 1993				1992-15 Expend (Con. \$)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
	Real GNP (Con. \$) (Output)	GNP (Price) (CPI)	Total (CPI)	Consumer (CPI)	Indus. (CPI)	Govt. (CPI)	Non-Fin. (CPI)	Profits (CPI)	Treas. (CPI)	Corp. (CPI)	Unempl. (CPI)	Surf. (CPI)	Auto Sales (CPI)	Truck Sales (CPI)	Truck Sales (CPI)	Truck Sales (CPI)	Truck Sales (CPI)	Truck Sales (CPI)	
Dixie Economic Research	4.1H	3.7	8.0H	3.7	6.0	3.5	7.0	24.0	6.8H	9.0H	5.8L	1.45H	9.8	4.9H	14.0H				
Robert Gencicki & Assoc., Inc.	3.3	2.6	6.0	2.6	7.3H	2.9	7.4H	21.6	4.9	8.8	6.5	~	9.4	4.5	-18.0				
Cheppell	3.1	3.4	6.7	3.1	4.9	2.6	4.9	14.7	5.0	8.3	6.4	1.13	9.1	4.4	-29.4				
Turning Points (Microeconomics)	3.1	2.8	6.1	3.1	3.9	2.4	2.8	10.0	5.8	8.6	6.4	1.36	9.4	4.3	-7.0				
Sears Roebuck & Co.	3.0	3.5	6.5	4.4	4.6	2.9	5.0	15.0	5.9	8.9	5.8	1.29	9.6	~	-20.0				
Northern Trust Company	3.0	3.3	6.3	3.6	4.9	2.1	5.4	11.4	4.7	8.4	6.4	1.17	9.4	4.7	-22.8				
Wayne Hunter & Co.-Chicago*	2.9	3.6	6.5	3.7	4.0	2.9	4.8	17.5	5.4	8.8	6.4	1.31	9.6	4.8	-10.0				
Morgan Stanley & Co.	2.9	3.1	6.1	3.4	5.3	2.6	3.4	9.6	~	~	6.7	1.28	9.6	~	-4.6				
Cabnet Economics	2.9	3.1	5.8	4.4	3.9	2.4	3.0	11.2	5.4	9.0H	6.4	1.27	8.9	4.2	-3.0				
Morris Cohen & Associates	2.8	2.7	5.6	3.8	4.5	3.8H	4.0	15.0	6.2	8.2	6.4	1.35	9.5	4.3	-3.0				
Arnold & S. Bleichroeder*	2.7	3.6	6.4	3.3	5.0	3.2	1.4	13.0	5.8	8.8	6.2	1.25	10.0H	4.5	-4.8				
Chrysler Corporation	2.7	3.1	5.9	3.5	3.1	2.5	3.2	14.9	4.9	8.6	6.6	1.21	9.3	4.9H	-38.5				
Prudential Securities, Inc.	2.7	3.1	5.8	3.5	4.1	2.5	4.4	13.7	4.8	8.8	6.6	1.27	9.3	~	-14.3				
First Interstate Bancorp	2.7	3.0	5.8	3.4	3.5	2.6	0.6	12.5	5.2	8.4	6.6	1.28	9.5	4.6	-3.2				
Falmodel	2.7	3.0	5.8	3.1	3.4	3.0	0.6	12.5	5.2	8.5	6.5	1.34	9.2	~	-32.0				
General Motors	2.7	2.9	5.8	3.5	3.9	1.8	6.6	26.1H	5.6	8.6	6.5	1.14	~	~	-28.1				
Prudential Insurance Co.	2.6	3.6	6.2	3.5	3.8	3.0	2.5	5.5	5.8	8.5	6.8	1.30	9.2	~	-15.0				
Econoclast	2.6	2.7	5.3	2.9	4.4	2.5	2.6	10.0	5.0	8.5	6.8	1.20	9.1	4.1	-31.8				
Dun & Bradstreet	2.5	3.7	6.2	3.7	3.9	2.2	4.3	6.0	5.1	8.6	6.6	1.08	9.2	4.5	-31.8				
PNC Financial Corp.	2.5	3.4	5.9	3.6	3.7	2.7	2.1	8.3	5.8	8.7	6.5	1.20	9.5	4.5	-26.2				
Egert Economic Enterprises, Inc.	2.5	3.0	5.5	3.7	4.2	3.2	3.8	13.0	5.8	8.4	6.4	1.35	9.6	4.8	-4.0				
Univ. of Michigan M.Q.E.M.*	2.5	2.6	5.2	3.3	1.9	2.0	1.0	14.9	5.2	8.5	6.6	1.33	9.3	4.7	-41.6				
Metropolitan Life Insurance Co.	2.4	3.8	6.3	3.9	4.3	2.5	2.4	17.0	5.3	8.5	6.6	1.29	9.7	~	-19.0				
Shawmut National Corp	2.4	3.8	6.3	3.7	3.5	2.4	4.5	16.2	4.4	8.9	6.4	1.28	9.3	4.1	-46.4				
Ford Motor Co.	2.4	3.7	6.2	3.6	3.0	2.3	2.0	~	5.4	~	6.4	1.29	~	~	-37.8				
B.I. De Pont de Nemours & Co.**	2.4	3.4	5.8	3.5	4.6	1.9	3.0	~	4.8	8.5	6.5	1.23	9.6	4.8	-31.5				
U.S. Trust Co.	2.4	2.9	5.5	3.4	4.3	2.4	1.4	12.2	5.2	8.7	6.7	1.26	9.0	~	-35.0				
Econviews International Inc.	2.3	4.1H	6.3	4.5H	3.1	1.2L	2.0	10.0	6.1	8.6	6.5	1.40	9.7	4.5	-20.0				
Chase Manhattan Bank	2.3	3.8	6.2	3.7	3.4	2.2	4.8	10.0	4.9	8.5	6.8	1.14	9.0	~	-43.0				
Georgia State University	2.3	3.3	5.7	3.6	3.7	2.0	0.8	8.5	4.9	8.6	6.9	1.17	9.1	4.1	-17.0				
Brown Brothers Harriman	2.3	3.2	5.6	3.4	4.0	2.0	3.9	9.0	~	~	6.3	1.27	9.3	~	-23.0				
Bank of America*	2.3	3.2	5.6	3.8	3.3	1.8	5.5	23.3	4.6	8.6	6.6	1.09	9.2	~	-26.3				
Laurence H. Meyer & Assoc.	2.3	2.7	5.1	3.1	3.3	2.1	2.8	8.3	5.0	8.1	6.7	1.18	8.9	~	-29.3				
Natl. City Bank of Cleveland	2.2	3.8	6.0	4.0	2.9	2.1	2.0	12.0	5.3	8.8	6.8	1.20	8.9	4.6	-21.0				
Marill Lynch	2.2	3.4	5.7	3.7	3.4	2.1	2.1	20.0	4.8	8.8	6.7	1.15	9.4	~	-29.4				
C.J. Lawrence, Inc.	2.2	3.0	5.4	2.7	2.7	2.9	1.2	17.0	4.5	8.0	6.5	1.30	9.6	~	-21.0				
First National Bank of Chicago	2.1	3.5	5.4	3.2	3.2	2.2	0.2	10.3	4.0	~	6.9	1.22	9.4	4.7	-16.1				
Reader Associates (Charles)	2.1	3.3	5.5	3.6	2.3	1.5	0.4	10.2	4.8	8.1	6.9	1.10	9.1	4.3	-3.0				
CRT Government Securities	2.1	3.1	5.3	3.3	3.1	2.0	4.2	6.9	5.2	7.9	6.4	1.11	9.0	4.7	-38.7				
Bankers Trust Co.	2.1	3.1	5.3	3.5	3.3	2.2	2.5	9.6	~	~	6.3	1.28	9.3	4.5	-33.1				
Mortgage Bankers Assn. of Amer.	2.1	2.9	5.1	3.2	2.6	1.6	1.1	12.0	4.2	7.8L	6.7	1.20	8.7	~	-25.5				
Security Pacific Natl. Bank	2.1	2.8	4.9	3.1	2.6	2.1	1.2	4.0	4.8	8.3	6.8	1.14	8.8	~	-31.0				
Manufacturers Natl. Bank-Detroit	2.0	3.0	5.1	3.2	2.2	2.2	2.0	10.0	5.2	8.5	6.4	1.20	9.0	4.8	-32.0				
National Assn. of Home Builders	2.0	3.0	4.9	2.8	3.9	1.7	2.9	10.5	4.8	7.9	6.6	1.18	8.9	4.6	-27.8				
Conference Board	1.9	3.8	5.8	3.6	2.9	2.7	3.2	8.9	4.9	8.3	6.8	1.15	8.5L	4.4	-23.8				
CoreStates Financial Corp.	1.9	3.0	5.0	3.0	3.4	1.9	3.0	7.5	5.3	8.4	6.9	1.14	8.8	~	-21.6				
SOM Economics, Inc.	1.8	3.7	5.6	4.1	2.1	1.6	1.0	11.5	5.1	8.5	6.7	1.20	8.9	4.4	0.0				
Morgan Guaranty Trust Co.	1.8	2.9	4.8	3.2	2.9	1.8	-0.2	7.4	4.5	~	7.1	1.17	9.0	4.6	-4.0				
Manufacturers Hanover Trust Co.	1.8	2.4	4.3	2.1L	2.6	2.2	-4.4L	4.6	5.3	8.7	6.9	1.18	9.5	~	-7.5				
UCLA Business Forecast*	1.8	2.3L	4.1L	3.1	2.7	2.0	3.3	7.6	4.8	8.2	6.9	1.18	9.1	3.9L	-24.0				
Inform - Univ. of Maryland	1.7	3.5	5.2	3.0	3.7	1.4	4.2	10.6	3.9L	7.9	7.8H	0.75L	8.7	~	-13.8				
U.S. Chamber of Commerce	1.6	3.2	4.7	4.0	2.5	2.0	0.2	8.8	5.1	8.6	7.0	1.17	9.0	4.3	-28.4				
Evans Economics	0.8L	3.3	4.1L	4.5H	1.2	2.0	1.2	-0.1L	4.6	8.7	7.4	1.14	8.7	~	-73.1L				
1992 Consensus	2.4	3.2	5.7	3.5	3.6	2.3	2.7	11.7	5.1	8.5	6.6	1.22	9.2	4.5	-22.5				
Nov. Avg.	2.4	3.2	5.7	3.5	3.6	2.3	2.7	11.7	5.1	8.5	6.6	1.22	9.2	4.5	-22.5				
High 10 Ave.	3.1	3.8	6.6	4.1	5.2	3.1	5.6	19.8	6.0	8.9	7.1	1.35	9.7	4.8	1.0				
Low 10 Ave.	1.7	2.7	4.7	2.8	2.3	1.6	0.0	5.7	4.4	8.0	6.2	1.08	8.8	4.2	-47.0				
October Avg.	2.7	3.5	6.2	3.6	4.0	2.4	2.9	13.4	5.5	8.6	6.6	1.26	9.4	4.5	-15.5				
Number Of Forecasts Changed From A Month Ago:																			
Down	44	39	46	35	36	29	28	26	42	27	07	35	35	12	36				
Same	06	12	02	14	10	10	05	09	06	18	27	12	13	13	08				
Up	03	02	05	04	07	14	20	16	02	02	19	05	03	07	09				
November Median	2.4	3.2	5.7	3.5	3.5	2.2	2.8	10.5	5.1	8.5	6.6	1.20	9.2	4.5	-22.8				

MAGIC DATA SOURCE: 1. Gross National Product (GNP), Constant 1992 \$, Bureau of Economic Analysis (BEA); 2. GNP Imputed Price Deflator, BEA; 3. GNP, Current dollars, BEA; 4. Consumer Price Index All Urban Consumers, Bureau of Labor Statistics (BLS); 5. Retail Industrial Production, Federal Reserve Board (FRB); 6. Disposable Personal Income, Constant 1982 \$, BEA; 7. Non-residential fixed investment, Constant 1982 \$, BEA; 8. Corporate Profit Before Taxes, Current \$, with Inventory Valuation and Capital Consumption Adjustments, BEA; 9. Treasury Bill, 3-Month, new issues, Bank Discount Basis, Economic Indicators; 10. Moody's Seasoned, Economic Indicators; 11. Unemployment Rate For All Cities, Western BLS; 12. Housing Starts, Bureau of Census, SAAR; 13. Total U.S. Auto Sales, Annual Rate, BLS; 14. Total U.S. Truck Sales, Annual Rate, BLS; 15. New Vehicle Manufacturers Association; 16. New Exports Of Goods And Services, Current 1982 \$, SAAR, BEA. COPYRIGHT 1991, CAPITOL PUBLICATIONS, INC.

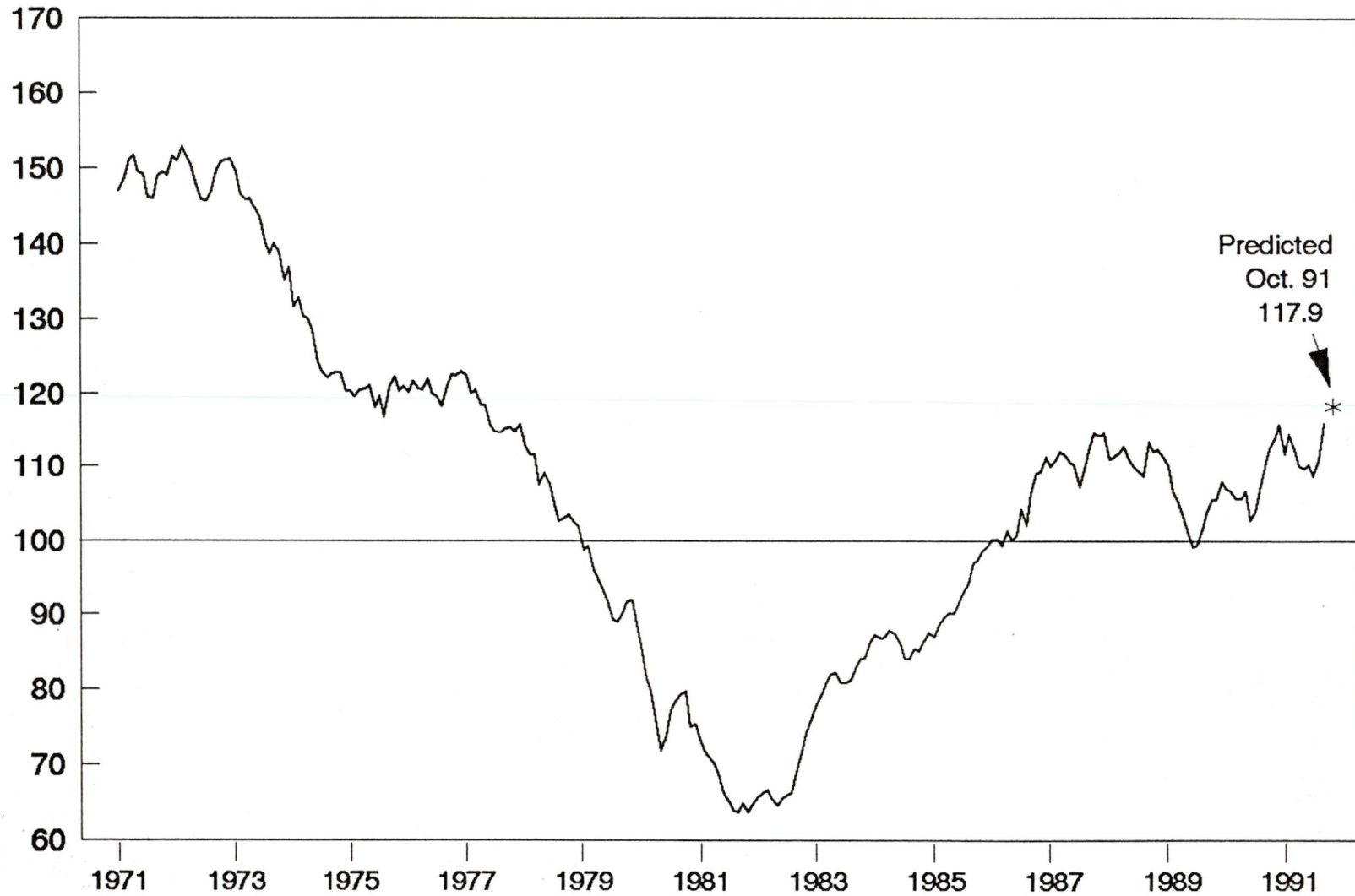
Domestic Policy
11/5/91

AGENDA - 11/5/91

- (1) U.I. -- latest
 - o Friday blow-up in Ways & Means
 - o Rosty conversations
 - o Bipartisan staff discussion/options
- (2) Highway -- latest
 - o Poor bill/no leverage
- (3) And now, a little good news . . . :
 - (a) Housing affordability
 - o 14-year high
 - (b) Corporate balance sheets -- shaping up
 - o equity substituting for debt;
 - o lower interest burden being locked in long;
 - o internal funds covering financing needs.
 - (c) Irony in Post domestic issues poll.



HOUSING AFFORDABILITY INDEX



Note: A reading of 100 indicates that a family earning the median income had sufficient income to obtain a mortgage on a median-priced home. The higher the index, the more affordable is purchasing a home.

Domestic Briefing
11/5/91

TABLE 1
MONTHLY U.S. HOUSING AFFORDABILITY

Month	Median Priced Home (1)	Mortgage Rate (2)	Monthly P&I Payment (3)	Payment As % of Income (4)	Median Family Income (5)	Qualifying Income (6)	Composite Affordability Index (7)	Fixed Affordability Index (8)	ARM (9)
1988	89,300	9.31	591	22.02	32,191	28,360	113.5	103.6	122.0
1989	93,100	10.11	660	23.14	34,213	31,662	109.1	103.6	114.3
1990	95,500	10.04	673	22.83	35,353	32,286	109.5	106.5	119.1
Jan 90	95,200	9.98	667	23.34	34,308	32,027	107.1	105.9	113.2
Feb 90	95,100	10.06	671	23.41	34,403	32,210	106.8	104.7	114.7
Mar 90	96,100	10.07	679	23.61	34,498	32,576	105.9	103.1	114.1
Apr 90	95,700	10.15	680	23.50	34,593	32,658	105.9	103.0	115.3
May 90	95,200	10.14	676	23.39	34,688	32,460	106.9	103.7	115.6
Jun 90	98,900	10.16	704	24.28	34,783	33,778	103.0	99.6	111.5
Jul 90	98,100	10.15	697	24.00	34,878	33,477	104.2	101.1	113.1
Aug 90	97,200	9.98	681	23.38	34,973	32,700	107.0	104.1	115.7
Sep 90	94,400	10.00	663	22.68	35,068	31,812	110.2	107.2	120.6
Oct 90	92,900	9.96	650	22.18	35,163	31,201	112.7	108.9	123.9
Nov 90	92,000	9.97	644	21.93	35,258	30,925	114.0	110.1	125.0
Dec 90	91,700	9.84	635	21.56	35,353	30,486	116.0	112.7	126.6
Jan 91	95,600	9.80	660	22.33	35,465	31,675	112.0	109.9	120.1
Feb 91	94,000	9.75	646	21.79	35,577	31,012	114.7	112.6	124.6
Mar 91	98,200	9.50	661	22.21	35,689	31,708	112.5	111.1	121.3
Apr 91	100,300	9.51	675	22.53	35,801	32,414	110.4	108.6	120.2
May 91	101,100	9.51	681	22.74	35,913	32,672	109.9	107.3	122.7
Jun 91	102,000	9.37	678	22.50	36,025	32,564	110.6	107.1	125.5
Jul 91	103,600	9.41	691	22.96	36,137	33,190	108.9	105.4	124.0
Aug 91	102,200	9.36	679	22.48	36,249	32,599	111.2	107.2	123.6
Sep 91	99,800	9.17	652	24.52	36,361	31,306	116.1	112.2	130.9

TABLE II
SEPTEMBER 1991: REGIONAL HOUSING AFFORDABILITY

Region	Median Priced SF—Home	Mortgage Rate	Monthly P&I Payment	Payment As % of Income	Median Family Income	Qualifying Income	Composite Affordability Index
Northeast	135,900	9.21	888	26.87	40,084	43,082	93.0
Midwest	76,300	9.17	499	15.96	37,481	23,938	156.6
South	98,000	9.13	599	21.99	32,703	28,768	113.7
West	144,000	9.22	945	30.03	37,788	45,384	93.3

Source: National Association of Realtors Housing Affordability Release

Housing Affordability Index

What the index means

Affordability index equals 100 when the family earning the median income would qualify for a loan on the median priced single family home. The higher the index, the more affordable is home purchase.

The "affordability index" is short-hand for the "composite affordability index". The National Association of Realtors also produces indexes for fixed and adjustable rate mortgages. All three indexes are shown in the attached table. The composite index is shown in the graph.

How the composite index is calculated

The amount of the loan on the median priced home is assumed to be equal to 80 percent of the price of the home.

- o In September, the median priced home cost \$99,800 (column 1 of table). The mortgage amount on that would be \$79,200.

The mortgage interest rate on the loan is a combination of fixed and adjustable mortgage rates for mortgages closed in the month. The weights are the proportions of mortgages in each category that are closed in the month. The rates also include fees and charges, so they are above the contract interest rates.

- o In September, mortgage rate was 9.17 percent (column 2). The rate on fixed rate mortgages was 9.57; on adjustable rates mortgages, 7.87 percent. Adjustable mortgages were 23 percent of all mortgages in September.

On the basis of the mortgage amount, the mortgage rate and the assumed term of 30 years, the monthly principal and interest is calculated.

- o In September, it was \$652 (column 3). The annual payment is 12 times this amount (\$7,824).

A family is assumed to be able to pay 25 percent of its income towards the mortgage. The "qualifying income" is the income that could afford to buy the median priced home. It is obtained by dividing the annual mortgage payment amount by .25 (In September, $\$7,824/.25 = \$31,306$, which is shown in column 6.)

The composite affordability index (col. 7) is the ratio of median family income (column 5) to qualifying income (column 6).

- o In September, the index was $\$36,361/31,306 = 116.1$

AGENDA -- 10/31/91



(1) Food Stamps

- Yes, it's approx. 1-in-11 -- about the same as 1983.
- Though the recession isn't as deep, the percent of eligible people participating (68%) is higher than ever -- due to: better outreach, less paperwork, and improved technology. (Moral: There is a danger in making government programs work!)
- The eligible population includes not only welfare families (AFDC) and the elderly poor (SSI) and disabled, but also all people with incomes less than 130% of poverty.
- The average benefit is about \$65 per month -- and total federal cost is over \$21 billion per year.

(2) UI -- update: temporarily slowed; Mitchell being cute/difficult/partisan.

- Risk of bad PR on Friday: unemployment number, Democratic package, \$1000-a-plate dinner.
- Need to preempt (partially) today (see attached).

(3) Selected highlights from the Cabinet discussion on launching a growth package now (or not):

- (a) One former Congressman: "We've got them where we want them -- a bidding war on tax cuts! That's good! If we combine the Gramm plan, the Gingrich plan, the Bentsen plan, and a 32% top rate, I'll deliver all the supply-siders."
- (b) Another former Congressman: "The politics are different than '81. You cannot win this one. It's gonna be a disaster."

(4) Supplemental: Two half-billion-dollar emergency pots will probably be necessary.

(5) Other

POSSIBLE TALKING POINTS FOR PRESS
10 O'CLOCK LEADERSHIP MEETING -- 10/31/91

- o One thing I want to talk about with the leaders is how to get an unemployment insurance bill enacted fast.
 - o I've been saying since August that I would sign the Dole bill (now the Dole-Michel bill).
 - o I've said I would sign a compromise bill in a minute -- and get extended benefits out to every state in the nation right away -- if Congress would simply meet three tests:
 - (1) Make the program temporary -- to address the current problem.
 - (2) Pay for any new spending by living within the Budget Agreement -- so that interest rates do not go up.
 - (3) Do not raise taxes in any way that would make the current economic problem worse.
 - o I've been encouraged to learn that at last the Democratic leadership may be willing to meet these tests -- and I'd like to hear the latest on that from Leader Dole.
- * * *
- o I also want to discuss how to get our transportation bill, banking bill, and the rest of our growth agenda moving.

Oct. 24

Domestic Budget
10-24-91

AGENDA -- 10/24/91

- (1) National Fish and Wildlife Foundation
(2) Growth Package -- latest
(a) Congressional state of play

- o Sasser now on Bentsen band wagon -- Panetta opposed.
- o Last night's Republican meeting:
 - cooperative on surface; old splits evident and likely to reemerge under stress;
 - Dole says "less than 14 Senate votes against millionaires' tax"; Lott agrees (and would not be among the 14).
 - Gramm says, don't raise any tax; better just to take Bentsen.
- o Rosty floating his plan in Democratic caucus Tuesday (a.k.a. Mideast Peace Day)

(b) Economists' views re policy options:

- o Boskin surveying.

(c) Cabinet views: EPC meeting today.

(d) One-year middle income tax cut options that could fit within Gramm/Republican structure (as previously outlined):

- o increase exemption \$1100 per ^{tax} return (for those under 40K income); ~~joint~~ 50K
- o 5% rebate for filers under 75K;
- o 1% rate cut (15 to 14) for under 40K;
- o increase all personal exemptions by \$300.

(e) Timing of Presidential announcements:

- o On the one hand ... there is pressure to act soon: polls, newspapers, Gramm: "Friday [tomorrow] I come out for Bush's plan or my plan."
- o On the other hand ... Presidential announcement followed by travel may not play well; more time may mean better thought through approach.

- (3) Committee to Restore Decency to Our National Parks

Grand Teton

*Gramm/Dole
are not close
on Defense
Agreed to consider
separately.*

*Monday announced
they leave won't
do it.*

Dom. Briefing

AGENDA -- 10/23/91

(1) Fiscal Year 1991 Deficit

\$billion

-- Summit projection OMB/CBO	254.9- ^{267.2} 279.4
-- 2/91 President's Budget projection	318.1*
-- 3/91 CBO projection	308.0
-- 7/91 MSR projection (OMB)	282.2
-- Actual (to be released <u>Monday</u>)	<u>268.7*</u> ←

* NOTE: Of \$49.4 billion difference between 2/91 and 10/91, \$45.1 billion is accounted for by deposit insurance (although there are many other offsetting shifts).

- (2) Crime Bill--latest
- (3) CAFE options
- (4) Title X--latest
- (5) Milk and Farm Disaster--latest
- (6) Growth Package--latest

SENATE AND HOUSE PASSED CRIME BILLS

Issue	Senate Passed Bill	House Passed Bill
Death Penalty	Administration's Proposal	Substantially similar to Senate
Racial Justice Act	Deleted	Deleted
Exclusionary Rule	Unacceptable attempt to codify case law.	Adopted Administration's proposal minus firearms provisions.
Habeas Corpus Reform	Administration's proposal.	Unacceptable because it would permit more challenges, including challenges based on new case law.
Firearms	Contains DeConcini assault weapons provisions and the Dole-Mitchell compromise on Brady bill provisions.	Deleted assault weapons ban, magazine ban. Contains enhanced penalties. House passed Brady bill separately.

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*Office of Technology
Assessments (Compars)*

*Don. Bueh
10/23/91*

COMPARISION OF CAFE PROVISIONS

Model Year	OTA EST. INCREASE WITHOUT NEW MANDATES	JOHNSTON		WALLOP			WIRTH	BRYAN
		% Increase/ Equivalent MPG	MPG DOT Flex	MPG Target	MPG DOT Flex	MPG Minimum	MPG	MPG
1996	29	7% / 30.2	-1.0	30.2	-1.0	29.2	?	34.6
2001	33	20% / 34.0	-2.0	34.0	-2.0	30.2	?	40.3
2006	?	30% / 37.0	-3.0	37.0	-3.0	34.0	?	N/A

- (1) The current CAFE level is 27.5 mpg.
- (2) The underlying Johnston-Wallop bill requires DOT to determine the "maximum feasible average fuel economy achievable" for model years 1996 through 2001.
- (3) The NAS study is not expected to be released until the end of the year.
- (4) OTA's estimate of future fuel economy without new mandates assumes stable oil prices for model year 1995 and an increase in oil prices equivalent to \$1.50 per gallon of gasoline (1991 dollars) in model year 2001. OTA also assumes optimum fuel economy benefits from new technologies. OTA states that lower oil prices or less-than-optimum designs could lead to fuel economy levels well below this value.
- (5) The minimum CAFE levels in the Wallop bill would potentially be achieved by using the full DOT discretion to lower the CAFE requirement, by using manufacturer credits for scrapping of older vehicles, and by using excess CAFE credits accrued by the manufacturer in previous years.

COMPARISON OF CAFE PROVISIONS

Model Year	OTA EST. INCREASE WITHOUT NEW MANDATES	JOHNSTON		WALLOP			WIRTH	BRYAN
		% Increase/ Equivalent MPG	MPG DOT Flex	MPG Target	MPG DOT Flex	MPG Minimum	MPG	MPG
1996	29	7% / 30.2	-1.0	30.2	-1.0	29.2	?	34.6
2001	33	20% / 34.0	-2.0	34.0	-2.0	30.2	?	40.3
2006	?	30% / 37.0	-3.0	37.0	-3.0	34.0	?	N/A

- (1) The current CAFE level is 27.5 mpg.
- (2) The underlying Johnston-Wallop bill requires DOT to determine the "maximum feasible average fuel economy achievable" for model years 1996 through 2001.
- (3) The NAS study is not expected to be released until the end of the year.
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- (5) The minimum CAFE levels in the Wallop bill would potentially be achieved by using the full DOT discretion to lower the CAFE requirement, by using manufacturer credits for scrapping of older vehicles, and by using excess CAFE credits accrued by the manufacturer in previous years.

Don. Briefing
10/23/91

SENATE AND HOUSE PASSED CRIME BILLS

Issue	Senate Passed Bill	House Passed Bill
Death Penalty	Administration's Proposal	Substantially similar to Senate
Racial Justice Act	Deleted	Deleted
Exclusionary Rule	Unacceptable attempt to codify case law.	Adopted Administration's proposal minus firearms provisions.
Habeas Corpus Reform	Administration's proposal.	Unacceptable because it would permit more challenges, including challenges based on new case law.
Firearms	Contains DeConcini assault weapons provisions and the Dole-Mitchell compromise on Brady bill provisions.	Deleted assault weapons ban, magazine ban. Contains enhanced penalties. House passed Brady bill separately.

POSSIBLE AGREEMENT ON POLICY WITH RESPECT TO PREGNANCY
RELATED SERVICES IN TITLE X FUNDED CLINICS

[] - Material to delete

Underlined - Language to insert

- A. Treatment of Title X projects which provide prenatal care, such as, but not limited to, community health centers, hospitals, or [Planned Parenthood] family planning clinics that offer such care:

When a woman comes in for family planning services and is determined in the course of the visit to be pregnant, she should be offered the following information regarding her pregnancy[. T]: the provider of services will furnish a list of community resources for medical care and social services which may include providers of abortion but not providers whose principal business is the provision of abortions; [. I] and if the woman elects to remain in that [clinic] facility for services, she will [be provided with the same pregnancy related services and information] have access to services not covered by Title X that all of the [projects'] facility's patients receive. The project would be allowed to retain Title X funds as part of its general operating support.

- B. Treatment of Title X projects which do not provide prenatal care:

1. When a woman comes in for family planning services and is determined in the course of the visit to be pregnant, she should be offered the following information regarding her pregnancy[.]: [I] if she is found to have a significant medical problem, she should be referred to a provider of comprehensive medical care[. T]; the project will furnish a list of community resources for medical care and social services which may include providers of abortion but not providers whose principal business is the provision of abortions; [. I]; if requested, the project will make every effort to assist the pregnant woman in making an appointment with a prenatal care provider[. I]; in addition, the project will provide the woman with written information to be developed by the Secretary of Health and Human Services about appropriate prenatal care that includes a discussion of proper nutrition and exercise, the need to avoid alcohol, drug and tobacco use, and the importance of receiving medical care.

2. The project shall give factual answers to questions the woman has about her pregnancy and her legal and medical options as follows: [Q] questions about an individual's medical conditions that relate to her pregnancy should be referred to an appropriate practitioner, on or off premises[. I- identification of providers of adoption and pregnancy termination services will be made available upon a woman's

request.] ; upon a woman's request, a grantee may provide factual information about the mix of services provided by each provider and the payment sources accepted by each provider. [The project is not to provide directive counseling to the woman regarding her pregnancy.] Should this process of answering questions be found to [be directive] encourage, promote or advocate abortion as a method of family planning, the Title X project would be subject to the procedures which apply to misuse of grant funds, including termination of the grant or portion of the grant which funds the project.

3. Nothing in these regulations is intended to preclude a health care professional or trained clinician under the supervision of a medical director, from fulfilling his or her generally-accepted professional duty to provide or assure access to emergency medical services.

C. Relationship to Non-Title X Services

Nothing in these regulations is intended to circumscribe the services offered outside the Title X project by a recipient of Title X funds [by a Title X provider] with other public or private funds, provided that all services must be consistent with the program's rules on co-location of abortion services.

Don Budington II
10/22

GROWTH PACKAGE
(update as of mid-day 10/22/91)

(1) Republican Growth Package

- o It seems desirable to have a unified Republican approach -- Administration-Senate-House. To this end, staff and some principals have been meeting to sort through options and differences. An accepted premise (to date) has been that the package must be deficit-neutral as scored by OMB.
- o Attached is the structure of a draft possible compromise -- as it stood going into Monday nite analysis of middle-class income tax relief options. Also attached is the latest (11:15) "Gramm-Gingrich" plan -- updated in light of 10/21/91.
- o The 10/21/91 option is a bit shaky in that Senator Gramm (and to some degree Senator Domenici and Newt Gingrich) want to do it along with a Bentsen defense-cut-tax-cut; and several players are concerned about its use of a questionable IRA proposal for financing.

Contextual Notes:

- Dole-Domenici are adamant that there must be middle-class income tax relief (even if only 1-year) to deal with the politics of both Bentsen and the capital gains fairness burden. Gramm has come to this substantive point of view (11:00 a.m.), wishing to frame it as growth not fairness, while also saying he wants Bentsen in addition to his package.
- Dole is adamant against including enterprise zones. No one but the Administration is for.
- Dole/Domenici are adamant that the package must be different enough from original Gramm to allow it to bear their names (!). (Gingrich is OK on this point; Gramm is not really OK on this!) Gramm is adamant that he must be out front in order to be the negotiator, not Dole/Domenici!
- The House-Senate Congressional crowd that met with the President is scheduled to meet on this at 6:00 p.m. today.

(2) Legislative Dynamics

- o A tax bill must originate in the House.
- o Rosty will not accept the Bentsen approach -- and will likely go with a "fairness" bill (probably including a tax rate increase for the rich). He will put forward a bill. But he does not want to legislate. He fears a repeat of the 1991 bidding war. Yet, if pressure mounts, he will definitely enter the war.

- o If we do not provide the impetus, the most likely outcomes are: (1) nothing, (2) stalemate and visible conflict, (3) legislation -- in that order (with number (3) a distant last).
- o If we really do mean to legislate -- in order to give the economy an extra boost -- we need to consider the following:

(a) To get timely action, the President would have to insist on it before Congress leaves.

(b) To get capital gains, it would be necessary to give on defense (i.e., accept in advance what is likely to happen later) and/or give on upper-income rates. This presents obvious problems: A unilateral move on defense would be resisted by DoD and would re-open the budget agreement -- without assurance of our being able to control the subsequent evolution. A rate move, and the associated argument, could re-open wounds from the past Budget Agreement fight.

(c) If we were to press and negotiate, feasible outcomes would probably boil down to these:

Option (1): Bentsen-plus-cap-gains-plus-fairness-rate

Option (2): Middle-income-relief-plus-miscellaneous-incentives-without-capital-gains

Option (3): [Maybe: Bentsen-plus-capital-gains]

(3) Basic Questions

- o Public expectations, political insurance, and the uncertain state of the economy all seem to argue for a Presidential push for a growth package. Relevant questions would seem to be:
 - (a) Is there a way to get capital gains without a rate increase? What is it?
 - (b) If not, and if the feasible outcomes are roughly (1) and (2) above, does either of them have sufficient economic merit to justify the political cost?
 - (c) In light of answers to (a) and (b), should a growth package be designed and launched with a view toward more than posturing?

* * *

Attachments:

- 10/21/91 framework
- Gramm-Gingrich latest

- Temporary assistance for the unemployed
 - o Dole UI/EB (offset) net approx. zero
 - Incentive for job-creation and real estate appreciation
 - o President's capital gains plus \$9.5 billion
 - o other items as follow see below
 - IRA/home purchase incentive
 - o tax credit for first-time homebuyers and/or minus \$[2-3.9] billion
 - o penalty-free withdrawal for 1st-time homebuyers and minus \$0.5 billion
 - o IRA-plus (revised) plus \$[6-13] billion
 - R&D incentive
 - o 1-year R&D credit/or minus \$0.5 billion
861 allocation (taxpayer option)
 - Small business incentives
 - o 1-yr. extension of self-employed health insurance credit minus \$0.3 billion
 - o PRIME retirement plans minus \$0.1 billion
 - o [maybe mini-ITC (Dole)] [TBD]
 -  Additional 1-year personal income tax-relief for those with income below 50K
 -  o [options being developed -- targeted credits or exemption increases] net minus approx. \$5 billion (maybe more)
- NET TOTAL *Economic Growth Dividend* ZERO or SAVINGS in each year and over 5 years

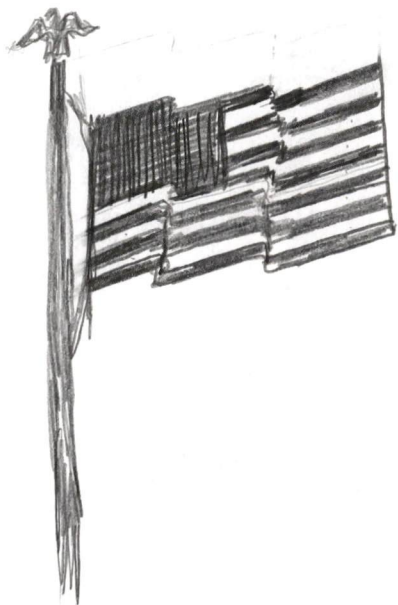
NOTE: Related Issues --

- o Timing: Say "Do above package now; if more needed/possible, do that later. This fits within Budget Agreement"
- o Peace Dividend: Commit future defense savings (if and as developed) to deficit reduction and reduction in taxes for ordinary Americans.
- o Other Legislation: Press for highway bill, bank reform, tort reform, education reform, etc.
- o Fed Policy: outline preferred course (not part of legislation!)

THE ECONOMIC GROWTH ACT - E
 By Senator Gramm and Representative Gingrich
 October 22, 1991

Dick Darman
395-1005

Subtitle A. Investment and Job Creation Incentives		5-year revenue impact
Capital Gains Rate Reduction		+\$9.5 billion
One-Year Extension of Research & Experimentation Tax Credit		-\$1.1 billion
One-Year Extension of Self Employed Health Care Deduction		-\$0.3 billion
Subtitle B. Savings Incentive		
IRA-Plus Plan		+\$13.4 billion
PRIME retirement plans for small businesses		-\$0.1 billion
Subtitle C. Homeownership Incentives		
First-Time Homebuyer Tax Credit (1 year, higher credit, higher income limit)		-\$1.9 billion
Penalty-Free IRA Plus withdrawal for home purchase.		-\$0.9 billion
Subtitle D. Growth Stimulus		
Economic Stimulus Rebate (1 year increase in personal exemption for those under \$40,000) <i>(or maybe exp. multi-year "rebate for working fam. 7.ers")</i>		-\$18.6 billion
Peace Dividend Investment		_____
Economic Growth Dividend		_____
TOTAL		+\$0.0 billion
OMB - Treasury Dept. Scoring.		



OPTIONS

Option (1): **COMBINATION -- DOLE-GRAMM/EB-GROWTH**

- combo helps address the fairness issue;
- growth package is broadly based;
- total conforms with Budget Enforcement Act, under OMB scoring (although the IRA provision raises long-term deficit problems).
- problems: IRA revenues; and does package seem to do enough for the middle?

Option (2): **MODIFIED COMBO --
DOLE-GRAMM/EB-GROWTH**

- combo helps address the fairness issue;
- growth package could include:
 - o President's capital gains;
 - o penalty-free IRA withdrawal for 1st-time homebuyers;
 - o *not all* selections from Summit small business package; and/or enterprise zones; and/or 1-year extension of R&D/LIHTC; and/or targeted incremental ITC;
 - o one-year middle-class tax benefit (TBD) w. offset (TBD)
- problem: design of last element (above)

Option (3): **CUT-SPENDING-GROWTH-AND-SHARE-THE-WEALTH**

- restrict spending growth (ex Medicare? ex deposit insurance?) to inflation rate; and use savings for middle income tax cut, capital gains, and deficit reduction.
- problem: though this could redistribute almost \$100 billion over 5 years, would mean major "cuts" in Medicaid, Food Stamps, farm programs, and Federal Retirement programs.

Option 4: **USE FUTURE DEFENSE SAVINGS TO STIMULATE NOW**

- though programmatically sensible, it would concede (a) reopening the budget agreement and (b) defense savings -- without assurance of an ability to (a) get capital gains or (b) control the further evolution/degeneration.

AGENDA -- 10/22/91

(1) Growth package

- o Attached is the structure of a draft possible Dole-Domenici-Gramm-Administration compromise -- going into Monday nite analysis of middle-class income tax relief options.

CONTEXTUAL NOTES:

- Dole-Domenici are adamant that there must be middle-class income tax relief (even if only 1-year) to deal with the politics of both Bentsen and the capital gains fairness burden. Gramm is hesitant on this -- prefers his original package (with Social Security work incentives, enterprise zones, and sweeter IRA/home provisions instead of income tax relief), while also saying he'd accept Bentsen in addition to his package.
- Dole is adamant against including enterprise zones. No one but Administration is strongly for.
- Dole/Domenici are adamant that the package must be different enough from original Gramm to allow it to bear their names (!). (Gingrich is OK on this point; Gramm is not really OK yet.)
- Domenici and Gramm want to accept Bentsen immediately and add our growth package to it. (Gramm has started to go forward publicly with this point of view.)
- Rosty will not accept the Bentsen approach -- and will likely go with a "fairness" bill.
- The most likely outcomes are: (1) stalemate, (2) stalemate and visible conflict, (3) legislation -- in that order (with number 3 a distant last unless we really mean to negotiate).

(2) Other issues

OMB SCORING

--	Temporary assistance for the <u>unemployed</u>	
o	Dole UI/EB (offset)	net approx. zero
--	Incentive for <u>job-creation</u> and <u>real estate</u> appreciation	
o	President's capital gains	plus \$9.5 billion
o	other items as follow	see below
--	<u>IRA/home purchase incentive</u>	
o	tax credit for first-time homebuyers and/or	minus \$[2-3.9] billion
o	penalty-free withdrawal for 1st-time homebuyers <u>and</u>	minus \$0.5 billion
o	IRA-plus (revised)	plus \$[6-13] billion * Treasury opposed
--	<u>R&D</u> incentive	
o	1-year R&D credit/or 861 allocation (taxpayer option)	minus \$0.5 billion
--	<u>Small business</u> incentives	
o	1-yr. extension of self-employed health insurance credit	minus \$0.3 billion
o	PRIME retirement plans	minus \$0.1 billion
o	[maybe mini-ITC (Dole)]	[TBD] * Rottly would also strongly opposed
--	Additional 1-year <u>personal income tax-relief</u> for those with income below 50K	
o	[options being developed -- targeted credits or exemption increases]	net minus approx. \$5 billion (maybe more)
NET TOTAL		ZERO or SAVINGS in each year and over 5 years

NOTE: Related Issues --

- o Timing: Say "Do above package now; if more needed/possible, do that later. This fits within Budget Agreement"
- o Peace Dividend: Commit future defense savings (if and as developed) to deficit reduction and reduction in taxes for ordinary Americans.
- o Fed Policy: outline preferred course (not part of legislation!)

Domestic Briefing
10/17/91

AGENDA -- 10/17/91

- (1) DOW JONES -- 3061.62, a new high
Do they know something we don't know?

NOTE: (a) Generally, the DOW is a lead indicator. When it is going up, the economy tends to go up -- with a lag.

(b) Yesterday's high may not yet be a peak. Whenever the new peak comes, it is interesting to note: Since World War II, the average time from a DOW peak to an economic downturn has been 28.5 months.

(c) (Unfortunately, this is not always the rule. There have been 2 exceptions in the post-War period -- one of which was July 1990!)

- (2) Trade Miscellany

- (3) Appropriations Status and Clean CR

- (4) CPB/NPR: Toting the Totenberg Bill

*250 million CPB
~ (\$10 M) NPR

Defense
- Lab of HHS
- Foreign Ops
(in own design)

Pres. B

Domestic Briefing
10/17/91

October 17, 1991

International Trade

1. Uruguay Round: Signs of Movement

- A. Last week, the German cabinet decided to push the EC to reach an agreement on agriculture in the Uruguay Round. It is understood that this means accepting the Hellstrom proposal (30 percent cuts in export subsidies, market access barriers, and internal prices) with a five-year review.
- B. In Brussels, there is new evidence of President Delors' commitment to achieve a success in the Round by the end of this year. The Commission's strategy is to work behind the scenes to guide the GATT Secretariat toward an acceptable outcome.
- C. GATT Director General Dunkel is preparing a text of a proposed Uruguay Round agreement. This text will be available in early November.
- D. Japan is preparing itself to agree to imports of rice, although it is still resisting converting rice barriers to their tariff equivalents (tariffication).

2. NAFTA negotiations may take longer than initially expected.

- A. NAFTA negotiations last week in Ottawa made it clear that differences between U.S. and Mexican negotiators will not be resolved quickly.
- B. Reaching market-oriented agreements on financial services and energy will likely prove especially difficult.
- C. Possible timeframe for agreement: mid-1992.
- D. Canadian negotiators have been constructive.

3. Ambassador Hills' Asian trip was encouraging.

- A. As noted in her trip report, Ambassador Hills was encouraged by Asian support for the Uruguay Round during her recent trip to India, Malaysia, Singapore, and Hong Kong.
- B. She was particularly impressed with India's progress in accepting the need for protection of intellectual

4. Trade and environmental issues are becoming increasingly intertwined.

- A. Environmentalists have become alarmed by the recent GATT panel rejection of the U.S. embargo on imports of Mexican tuna because it is not caught by dolphin-safe methods.
- B. As a result, environmentalists are likely to focus more intensely on environmental aspects of the NAFTA. The Administration is today circulating for public comment a draft environmental report on the implications of NAFTA.
- C. The GATT has convened a Working Group to study trade and environmental issues.

5. Pending legislation on Japan autos and auto parts.

- A. House Majority Leader Gephardt and Rep. Sander Levin are preparing a bill aimed at reducing the U.S. trade deficit with Japan on autos and auto parts. Sen. Riegle is preparing a similar bill.
- B. The bill would limit auto exports from Japan to the U.S. and limit production by Japanese transplant factories located in the U.S.
- C. It would also require negotiations on sales of U.S. auto parts, with the threat of a 301-type investigation.
- D. As in 1988, the Democrats are likely to advance economic nationalism proposals.

(1) Whitten: Yes, he's back -- but now the cookie jar is empty.

(2) Unemployment Insurance/Growth

(a) UI/EB veto vote at noon.

(b) For next round, tie growth package to extended benefits(?).

o NOTE: Because Democrats wish to use the "emergency" designation, OMB scoring may be the only relevant scoring for Budget Enforcement Act purposes.

o PRINCIPLES:

(i) Package should conform with Budget Enforcement Act. *as OMB would score it.*

(ii) Elements of stimulus should merit support independently.

(iii) Package should have elements to offset cap-gains fairness problem.

o POSSIBLE ELEMENTS:

(i) Dole UI/EB (5-year scoring: either revenue-neutral, if with spectrum auction and debt collection, or minus \$2.6 billion);

(ii) President's capital gains (plus \$9.5 billion); and

(iii) Approximately \$6 billion worth of the following:

-- penalty-free IRA withdrawal for first-time home buyers (minus \$0.5 billion);

-- 1-year extension of R&D and low-income housing credits (minus \$1.8 billion);

-- enterprise zones (minus \$1.8 billion);

-- special incentives for small business (chosen from old list or new).

(3) Miscellaneous Trade Issues

(4) CPB/NPR Funding

*Dole, Simpson
Michael Gingrich
Kramer, Archer
Grossley*

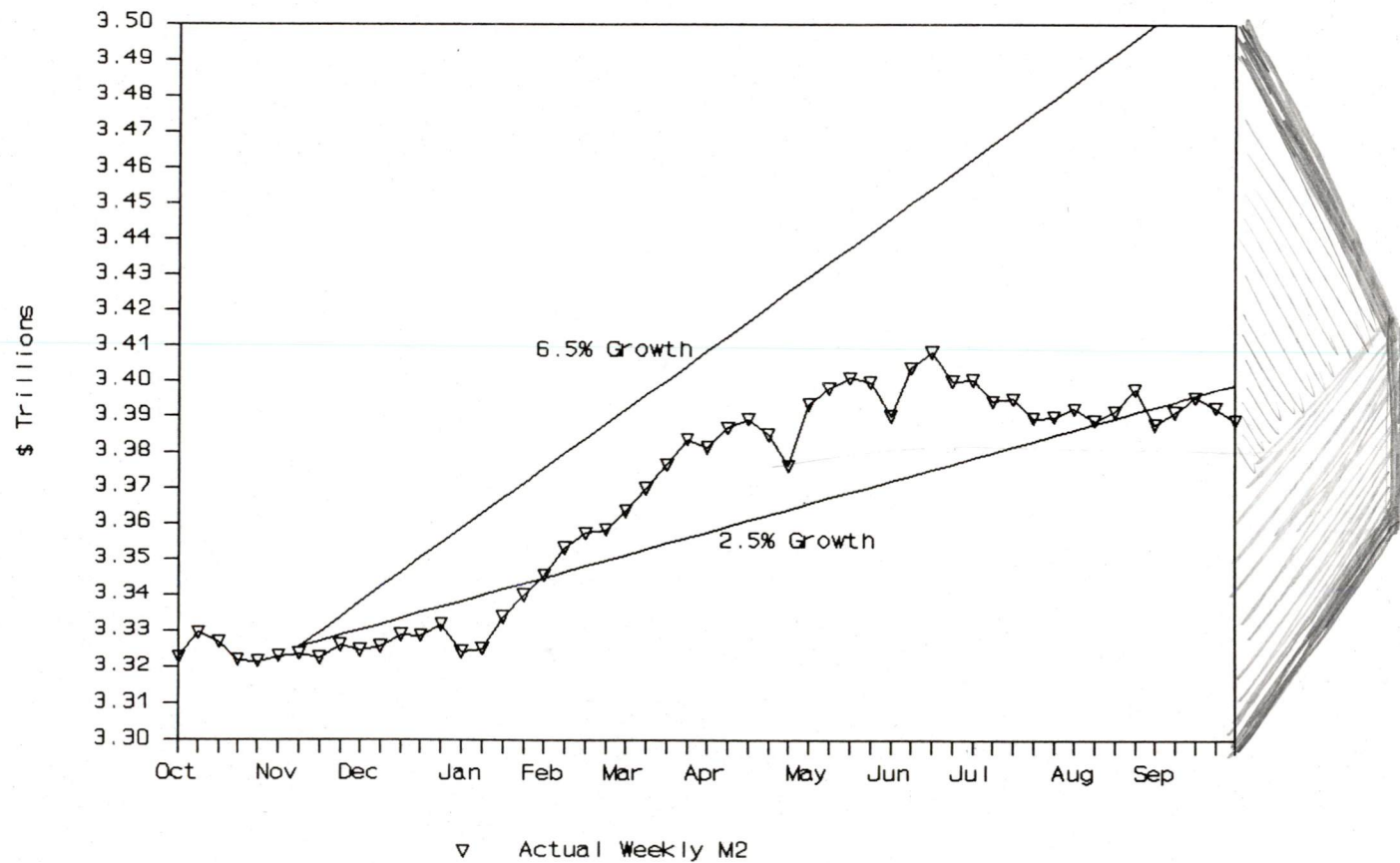
*We should
not do:
- cut SS. taxes
- IRA (Kramer, Gingrich)
- Investment Tax Credit
- Personal Exemption*

*may drop
(McCain, Stevens,
Dingell)*

Don. Briski
10/17/91

Updated October 15, 1991

Actual M2 Versus Target Range



M2



Don. Buehler

October 15, 1991

National Energy Strategy and S. 1220

1. The Time Has Arrived

Following the Thomas nomination debate and vote today, the Senate is expected to turn to civil rights, Federal facilities, and then S. 1220, the National Energy Security Act. It is most likely that debate will begin on Thursday with the first votes and serious consideration occurring next week.

2. Two provisions are polarizing issues: ANWAR and CAFE.

A. Some on the Energy Committee, notably Bennett Johnston and Malcolm Wallop believe that an environmentally acceptable set of CAFE provisions are essential to securing passage of ANWAR.

As a result, Johnston has been pressing and Wallop has been "shopping" compromise CAFE proposals that seek to come close to the miles per gallon figures of the Bryan Amendment but over a longer time period (a third tier of an additional five years).

B. But, there is mounting evidence that ANWAR opponents (like Tim Wirth) will seek to filibuster the legislation and will strenuously oppose ANWAR, whatever the outcome on CAFE.

C. The Department of Energy believes there is less of a connection between ANWAR and CAFE than previously expected, although many are still looking for a "balanced package."

3. The Order of Battle: CAFE First Out of the Blocks

A. Assuming that the expected effort to filibuster consideration of the entire bill is defeated, Johnston plans on bringing up CAFE first, and then moving to efficiency standards, alternative fuels, etc. before reaching ANWAR.

B. The debate on CAFE will likely feature:

(1) The administration provision which is the provision in the underlying bill reported by the Senate Committee. Johnston wants this as the first vote.

(2) Johnston's Amendment -- which he is portraying

Wallop
Markowski
Stevens
Seymour

as a compromise between the Administration and the Bryan-Wirth. He does not believe that anything less than his amendment will be acceptable to the environmentalists.

(3) Wirth's Amendment -- which is likely to come out somewhere between Johnston and Bryan given that Wirth is convinced that Bryan cannot pass. Wirth wants to push the envelope out as far as possible.

(4) Two other possible entrants are: (a) Bryan, who Johnston believes realizes he doesn't have the votes, but he may offer his amendment anyway; and (b) Wallop, who may offer his amendment, a modified version of Johnston. Among other things Wallop would give CAFE credits for older vehicles turned in for scrap.

C. It is essential for us to show veto strength on the CAFE provisions in the underlying bill. Legislative Affairs believes we are currently in the 28-34 range.

D. Key to our strategy on CAFE will be Wallop, Domenici, Seymour, Murkowski, and Stevens.

Don, Briefly 10/15/91

DRAFT ---- NOT YET CIRCULATED TO OTHER AGENCIES FOR COMMENT

October 14, 1991
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2950 -- Intermodal Surface Transportation Infrastructure Act of 1991

The Administration strongly supports improvements and reforms to the Federal-aid highway, transit, and highway safety programs. However, the Administration strongly opposes H.R. 2950 in its current form. The President's senior advisors would recommend a veto of this legislation if the bill does not address the following concerns:

- o Half of last year's gas tax increase, which was intended to be temporary, will be extended for an additional four years, largely to fund special interest projects and other programs that should be reduced or eliminated. Higher priority infrastructure needs will go unfunded.
- o The authorization levels in the bill are excessive. The Administration has proposed a 39 percent increase in highway funding over five years. The highway and transit levels in the bill would be very difficult to accommodate in future-year appropriations bills, and, if they were, funding for other important Federal programs would be imperiled.
- o H.R. 2950 earmarks \$1.1 billion for priority corridors and \$3.7 billion for over 400 other highway demonstration projects. These projects could ultimately cost over [\$23 billion?]. Many of them are not State priorities and would not survive the normal process of selection on their merits. Building the priority corridors identified in the bill to expressway standards could cost more than [\$50 billion?].
- o The bill not only reduces, but in some cases eliminates, current State and local matching requirements for certain highway and transit programs. These reductions would substantially diminish the ability of Federal assistance to lever increased State and local expenditures for transportation.
- o The bill increases annual mass transit operating subsidies from \$800 million in 1992 to between \$2.2 billion and \$2.7

DRAFT ---- NOT YET CIRCULATED TO OTHER AGENCIES FOR COMMENT

billion by 1997. An increasing share of Federal funds will be used to cover mass transit operating deficits, which are the result of decisions made by local officials.

- o More than half of the mass transit new start projects earmarked by the bill would either fail a basic cost-benefit analysis or lack sufficient information for a meaningful evaluation. Furthermore, the bill earmarks more than the entire \$4.9 billion provided in the bill for new starts.
- o The bill does not adequately fund the National Highway System (NHS). It provides \$37.5 billion over six years instead of the Administration's request of \$43 billion over five years. This level is below the amount needed to ensure that the NHS can continue to meet America's growing interstate commerce needs.
- o The bill fails to eliminate State regulation of rates and routes of interstate motor carriers, thereby retaining an unnecessary and counterproductive regulatory regime for the trucking industry.
- o The bill continues current burdensome levels of Federal oversight of highway planning and construction. The Administration has proposed streamlined approval for certain projects to replace the current project-by-project reviews.
- o The bill significantly curtails the Secretary's discretion to pursue a research and development program that meets the nation's ground transportation needs.
- o The bill authorizes \$13.7 billion in mass transit funding from the General Fund rather than from the Highway Trust Fund. Like highways, essentially all mass transit funding can and should be derived from the Trust Fund.

Scoring for Purposes of Pay-as-you-go.

[To come later.]

Don. Bue / 10/15/91

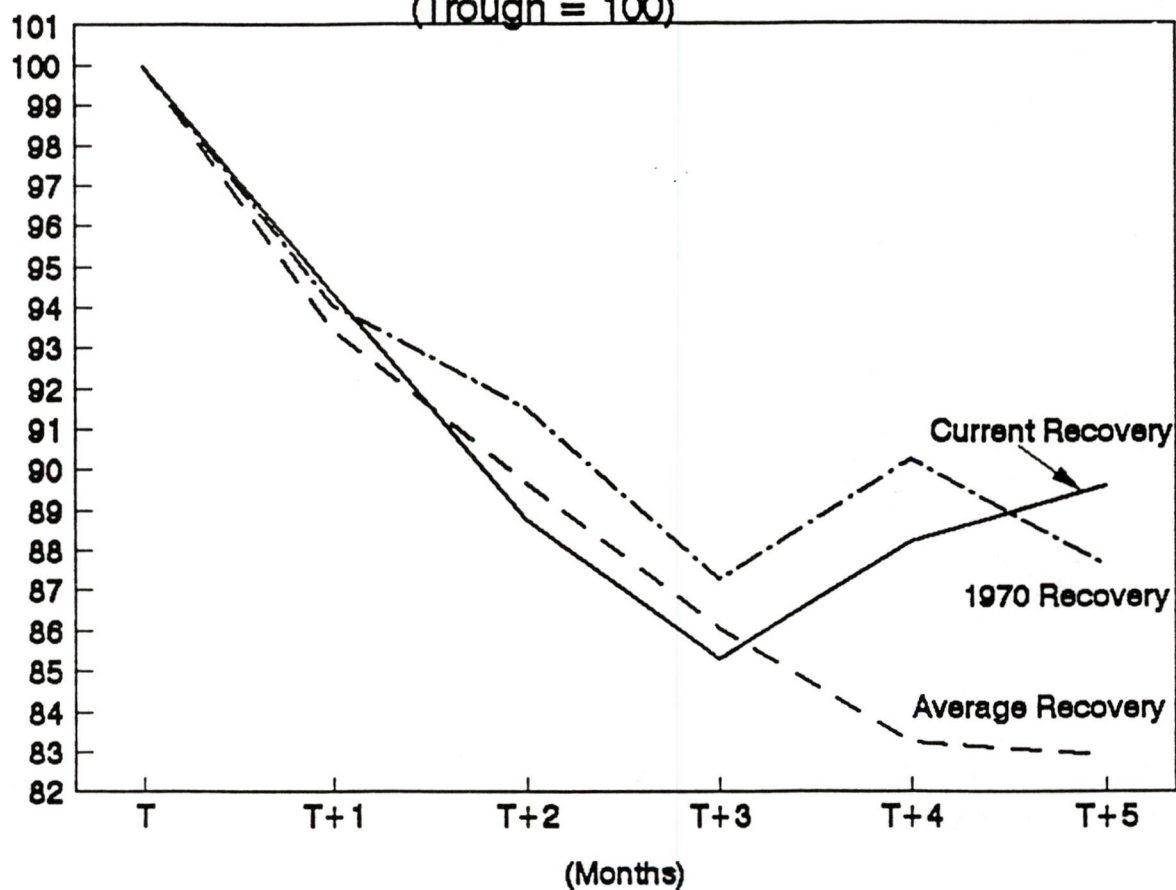
AGENDA -- 10/15/91

- (1) "Intermodal Surface Transportation Act of 1990"
(a.k.a. "Pork-and-Tax Act of 1990")
 - House Public Works: this a.m.
 - Ways & Means: this aft.
 - Rules/floor: Th/F(?)
- (2) Energy Bill
- (3) Last week's statistics: hints of recovery stalling?
 - retail sales (on the one hand, on the other) ↑.7
 - unemployment claims (relative to other recoveries)
- (4) Whitten: He's back!

Don. Buehig
10/15/91

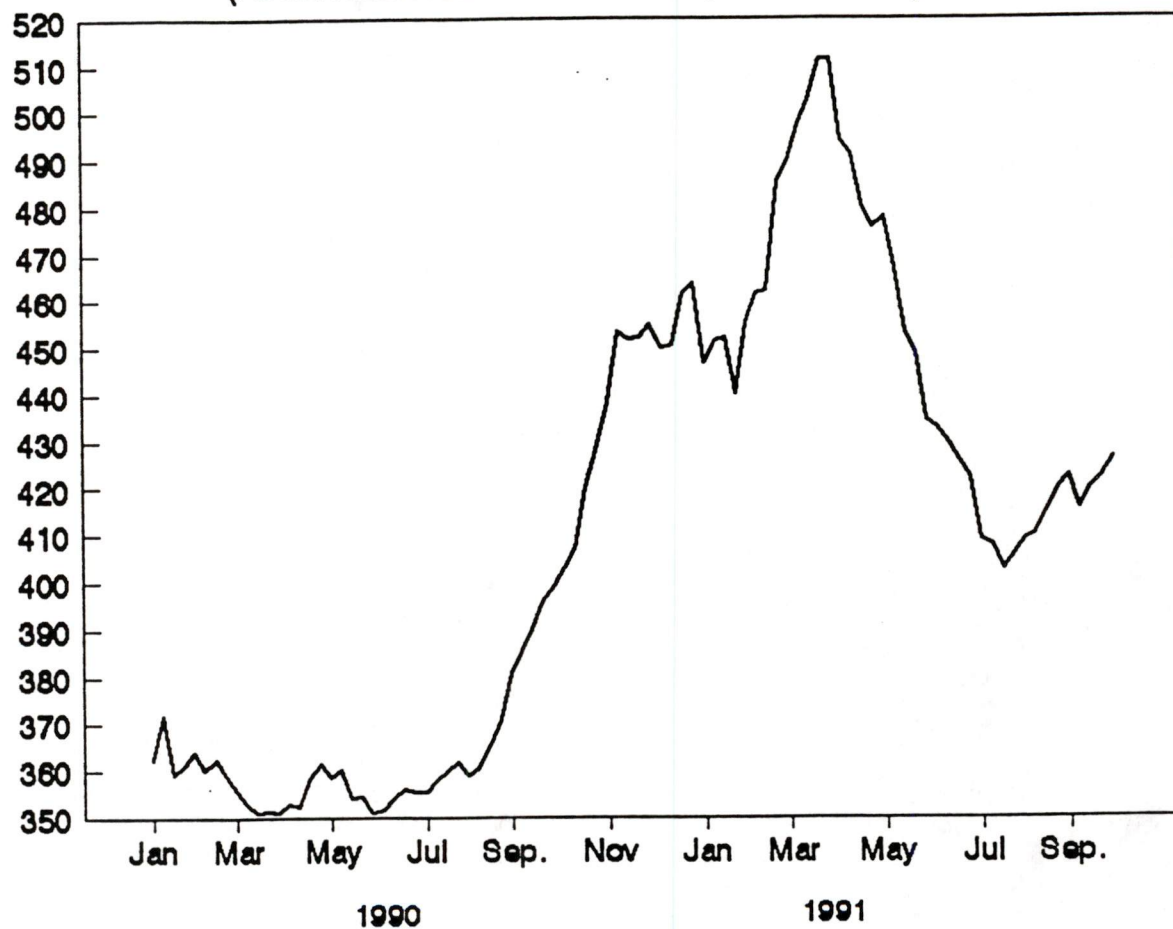
DECLINE IN INITIAL CLAIMS DURING RECOVERIES

(Trough = 100)



Note: T = Trough Period in the Business Cycle

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE (FOUR-WEEK MOVING AVERAGE, THOUSANDS)



POINTS ON THE ECONOMY

The Economy is Moving in the Right Direction and Consumers Have Reason to be Confident:

- Industrial production has risen for five straight months.
- Housing starts are up 26 percent since January.
- The unemployment rate in September fell to 6.7% from 6.8% in July and August and 7.0% in June.
- After the last recession, a rate this low was not achieved until 1986, the fourth year of the economic expansion.
- The index of leading economic indicators has been steady or increasing for eight straight months. The index has increased by about five points since January.

Inflation and Interest Rates are Low:

- Inflation is down to an annualized rate of 2.7%.
- Mortgage interest rates are down to lowest level since 1977.
- The prime rate for corporate borrowers has fallen to 8.0%.
- The Federal Reserve Board has lowered its target Federal funds rate by 3 points since last year -- from 8.25% to 5.25%.

The President Has Offered Proposals to Promote Growth:

- Incentives for savings, investment, entrepreneurship;
- Expanding trade and markets for American goods and services;
- Reforms for a safer and more internationally competitive banking system;
- Promoting tort reform;
- Maintain the fiscal discipline established by the budget agreement.

Don. B. B. B. B.
10/10/51

POSSIBLE AGREEMENT ON POLICY WITH RESPECT TO PREGNANCY
RELATED SERVICES IN TITLE X FUNDED CLINICS

- A. Treatment of Title X projects which provide prenatal care, such as, but not limited to, community health centers, hospitals, or Planned Parenthood clinics that offer such care:

When a woman comes in for family planning services and is determined in the course of the visit to be pregnant, she should be offered information regarding her pregnancy. The provider of services will furnish a list of community resources for medical care and social services. If the woman elects to remain in that clinic for services, she will be provided with the same pregnancy related services and information that all of the projects' patients receive. The project would be allowed to retain Title X funds as part of its general operating support.

- B. Treatment of Title X projects which do not provide prenatal care:

1. When a woman comes in for family planning services and is determined in the course of the visit to be pregnant, she should be offered information regarding her pregnancy. If she is found to have a significant medical problem, she should be referred to a provider of comprehensive medical care. The project will furnish a list of community resources for medical care and social services. If requested, the project will make every effort to assist the pregnant woman in making an appointment with a prenatal care provider. In addition, the project will provide the woman with written information to be developed by the Secretary of Health and Human Services about appropriate prenatal care that includes a discussion of proper nutrition and exercise, the need to avoid alcohol, drug and tobacco use, and the importance of receiving medical care.

2. The project shall give factual answers to questions the woman has about her pregnancy and her legal and medical options. Questions about an individual's medical conditions that relate to her pregnancy should be referred to an appropriate practitioner, on or off premises. Identification of providers of adoption and pregnancy termination services will be made available upon a woman's request. The project is not to provide directive counseling to the woman regarding her pregnancy. Should this process of answering questions be found to be directive, the Title X project would be subject to the procedures which apply to misuse of grant funds, including termination of the grant or portion of the grant which funds the project.

3. Nothing in these regulations is intended to preclude a health care professional or trained clinician under the supervision of a medical director, from fulfilling his or her professional duty, as established by law, code of professional responsibility, or common law, to an individual patient.

4. Nothing in these regulations is intended to circumscribe the services offered by a Title X provider with other public or private funds.

Dom. Rinf 10/10/91

October 10, 1991

Title X

Background

The 1988 abortion counseling regulation provides a negative definition: providers are not to counsel on abortion, nor to refer clients for abortion services.

The regulation leaves ambiguous what can be done without violating the prohibition on counseling or referral.

Chafee Proposal

Senator Chafee has proposed:

- Making clear that Title X workers can provide factual answers to questions regarding a pregnant woman's legal and medical options.
- Specifying that Title X workers can, in response to an inquiry, inform a pregnant woman where she can obtain adoption or pregnancy termination services.

Assessment

- This approach seeks to resolve the controversy in a way that does not directly repudiate the 1988 regulations. Not least, it seeks to address the so-called "gag rule" phenomenon.
- The right-to-life community will like:
 - The preference for pre-natal care found in the referral list provided to all clients, the effort to assist in making appointments with pre-natal providers, and the written advice from HHS.
 - More importantly, the provisions against directive counseling and termination of federal funds for projects that engage in directive counseling.
- The pro-choice community will like:
 - The disappearance of what they perceive as the "gag rule" aspects of the regulation.
 - The provision that permits a Title X project to provide information to a woman, if she asks, about where she can go to terminate her pregnancy.

Dom. Briefing 10/10/91

- National Energy Strategy updates

CAFE

ANWR

- Transportation Bill

coming out of House today

2 1/2¢ tax

- Title X

- Susan Page speech @ Harvard

Don. Brink 10/9

U.S. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PEACEKEEPING ACTIVITIES

(Budget Authority -- dollars in millions)

October 8, 1991

	FY 1990				FY 1991				FY 1992			
	Ass'mnt	Request	Enacted	Shortfall	Ass'mnt	Request	Enacted	Shortfall	Ass'mnt	Request	Enacted	Shortfall
CONTRIBUTIONS TO INT'L ORGANIZATIONS												
<u>Pre-1990 Arrearage Balance</u>	463.6	45.9	0.0	463.6	463.6	463.6	92.7 b	370.9	370.9	370.9	92.7 b	278.2
<u>Current Year</u>												
United Nations	206.9	205.5	206.9	0.0	231.5	231.5	231.5	0.0	226.3	226.3	226.3	0.0
Specialized Agencies (e.g., FAO, WHO)	228.2	269.0	228.2	0.0	275.4	275.4	275.4	0.0	307.2	307.2	307.2	0.0
Other (e.g., NATO, OECD, OAS)	179.8	194.5	179.8	0.0	188.0	188.0	188.0	0.0	216.1	216.1	216.1	0.0
Subtotal	614.9 a	669.0	614.9	0.0	694.9	694.9	694.9	0.0	749.6	749.6	749.6	0.0
TOTAL	1,078.5	714.9	614.9	463.6	1,158.5	1,158.5	787.6	370.9	1,120.5	1,120.5	842.3	278.2
CONTRIBUTIONS FOR INT'L PEACEKEEPING ACTIVITIES												
<u>Pre-1990 Arrearage Balance</u>	156.8	0.0	0.0	156.8	156.8	156.8	24.3 b	132.5	132.5	132.5	38.3 b	94.2
<u>Current Year</u>												
UN Disengagement Force (Golan Heights)	12.4	11.1	12.4	0.0	11.7	12.4	11.7	0.0	12.9	12.9	12.9	0.0
UN Interim Force in Lebanon	28.4	30.1	28.4	0.0	46.6	40.2	46.6	0.0	45.7	45.7	45.7	0.0
UN Transition Assistance Group in Namibia	6.9	40.7	6.9	0.0	----	----	----	----	----	----	----	----
Other; Angola I, Iran/Iraq, Central America	33.4	29.3	33.4	0.0	9.4	38.1	9.4	0.0	10.3	10.3	10.3	0.0
Subtotal	81.1	111.2	81.1	0.0	67.7	90.7	67.7	0.0	68.9	68.9	68.9	0.0
UN Angola Verification Mission II	----	----	----	----	14.6	0.0	11.5	3.1	19.3	0.0	0.0	22.4
UN Iraq-Kuwait Observation Mission	----	----	----	----	25.5	25.5	25.5	0.0	16.9	0.0	0.0	16.9
UN Mission in Western Sahara	----	----	----	----	43.4	0.0	11.5	31.9	11.4	0.0	0.0	43.3
UN Observers in El Salvador	----	----	----	----	4.2	0.0	0.0	4.2	2.8	0.0	0.0	7.0
UN Transition Assistance in Cambodia	----	----	----	----	----	----	----	----	300.0 c	0.0	0.0	300.0
Subtotal	----	----	----	----	87.7	25.5	48.5	39.2	350.4	0.0	0.0	389.6
TOTAL	237.9	111.2	81.1	156.8	312.2	273.0	140.5	171.7	551.8	201.4	107.2	483.8

a. Reflects post-budget exchange rate change. b. Reflects retirement of arrears balance over five years...accepted by UN. c. FY92 est. of possible \$500 million share.

1992 Real GNP Consensus Remains At +2.7%

OCTOBER 1991 Forecast For 1992 SOURCE:		Percent Change 1992 From 1991 (Year-Over-Year)															Average for Year-1992					Total Units-1992					-1992-
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15							Net Exports (Con. \$)				
		Real GNP (Con. \$) (Output)	GNP (Prices)	Total GNP (Cur. \$)	Consumer Price Index	Indust. Dis. Per. Prod. Income	Non-Res. Fix. Inv. (Con. \$)	Non-Res. Fix. Inv. (Cur. \$)	Profits Fix. Inv. (Cur. \$)	Treas. Bills	Corp. Annu. Bonds	Unempl. % Labor Force	Housing Starts (Mil.)	Auto Sales (Mil.)	Truck Sales Total	Exports (Con. \$)											
Robert Geneski & Assoc., Inc.		4.0H	3.3	7.4	3.2	8.3H	3.4	7.5H	27.7	5.4	8.8	6.3	--	9.3	4.3	-18.0											
Boston Economic Research		3.9	3.7	7.8H	3.8	5.5	3.5H	6.5	22.0	6.8	9.1	5.8	1.45H	9.9	4.9	14.0H											
Morris Cohen & Associates		3.7	3.2	7.0	4.0	5.5	3.2	4.0	19.0	6.8	8.2	6.2	1.45H	9.7	4.8	-9.5											
Turning Points (Micrometries)		3.5	3.5	7.0	3.1	3.2	2.2	1.5	9.9	5.9	8.9	6.4	1.34	9.7	4.5	-30.8											
Arnhold & S. Bleichroeder*		3.4	3.9	7.3	4.0	5.0	3.5H	4.6	11.0	7.5H	9.2	5.7	1.40	10.0H	4.5	-9.0											
Wayne Hummer & Co.-Chicago*		3.3	3.7	7.1	3.8	4.0	3.0	5.2	21.0	5.8	9.0	6.4	1.40	9.8	4.7	8.0											
UCLA Business Forecast*		3.3	2.7	6.1	3.5	5.4	3.2	4.9	12.3	5.9	9.0	6.5	1.33	9.6	4.1	-24.0											
Morgan Stanley & Co.		3.2	3.3	6.7	3.7	5.6	2.9	3.6	11.6	--	--	6.6	1.25	9.7	--	4.0											
Northern Trust Company		3.1	4.0	7.3	3.7	5.7	2.3	4.8	12.9	5.6	8.8	6.5	1.21	9.6	4.8	-11.3											
Campillar		3.1	3.0	6.2	3.5	5.4	2.7	3.7	17.6	5.2	8.3	6.4	1.13	9.1	--	-23.1											
Faimodel		3.0	3.8	6.9	3.8	3.4	2.6	3.4	31.0H	6.0	8.5	6.3	1.35	9.2	--	-43.8											
Sears Roebuck & Co.		3.0	3.5	6.5	4.7	4.5	2.9	6.9	8.5	6.5	9.2	5.6L	1.27	9.6	--	-20.0											
Econoclast		3.0	3.1	6.1	3.0	4.1	2.9	3.2	8.5	6.0	9.0	6.7	1.27	9.7	4.5	12.0											
Cahners Economics		2.9	3.8	6.9	4.3	4.5	2.9	3.3	11.2	6.7	9.4H	6.5	1.27	9.1	4.2	-5.8											
Dean Witter Reynolds, Inc.		2.9	3.5	6.4	3.6	4.4	2.7	4.9	14.1	5.6	8.8	6.6	1.28	9.4	--	-4.3											
Univ. of Michigan M.Q.E.M.**		2.9	3.1	6.0	3.4	4.2	2.8	2.7	22.2	5.2	8.3	6.5	1.45H	9.8	4.8	-35.3											
First Interstate Bancorp		2.9	3.0	6.1	3.4	4.2	2.8	2.2	7.5	5.2	8.4	6.6	1.28	9.6	4.6	-7.0											
Shawmut National Corp		2.8	4.0	7.0	3.9	4.7	2.9	3.6	17.7	4.9	8.9	6.4	1.32	9.5	4.1	-46.6											
Dun & Bradstreet		2.8	3.9	6.7	3.9	4.2	2.2	4.5	6.5	5.4	8.7	6.6	1.13	9.2	4.5	-21.8											
Chrysler Corporation		2.8	3.7	6.6	3.7	4.1	3.0	2.5	15.8	5.2	8.6	6.4	1.35	9.7	5.1H	-25.0											
E I Du Pont de Nemours & Co.**		2.8	3.5	6.4	3.9	5.3	2.7	1.3	--	5.2	8.5	6.5	1.28	9.9	4.8	-23.8											
Eggett Economic Enterprises, Inc.		2.8	3.5	6.3	3.8	4.2	3.2	3.8	12.0	5.6	8.5	6.4	1.30	9.6	4.8	-4.0											
U.S. Trust Co.		2.8	3.4	6.3	3.4	4.3	2.5	0.2	--	--	8.9	6.8	1.26	9.0	--	-5.5											
Merrill Lynch		2.7	3.8	6.6	3.8	4.7	2.8	2.5	17.6	5.3	8.8	6.7	1.24	9.5	--	-17.4											
Reeder Associates (Charles)		2.7	3.4	6.1	3.6	4.5	1.7	0.3	9.8	4.8	8.1	7.0	1.20	9.3	4.4	11.3											
General Motors		2.7	3.2	5.7	3.7	4.2	1.8	4.3	20.0	5.7	8.9	6.4	1.35	--	--	-22.5											
Morgan Guaranty Trust Co.		2.7	3.0	5.8	3.0	3.7	2.5	3.7	17.3	5.0	--	6.9	1.24	9.7	4.7	-15.2											
Prudential Insurance Co.		2.6	3.6	6.2	3.5	3.8	3.0	2.5	5.5	5.8	8.2	6.6	1.30	9.2	--	-15.0											
PNC Financial Corp.		2.6	3.5	6.2	4.0	3.9	2.8	2.2	8.3	5.9	8.7	6.5	1.30	9.5	4.5	-25.2											
Brown Brothers Harriman		2.6	3.4	6.1	3.4	4.7	2.6	3.5	13.0	--	--	6.3	1.29	9.4	--	-9.6											
National Assn. of Home Builders		2.6	3.3	5.8	3.1	4.7	2.6	3.6	14.2	5.3	8.4	6.5	1.25	9.0	5.0	-30.1											
Laurence H. Meyer & Assoc.		2.6	3.0	5.7	3.2	4.8	2.0	3.6	17.5	5.2	8.2	6.7	1.22	9.0	--	-18.7											
Ford Motor Co.		2.5	4.0	6.5	3.6	3.2	2.2	1.9	--	5.6	--	6.4	1.29	--	--	-15.0											
Metropolitan Life Insurance Co.		2.5	3.8	6.4	3.9	3.9	2.5	4.0	17.0	5.8	8.7	6.6	1.30	9.7	--	-15.0											
Bank of America*		2.5	3.2	5.7	3.9	3.4	1.7	6.1	19.8	5.5	8.4	6.6	1.15	9.3	--	-22.2											
Chase Manhattan Bank		2.4	3.8	6.3	3.7	3.4	2.3	3.0	10.0	5.1	8.8	6.8	1.15	9.1	--	-34.0											
Georgia State University		2.4	3.7	6.1	3.7	4.0	2.2	4.0	10.0	5.1	8.5	6.5	1.23	9.0	4.0	-19.8											
Mortgage Bankers Assn. of Amer.		2.4	3.2	5.7	3.4	4.1	2.2	3.5	8.4	5.4	8.6	6.7	1.18	8.8L	--	-8.7											
CoreStates Financial Corp.		2.4	3.1	5.5	3.2	3.7	2.1	0.4	14.2	5.2	8.4	6.7	1.18	8.9	--	-16.4											
Security Pacific Natl. Bank		2.4	3.1	5.6	3.2	3.3	2.0	2.6	12.0	5.5	8.8	6.8	1.20	9.0	4.6	-12.0											
Natl. City Bank of Cleveland		2.3	3.9	6.2	4.0	2.9	2.1	3.9	13.6	5.1	8.8	6.8	1.20	9.0	--	-15.6											
Infotrum - Univ. of Maryland		2.3	3.5	5.8	2.9L	4.0	2.0	3.9	13.6	4.3L	8.0L	7.9H	0.77L	9.4	--	-15.6											
CJ Lawrence, Inc.		2.3	3.2	5.7	3.0	3.7	2.7	1.3	15.0	4.7	8.0L	6.5	1.30	9.5	--	2.0											
First National Bank of Chicago		2.2	3.7	6.0	3.3	3.7	2.3	1.0	14.2	4.7	--	6.9	1.26	9.5	4.6	-6.6											
Bankers Trust Co.		2.2	3.4	5.7	3.6	3.6	2.0	1.8	9.3	--	--	6.3	1.28	9.3	4.5	-11.4											
Manufacturers Natl Bank-Detroit		2.2	3.0	5.4	3.2	2.2	2.5	2.0	12.0	5.5	8.6	6.5	1.20	9.5	4.7	-10.0											
Econovus International Inc.		2.1	4.1H	6.0	5.2H	3.7	1.4	2.5	12.5	6.3	8.7	6.4	1.45H	9.8	4.6	-20.0											
Conference Board		2.0	3.4	5.5	3.6	3.1	2.7	2.7	8.9	4.9	8.3	6.6	1.17	9.3	3.7L	-19.4											
CRT Government Securities		1.9	3.7	5.8	3.8	3.4	2.0	2.0	14.6	5.8	8.9	6.4	1.19	9.2	4.7	-21.1											
Manufacturers Hanover Trust Co.		1.9	2.5L	4.5	3.2	2.8	2.1	-1.7L	3.7L	5.3	8.7	6.6	1.15	9.5	--	-10.7											
SOM Economics, Inc.		1.8	4.1	6.1	4.1	2.1	1.8	1.0	11.3	5.4	8.3	6.9	1.23	9.1	4.4	2.0											
U.S. Chamber of Commerce		1.7	3.2	4.8	4.0	2.0	1.8	-0.2	8.8	5.9	8.8	7.0	1.21	9.4	4.5	-13.7											
Evans Economics		1.1L	3.3	4.4L	4.8	0.9L	1.8	-0.5	3.9	4.7	8.5	7.0	1.14	8.8L	--	-61.6L											
1992 Consensus:																											
Oct. Avg.	(2.7)	3.5	6.2	(3.6)	4.0	2.4	2.4	2.9	13.4	5.5	8.6	6.6	1.26	9.4	4.5	-15.5											
High 10 Avg.	3.4	3.9	7.1	4.3	5.6	3.1	3.1	5.6	21.8	6.3	9.0	7.0	1.39	9.8	4.8	4.0											
Low 10 Avg.	1.9	3.0	5.3	3.1	2.5	1.7	0.3	0.3	7.0	4.8	8.2	6.2	1.11	9.0	4.2	-36.0											
September Avg.	(2.7)	3.5	6.3	(3.7)	4.0	2.6	2.6	3.3	12.6	5.8	8.8	6.5	1.26	9.5	4.6	-14.9											
Number Of Forecasts Changed From A Month Ago:																											
Down	21	26	25	25	23	26	28	21	34	34	14	27	24	15	24												
Same	09	13	12	14	08	08	06	03	07	05	19	07	17	09	05												
Up	23	14	16	14	22	19	19	26	08	08	20	18	10	07	24												
October Median	2.7	3.5	6.1	3.7	4.0	2.5	2.9	12.5	5.5	8.7	6.5	1.26	9.4	4.6	-15.4												

BASIC DATA SOURCES: 1Gross National Product (GNP), Constant 1982\$, Bureau of Economic Analysis (BEA); 2GNP Implicit Price Deflator, BEA; 3GNP, Current dollars, BEA; 4Consumer Price Index-All Urban Consumers, Bureau of Labor Statistics (BLS); 5Total Industrial Production, Federal Reserve Board (FRB); 6Disposable Personal Income, Constant 1982\$, BEA; 7Non-residential Fixed Investment, Constant 1982\$, BEA; 8Corporate Profits Before Taxes, Current \$, with Inventory Valuation and Capital Consumption Adjustments, BEA; 9Treasury Bills, 3-Month, new issues, Bank Discount Basis, Economic Indicators; 10Wood's Seasoned Economic Indicators; 11Unemployment Rate For All Civilian Workers, BLS; 12Housing Starts, Bureau of Census, SAAR; 13Total U.S. Auto Sales, Annual Rate, BEA; 14Total U.S. Truck Sales, Annual Rate, Motor Vehicle Manufacturers Association; 15Net Exports Of Goods And Services, Constant 1982\$, SAAR, BEA. COPYRIGHT 1991, CAPTOL PUBLICATIONS, INC.

Don. Briefs
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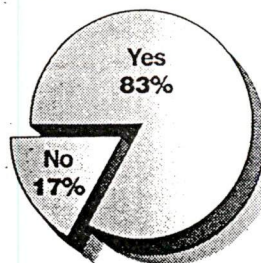
Miller, Manufacturers

USA TODAY • TUESDAY, OCTOBER 8, 1991

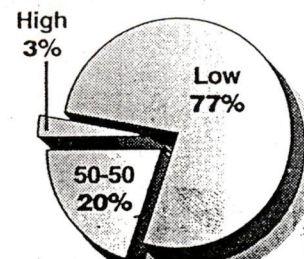
RECESSION IS OVER, another Fed rate cut likely

Consumers wouldn't agree, but economists say an economic recovery is under way. However, they say weak growth will prompt the Federal Reserve to nudge down interest rates.

Are you convinced the recession is over?



If you believe the recession is over, how great is the danger of a slide back into a recession?



Source: USA TODAY survey

By Marcy E. Mullins, USA TODAY

Optimists cite gains

By Mark Memmott
USA TODAY

Six of 47 economists surveyed last week by USA TODAY have changed their minds since June on whether the recession is over:

► Four who thought the economy was in recession have decided a recovery is under way.

► Two who thought a recovery had begun have decided the recession never ended.

The optimists point to slow but steady consumer spending, rising industrial output and gradually improving home and car sales.

"What I've seen since (June) is

► Economists' optimism, 1A

enough to convince me we're in a slow recovery," says Stuart Hoffman, chief economist at PNC Financial Corp., one of the four to join the optimists.

But Larry Chimerine of DRI/McGraw-Hill, one of the pessimists, says he's "become more nervous about this economy."

"It just seems like things softened up in August and September," Chimerine says.

Economists panel members

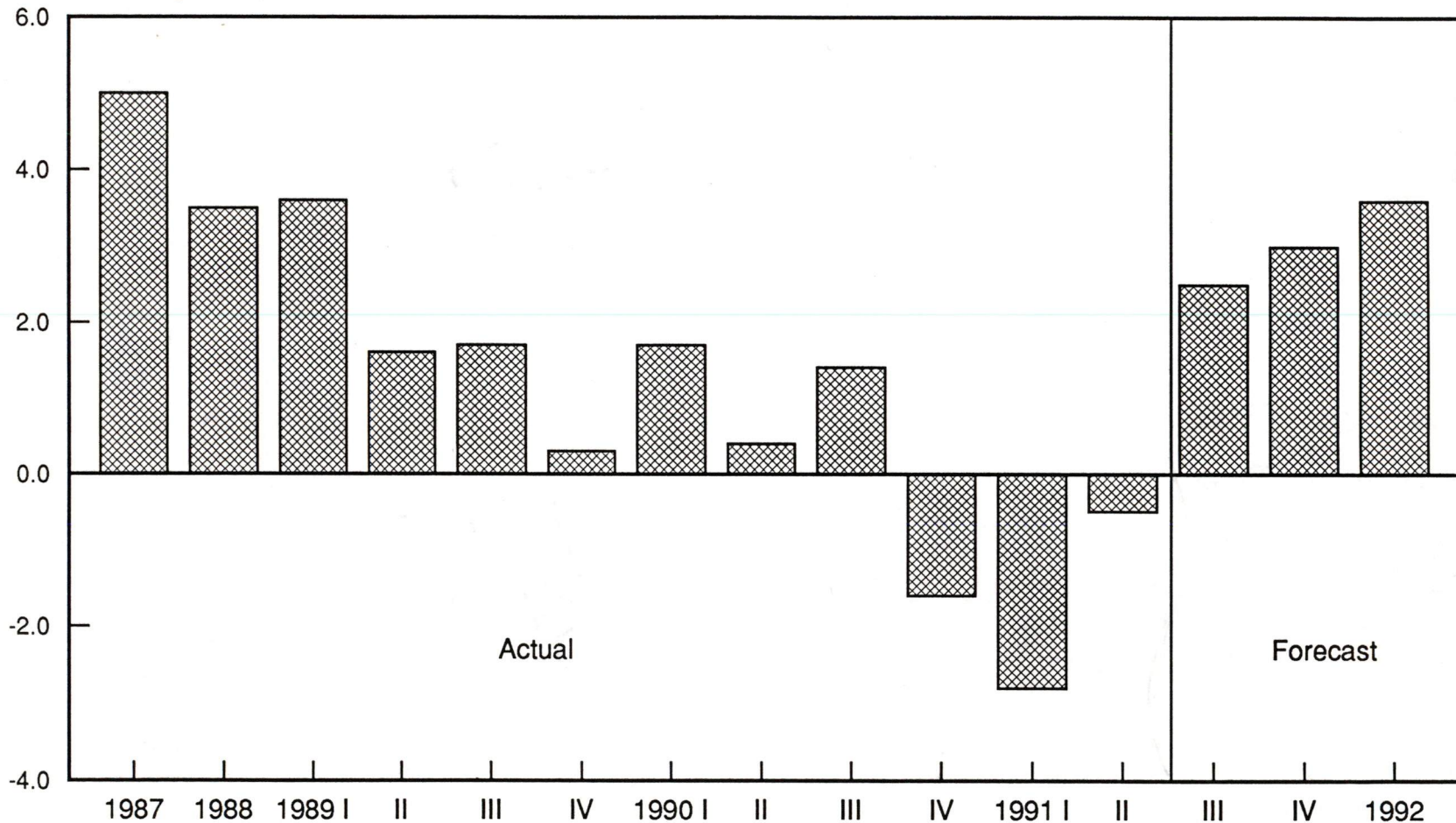
James Annable, First Natl. Bank of Chicago; Robert Barbera, Lehman Bros.; David Blitzler, Standard & Poor's; Robert Brusca, Nikko Securities Co. International; Larry Chimerine, DRI/McGraw-Hill; J. Dewey Daane, Vanderbilt Univ.; Robert Dederick, Northern Trust; William Dunkelberg, Temple Univ.; M. Kathryn Eickhoff, Eickhoff Economics; Michael K. Evans, Evans Economics; Gail Fosler, Conference Board; Wayne D. Gantt, Interstate/Johnson Lane; Lyle Gramley, Mortgage Bankers Assn. of America; David Hale, Kemper Financial Services; Maury Harris, PaineWebber; Tucker Hart Adams, Central Banks of Colorado; David Hensley, UCLA Business Forecasting Project; Stuart G. Hoffman, PNC Financial; Lacy H. Hunt, Hong Kong Bank Group USA; Saul H. Hymans, University of Michigan; Jerry L. Jordan, First Interstate Bancorp.; Samuel Kahan, Fuji Securities; Howard Keen, Conrail; Irwin Kellner, Manufacturers

Hanover Trust Co.; Craig Knutson, Southwestern Bell; Lawrence Kudlow, Bear, Stearns & Co.; Carol Leisenring, CoreStates Financial; Alan Lerner, Bankers Trust Co.; William MacReynolds, U.S. Chamber of Commerce; Giulio Martini, Sanford C. Bernstein; Laurence Meyer, Laurence Meyer & Associates; Lynn Michaelis, Weyerhaeuser; Joel L. Naroff, First Fidelity Bankcorp.; Elliott Platt, Donaldson, Lufkin & Jenrette; Maria F. Ramirez, Ramirez Capital Consultants; Donald Ratajczak, Georgia State Univ.; Norman Robertson, Mellon Bank; Howard Roth, Security Pacific; Kim Rupert, MMS International Inc.; Allen Sinai, Boston Company Economic Advisors; James F. Smith, University of North Carolina; Sung Won Sohn, Norwest Corporation; Neal M. Soss, First Boston Corp.; Donald Strasheim, Merrill Lynch; Richard A. Stuckey, Du Pont; John O. Wilson, Bank of America; Raymond Worseck, A.G. Edwards & Sons

Real GNP Growth

Real growth was sluggish for a year and a half before the economy entered recession. The recession likely ended in the second quarter and the economy is expected to grow moderately over the next year and a half.

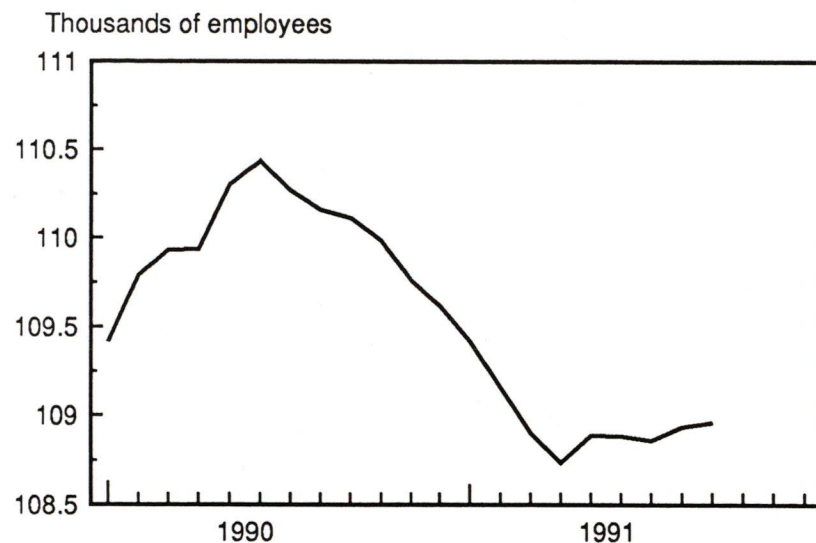
Percent change



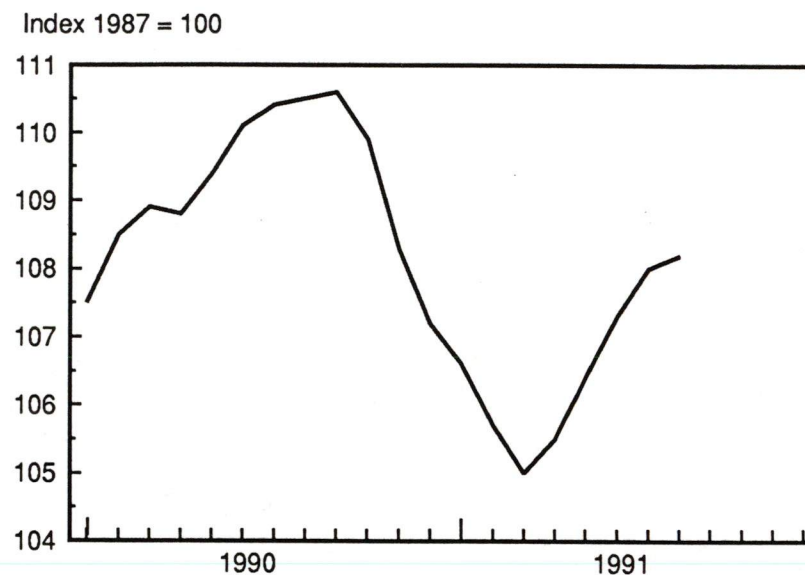
Note: Annual measures are fourth quarter to fourth quarter percent changes.

Don. Brown

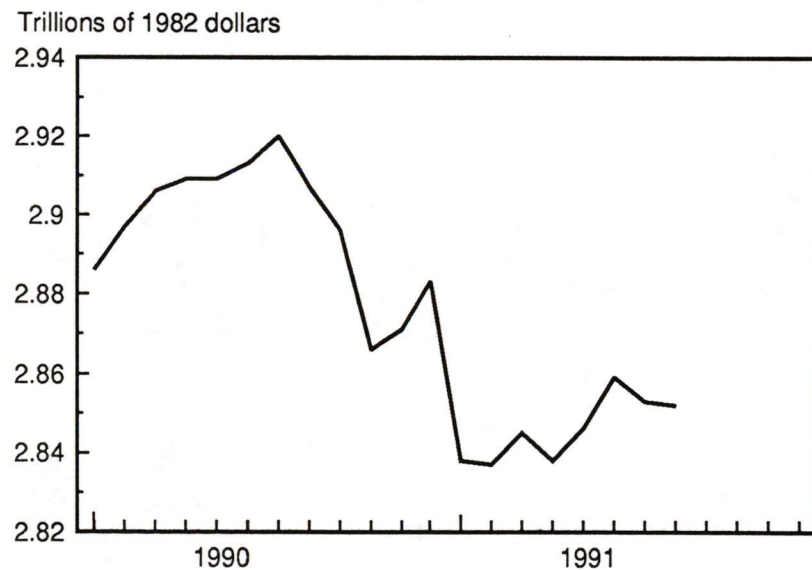
Nonfarm Payroll Employment



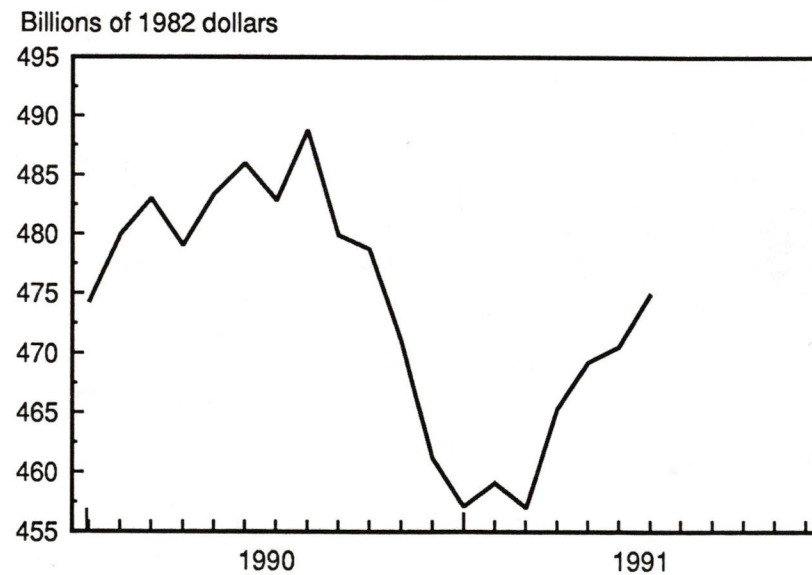
Industrial Production



Real Personal Income Less Transfers



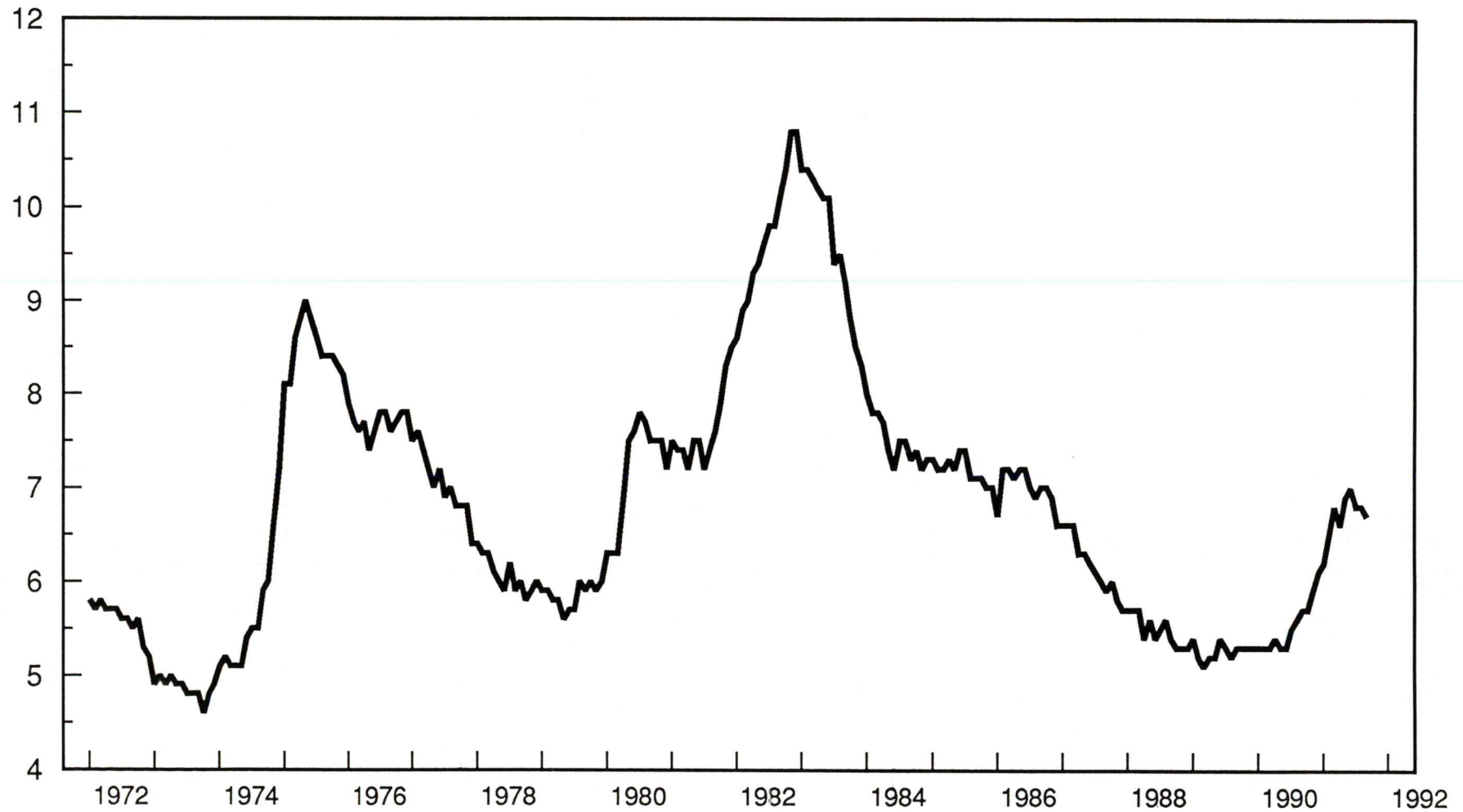
Real Manufacturing and Trade Sales



The Unemployment Rate

The unemployment rate increased over the past year but remains low in comparison to recessions of the past two decades.

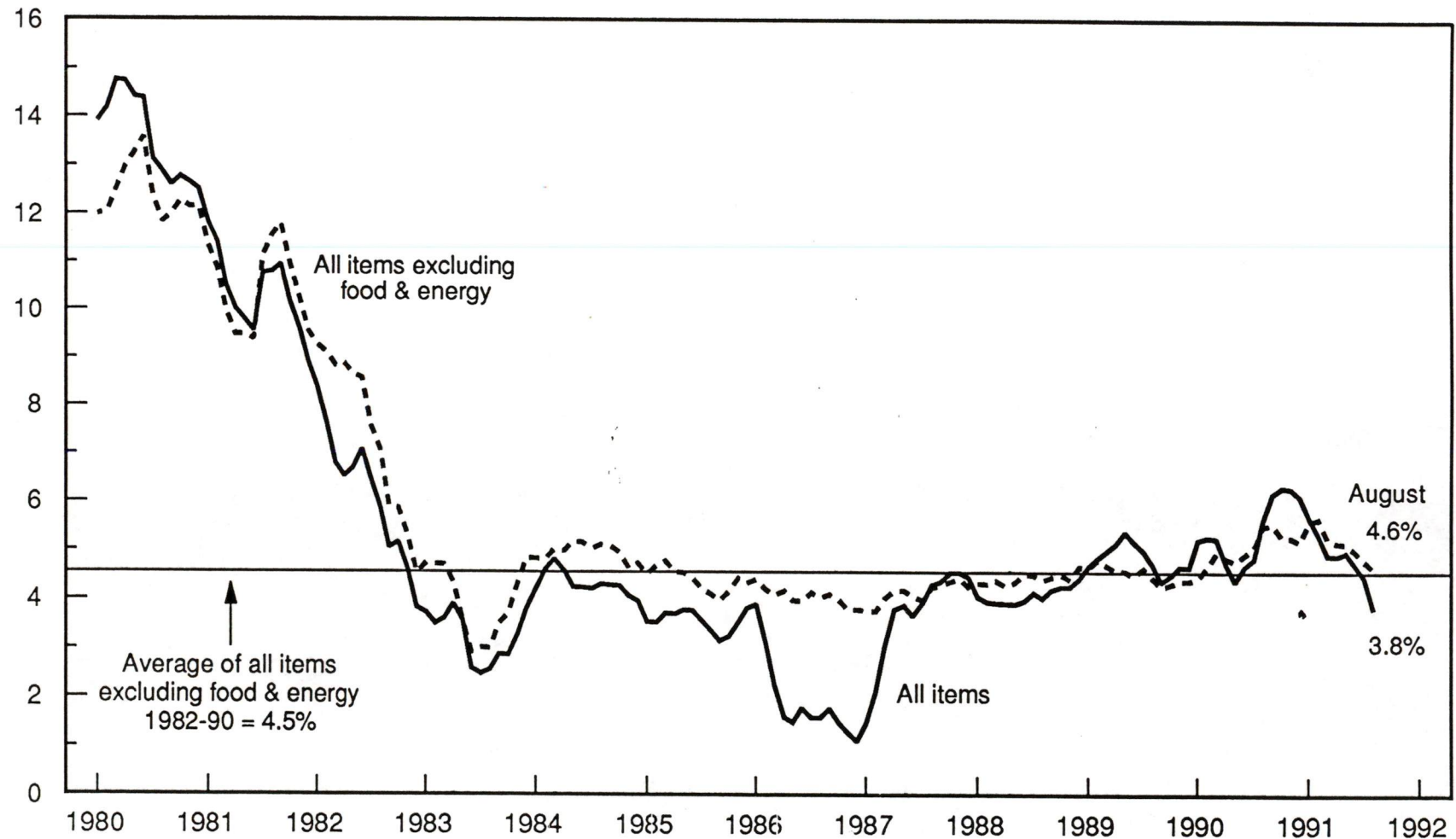
Percent of civilian labor force, SA



Consumer Prices

Last year's oil price increases created only a temporary blip up in inflation. Excluding food and energy, inflation has been extraordinarily stable since 1982 and has been trending downwards this year.

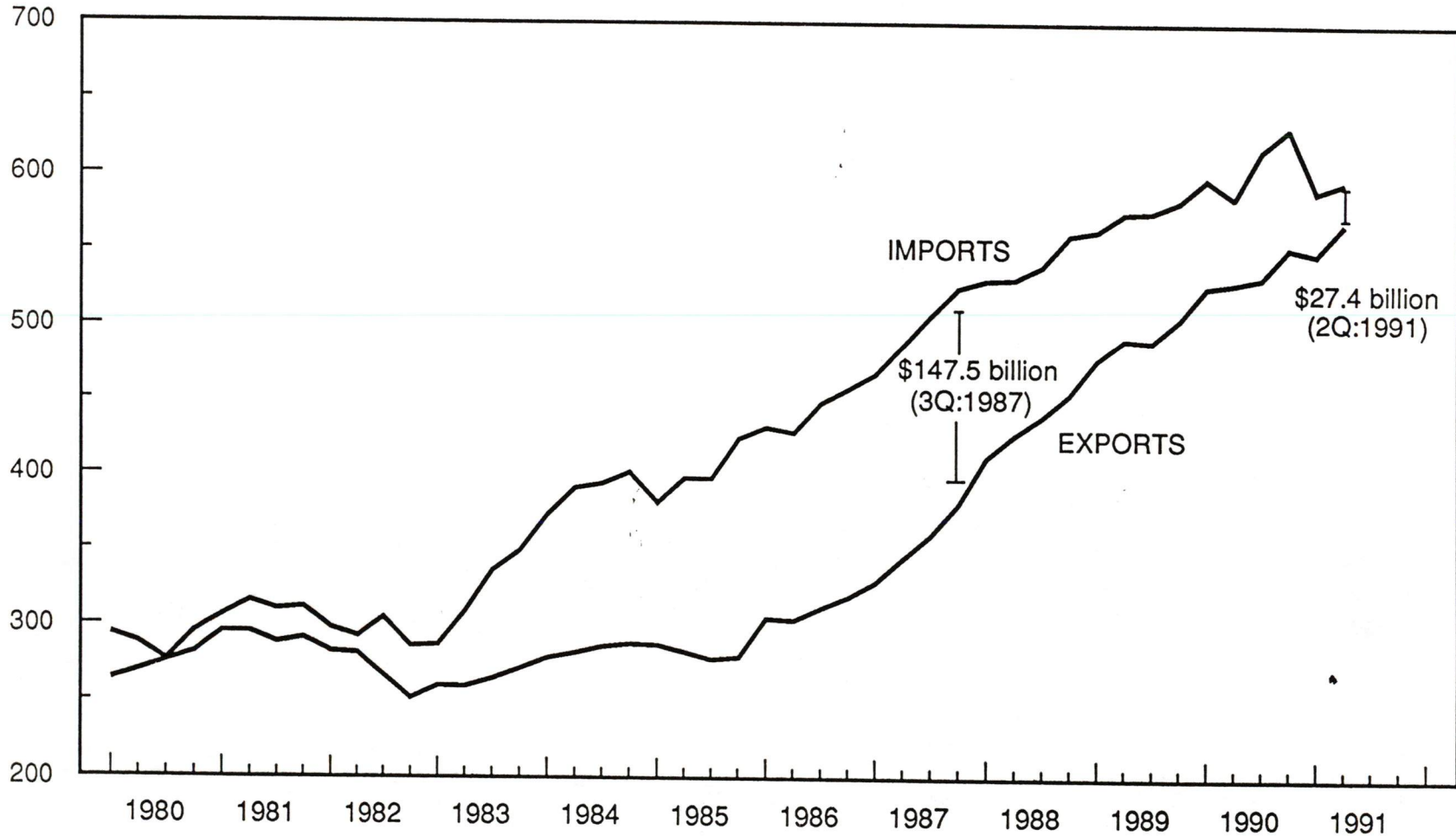
Percent change from year earlier



The U.S. Trade Deficit

Expanding exports have contributed to the steady improvement in the U.S. trade deficit since 1987.

Billions of Dollars

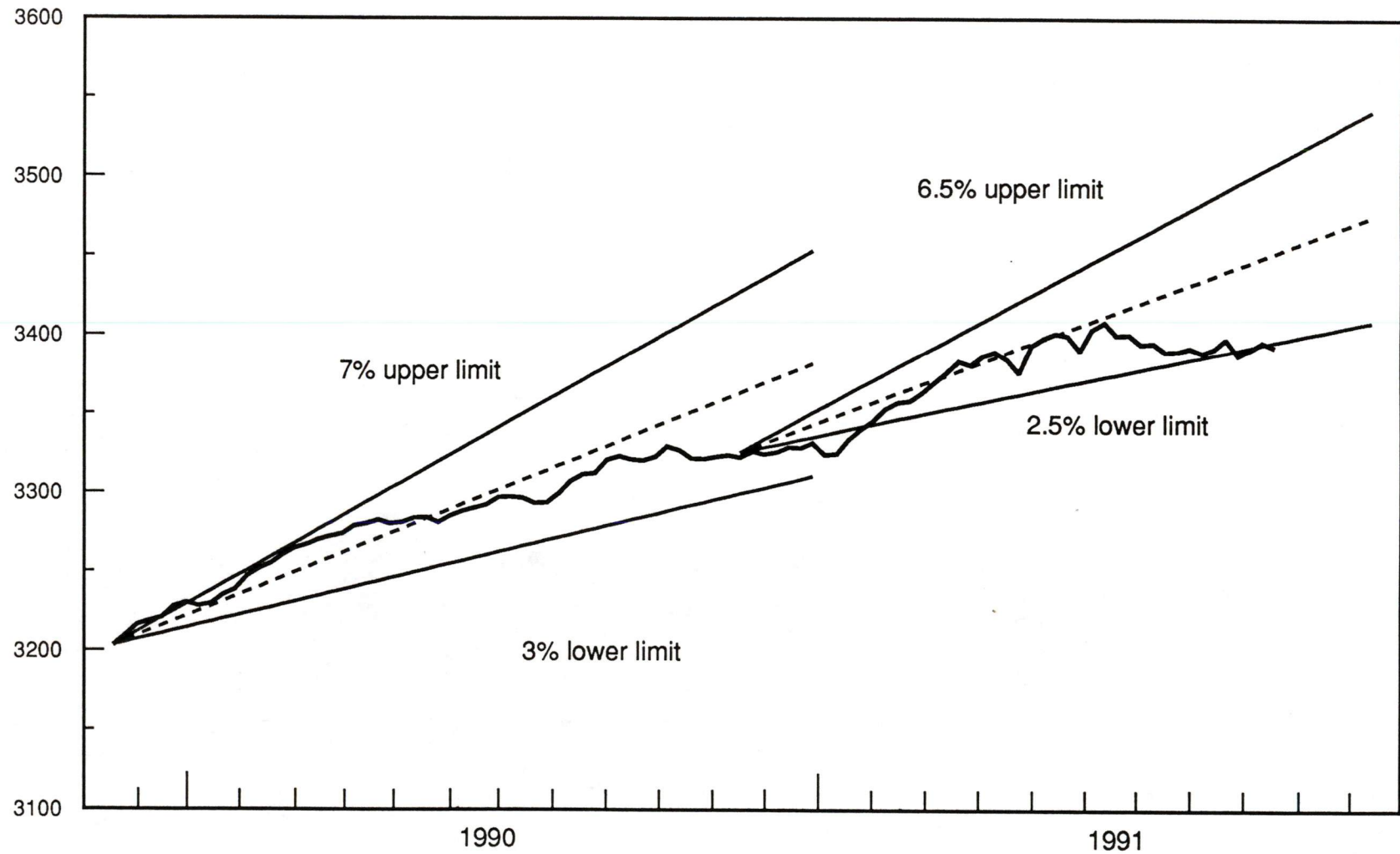


Notes: Both imports and exports include goods and services less factor income.
Data are quarterly at annual rates.

Money Stock-M2

Slow M2 growth this year has put the money stock below the lower limit of the Fed's target range.

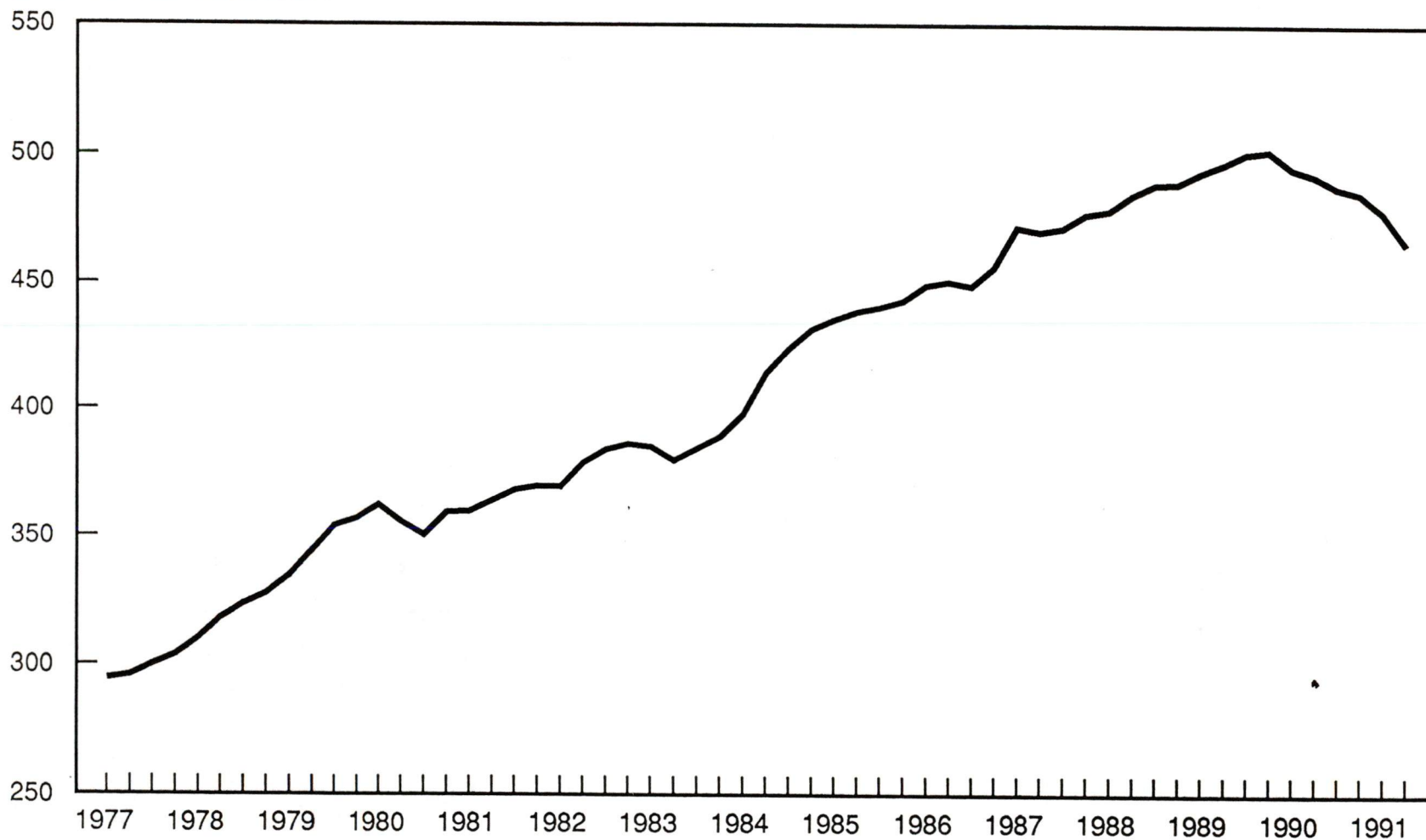
Billions of dollars, SA



Real Commercial and Industrial Loans by Banks

Commercial and Industrial lending by banks has plummeted in the last 18 months; even in the sharp 1982 recession it declined only slightly.

Billions of 1982 dollars, SA

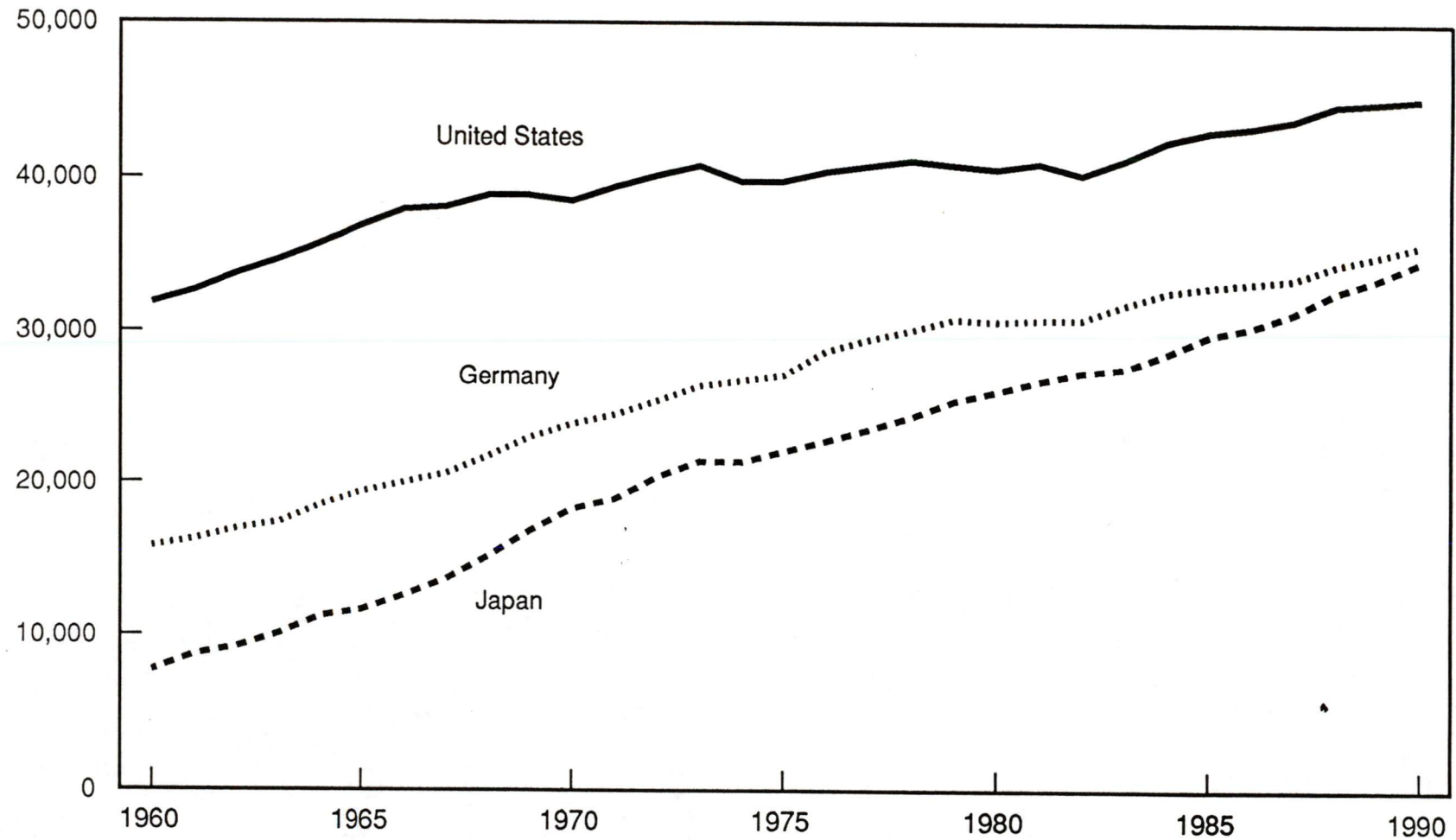


Source: Federal Reserve Board

Productivity

The average level of U.S. productivity is greater than that of Germany and Japan.

1990 dollars

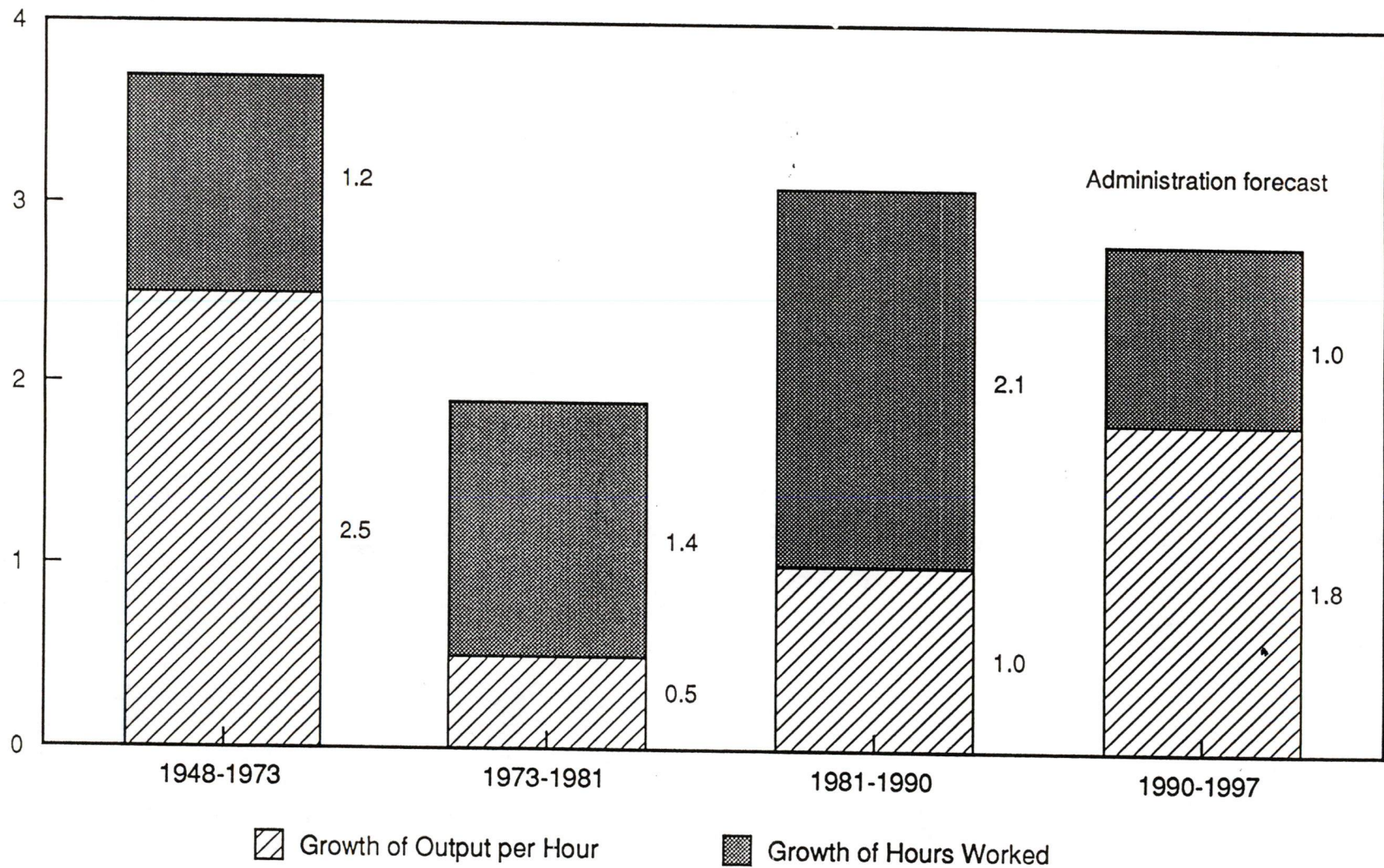


Note: Productivity is output per worker as measured by gross domestic product.

Components of GNP Growth

The sources of long-run GNP growth are improvements in output per hour worked and increases in the labor force.

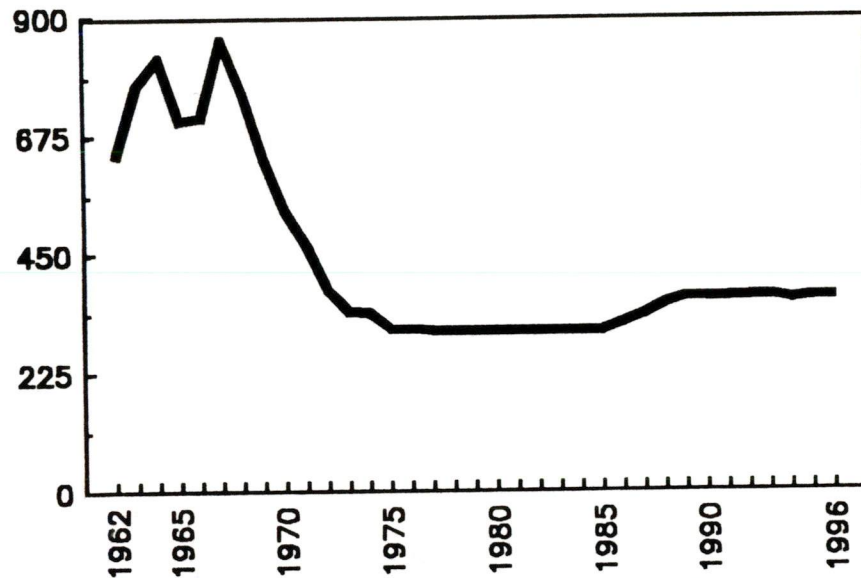
Percent per year



AIR FORCE STRATEGIC LIFT

AIR FORCE STRATEGIC AIRLIFT AIRCRAFT

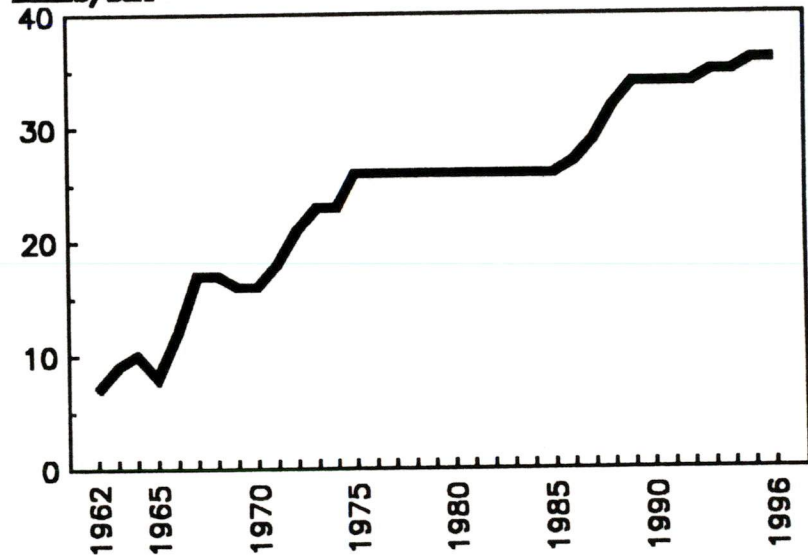
NUMBER OF AIRCRAFT



This shows number of aircraft in units, which excludes aircraft for training, maintenance, and those provided to replace anticipated losses.

AIR FORCE STRATEGIC AIRLIFT CAPABILITY

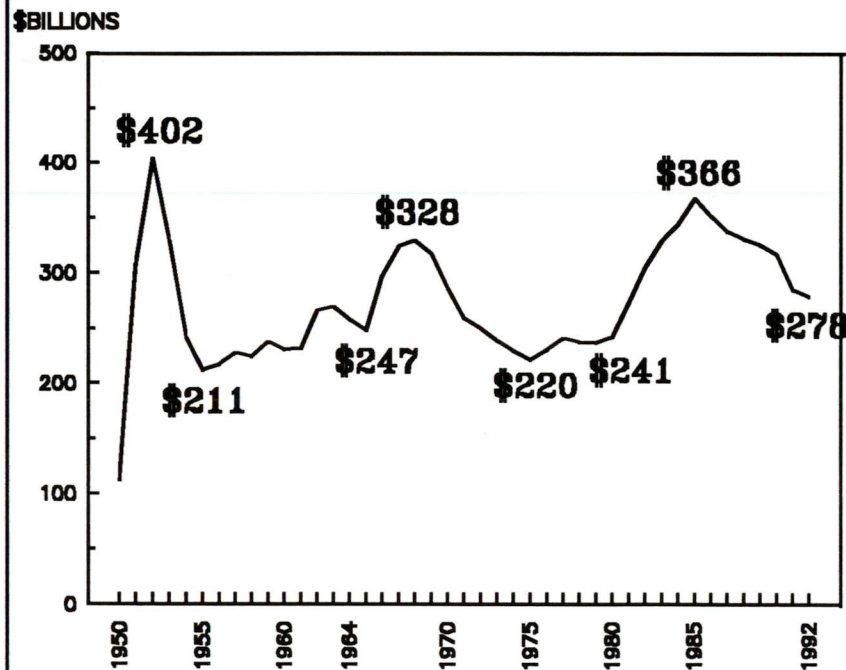
MILLION-TON
MILES/DAY



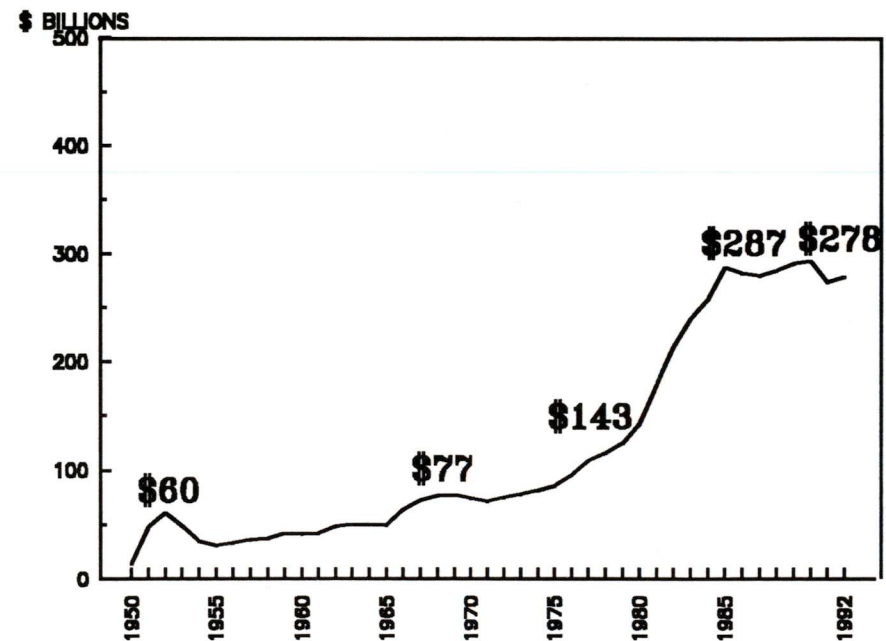
Excludes contribution of Civil Reserve Air Fleet

DOD-MILITARY BUDGET TREND (BA)

Constant 1992 Dollars:
Higher than several previous troughs



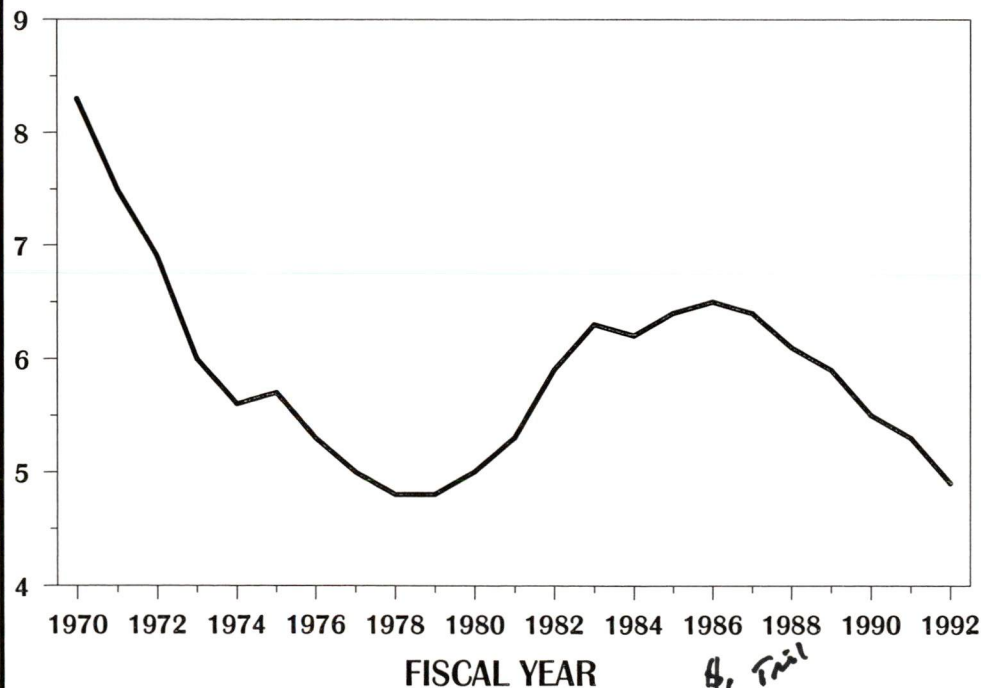
Current "Then-year" Dollars:
Steadily rising, then flat



DOD TRENDS - - AS A PERCENT OF WHAT ?

**% OF GNP:
DECLINING**

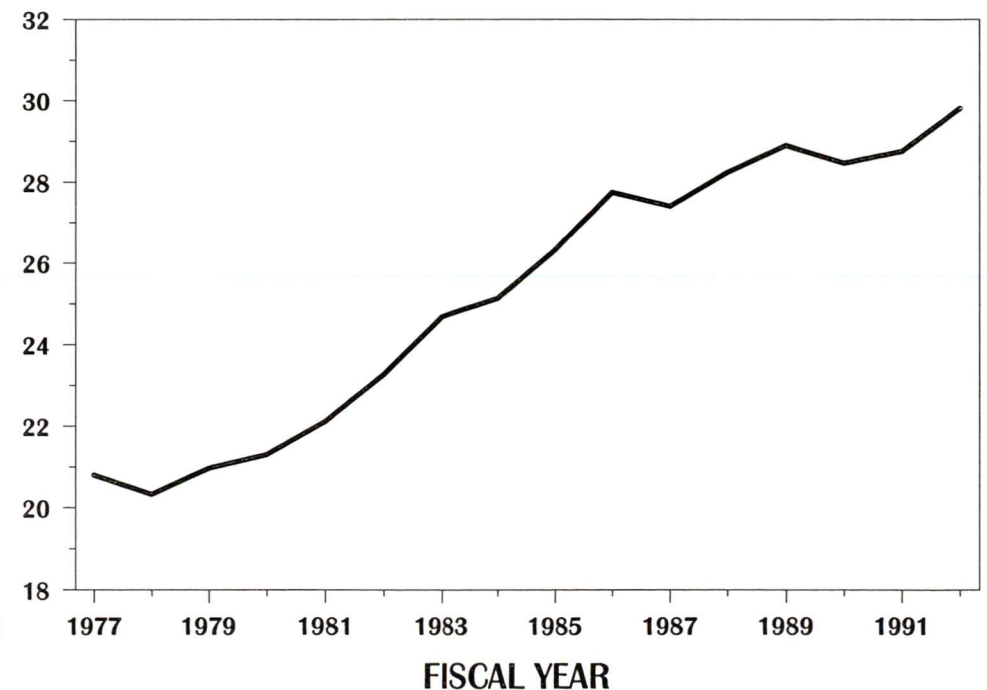
PERCENT



*GNP ~ \$6 Tril
Debt ~ \$3.57 Tril
(268 in public)*

**% OF GLOBAL DEFENSE SPENDING:
RISING STEADILY**

PERCENT



Don. Briefing 10/9

AGENDA -- 10/9/91

(1) Blue Chip (private 'til tomorrow)

- o 53 of 53 positive re '92
- o Even the Chamber is inching up

(2) U.S. as U.N. "Dead Beat"

- o Facts: ex Cambodia, it's not so bad.
- o Cambodia/Baker (October 23): How much? How?
- o Philosophical issues

-- inside Beltway: Is "peacekeeping" 050?

-- outside Beltway: Taxation without representation! 

(3) Defense Agitprop

- o For external use:



"IN THE PAST TWO ^{FISCAL} YEARS ALONE, DOMESTIC SPENDING HAS GONE UP BY ALMOST \$200 BILLION MORE THAN DEFENSE HAS."



- o For internal use:

[There are alternative ways to look at this!]

Increases
60 B Deposit Ins.
40 B SS
20 B Medicare
25 B Medicaid
10 B Unemp
:

(4) Credit crunch reactions

Dom. Briefing 10/8/91

AGENDA -- 10/8/91

- (1) Foreign-vs.-Domestic: use of "emergency" provision and debt write-down (the Sasser-Mitchell critique)
- (2) Panetta 10-year plan (released Monday)
- (3) Wetlands
- (4) Regulatory Crunch: EPC

By 30M TAX increase ↓
streamline sov't ↑

Don Briefly 10/2/91

FY 1991 SPENDING NOT SUBJECT TO CAPS
"Emergency" Items Approved by the President and Congress in
H.R. 1281 (P.L. 102-27) Dire Emergency Supplemental, FY 1991
(dollars in millions)

11:29 AM
19-Sep-91

Account/Rationale	FY 1991	
	<u>BA</u>	<u>OL</u>
Funds Appropriated to the President		
Economic Support Fund.....	850	850
Emergency aid designed to offset the economic impact of the war on Israel (loss of tourist income, damage from SCUDs); and on Turkey (loss of oil pipeline fees from Iraq, military mobilization costs).		
 Agency for International Development		
Operating expenses.....	6.0	6.0
Emergency removal of personnel from high-risk posts, primarily in the Persian Gulf.		
 Department of State		
Emergencies, diplomatic and consular service	9.3	6.5
Emergency removal of personnel from high-risk posts, primarily in the Persian Gulf.		
 Salaries and Expenses.....	39.7	32.6
Emergency removal of personnel from high-risk posts, primarily in the Persian Gulf.		
 United States Information Agency		
Salaries and Expenses.....	4.4	3.6
Emergency removal of personnel from high-risk posts, primarily in the Persian Gulf.		
 District of Columbia (general fund).....	3.6	3.6
Increased costs to city government (security) as a result of the Persian Gulf war.		
 Department of Justice		
Federal Bureau of Investigation	4.6	3.7
Increased counter-intelligence / anti-terrorism work-load as a result of the Persian Gulf war.		
 Immigration and Naturalization Service.....	3.1	2.5
Increased level of investigation of immigrants as part of anti-terrorism effort that resulted from the Persian Gulf war.		

FY 1991 SPENDING NOT SUBJECT TO CAPS
"Emergency" Items Approved by the President and Congress in
H.R. 1281 (P.L. 102-27) Dire Emergency Supplemental, FY 1991
(dollars in millions)

11:29 AM
19-Sep-91

Account/Rationale	FY 1991 <u>BA</u>	<u>OL</u>
Department of Labor		
Unemployment Insurance Administration.....	— — —	150
Recession — Increased administrative costs that resulted from unanticipated increase in number of claims.		
Legislative Branch		
Capitol Police Board.....	6.2	6.1
General Expenses, Capitol Police.....	1.1	1.0
Increased security concerns as a result of the Persian Gulf War		
Library of Congress S & E.....	0.1	0.1
Increased security concerns as a result of the Persian Gulf War		
Department of the Treasury		
Bureau of Alcohol, Tobacco & Firearms.....	2.0	2.0
Increased vigilance on weapons traffic as part of anti- terrorism effort that resulted from the Persian Gulf war.		
Customs Service S & E.....	1.8	1.8
Increased scrutiny of international airports, borders as part of anti-terrorism effort that resulted from the Persian Gulf war.		
Secret Service S & E.....	4.9	4.9
Increased security concerns as a result of the Persian Gulf war.		
Veterans Administration		
General Operating Expenses.....	12.0	11.0
Unanticipated administrative costs associated with increased benefits to veterans as a result fo the Persian Gulf war.		
TOTAL, H.R. 1281.....	948.9	1,085.3

26-Sep-91

**1991 Debt Forgiveness Summary A/
(\$ in millions)**

	Principal Forgiven	Scheduled Payments June 1990	Receipt Estimates for 1991 in 1992 Budget	
Enterprise for the Americas Initiative				
<u>AID AND P.L. 480 DEBT</u>				
Bolivia D/	31	2		
Chile	16	11		
Jamaica	217	19		
Poorest Countries				
<u>AID DEBT</u>				
Bangladesh	292	14		
Bolivia	341	17		
Entente Fund C/	27	0		
Guyana C/	73	4		
Honduras C/	327	12		
Nicaragua C/	258	11		
<u>PL 480 DEBT</u>				
Ghana C/	90	4		
Guyana C/	32	1		
Honduras C/	106	3		
Kenya C/	101	3		
Madagascar C/	53	3		
Malawi C/	2	0		
Mozambique C/	50	2		
Nicaragua C/	17	1		
Senegal C/	42	1		
Tanzania C/	55	3		
Uganda C/	16	0		
TOTAL	2,145	108	34	B/

A/ Excludes special debt relief for Egypt and Poland.

B/ Detail on expected receipts is classified.

C/ Pending.

D/ PL 480 only.

Countries/Programs for which Defense Cooperation
Account (DCA) Interest has been used
\$ in millions

Account	appropriated in Supp.	Used to date	To be used	Purposes used
U.N. Peacekeeping in Iraq	25	19	6	U.N. Peacekeeping on Iraq-Kuwait border
Migration and Refugee Assistance	75	31	44	Finance U.N. programs for refugees displaced persons in and around Iraq.
Emergency Refugee Assistance of which:	<u>68</u>	38	30	
Requested by Administration	(23)	(23)	--	Replenished emergency fund for \$23 million in funds already spend on refugees in Iraq. Replenished funds used for refugees in Horn of Africa.
Add-on by Congress	(45)	(15)	(30)	Funds used to date are for Palestinian, Soviet Jewish, and African refugee needs.
Disaster Assistance of which:	<u>67</u>	27	40	
Requested by Administration	(27)	(27)	--	\$15 million spent on Kurds and other displaced persons in and around Iraq. \$12 million spend on Horn of Africa, Liberia, Philippines disaster needs.
Add-on by Congress	(40)	0	(40)	Will meet emerging disaster needs
TOTAL APPROPRIATED	235	115	120	

note: All funds are available beyond FY 1991

Don. Riepin 10/8/91

October 8, 1991

Wetlands

1. Claims that we have precisely and accurately identified the universe of wetlands in the United States should be treated with skepticism.
2. The most accurate comprehensive National Wetlands Inventory, using a statistical analysis of aerial photographs was conducted by the Fish and Wildlife Service in 1974-1983 and concluded that there were 103.3 million acres of wetlands.
3. More recent statistical surveys conducted by the USDA Soil Conservation Service suggest that annual wetland losses (net), which were approximately 290,000 acres per year during much of the 1980s have dropped below 200,000 acres per year.
4. The 1989 Manual made it easier to count as wetlands farmed areas that had been converted to farmland before the 1985 Farm Bill. This is because, under the 1989 Manual you only needed to satisfy one of the three criteria of hydric soils (the color of the soil), vegetation (what is growing on it) or hydrology (signs that water is or has been present). The 1989 Manual also made it easier to identify bottomland hardwood forests in the southeast as wetlands because it dramatically shortened the time period for inundation or saturation from a percentage of the growing season to 7 days of inundation or 14 days of saturation.

These changes increased the universe of wetlands to approximately 150 million acres.

5. Our best estimate of the new universe of wetlands under the proposed revisions to the 1989 Manual is in the 90 to 100 million acre range. But this is simply a "best guess."
6. We have underway an extensive interagency testing program by the Fish and Wildlife Service, the EPA, the Army Corps, and the Soil Conservation Service to determine both the coverage and the workability of the proposed revisions to the Manual. In addition, EPA and the Corps is sponsoring an independent panel to conduct field testing of the proposed revisions. The Panel is made up of industry and environmental representatives.

FOR IMMEDIATE RELEASE

October 7, 1991

CONTACTS: Barry Toiv, Neil Strawser
(202) 225-7290

BUDGET COMMITTEE CHAIRMAN ANNOUNCES PANEL TO REVIEW BUDGET SITUATION,
PROPOSES "TEN-YEAR COMMITMENT TO RESTORING AMERICA'S FUTURE"

House Budget Committee Chairman Leon E. Panetta (D-CA) announced today that his committee, at the request of House Speaker Thomas S. Foley (D-WA), will carry out a comprehensive review of the current budget situation "in light of the changes in the world and the growing economic and social needs of the nation."

He also said a review was necessary because of new Congressional Budget Office projections that deficits will begin to rise again after the current budget agreement expires in 1995. CBO projects \$300 billion deficits by the year 2001 after substantially lower deficits in mid-decade, and estimates that the national debt will grow by that time to \$5.1 trillion, taking it over 50 percent of GNP.

"No decisions can or should be made about changing the budget agreement without a careful understanding of the problems in our economy and the steps needed to confront these problems," Panetta said.

To begin his committee's review, Panetta proposed "the outlines of a ten-year budget path that can guide us to where this nation needs to be not just in the year 1993 but in the year 2001."

Speaking at a Capitol Hill press conference, he called the plan "a ten-year commitment to restoring America's future" and said it was designed to streamline government, target resources to establish specific goals, and achieve as much as a trillion dollars in deficit reduction over the period.

"In the 1980's, the nation closed its eyes, crossed its fingers, and hoped for the best," Panetta said. "The result is a nation besieged by debt and serious economic and domestic problems that threaten our future. The question for the President and the Congress is whether the 21st century will remember today's leadership for its success or its failure at rebuilding the nation and restoring America's future."

Panetta said his outline contained three primary components:

• STREAMLINING GOVERNMENT. Panetta proposed substantially reducing from 14 the number of Executive Branch departments and set as a goal a 20-percent reduction in non-priority areas. He said reductions could be achieved in both the Executive and Legislative Branches by consolidation and by "desperately needed" management reforms.

"The cost of operating Federal departments has grown by 33 percent just since 1981," Panetta said, "but few would claim that government has done a better job of coordinating policies or delivering services. Today's departments too often work at cross-purposes, frustrating both policy and delivery of services. These reforms would not only result in better management and a greater concentration of expertise in key areas but also help attract our best people to public service."

• TARGETING RESOURCES. Panetta said it would be necessary "to target the limited resources we will have over the next decade to investments in specific programs -- both proven existing programs and new innovative ideas -- in three areas critical to our future." They were:

• Education. Panetta called for a ten-year investment of \$100-

PANETTA
2-2-2-2

120 billion beyond current plans and said the funds should be targeted to achieve the following goals: restoring American students to the world's best in science and mathematics; extending the opportunity of literacy to every person; cutting the school dropout rate by at least 70 percent; expanding opportunities for higher education; guaranteeing that every school-age child -- no matter his or her background -- is prepared to be educated; and, toward that goal, providing adequate nutrition to the 5 1/2 million children now estimated to go to bed or school hungry.

"Today's educational system is not preparing our children to work and compete in the next century," he said. "Furthermore, too many children are simply not prepared to be educated. Both problems directly threaten our economic future."

"Words alone are not enough," he continued. "Our children's schools need resources, not rhetoric."

• Health. Panetta urged enactment, within the next few years, of "a self-financing nationwide program that guarantees affordable health coverage for every American."

"Our present health care system, with 33 million Americans uninsured, millions of others at risk, and costs climbing through the roof, is intolerable," he said.

Panetta also called for an additional \$75-90 billion investment over the next decade in health programs to achieve the following goals: cutting the rate of infant mortality by 50 percent; ensuring that every child receives necessary immunizations; and intensifying the nation's search for the causes and cures of cancer, heart disease, and AIDS.

• Economic growth. Panetta pointed to the concerns of American businesses regarding "the inadequacy of today's work force and the economy's inability to provide the resources, infrastructure, and incentives essential to growth."

He said that over the next ten years, the following should be done: implement a comprehensive national energy security plan that promotes conservation and a healthier environment and increases energy efficiency by 15 percent; fund construction and innovation in the nation's infrastructure, including housing, roads, bridges, and mass transit; extend intensive job training to the nearly half million young people most in need of meaningful employment; and enact targeted tax incentives that encourage growth and provide middle-income tax relief without busting the budget or providing a bonanza to the rich.

Panetta said the cost of the economic-growth initiatives would be approximately \$130-\$160 billion.

• DEFICIT REDUCTION. Panetta said it is necessary not only to pay for the targeted initiatives he is proposing but also to achieve a trillion dollars in net deficit reduction. He said this would bring the deficit in 2001 below 1 percent of GNP, compared to 6.1 percent in 1992.

If the President and the Congress use the precedent of the 1990 budget agreement, in which they matched every two dollars in spending savings with one dollar in revenue increases, he noted, they could pay for the investments as well as reach the needed trillion dollars in net deficit reduction. Of the overall savings and revenues, three dollars would go to deficit reduction for every dollar going to investments.

He said savings could be achieved by: a gradual reduction of at least 33-40 percent in military spending over the decade, expanding on current plans for a 20-25 percent reduction by 1995 and on the President's recently announced shifts in defense posture; government streamlining; reductions in non-priority domestic areas; and cost controls in domestic entitlement programs.

#

RESTORING AMERICA'S FUTURE: PROPOSAL FOR A TEN-YEAR COMMITMENT

Chairman Panetta has proposed the following outline of a ten-year budget path to restore America's greatness as an economic power, secure productive and healthier lives for our people, and restore the trust of the American people in their government.

1. Streamline Government

We should consider consolidating government to provide greater efficiency and better delivery of services by:

- reducing cabinet departments from 14 to as few as 6: Human Resources, Defense, Natural Resources, Economic Policy, State, and Justice
- spending reductions in non-priority areas: up to 20% over ten years
- separating an Office of Federal Management from OMB to improve governmental performance

2. Target Resources

We must invest resources in those areas most critical to rebuilding America:

EDUCATION

Goals:

- extend literacy to the 30 million currently illiterate Americans
- become #1 in the world in math and science
- prepare all children to be educated prior to first grade
- cut school drop-out rate by at least 70%
- increase opportunity for higher education
- provide adequate food to the 5-1/2 million children now hungry

INVESTMENT: \$100 billion to \$120 billion over ten years

HEALTH CARE

Goals:

- enact a self-financed nationwide program that guarantees affordable health care for all Americans, including the 33 million uninsured
- achieve 100% immunization of children, including the 6 million currently uncovered, and expand preventive health care efforts
- cut the infant mortality rate by 50%, bringing America from 24th in the world to 1st

INVESTMENT: \$75 billion to \$90 billion over ten years

ECONOMIC GROWTH

Goals:

- extend job training to the one-half million young people most in need
- implement a comprehensive national energy security plan that promotes conservation and increases energy efficiency by 15%
- fund infrastructure, including housing, roads, bridges and mass transit
- provide targeted tax incentives to encourage growth and provide middle-income tax relief

INVESTMENT: \$130 billion to \$160 billion over ten years

3. Deficit Reduction

To achieve lower interest rates, and to increase competitiveness and productivity, the nation's savings base must be restored. This requires a reduction of the Federal deficit:

- achieve at least a 33% to 40% cut in military spending by the end of the decade, reductions in non-priority domestic areas, including entitlements, and revenue increases
- reduce the deficit to less than 1% of GNP by the year 2001; total net deficit reduction of \$800 billion to \$1 trillion over ten years

3 GOP Govs
3 Dem Govs
Darius / Sumner / Porter
Alexander
4 Cong'l Leaders

Don Brinkley 10/3/91

October 1, 1991

National Education Goals Report

Yesterday's release of the first report by the National Education Goals Panel received generally favorable press coverage. It emphasized the dimensions of the challenge we face (most headlines focused on our students not measuring up) without dwelling primarily on the issue of what resources are needed.

"Student Skills 'Not Good Enough'" (USA Today)
"Today's Students 20 Years Behind" (Washington Times)
"Pupils in America Reverse Declines, Analysis Shows Much Work Still Needed" (New York Times)
"Education Goals Called Far From Realization Report will Serve as Baseline for Progress" (Wash. Post)
"Students Fail to Reach Level Set in U.S. Plan" (WSJ)

The Panel reported that:

- We do not yet have good measures for school readiness;
- High school completion trends have been favorable, particularly for whites and blacks, and the gap has narrowed, but the graduation rate for Hispanic students has remained essentially unchanged at 60%;
- Competency in mathematics (the only core subject for which there is initial agreement on a competence level) at all levels remains extremely low;
- The available data on international comparisons in math and science from the early and mid-1980s show students from most other industrialized outperforming ours (additional data will be available in 1992);
- While most adults can perform rudimentary tasks such as adding two entries on a bank deposit slip, most adults remain unable to complete more complex tasks such as using a bus schedule properly;
- Drug use at school is on a downward trend, but school violence remains a concern among teachers and students.

The data released yesterday show that in science, math, and reading, student performance has changed very little over the last twenty years.

This contributes to the perception among parents and

students reflected in a new Harris poll that there is not a crisis in our schools.

Today, the panel considers this performance level unacceptable. In mathematics, where the panel accepted the National Assessment Governing Board (NAGB) determination for what constitutes a world class standard, only roughly one in six students is performing at a level considered competent.

Criticisms

Al Shanker and the American Federation of Teachers leveled three criticisms:

1. By adopting the competency standard in mathematics developed by the National Assessment Governing Board, the Panel sought "to portray the overwhelming majority of our students as mathematical illiterates" and to "pretend that things are far worse than they are."

2. That in reporting Federal spending on education by counting education spending in all Federal agencies (\$59 billion -- up \$10 billion since 1989) rather than simply through the Department of Education, we were inflating the figures because "the money sure isn't getting to our kids and schools."

20% increase

3. By focusing on public and private school choice, the Administration is seeking to deflect attention from the need to address poverty and to provide incentives to attract the best and the brightest college students to teaching.

Assessing the Goals Panel

Four final observations are worth noting:

1. The first report card showed some progress (graduation rates and drug use) and served as a useful benchmark.

2. The partnership between the Administration and the Governors remains intact and will continue to do so under the chairmanship of Carroll Campbell. This has helped defuse the efforts of Democrats still smarting over the fact that they feel you have "stolen the education issue" from them.

3. The Panel has clearly focused attention on the goals, on results, and on accountability -- all of which are central elements in your strategy.

4. The bulk of the Panel's work has usefully concentrated on establishing national standards and a voluntary assessment system to determine student competence in five core subjects.

ECONOMIC RECORD:
ROMANTICIZING REAGAN/CRITICIZING BUSH

There is now a tendency among "supply-side"/"conservative" critics to romanticize the Reagan record as they criticize the Bush record. Out of respect for President Reagan (and for other reasons), we should not rebut these critics publicly. But it is interesting to note privately:

- (1) Change of Tune: At this stage in the Reagan Administration, most of these critics were criticizing President Reagan!
- (2) Taxes: These critics abhorred President Reagan's 1982 tax increase (the first of many!) -- which happens to have been larger than the 1990 Budget deal's tax increase.
- (3) GNP Growth: Real GNP growth in the first 10 quarters of the Reagan Administration was almost identical to the first 10 Bush quarters (0.7% vs. 0.6%).
- (4) Unemployment: Average unemployment for the first 10 quarters of the Reagan Administration was much worse -- 9.0% (vs. 5.7% for the first 10 Bush quarters).
- (5) Balanced Budget/Deficit Estimates: President Reagan's initial economic plan promised a balanced budget in FY 1983. The actual 1983 result was minus \$208 billion. Adjusted for deposit insurance, that is higher than today's deficit. President Reagan's February 1981 five-year Budget was \$833 billion off in its estimate of the deficit! The average annual Reagan deficit for 8 years was 4.4% of GNP (vs. 4.0% for the first 3 Bush years).
- (6) Misery Index: Average Reagan misery index was worse -- 12.2% vs. current Bush 9.5%.
- (7) Irony: At the 9/25/91 EPC meeting, Secretary Kemp objected to statistics which showed better Bush performance than Reagan. He blamed the current economic problems on 3 things: Social Security tax increases; tax reform; and the Basle bank capital standards. These were all adopted in the Reagan Administration (in 1983, '86, and '88)!
- (8) Legitimate Concern: Nonetheless, there is reason for concern. After a sharp decrease, the economy was turning up sharply at this stage in the Reagan Administration. After a milder decrease in the Bush Administration, the economy turned up in May. But the turn has not yet been reenforced with expanded M-2, consumer confidence, etc.

POINT: Yes, we should act to increase growth. But No, we should not assume that the Reagan era was all golden-days-now-lost.

Cost
average 16.2%

AGENDA -- 10/3/91

- (1) Jobs growth in Bush era (to date):
 - Establishment Survey (reliable): up 1.45 million jobs;
 - Household survey (unreliable): down as Obey says;
 - Household survey likely higher than January 20, 1989: by the end of 1991(?).
- (2) Reagan-days-as-golden-era: A Perspective
(See separate sheet)
- (3) Education Report Card
- (4) "Breaking the Mold" (Friday Camp David meeting)

NOTE:

- o This is very important. Long term, the education strategy won't work without major R&D breakthroughs.
 - o The quest for breakthroughs in education R&D is old. The record is terrible. Many of the "researchers" have been third-raters. The existing system has shown remarkable power to resist the industrial and technological revolutions. "Research" has frequently been converted into argument in support of teachers' pay increases and tinkering. More of this will not do the job.
 - o The key for the Camp David crowd is to keep them out of the clutches of the educational establishment. What's needed are the functional equivalents of Henry Ford and Steve Jobs -- not the characters who inhabit the conventional world of education.
- (5) Leahy: Milk
 - "Voluntary Diversion"
 - Latest ploy: linkage with IMF quota

Don. Buefy
10/2

AGENDA -- 10/2/91

- (1) HUD-VA Appropriation: What play to call?
- (2) Market response to sweetened Soviet loan guarantee terms:
-- instant sale; large over-subscription!
- (3) Defense budget -- legislative dynamics following Friday speech:
 - Nunn: ". . . So you really have to ask, what is the B-1 role?" . . . "I think we have to reexamine the number of B-2s." . . . "I think the carrier numbers have to be reexamined"
 - General press reaction re nukes announcement and budget: "New Weapons Cuts May Prompt More" (NYT); "Green Light to Congress: Members to Raid Pentagon" (Washington Times); "Lawmakers Edge Toward Reopening Battle on Budget" (Chicago Tribune); "Calls to Review Budget Pact Rise" (NYT); etc.
 - FY '92 appropriations: may be possible to get by with modest adjustments after contentious argument.
 - FY '93 budget, appropriations, and Budget Agreement: much more significant adjustment likely.
 - o Republican Example. Gramm formulation (pre-nukes announcement): all savings go to deficit reduction (half) and personal exemption increase (half) -- via "Peace Dividend Investment Act."
 - o Democratic Example. Bradley formulation (post-announcement): \$116 billion for child tax credits over 5 years paid for by both defense (90) and domestic cuts.
 - o General observation. Logical U.S. defense savings from a changed Soviet Union will be said by many analysts to be much larger than we have yet said. This situation threatens to move beyond our control if we don't move to tie defense savings to things we want: e.g., SDI, deficit reduction, entitlement control, growth package, further Soviet reform.

NOTE: Although we talk about a "25% DoD reduction," that is not from where we are now, and not in dollars! It is from FY '90 (two years ago!), and refers to "the force." The downward-sloping lines on Cheney's charts use inflation-adjusted dollars. The political world uses dollars in the ordinary way. As printed, our pending budget shows National Defense (050) rising from \$291.3 billion in FY 92 to 298.3 in FY 96. Within that total, DoD raises from \$278.9 billion to \$283.4. Respectable analysts will say that this total could be cut by \$10-40 billion per year in the out-years!
- (4) Reagan-days-as-golden-era: A perspective (see sheet).
- (5) Education Report Card

PRELIMINARY

VA, HUD, INDEPENDENT AGENCIES, FY 1992
(in millions of dollars)Dan. Brish
10/2/91

01-Oct-91

07:42 PM

Major Programs	1991 Enacted 1/		President's Request 2/		Conference		Conference Difference from:			
	Enacted 1/		Request 2/		Conference		Enacted		Request	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
DOMESTIC DISCRETIONARY										
Housing and Urban Development:										
Subsidized housing programs.....	16,910	14,225	16,016	15,801	15,363	15,805	-1,547	1,580	-653	3
HOPE Grants.....	---	---	865	---	136	---	136	---	-729	---
Community development grants.....	3,205	3,073	2,920	3,099	3,400	3,118	195	45	480	19
HOME Block Grant.....	---	---	1,000	20	1,500	30	1,500	30	500	10
Other HUD.....	3,285	3,738	3,525	4,407	3,682	4,528	397	791	157	122
Subtotal, HUD.....	23,400	21,036	24,327	23,327	24,081	23,481	681	2,445	-246	154
Veterans Affairs:										
Medical Care.....	12,335	12,123	13,260	13,014	13,602	13,305	1,267	1,182	342	291
Other VA.....	2,011	1,772	1,893	1,738	1,963	1,791	-48	19	70	53
Subtotal, VA.....	14,346	13,894	15,154	14,752	15,565	15,096	1,219	1,202	411	344
NASA.....	13,868	13,497	15,701	14,705	14,420	13,882	552	385	-1,281	-823
FEMA.....	255	1,152	505	841 3/	463	694	208	-458	-42	-147
EPA:										
Construction Grants.....	2,100	2,353	1,900	2,194	2,400	2,202	300	-151	500	8
Superfund.....	1,616	1,361	1,750	1,514	1,616	1,485	-0	124	-134	-29
Other EPA.....	2,365	2,170	2,562	2,380	2,653	2,389	288	219	91	9
Subtotal, EPA.....	6,081	5,884	6,212	6,087	6,669	6,076	588	192	457	-11
National Science Foundation.....	2,316	2,098	2,722	2,416	2,578	2,319	262	221	-144	-97
Other Independent Agencies.....	182	200	163	142	240	185	58	-15	77	43
Total Domestic Discretionary.....	60,449	57,762	64,783	62,270	64,016	61,733	3,567	3,971	-767	-537
DEFENSE DISCRETIONARY										
Transfer to NASA.....	---	---	---	---	-100	-57	-100	-57	-100	-57
FEMA.....	308	310	310	312	310	311	2	1	---	-1
All Other.....	27	26	27	27	27	27	0	1	-0	-0
Total Defense Discretionary.....	335	336	337	339	237	281	-98	-55	-100	-58
TOTAL DISCRETIONARY.....	60,784	58,098	65,120	62,609	64,253	62,014	3,469	3,916	-867	-595

Note: Detail may not add to totals due to rounding.

1/ FY 1991 enacted includes credit reform adjustments for comparability with FY 1992.

2/ FY 1992 President's request includes legislative proposals.

3/ Includes \$156 million in outlays prior associated with FY 1992 FEMA supplemental.

House

602(b) Allocations:	BA	OL
Defense Discretionary	338	339
Domestic Discretionary	63,615	61,375