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Budget [1990] - Business Reaction

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THE WHITE HOUSE

WASHINGTON

BUSINESS GROUPS SUPPORTERS OF BUDGET AGREEMENT*

NATIONAL ASSOCIATION OF MANUFACTURERS

THE BUSINESS ROUNDTABLE

AMERICAN BUSINESS CONFERENCE

AMERICAN GAS ASSOCIATION

AMERICAN ELECTRONICS ASSOCIATION

NATIONAL VENTURE CAPITAL ASSOCIATION

NATIONAL SMALL BUSINESS UNITED

NATIONAL ASSOCIATION OF WHOLESALER-DISTRIBUTORS

SECURITIES INDUSTRY ASSOCIATION

NATIONAL ASSOCIATION OF HOME BUILDERS

AMERICAN BAKERS ASSOCIATION

AMERICAN PETROLEUM INSTITUTE

AMERICAN FURNITURE MANUFACTURERS ASSOCIATION

NATIONAL ASSOCIATION OF BROADCASTERS

AMERICAN BANKERS ASSOCIATION

NATIONAL-AMERICAN WHOLESALE GROCERS' ASSOCIATION

AMERICAN PAPER INSTITUTE

SMALL BUSINESS LEGISLATIVE COUNCIL

NATIONAL ASSOCIATION OF TRUCK STOP OPERATORS

PUBLIC SECURITIES ASSOCIATION

PRINTING INDUSTRIES ASSOCIATION

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CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

RICHARD L. LESHER
PRESIDENT

October 3, 1990

1615 H STREET, N.W.
WASHINGTON, D. C. 20062
202/463-5300

MEMBERS OF THE UNITED STATES CONGRESS:

The U.S. Chamber of Commerce urges you to vote against the budget resolution implementing the budget summit agreement.

The agreement would cost hundreds of thousands of jobs, reduce economic growth, impede the competitiveness of U.S. business and exacerbate the recession that the United States is entering. It is sheer folly to raise taxes by more than $133 billion.

Moreover, the agreement actually does strikingly little to restrain federal spending growth or to constructively reform the budget process. The budget summit agreement claims a mere $12.1 billion in FY 1991 domestic spending restraint. However, fully $2.4 billion (20 percent) is not spending restraint at all but tax, fee or premium increases that will fund greater federal spending.

Under the agreement, total outlays would be 7.8 percent higher in FY 1991 than in FY 1990. This represents a rate of increase substantially greater than inflation and constitutes a signal failure to restrain federal spending.

The Chamber would prefer that Congress enact a budget that would responsibly adjust spending priorities, restrain federal spending growth and reform the budget process without reducing economic growth or exacerbating the recession. The Chamber has suggested for some time that Congress adopt a flexible freeze approach to restraining federal spending. Others, too, have proposed responsible, pro-growth budget packages that the Chamber would support if offered in lieu of the budget summit agreement. Regrettably, the budget summit agreement is neither responsible nor pro-growth. The Chamber is absolutely convinced that sequestration, responsibly managed, is preferable to the budget summit agreement.

Sincerely,

Richard L. Lesher

U.S. Chamber of Commerce

Washington, D.C. 20062

SUMMARY OF THE MAJOR COMPONENTS OF THE BUDGET SUMMIT PACKAGE

The budget summit agreement purports to reduce the deficit by $500 billion over the FY 1991-1995 period. Of this, $133 billion will be tax increases ($16.2 billion in FY 1991), $301 billion will come from spending reduction and $65 billion will come from a reduction in interest payments on the debt. The agreement is tilted heavily toward tax increases and defense cuts. If the reduced interest payments component is removed from the deficit reduction numbers, 71 percent of the deficit reduction through FY 1993 is due to tax increases and defense cuts. The agreement provides for no domestic discretionary spending reductions in the first 3 years. $2.4 billion (20 percent) of the $12.1 billion in FY 1991 "mandatory" spending cuts are actually fee, premium or tax increases.

The budget summit agreement contains the following major components:

TAX INCREASES

- A 10 cent a gallon increase in the motor fuels tax (total federal tax will now be 19 cents per gallon).
- A 2 cent per gallon tax on refined petroleum products (paid by refiners).
- A 4 cent per pack increase in the tobacco tax in 1991 and another 4 cents in 1993.
- A significant increase in alcohol taxes including a doubling of the beer tax, an increase in the wine tax from 3 to 24 cents per bottle.
- A 10 percent luxury tax on cars over $30,000, boats over $100,000, jewelry and furs over $5,000.
- An ozone depleting chemical excise tax.
- An increase in the aviation trust fund excise tax with the revenue to be dedicated to deficit reduction.

- o A limitation on most itemized deductions -- including home mortgage interest and charitable contributions -- for those earning over $100,000 (disallowing 3 percent of the deductions to the extent that adjusted gross income exceeds $100,000). The effect is to raise the top marginal tax rate for those affected. For example, an individual with $150,000 AGI would have the first $1,500 of his itemized deductions disallowed. If the individual is in the 33 percent tax bracket, this means his tax liability would increase by $495.

- o An increase in the medicare wage base from $51,300 to $73,000.

- o Moves forward the payroll tax deposit due date.

- o Partially disallows the interest deduction on tax underpayments of corporations.

- o Requires amortization rather than current expensing of insurance policy deferred acquisition expenses.

DISCRETIONARY SPENDING

- o The package establishes discretionary spending caps on budget authority and outlays for each year, 1991-1993, broken down in three categories: defense; international; and domestic. Because the cap on both international and domestic discretionary is set at the baseline, there is no real spending restraint in these categories in the first three years. All spending restraint is in defense in the first three years, a $67.2 billion reduction from the baseline.

- o In 1994-95, the discretionary categories are combined with one total cap, so that the breakdown of spending restraint is unspecified.

MANDATORY SPENDING

- o Reduces mandatory spending by $12.1 billion from the adjusted baseline in 1991, and by $119 billion from the adjusted baseline over 5 years. Of this, approximately $60 billion comes out of Medicare through an increase in the Part-B Medicare premium tax, an increase in the Medicare deductible, and an increase in certain Medicare coinsurance. Another $13 billion comes from the Agriculture Commodity Credit Corporation in unspecified reductions. $2.4 billion (20 percent) of the $12.1 billion in FY 1991 "mandatory" spending cuts are actually fee, premium or tax increases.

- User fees total $14.2 billion over 5 years. Included is a $4 billion increase in the Bank Insurance Fund fee. This particular provision removes restrictions on the FDIC's ability to raise rates giving the agency unlimited authority to raise this fee as high as it deems necessary. The agreement includes a five-fold increase in OSHA fees and a 25 percent increase in the Pension Benefit Guaranty Corporation (PBGC) "premium." All are scored as a spending cut by the agreement.

BUDGET PROCESS REFORM

- Does not contain a tax-limitation/balanced budget constitutional amendment. Does not include line-item veto authority or enhanced rescission authority.

- Extends the Gramm-Rudman-Hollings deficit reduction path, achieving a balanced budget by 1996 under the assumption that real economic growth rebounds to 3.8 percent in 1992, and close to 4 percent in 1993 and beyond.

- Establishes a pay-as-you-go provision for entitlements and revenues. For example, any future reduction in the capital gains tax (considered a revenue loser) would have to be accompanied by an increase in other taxes so that the end result is deficit neutral.

- Requires a sixty vote point of order (supermajority) in the Senate for all revenue losing bills. This would include any reduction in the capital gains tax, since Congressional revenue estimators consider it a revenue loser.

- Any future across-the-board cuts would only be triggered in specific categories (defense; domestic discretionary; international discretionary) that violate the spending caps discussed above. This would exclude Presidentially-declared emergency spending requests in supplemental or regular appropriations bills.

- Across-the-board cuts in mandatory spending are triggered by any enacted legislation that adds to mandatory spending without offsetting revenues.

- Any revenue decrease not offset with corresponding revenue increases is subject to automatic reconciliation instruction by the Budget Committee to the offending committee to provide offsetting revenue increase.

- Includes Social Security in the consolidated budget, but removes Social Security operating surplus from GRH baseline calculations.

- Includes all deposit insurance accounts in the consolidated budget, but removes those accounts from GRH baseline calculations.

GROWTH INCENTIVES

- The package does not include any reduction in the capital gains tax, repeal of the section 2036(c) estate freeze provision, extension of the education assistance exclusion, extension of the 25 percent deduction for the health insurance costs of the self employed, or extension of the R & D expense allocation rules. It does include a modest enterprise zone provision, tax incentives for energy development including incentives for oil and gas development, a one-year extension of the R&D tax credit, and other incentives for small business C corporations including a modest two year expansion of expensing and indexing of the basis of equity purchased in qualifying small businesses.

ECONOMIC ASSUMPTIONS

- The economic assumptions are reasonable for FY 1991 and FY 1992. For later years they are not. The agreement, for example, assumes 3.8 percent and 4.1 percent real economic growth in FY 1992 and FY 1993 respectively. The agreement assumes that interest rates drop to the <u>four</u> percent range by FY 1993 and that inflation drops to less than three percent by FY 1995. Further, it assumes that oil will never exceed $24.15 per barrel, when it already does.

- CBO, on the other hand, projects real growth in the 2.5 percent range over this period. Under CBO growth assumptions, the deficit would remain on the order of $200 billion in 1995.

U.S. Chamber of Commerce

Washington, D.C. 20062

THE PRO-GROWTH ALTERNATIVE

As an alternative to the economically destructive summit agreement, the U.S. Chamber of Commerce in association with The National Center for Policy Analysis has commissioned a study by Fiscal Associates, Inc. of a pro-growth alternative. Full details will be available on October 6, 1990. The components of the pro-growth package are:

Tax Measures

- A reduction in the maximum capital gains tax rate from 28 percent to 15 percent along with indexing of capital gains to protect against inflation.
- Neutral cost recovery for equipment that adjusts current tax depreciation schedules each year so that depreciation after the first year is equivalent to its first-year value. A further adjustment reflects the increase in recovery costs due to inflation.
- The creation of "IRA-Plus" Accounts that would allow people to make deposits of up to $2,000 with aftertax funds, but allow withdrawals to be tax free.
- Restore the pre-1986 retirement saving incentives for 401(k) plans by allowing workers to contribute on an aftertax basis the amount of the current IRA offset.
- Elimination of the earnings test for Social Security recipients age 65 and over.
- Elimination of the income taxation of Social Security benefits.
- Excise tax extensions and user fees proposed in President Bush's January budget.

Spending Measures

- Flexible freeze on federal spending that would limit increases in discretionary non-defense spending to the rate of inflation.
- Total federal compensation, including pension and health benefits, would be reduced by 0.7 percent over the entire five-year budget baseline.
- Reform of Medicare and Medicaid that would make the programs more sensitive to the true costs of health care.

Economic and Budgetary Effects of the Pro-Growth Package

Enactment of the above tax and spending measures would:

- Reduce the deficit by $48.7 billion in fiscal 1991 and by $500.5 billion over five years.
- Increase federal revenues by $123.1 billion over the next five years.
- Increase GNP by $1.2 trillion over the next five years and raise the economic growth rate by over one full percentage point.
- Create 1.7 million more jobs by 1995.
- Increase investment that would raise the stock of U.S. capital by $3.7 trillion by 1995.

Additional Provisions

If this package were held in place for five years, the federal government would run a surplus on the order of $70 billion in 1995. This would allow two additional important policies to be put in place without increasing the federal government's borrowing requirements. The 1995 surplus would be adequate to allow a 2.2 percentage point reduction in the Social Security payroll tax (Senator Moynihan's proposal) and to extend neutral cost recovery principles to cover investment in buildings and structures.

Dr. Richard Lesher
Press Conference
October 3, 1990

Welcome to the U.S. Chamber of Commerce. I know this is a very hectic day for you, and will be sparing of your time. I will read a brief statement, and then accept your questions.

The U.S. Chamber of Commerce is adamantly opposed to the budget agreement now before Congress. I want to emphasize we did not reach this decision lightly. The U.S. Chamber speaks for more than 180,000 firms in every line of business and industry all across the country. We also speak for 2,700 local and state chambers of commerce, about 1,500 trade and professional associations, and 60 American Chambers of Commerce overseas. We have carefully polled the members of all of our relevant committees, as well as our Board of Directors, to reach this decision.

I want to emphasize also that the U.S. Chamber of Commerce is only one of several broad-based groups opposed to this budget plan. Among these are the AFL-CIO, the American Farm Bureau Federation, the American Council of Life Insurance, and others.

Our primary objection to this scheme is its disproportionate emphasis on higher taxes to reduce the deficit. The negotiators used a variety of smoke and mirrors to make the ratio between spending cuts and tax increases appear more balanced than it is. But I believe most of the people in this room are familiar with these schemes; we have all been through it before. The bottom line is that our elected representatives have once again refused to make any serious decision to reduce spending.

We have other problems with this plan. Some of them are as follows:

First, this budget plan was developed by short-circuiting the democratic process. The negotiators met for six months in secret and held no public hearings to permit democratic participation. Now they are rushing through one of the biggest tax increases in our history without hearings, and with lightning speed. I don't want to belabor the point, but this far-reaching proposal deserves far more input from the nation's taxpayers.

Second, this budget plan undermines long-accepted principles of our tax code. It would eliminate legitimate deductions allowed to both businesses and individuals. The economic disincentives of that loss will more than offset any positive impact of the overall package.

Third, the proposed five-fold increase of OSHA fines as a source of revenue is outrageous. OSHA is supposed to be a safety law, not a revenue raiser. This would set a terrible precedent.

Fourth, many of the economic and political assumptions

WEDNESDAY, OCTOBER 3, 1990

The Washington Times

PAUL CRAIG ROBERTS

CREATURE from the budget deep

Numerical chicanery

The budget deal serves the needs of the handful of Washington insiders who put it together, but it totally ignores the needs of the economy.

Moreover, the agreement is a fraud, pure and simple. In fact, it is outrageously shameful, and it's easy to see why. The numbers reveal it. Do you believe that budget outlays in 1995 will only be $25 billion higher than in 1991 — the equivalent of a five-year budget freeze? Over the previous five years (1987-1991) budget outlays rose by $380 billion.

Do you believe that the federal government is going to spend fewer dollars in 1993, 1994 and 1995 than it spends in 1992? Do you believe that the congressional budget negotiators, President Bush and budget director Richard Darman, believe that dollar outlays in 1994 will be $50 billion below the amount the government spends in 1992?

The outlay and revenue numbers agreed upon by the budget dealmakers show that federal outlays for the next five years peak in 1992 — an election year — and that revenues are up $100 billion in 1992 over the adjusted base revenue path in 1991. There you have what the budget deal is about — buying the 1992 reelection.

The savings are based on the assumption that spending in absolute dollar terms in 1993, 1994 and 1995 is below the level of 1992. In other words, the savings are based on the assumption of three years of budget cuts that individually are more severe than the threatened 1991 budget sequester, the fear of which has allegedly driven Congress and the White House to a budget deal.

Do you believe that politicians, who fear a sequester that would still allow a spending increase in 1991, are going to implement a budget plan that actually cuts spending, not in relation to some projected growth figure but in relation to a previous year's spending?

And that's not the half of it. Consider the economic assumptions that underlie these "savings." There is no recession in the forecast, which assumes a 3.8 percent average rate of real economic growth over the four years 1992-1995.

We have here a "rosy scenario" with a tax increase! In 1981, when the Reagan administration, with a major tax rate reduction, forecast less real growth than had occurred over the previous five years, it was

The fraudulent budget agreement is so blatant that it shows the government's total disrespect for the public. The press' complicity in the fraud shows a media that will perpetuate any lie in behalf of a tax increase.

greeted by critics with hoots of "rosy scenario." Now the government is proposing comparable real growth numbers, but this time they will result from a tax increase.

But the government knows that this is not really true. It has secret paths for outlays and revenues that adjust the figures in the budget summit agreement of Sept. 30, 1990, for revisions in the economic assumptions showing slower growth in 1990 and 1991 than previously projected.

These revisions show that spending will be $75 billion higher than the advertised "agreed" amount for the 1991-95 period, while receipts for the five-year period will be only $8 billion above the previous baseline path. In other words, the economic slowdown eats up all but $8 billion of the $133.8 billion tax increase!

These adjustments reduce the claimed five-year savings from $500 billion to $300 billion, and that's with all the tricks and no recession.

This makes it clear that a pro-growth budget would do far more to reduce the deficit than the absurd budget agreement that is before us. If the economy and the budget are to survive, Mr. Bush must quickly find a budget director with a pro-growth budget.

It remains to be seen whether the Reaganite-Kemp-populist members of Congress will allow this fraud against the public, or whether they will demand the resignations of Mr. Darman and the congressional leadership who together concocted this absurd collection of numbers.

Reporters no longer report. They just print whatever tricksters like Mr. Darman hand them. The Wall Street Journal, the New York Times, and The Washington Post all had front page stories on Monday emphasizing that the deal would "soak up $500 billion in federal red ink over five years." Not a single story revealed the unbelievable agreed outlay path that makes this claim ludicrous.

Mr. Darman succeeded in deflecting attention to the claimed deficit reduction and the various features of the proposed new taxes. "Bush May Be Winner in the Long Run" is a headline straight from Mr. Darman's office.

The fraudulent budget agreement is so blatant that it shows the government's total disrespect for the public. The national press' complicity in the fraud shows the media will perpetuate any lie in behalf of a tax increase. It would be a light sentence if the budget negotiators and the reporters were tarred and feathered and run out of town.

Paul Craig Roberts, an economist at the Center for Strategic and International Studies, is a columnist for The Washington Times.

embodied in the summit agreement border on fantasy. Presumably, we can all look forward to 3.8 percent average real economic growth, and short term interest rates of 4.5 percent, between 1992 and 1995. If that comes to pass, many of our problems will disappear. But accepting those assumptions requires a willing suspension of disbelief. More realistic assumptions suggest that this agreement would at most produce $125 billion in savings over the five-year period.

Fifth, we believe the agreement is completely unenforceable. Time and time again we have seen Congress agree to make spending cuts in the future, but then balk when the time comes. The budget agreement assures us that federal spending in 1995 will be $20 billion less than in 1992. This also requires a willing suspension of disbelief.

Sixth, the budget agreement contains little to help spur economic growth and avert recession. Notably missing is a broad-based capital gains tax cut, repeal of the section 2036(c) estate freeze provision, extension of the education assistance exclusion, extension of the 25 percent deduction for health insurance costs of the self-employed, or extension of the research & development allocation rules.

Seventh, but perhaps the most totally unrealistic aspect of this budget plan is its stated assumption that additional tax revenues will lead to less federal spending. The record of the past few decades tells a totally different story. For every dollar in new tax revenues, federal spending increases on average $1.72. Until such time as Congress addresses its bias toward more spending--a time that clearly has not yet arrived--we can only assume higher taxes will make the deficit larger, not smaller.

Finally, and I cannot emphasize this enough, we must keep in mind that we are very close to a recession, and may in fact already be in recession. And while economists generally disagree on many things, there is remarkably unanimity of opinion that it is foolish to raise taxes in a recession. It is the worst possible thing to do at such a time.

A vastly preferable option to this plan would be to simply stand back and permit automatic sequestration. This option is not nearly as dire as some allege. In fact, under automatic sequestration, federal spending in 1991 would still increase by $40 billion next year. That doesn't sound like a draconian cutback to me.

Tomorrow, the U.S. Chamber of Commerce will present an in-depth alternative to the economically destructive summit agreement now before us. For now, we call on all members of Congress to reject this poorly conceived plan.:

I will now accept your questions.

Pull the Plug on the Budget Deal

By JIM MILLER

As one who participated in a (1987) budget summit lasting half as long, my heart goes out to those brave, honorable souls who did their duty as they saw it in the negotiations at Andrews Air Force base. However, the result deserves to be rejected by Congress.

The agreement's greatest deficiency is that it contains no budget process reforms to rectify the bias toward ever-expanding government and increasing reliance on deficit finance. There is no line-item veto, no balanced budget amendment, no legally enforceable budget resolution.

The spending caps don't apply to some accounts, such as the International Monetary Fund and Egyptian debt forgiveness and to presidential requests for "emergency supplementals." The caps do not apply during the first two years of the agreement to revisions in spending because of "technical and economic adjustments."

Nor do they apply during the remaining three years if the president's representatives and the congressional leadership agree that revisions are in order. Since the economic assumptions for the out years are especially optimistic—for example, 4.1% real growth, 3.2% inflation and 4.9% T-bills in 1993—revisions almost certainly will be found to be in order. Moreover, the caps can always be waived by a three-fifths vote in both Houses.

It is truly remarkable that the compromise is so unbalanced. Roughly speaking, one side (led by the president) wanted to avoid increases in taxes and reductions in defense spending. The other side wanted to avoid cuts in domestic spending. Even if we were to take the results of the deal at face value, the president's side would have been outfoxed: The agreement calls for 1991 tax increases of $16.2 billion, defense cuts of $9.8 billion, and entitlement cuts of $12.1 billion.

However, the face value is inaccurate. $1 billion of the alleged $12.1 billion in domestic spending cuts is phony: It replaces a lump-sum payment to retiring civil-service employees with an annuity. Another $4 billion of "cuts" consists of new user fees that are counted as "negative outlays." Disregard the phony cut and count the user fees as what they are—taxes—and the "cost" of the agreement to the president's side is on the order of $30 billion in the first year, while the "cost" to the Democratic leadership's side is only $7.1 billion. And this imbalance persists throughout the five-year term of the agreement.

The agreement says that revenues are to rise by $73.9 billion next year, a 7.1% increase. Spending would go up by $109 billion, an 8.6% increase. Domestic spending would rise even faster. Evidently, the taxes raised by the agreement would be used to finance spending, not reduce the deficit.

Despite all the hype, the current agreement would not reduce the deficit, which would rise from approximately $218.5 billion this year to an estimated $253.6 billion next year. On the other hand, if there were an $85.4 billion initial sequester (as required by Gramm-Rudman), the deficit would fall to $168.2 billion.

President Bush gave up a lot for this agreement, and he has little to show for it. He broke his "no new taxes" pledge, and even accepted an increase in rates in the disguised form of a limitation on deductions. He cast aside the jewel of his negotiating demands—a cut in the tax rate on capital gains—which would have done much to stimulate economic growth and would have more than "paid for itself" through higher federal receipts.

Although he is honor-bound to support the agreement, the president should be ready with a quick response if Congress refuses to pass it. He should order a sequester. This would result in something approximating a nominal spending freeze. Then, he should challenge Congress to reorder spending priorities. Even if spending were permitted to rise as fast as inflation and even if there were no tax increase, the deficit would still be lower next year than it would be under this much ballyhooed but fatally flawed agreement.

Mr. Miller, budget director under President Reagan, is chairman of Citizens for a Sound Economy in Washington, D.C.

The No-Growth Budget

BY PAUL CRAIG ROBERTS

The $500 billion deficit reduction that the budget agreement claims for 1991-95 is unlikely to be realized, and the government knows it. The revised assumptions that the government expects to release next month (see below) show that lower-than-projected real growth in 1990 and 1991 reduces the claimed outlay reductions by $72.6 billion and eats up all but $8.1 billion of the $133.8 billion tax increase.

Nothing better shows the failure of the budget agreement than the fact that 40% of the claimed deficit reduction has already been lost to changed economic circumstances. A slowing economy drifting into recession demands a pro-growth budget. The budget negotiators have failed the job entrusted to them.

Mr. Roberts, an assistant Treasury secretary in the Reagan administration, is now at the Center for Strategic and International Studies in Washington.

(In billions of dollars)	1991	1992	1993	1994	1995	1991-95
TOTAL OUTLAYS						
Adjusted baseline	$1,384.7	$1,441.8	$1,451.5	$1,443.1	$1,506.4	$7,227.5
Savings	23.9	50.0	70.9	100.4	121.0	366.2
Agreed level	1,360.8	1,391.8	1,380.6	1,342.7	1,385.4	6,861.3
Revised assumptions	1,369.2	1,412.4	1,400.4	1,356.5	1,395.4	6,933.9
Net savings	15.5	29.4	51.1	86.6	111.0	293.6
TOTAL RECEIPTS						
Adjusted baseline	1,121.4	1,194.2	1,278.6	1,363.0	1,441.1	6,398.3
Savings	16.2	26.7	27.0	32.1	31.8	133.8
Agreed level	1,137.6	1,220.9	1,305.6	1,395.1	1,472.9	6,532.1
Revised assumptions	1,115.6	1,183.1	1,271.0	1,373.1	1,463.6	6,406.4
Net savings	-5.8	-11.1	-7.6	10.1	22.5	8.1

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

October 1, 1990

RICHARD L. LESHER
PRESIDENT

1615 H STREET, N.W.
WASHINGTON, D.C. 20062
202/463-5300

The Honorable George J. Mitchell
United States Senate
Washington, D.C. 20510

Dear George:

The budget summit agreement has far-reaching provisions that will impact Americans for years to come.

The U.S. Chamber of Commerce strongly urges you to give the agreement enough time to make certain that all of its various impacts will be fully recognized and understood. At a time when our economy is heading for a slump, we need to understand how some of the tax increases will affect American workers and employers.

We understand that the schedule currently being followed would take the agreement to a vote this Friday, October 5. Such a short deadline would, in effect, severely curtail due process needed on a subject as vital as taxes.

The U.S. Chamber strongly urges you to extend the time available to American taxpayers to react to the agreement before taking this critical vote. Our nation fought a revolution over "taxation without representation". Let's not abrogate that principle now.

Sincerely,

Dick

Richard L. Lesher

cc: The Honorable Bob Dole
Governor John H. Sununu
The Honorable Richard G. Darman

BY MESSENGER

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

October 1, 1990

RICHARD L. LESHER
PRESIDENT

1615 H STREET, N.W.
WASHINGTON, D.C. 20062
202/463-5300

The Honorable Thomas S. Foley
U.S. House of Representatives
Washington, D.C. 20515

Dear Tom:

The budget summit agreement has far-reaching provisions that will impact Americans for years to come.

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Sincerely,

Dick

Richard L. Lesher

cc: The Honorable Bob Michel
Governor John H. Sununu
The Honorable Richard G. Darman

BY MESSENGER

SECURITIES INDUSTRY ASSOCIATION

1850 M. Street, N.W., Washington, D.C. 20036 • (202) 296-9410 • Facsimile: (202) 296-9775

October 2, 1990

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

Dear Mr. President:

On behalf of the Securities Industry Association, we congratulate you and your Administration for reaching a difficult accord on the budget and pledge our assistance in securing its passage.

The SIA, like most everyone else, it seems, has some disappointment regarding the agreement, but we firmly believe it is a credible and real response to a serious problem under challenging circumstances. It deserves, and has, the support of a securities industry which knows the importance of deficit reduction to the economy. The market's initial response -- a 63 point gain -- recognizes the achievement and its importance.

We will do everything we can to support the agreement. Thank you very much for your efforts.

Sincerely,

Marc E. Lackritz
Executive Vice President

Stephan K. Small
Vice President & Director
of Congressional Relations

120 Broadway, New York, N.Y. 10271 • (212) 608-1500 • Facsimile: (212) 608-1604

American Gas Association

For Release
Monday, Oct. 1, 1990

News

1515 Wilson Boulevard
Arlington, VA 22209

Contact:
Jack Hawks
(703) 841-8662
101-10-1-90

Statement on Federal Budget Agreement
by Michael Baly III
A.G.A. Executive Vice President and COO

The American Gas Association (A.G.A.) commends the White House and Congressional negotiators for reaching a compromise agreement on the 1991 fiscal year budget. Passage of this budget package is far preferable to the debilitating sequestration that would occur under the current Gramm-Rudman-Hollings law.

A.G.A. is particularly pleased that the budget negotiators abandoned the broad-based energy tax proposals in favor of the 10-cent increase in the federal gasoline tax and a relatively modest two-cent tax on refined petroleum products. This approach will help promote conservation, improve urban air quality, and will be much less disruptive to the nation's economy. Of equal importance, the gasoline tax proposal directly attacks the chief energy security problem facing the United States -- ever-increasing reliance on unstable oil imports. Furthermore, the budget negotiators' action will enhance the potential contribution of domestically produced fuels, such as natural gas.

A.G.A. also welcomes the action in the budget agreement on Section 29 of the Internal Revenue Code, which permanently extends the nonconventional fuels tax credit. This action helps ensure that domestic natural gas production will increase in the years ahead.

The association congratulates all those involved in the budget negotiations and urges prompt passage of the budget resolution.

-A.G.A.-

American Gas Association

1515 Wilson Boulevard, Arlington, Va. 22209
Telephone (703) 841-8612

Michael Baly III
Executive Vice President and
Chief Operating Officer

October 2, 1990

United States Senate
Washington, D.C. 20510

Dear Senator:

The American Gas Association, representing 250 U.S. natural gas distribution and transmission companies, urges you to support the bipartisan 5-year budget agreement developed by President Bush and Congressional leaders.

From an energy perspective, our analysis indicates that the agreement is the least disruptive to the nation's economy. The gasoline tax component of the package will avoid the anti-competitive and severely regressive impact of other energy tax alternatives. The gasoline tax rate, even after the proposed increase, will be less than a quarter of the rates in Western Europe and Japan. Further, by not taxing domestic energy used in manufacturing, the plan avoids penalizing the United States in the global marketplace, thereby assisting in preserving U.S. jobs.

This approach will help promote conservation and improve urban air quality. Of equal importance, the gasoline tax proposal directly attacks the chief energy security problem facing the United States -- ever-increasing reliance on unstable oil imports.

A.G.A. also welcomes the action taken on the budget agreement to provide long-term production incentives for natural gas produced from nonconventional resources. The budget negotiators' action will enhance the potential contribution of natural gas and other domestically produced fuels.

A.G.A. congratulates all those involved in the budget negotiations and urges prompt passage of the budget resolution.

Respectfully,

Mike Baly

Michael Baly III

NATIONAL ASSOCIATION OF MANUFACTURERS
NEWS

90-218

FOR IMMEDIATE RELEASE

CONTACTS:
LAURA BROWN (202) 637-3087
PAUL HUARD (202) 637-3075

NAM URGES CONGRESS TO SUPPORT THE BUDGET AGREEMENT

WASHINGTON, DC, Oct. 2, 1990 -- The National Association of Manufacturers today urged Congress to support the deficit reduction plan agreed to by the President and Congressional leaders.

"While a number of the plan's provisions are objectionable, which is true with most difficult compromises, NAM supports the deficit reduction agreement as a whole. It is preferable to the alternative of continued fiscal deadlock, sequestration and the resulting economic chaos," NAM said in a mailgram to all members of Congress.

"NAM believes the Congress should move forward with the implementation of this agreement as soon as possible," NAM President Jerry Jasinowski commented today. "The agreement will facilitate the reduction of interest rates, increase investment and improve long-term economic growth.

"The budget deal is a classic case of good news and bad news," Jasinowski continued. "The 'good news' is the avoidance of forced sequestration and economic chaos, maintenance of the current tax rate structure, absence of broad-based energy taxes and creation of incentives for small businesses.

"Of the $500 billion in anticipated deficit reduction over the next five years, only about one-fourth will come from new taxes, without raising corporate rates," he said. "And, while the short-run impact on the economy may be mixed, this agreement will facilitate interest rate reductions that will help reignite economic growth over the long haul.

"The capital formation incentives for small businesses are clearly a welcome development," he continued. "Another plus factor is the absence of broad-based energy taxes, which would have directly increased the costs of industrial production and damaged U.S. international competitiveness."

Jasinowski went on to say the worst of the "bad news" is the selective excise tax increases, large increase in Medicare taxes and disappointing enforcement mechanisms.

"There certainly are substantial negatives. The high degree of reliance on selective excise tax increases disproportionately affects the targeted industries, and the large increase in Medicare taxes will be particularly harmful to labor-intensive businesses."

Jasinowski also expressed concern over the enforcement mechanisms for making sure agreed-upon spending cuts actually take place, especially after the first year of the agreement.

"Past history indicates that tax increases, once enacted in the name of deficit reduction, are seldom repealed. The accompanying spending cuts, offered as an inducement for accepting higher taxes, tend to be written in disappearing ink. We will continue to work to get the toughest possible enforcement provisions written into this deal," he concluded.

--NAM--

National Association
of Manufacturers

BRUCE N. HAHN
Vice President
Public Affairs

TO: Washington Representatives

FROM: Bruce N. Hahn, Vice President
Public Affairs

SUBJECT: Budget Resolution

DATE: October 3, 1990

A vote on the Budget Resolution implementing the budget agreement is imminent in the House and Senate. Despite our serious reservations about some of the provisions, NAM believes that the threat of economic chaos which could result if the plan were not approved, will outweigh its deficiencies.

We urge you to consider the risks our nation will face if the Budget Resolution is not adopted. We fear they will outweigh the detrimental effects of any single provision or set of provisions on any one company. NAM's Executive Committee approved support of the Budget Resolution by an overwhelming majority. Please join us in contacting all members of the U.S. Senate and House to urge its support.

The following mailgram was sent to all members of Congress yesterday by NAM President Jerry Jasinowski. We urge you to send them a similar message.

"THE NATIONAL ASSOCIATION OF MANUFACTURERS URGES YOU TO VOTE FOR THE BUDGET RESOLUTION IMPLEMENTING THE DEFICIT-REDUCTION PLAN AGREED TO BY THE PRESIDENT AND CONGRESSIONAL LEADERS OF BOTH PARTIES.

WHILE A NUMBER OF THE PLAN'S PROVISIONS ARE OBJECTIONABLE, WHICH IS TRUE WITH MOST DIFFICULT COMPROMISES, NAM SUPPORTS THE DEFICIT-REDUCTION AGREEMENT AS A WHOLE. IT IS PREFERABLE TO THE ALTERNATIVE OF CONTINUED FISCAL DEADLOCK, SEQUESTRATION AND THE RESULTING ECONOMIC CHAOS.

IT IS ESSENTIAL THAT THE CONGRESS MOVE FORWARD AS SOON AS POSSIBLE WITH IMPLEMENTATION OF THIS BIPARTISAN DEFICIT-REDUCTION AGREEMENT WHICH, OVER THE LONG RUN, WILL FACILITATE INTEREST RATE REDUCTIONS AND REIGNITE SUSTAINED ECONOMIC GROWTH."

P.S. NAM's comprehensive analysis of the Budget Resolution is available on NAMNET (Select NAM bulletin boards from the main menu, then taxation and fiscal policy)

1331 Pennsylvania Avenue, NW
Suite 1500 - North Lobby
Washington, DC 20004-1703
(202) 637-3117

NAM
NATIONAL ASSOCIATION OF MANUFACTURERS
NEWS

90-221

FOR IMMEDIATE RELEASE

CONTACTS:
LAURA BROWN (202) 637-3087
BRUCE HAHN (202) 637-3117

NAM LAUNCHES MAJOR CAMPAIGN IN SUPPORT OF THE BUDGET AGREEMENT

WASHINGTON, DC, Oct. 3, 1990 -- The National Association of Manufacturers today launched "one of its most important lobbying campaigns ever" in support of the deficit-reduction plan agreed to by the President and congressional leaders of both parties.

NAM contacted its 250 board directors, 600 Washington representatives and member companies nation-wide, urging them to tell their representatives in Congress to vote "yes" on the Budget Resolution implementing the deficit-reduction pact.

"We urge you to consider the risks our nation will face if the Budget Resolution is not adopted. We fear they will outweigh the detrimental effects of any single provision or set of provisions on any one company," NAM Vice President of Public Affairs Bruce Hahn wrote member companies.

"Despite our serious reservations about some of the provisions, NAM believes the economic chaos which could result if the plan were not approved would far outweigh its deficiencies," he commented.

NAM announced its support of the budget resolution on Tuesday and sent a mailgram to every member of Congress urging them to vote for the budget agreement, saying the agreement as a whole is preferable to "the alternative of continued fiscal deadlock, sequestration and the resulting economic chaos."

TEXT OF MAILGRAM TO ALL HOUSE AND SENATE MEMBERS:

THE NATIONAL ASSOCIATION OF MANUFACTURERS URGES YOU TO VOTE FOR THE BUDGET RESOLUTION IMPLEMENTING THE DEFICIT REDUCTION PLAN AGREED TO BY THE PRESIDENT AND CONGRESSIONAL LEADERS OF BOTH PARTIES.

WHILE A NUMBER OF THE PLAN'S PROVISIONS ARE OBJECTIONABLE, WHICH IS TRUE WITH MOST DIFFICULT COMPROMISES, NAM SUPPORTS THE DEFICIT REDUCTION AGREEMENT AS A WHOLE. IT IS PREFERABLE TO THE ALTERNATIVE OF CONTINUED FISCAL DEADLOCK, SEQUESTRATION AND THE RESULTING ECONOMIC CHAOS.

IT IS ESSENTIAL THAT THE CONGRESS MOVE FORWARD AS SOON AS POSSIBLE WITH IMPLEMENTATION OF THIS BIPARTISAN DEFICIT REDUCTION AGREEMENT WHICH, OVER THE LONG RUN, WILL FACILITATE INTEREST RATE REDUCTIONS AND REIGNITE SUSTAINED ECONOMIC GROWTH.

JERRY J. JASINOWSKI
PRESIDENT
NATIONAL ASSOCIATION OF MANUFACTURERS

AFMA

AMERICAN FURNITURE MANUFACTURERS ASSOCIATION
Office For Government Affairs 918 16th Street NW Suite 402 Washington, DC 20006 Phone 202.466.7362

October 3, 1990

MEMORANDUM

TO: All Members of the United States Congress

FROM: Joseph G. Gerard

SUBJECT: AFMA Position on the Budget Agreement

I am writing to inform you of the American furniture manufacturing industry's strong support for the Administration and Congressional leadership's budget agreement.

Certainly, many months have passed since the Administration and Congress began the budget summit talks. During that period virtually every issue, political and substantive, has been aired by Republican and Democratic leaders. From our industry's standpoint, economic growth incentives could be better than what is contained in the agreement. The same is true with respect to a greater emphasis on spending cuts. Regardless, the American furniture manufacturers are strongly supporting this agreement because the positives contained therein outweigh the negatives and because constructive action is called for now!

With the above in mind, I urge you to support this budget agreement when it comes to a vote. **IT WILL BE AN AFMA KEY VOTE**.

SMALL BUSINESS LEGISLATIVE COUNCIL

NEWS RELEASE

For more information contact:

STATEMENT OF

THE SMALL BUSINESS LEGISLATIVE COUNCIL

ON THE

BUDGET DEFICIT AGREEMENT

"Guarded optimism" was the phrase used by Thomas K. Zaucha, Chairman of the Board of the Small Business Legislative Council to describe the SBLC's view of the budget summit agreement. "We are encouraged and heartened that an agreement was reached and sequester may be averted. Most importantly, from the perspective of small business, this agreement has the potential of achieving meaningful deficit reduction," he said.

"Our enthusiasm is tempered, however, by the composition of the revenue components of the package," noted Zaucha. "While we had been prepared to accept revenue increases, we are greatly concerned about the fairness and structural progressivity of the proposed taxes that have a direct impact on businesses operating today. We are optimistic because the proposal does appear to meet four of five principles SBLC had established in advance of the summit. We remain hopeful the fifth can be addressed as well."

In July, the SBLC adopted five practical principles to evaluate a budget agreement. The five principles are:

1. Meaningful Expenditure Controls. In striking a proper budgetary balance, any acceptable deficit reduction proposal must be built upon a foundation of significant, long-term reductions in federal spending. Special treatment, delays, political favoritism cannot be permitted. Both defense and domestic entitlement programs must bear their fair share of the cutback burden.

1156 15th Street, N.W. - Suite 510 Washington, DC 20005 (202) 639-8500 / FAX (202) 296-5333

2. Positive Growth Promotion. Substantial and widespread revenue increases must be considered, but short-term revenue enhancement cannot be purchased at the price of long-term economic growth expansion. Such a process seriously damages all aspects of our economy and over time produces counterproductive, self-defeating reductions in national revenues. The SBLC has historically resisted destructive tax code changes, such as elimination of the investment tax credit and capital gains rate differential, for just such reasons. Any sound deficit reduction proposal must be certain to promote national economic expansion.

3. Proper Revenue Direction. The other side of the revenue enhancement coin requires its direct and complete utilization for deficit reduction. Specific guarantees that enhanced revenues not be permitted to serve as the rationale for direct or indirect federal spending increases are a necessity.

4. Appropriate Fairness and Structural Progressivity. Any proposed tax revenue increases must be applied fairly and progressively to all individuals and/or businesses affected. A persistent shortcoming of our national tax policy process, including the 1986 Tax Reform Act, is a failure to reasonably evaluate and consider total impacts upon the small business community. The result has been an historical overburdening of small businesses in its federal revenue raising responsibilities.

5. Responsible Process Reformation. Complete reformation of the process by which the federal budget is made and implemented is a fundamental national priority. Structural process reformation such as effective Presidential line item veto authority must be promptly enacted.

   Deficit reduction proposals built upon a commitment to these five practical principles will best serve the interests of our country's individual citizens, its small business community and our national economic welfare.

Zaucha also said, "It appears the agreement does or can meet the minimum criteria of four of the five principles. When the litmus test of fairness and progressivity is applied to the revenue provisions, however, the agreement appears to be lacking.

"This weakness is best illustrated by the gasoline tax. It will have a direct and immediate impact on a significant sector of the small business community. Further, we have long held the belief that the funds should not be diverted from their original purpose.

"We are nonetheless optimistic because the agreement does meet much of our litmus test. We hope Congress can find a way to address our concerns regarding the revenue proposals," said Zaucha.

"There is one observation we can make with certainty. The President and Congressional leadership are to be commended for undertaking this difficult challenge.

"Finally, we can make two other observations," Zaucha continued, "While it was not within the scope of the deliberations, we all know that the budget reconciliation legislation is the only vehicle this year for resolution of the effort to repeal the estate tax freeze prohibition, Section 2036(c). Resolving this problem is essential to millions of family-owned businesses. After a year and one-half of hearings and full discussion, it would be negligent to leave this issue unresolved.

"Second, the budget agreement is a detailed, complex structure. The development of our five principles in advance helped us make an informed evaluation of the agreement. Informed is the operative work, however, and lessons learned from past battles have taught us that the leap from concepts to legislative language is a long one. While we can point with pride to the repeal-of-Section 2036(c) debate as a model of exemplary public policy discussion, we are apprehensive of the short window, if any, for review of the legislative vehicle for the budget agreement."

The Small Business Legislative Council (SBLC) is a permanent, independent coalition of over one hundred trade and professional associations that share a common commitment to the future of small business. Our members represent the interests of over four million small businesses in manufacturing, retailing, distribution, professional and technical services, construction, transportation and agriculture. While our policies are developed through consensus among our membership, we respect the right of individual associations to express their own views. For your information, a list of our members is enclosed.

/S1566
Enclosure

American Paper Institute

National Forest Products Association

1250 Connecticut Avenue, N.W. • Suite 210 • Washington, D.C. 20036

October 2, 1990

The President
The White House
Washington, DC 20500

Dear Mr. President:

On behalf of America's forest products industry, we would like to congratulate you and the Congressional leadership for arriving at a comprehensive deficit reduction package.

Of particular significance is that the provisions contained in this package can result in true deficit reduction if, in fact, the spending cuts are realized. In this regard, we are also encouraged by your assurances that real budget reform can be achieved. While our industry has concerns about specific components of the proposal, such as the departure from traditional tax policy regarding the deductibility of corporate interest for tax underpayments and the failure to achieve agreement on capital gains, we applaud those who participated in the budget negotiations for producing a package that, taken as a whole, should begin the process of putting our economy on a sounder basis for long-term growth.

As one of America's major industries, we offer our support for this initiative and will work with you and others in urging Congress to approve it as promptly as possible.

Sincerely,

Barry Cullen
President
National Forest Products Assn.

Red Cavaney
President
American Paper Institute

BC/RC/lm

cc: All Members of Congress

IF-ASKED On API's views on a deficit package with a gasoline tax increase approved by congressional and White House officials:

We recognize that the nation needs to reduce the U.S. budget deficit. While we have concerns about some of the individual components of the agreement, we believe it is in the best interest of the nation to return to fiscal responsibility. As the Congress debates the merits of the compromise in the coming weeks we hope that goal can be achieved in a way that promotes economic growth.

#

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AMERICAN BAKERS ASSOCIATION

Paul C. Abenante
President

October 3, 1990

Honorable Robert H. Michel
Minority Leader
H-232
Washington, D. C. 20515

Dear Mr. Michel:

ABA would like to commend President Bush and the Bi-partisan Congressional Leadership for taking tough stands resulting in a new budget proposal that will utlimately reduce the federal deficit.

The American Bakers Association stronly feels that despite the incorporation of many provisions that would result in economic burdens for our industry, the larger objective of getting America's economic house in order is more important in the long term to our industry and our nation as a whole.

The alternative of not passing such a package would result in economic disaster too hard to calculate. ABA is calling on you and your colleagues to vote in favor of the new Bi-partisan Budget Agreement.

Sincerely yours,

Paul C. Abenante

PAUL C. ABENANTE
President

PCA:jes

SUITE 300 • 1111 14TH STREET N.W. • WASHINGTON, D.C. 20005 • 202 [illegible]

National Association of Home Builders

15th and M Streets, N.W., Washington, D.C. 20005
Telex 89-2600 (202) 822-0200 (800) 368-5242

Martin Perlman
1990 President

October 3, 1990

The Honorable Robert H. Michel
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Michel:

On behalf of the National Association of Home Builders (NAHB), a trade association representing more than 157,000 member firms that employ over six million people involved in all facets of the housing industry, I respectfully urge your support and vote for the Budget Summit Agreement of September 30.

The alternative to passage of this measure is unacceptable. It would mean no deficit reduction, higher interest rates, a deeper recession in the housing industry, and a worse overall economy.

The need for meaningful deficit reduction approaching $500 billion over the next five years is crucial not only to the housing industry, but also to the economy in general. Any hope for lower interest rates in the near term and revitalized economic growth over the longer term is dependent upon responsible actions leading gradually to a balanced budget. In fact, on September 24, long term interest rates were 9 percent. Since the announcement, they have dropped to 8.6 percent. This positive trend alone equates to 50,000 new construction starts which will translate into nearly 100,000 jobs in home building and related industries.

Some have argued that the budget agreement and associated tax changes will lead to or exacerbate a recession. On the contrary, we believe that the positive impact of the agreement on interest rates will stimulate home building and create large numbers of jobs in construction and related industries.

NAHB has supported responsible deficit reduction packages over the last 10 years, and we support this package as well. We believe the summit agreement meets the test of requiring shared sacrifices from all major segments of the economy through broad-based spending cuts and revenue enhancements.

We do not like all components of the package, and in fact, are troubled by the failure to extend the mortgage revenue bond (MRB) program for at least one year, particularly since housing production is at its lowest point since 1982. If there is some latitude for change, we urge the extension of mortgage revenue bonds for one more year. We are also puzzled over the failure to include the home construction industry among those who are eligible for small business incentives. Clearly, if any industry needs an infusion of capital, it is housing.

Overall, we believe the summit agreement achieves real savings, without overly burdening any one segment of the business community or the economy, and we respectfully urge your support and vote for the agreement.

My best personal regards,

Martin Perlman

NATIONAL VENTURE CAPITAL ASSOCIATION

NEWS RELEASE *FOR IMMEDIATE RELEASE*

BUDGET ACCORD BOOSTS THE VENTURE PROCESS

WASHINGTON, October 1, 1990 -- The National Venture Capital Association (NVCA) today said the tax incentive provisions for young growth companies in the budget agreement constitute "a beginning by Congress and the White House to support the venture capital process of economic development and job creation."

"The capital formation tax incentives in the budget agreement will provide significant encouragement for early investment by individuals in the new enterprises that make the United States more competitive in the world marketplace," said Robert D. Pavey, the President of the NVCA and a partner in Morgenthaler Ventures of Cleveland, Ohio.

"Although the NVCA continues to believe that a broad based cut in the capital gains tax is essential to U.S. competitiveness and job creation," Pavey explained, "the NVCA supports this tax incentive package because it shows a commitment by Congress and the White House to encourage the venture process."

"Our economy desperately needs credible deficit reduction, without new taxes on investment, as the budget agreement promises," Pavey said. "While the agreement encourages early investment in young growth companies, more will be needed to encourage capital investment in the more dynamically growing companies. The cost of capital for such companies is still excessive in the United States."

Pavey said the NVCA, which represents the major 230 venture capital investment firms, has been working with "hundreds of young growth companies across the nation to build support for the venture process in Washington."

"These companies are on the cutting edge of high-technology and biotechnology, they are creating cures to AIDS, cancer, and other diseases, and they are developing products and services in everything from child care to waste management," Pavey said. "The venture capital process is critical to the success of these ventures. The National Venture Capital Association supports the capital formation tax incentives in the budget agreement for this reason, and will continue to work with Congress and the White House in the coming weeks, months, and years to see their success."

# # #

CONTACT: MARK HELMKE 202-457-6380

NSBU
NATIONAL SMALL BUSINESS UNITED
"Serving America's small businesses since 1937"

October 1, 1990

The Honorable George Bush
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

We at National Small Business United (NSBU) are very pleased that you and the Congressional leadership have reached a broad-based long-term agreement to reduce the federal deficit by $500 billion over the next five years. We endorse the package and urge its integral and speedy passage through the Congressional process.

As I am sure you know, NSBU has been an active leader in the fight to lower the capital gains rate. But, while we share your disappointment about the lack of an appropriate capital gains incentive, we nonetheless find the package to be equitable and well thought out over all. The spending reduction components of the package are three times the size of the revenue increases, and the increased taxes are--generally speaking--broadly based.

Furthermore, we believe that the special tax incentives for economic growth which were instituted for smaller businesses shall be very productive, greatly strengthening our long-term economic potential. The $40 billion of deficit reduction slated for 1991 should not be so much that it will add much fuel to a recessionary fire, but the fact of an agreement itself may prove significant enough to lower interest rates and return the economy to a path of strong growth.

We want to thank you and the other members of the Administration who have worked so hard for this agreement and a restored sense of federal fiscal responsibility. We will support your effort to help gain Congressional passage of this important package.

Sincerely yours,

John Paul Galles
Executive Vice President

1155 15th Street N.W. Suite 710, Washington, DC 20005
Telephone: (202) 293-8830 Telecopier: (202) 872-8543

October 2, 1990

The Honorable ^F1^ ^F2^
U. S. House of Representatives
Washington, D.C. 20510

Dear Representative ^F2^:

We at National Small Business United (NSBU) are very pleased that the Administration and the Congressional leadership have reached a broad-based long-term agreement to reduce the federal deficit by $500 billion over the next five years. We endorse the package and urge its integral and speedy passage through the Congressional process. NSBU believes that this is the best package that could have been produced under the circumstances, and we want to ask you to help small business by voting in favor of this proposal when it comes before you this week in the form of a budget resolution.

As you may well know, NSBU has been an active leader in the fight to lower the capital gains rate. But, while we are disappointed about the lack of an appropriate capital gains incentive, we nonetheless find the package to be equitable and well thought out over all. We believe that there is a good balance between spending reductions and tax increases, and the increased taxes are--generally speaking--broadly based.

Furthermore, we believe that the special tax incentives for economic growth which were instituted for smaller businesses shall be very productive, greatly strengthening our long-term economic potential. These incentives include:

- A 30 percent tax credit for research and development. This will allow America's small companies to allocate funds toward the research and experimentation which will create growth and jobs well into the next century.

- A 25 percent deduction for investment in small corporations. Investors in the stock of qualified corporations would receive an immediate 25% federal tax deduction on amounts invested up to $200,000.

- A Tax deduction on capital gains realized from the sale of such stock. The sale of stock in a qualified corporation held for five or more years would be taxed either on the profit (capital gain) made after indexing for inflation or 50 percent of the final sales price, whichever is less.

- Additional expensing allowances. Qualified corporations would be allowed to expense items in excess of current law, especially helping newer companies afford the up-front costs of getting started.

The $40 billion of deficit reduction slated for 1991 should not be so much that it will add much fuel to a recessionary fire, but the fact of an agreement itself may prove significant enough to lower interest rates and return the economy to a path of strong growth.

The Budget Summit Agreement calls for $133 Billion in additional taxes over the next five years. While that number seems large, in fact, the spending side of the Agreement is undergoing reductions three times as large as the tax increases. The tax increases are largely on the consumption of products which represent discretionary expenditures. In this sense, these taxes are not completely regressive. It is important for our nation's future that consumption is being taxed, not investment.

We urge you to support the long-term prosperity of this country by voting in favor of this plan. To be sure, there are plenty of places where small business would have made significant changes in this plan, but this is a time to place the larger national interests above individual special interests. Thank you for your consideration.

Sincerely yours,

John Paul Galles

John Paul Galles
Executive Vice President

N · A · W

October 2, 1990

IDENTICAL LETTER SENT TO ALL MEMBERS OF THE HOUSE AND SENATE

The Honorable Bill Archer
U.S. House of Representatives
1236 Longworth House Office Bldg.
Washington, DC 20515

Dear Bill:

On behalf of the National Association of Wholesaler-Distributors (NAW), we are pleased to enclose a letter which we have sent to the President endorsing the adoption of the budget resolution based upon the budget summit agreement.

While we recognize that the agreement is far from perfect, we believe that, on balance, it deserves our active support.

Serious commitment to deficit reduction is one of our nation's highest priorities. While the budget agreement will clearly require sacrifice from all of us -- indeed significantly from portions of our membership -- we feel that restoring our nation's fiscal health demands that sacrifice.

As you deliberate on this critically important issue in the coming days, NAW urges you to allow the budget process to go forward and support this agreement.

Sincerely,

Alan -

Dirk Van Dongen
President

Alan M. Kranowitz
Senior Vice President-Government Relations

Enclosure

NATIONAL ASSOCIATION OF WHOLESALER-DISTRIBUTORS
1725 K Street, N.W. • Suite 710 • Washington, D.C. 20006 • 202/872-0885 • FAX: 202/785-0586

N · A · W NATIONAL ASSOCIATION OF WHOLESALER-DISTRIBUTORS
1725 K Street, N.W. • Suite 710 • Washington, D.C. 20006 • 202/872-0885 • FAX: 202/785-0586

NEWS

Contacts: • Ron Schreibman, CAE
Vice President — Communications
• Philip B. Jaffa
Director — Communications

October 2, 1990
FOR IMMEDIATE RELEASE

WHOLESALER-DISTRIBUTORS SUPPORT BUDGET SUMMIT AGREEMENT

Text of Letter Delivered Today To President Bush From the National Association of Wholesaler-Distributors (NAW), Which Represents 45,000 Wholesale Distribution Companies In All 50 States.

October 2, 1990

The President
The White House
Washington, DC 20500

Dear Mr. President:

After extensive consultation, I am pleased to report that our leadership believes as you do that the fiscal health of the economy demands that the budget process go forward based upon the budget summit agreement.

As you know, we did not reach this conclusion easily.

For one, we have historically opposed tax increase solutions to the deficit.

Additionally, important portions of our membership have real concerns with some aspects of the agreement. (We hope these concerns can be ameliorated in the reconciliation process.)

Finally, we are concerned about the enforceability of the spending reductions which are in the agreement.

We do believe, however, the agreement deserves our support, especially since you kept your pledge to maintain intact the income tax rates in the 1986 Tax Reform Act, even at the cost of your own capital gains initiative. We applaud that position.

We are prepared to stand at your side and work very closely with your staff to achieve essential legislative victories in the House and Senate.

With our high esteem and warm regards.

Cordially,

Dirk Van Dongen
President

Alan M. Kranowitz
Senior Vice President-Government Relations

NSBU
NATIONAL SMALL BUSINESS UNITED
"Serving America's small businesses since 1937"

October 1, 1990

The Honorable George Bush
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

We at National Small Business United (NSBU) are very pleased that you and the Congressional leadership have reached a broad-based long-term agreement to reduce the federal deficit by $500 billion over the next five years. We endorse the package and urge its integral and speedy passage through the Congressional process.

As I am sure you know, NSBU has been an active leader in the fight to lower the capital gains rate. But, while we share your disappointment about the lack of an appropriate capital gains incentive, we nonetheless find the package to be equitable and well thought out over all. The spending reduction components of the package are three times the size of the revenue increases, and the increased taxes are--generally speaking--broadly based.

Furthermore, we believe that the special tax incentives for economic growth which were instituted for smaller businesses shall be very productive, greatly strengthening our long-term economic potential. The $40 billion of deficit reduction slated for 1991 should not be so much that it will add much fuel to a recessionary fire, but the fact of an agreement itself may prove significant enough to lower interest rates and return the economy to a path of strong growth.

We want to thank you and the other members of the Administration who have worked so hard for this agreement and a restored sense of federal fiscal responsibility. We will support your effort to help gain Congressional passage of this important package.

Sincerely yours,

John Paul Galles

John Paul Galles
Executive Vice President

1155 15th Street N.W. Suite 710, Washington, DC 20005
Telephone: (202) 293-8830 Telecopier: (202) 872-8543

STATEMENT ON FISCAL 1991 BUDGET AGREEMENT

Sun., September 30, 1990 (5:30 p.m.)

The American Association of Retired Persons (AARP) congratulates the President and bipartisan Congressional leadership for concluding a budget agreement.

AARP will be reviewing the package to assess whether it includes provisions to protect low-income persons, whether it recognizes past sacrifices, and whether it shares the "pain" associated with deficit reduction among all segments of the population.

We are concerned about the level of cuts in Medicare, which equal half the deficit reduction in entitlement programs that would be achieved over five years. Clearly, older Americans would contribute substantially to deficit reduction under this package. We urge Congress to seek ways to soften the effects of increases in the Part B premium, deductible and coinsurance on those for whom any increase in health care costs is unaffordable. We further urge Congress to ensure that any cuts in Medicare do not impede the access of older and disabled persons to quality health care.

We are very pleased that Social Security cost-of-living adjustments (COLA's) and taxation of benefits are not in this package. Recognizing the self-financing nature of Social Security, we are also pleased that the agreement would take Social Security out of the Gramm-Rudman-Hollings calculation of the federal budget deficit.

Older Americans do not want to leave a legacy of debt to their children and grandchildren. They are willing to bear their fair share of the sacrifices associated with responsible deficit reduction.

However, any decision about the merits of the budget agreement package should not be premature or hasty. In the days ahead, AARP will carefully assess the effects of this package, both on older Americans and the nation as a whole.

\# \# \# \#

TEXT OF MAILGRAM TO ALL HOUSE AND SENATE MEMBERS:

THE NATIONAL ASSOCIATION OF MANUFACTURERS URGES YOU TO VOTE FOR THE BUDGET RESOLUTION IMPLEMENTING THE DEFICIT REDUCTION PLAN AGREED TO BY THE PRESIDENT AND CONGRESSIONAL LEADERS OF BOTH PARTIES.

WHILE A NUMBER OF THE PLAN'S PROVISIONS ARE OBJECTIONABLE, WHICH IS TRUE WITH MOST DIFFICULT COMPROMISES, NAM SUPPORTS THE DEFICIT REDUCTION AGREEMENT AS A WHOLE. IT IS PREFERABLE TO THE ALTERNATIVE OF CONTINUED FISCAL DEADLOCK, SEQUESTRATION AND THE RESULTING ECONOMIC CHAOS.

IT IS ESSENTIAL THAT THE CONGRESS MOVE FORWARD AS SOON AS POSSIBLE WITH IMPLEMENTATION OF THIS BIPARTISAN DEFICIT REDUCTION AGREEMENT WHICH, OVER THE LONG RUN, WILL FACILITATE INTEREST RATE REDUCTIONS AND REIGNITE SUSTAINED ECONOMIC GROWTH.

JERRY J. JASINOWSKI
PRESIDENT
NATIONAL ASSOCIATION OF MANUFACTURERS

For Release

Sunday, September 30, 1990

Chrysler will release
this when a budget
agreement is reached.

Chrysler Corporation
12000 Chrysler Drive
Highland Park MI 48288-1919

. Muller
549-3047

STATEMENT BY LEE IACOCCA, ATION,
REGARDING THE SUCCESSFUL MIT

WASHINGTON, D.C. -- Lee A. Iacocca, Chairman of Chrysler Corporation, today voiced support for the budget agreement reached by Congress and the Administration, calling it "a solid step toward getting the economy back on track.

"Our biggest economic need is lower interest rates -- everybody agrees on that," Iacocca said. "This budget package gives Alan Greenspan the tools to make sure we get them."

He noted that lower interest rates would restore buyer confidence and "get us out of this recession in the shortest amount of time."

A look at the budget package shows that "nobody got everything they wanted," Iacocca said. "But that's the way it should be. We've got a problem in this country, and the best way to solve it is through an equality of sacrifice. It looks like the budget negotiators realized that.

"They deserve a lot of credit, because it takes real courage to deal with the issue of taxes and spending in an election year," he said. "But after so many years of inaction, of pretending our economic problems would go away if we ignored them, it was time to bite the bullet."

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(47290)

*** TELECOPIER COVER SHEET ***

CHRYSLER CORPORATION

1100 Connecticut Avenue, N.W.
Suite 900
Washington, DC 20036

Fax Machine: 202/862-5445 or -5446
(Tie-line: 873-5445 or -5446)

DATE: 9/28

TO: JACKIE KENNEDY PHONE:

FROM: DICK MULLER PHONE: 862-5407 (H) 703-549-3047

SEND TO TELECOPIER # :

TOTAL # OF PAGES (INCLUDING COVER SHEET): 2

Message: PER OUR CONVERSATION. PLS. CALL IF WE CAN BE OF FURTHER HELP.

Regards,

Dick

(202) 872-1260

The Business Roundtable

SAMUEL L. MAURY

EXECUTIVE DIRECTOR
THE BUSINESS ROUNDTABLE

1615 L STREET, N.W.
SUITE 1350
WASHINGTON, D.C. 20036

Bobbie Kilberg:

The following statement was telephoned to the media last night:

Drew Lewis, Chairman of The Business Roundtable, said tonight that The Business Roundtable, representing 200 of the nation's largest corporations is initially supportive of the budget deficit agreement announced by President Bush and the Congressional leadership.

"A meaningful solution to our nation's financial crisis requires everyone to give a little." Lewis said, "the business community has reason to grumble but we recognize without federal budget stability, all Americans lose because the nation's economy cannot support these out of control deficits.

Without knowing all of the details, I feel The Business Roundtable will be able to support this package."

# # # #

Sam Maury

AMERICAN BANKERS ASSOCIATION

NEWS

PUBLIC RELATIONS ▫ 1120 CONNECTICUT AVENUE, N.W., WASHINGTON, D.C. 20036 ▫ (202) 663-5000

CONTACT: Virginia Dean (202) 663-7501
Mark Burneko (202) 663-5468

FOR IMMEDIATE RELEASE
(90)

ABA SUPPORTS BIPARTISAN BUDGET AGREEMENT

WASHINGTON, Oct. 3 -- The American Bankers Association today announced support for the bipartisan budget agreement reached this week by Bush Administration and Congressional negotiators.

ABA said that although no compromise can satisfy everyone, this agreement takes important steps towards reducing the federal deficit and is necessary for the nation's economic well-being.

While the association is supportive of the overall package, there remains concern about the impact that the proposal will have on certain sectors of the economy, including the agricultural community. ABA will be working closely with Congress and the Administration during the implementation process to ensure that these concerns are adequately addressed.

The American Bankers Association is the trade and professional association for the nation's commercial banks. ABA members represent 95 percent of the industry's total assets.

# # #

NAWGA

October 3, 1990

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

Dear Mr. President:

We are writing to you today to offer our support for your effort to obtain enactment of the five-year agreement reached at the budget summit.

After extensive consultation with the leadership of the food distribution industry, our conclusion is that, while this agreement falls short of what we had hoped would emerge from the summit, current economic conditions demand that an agreement be reached and enacted.

As you might expect, this decision did not come easily. It is our assessment that the proposed increases in excise taxes, particularly on diesel fuel, will place a disproportionally and painfully large share of the revenue burden on the food distribution industry. Furthermore, we are concerned about the ability and resolve of Congress to live up to its part in this agreement to restrain the growth in federal spending.

On the whole, however, we have every confidence in you to lead this country and its government into a new era of fiscal responsibility. Also, we are grateful to you for your firm commitment to preserving the income tax rate structure achieved in the 1986 Tax Reform Act.

We are pleased to make this commitment to work with you and your staff to see that this agreement is enacted into law and to assist you in the future in preserving the integrity of its enforcement mechanisms.

With kindest regards,

John R. Block
John R. Block
President

Bruce A. Gates
Bruce A. Gates
Vice President
Government Relations

THE Food Distributors Association

National-American Wholesale Grocers' Association
201 Park Washington Court Falls Church, VA 22046 1-703-532-9400

CC

J. Andrew Doyle
Executive Director

National Paint & Coatings Association

October 4, 1990

The Honorable Alan Cranston
SH-112 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Cranston

The National Paint and Coatings Association commends President Bush and the bi-partisan Congressional leadership on their efforts to achieve a budget agreement aimed at reducing the Federal deficit.

NPCA strongly supports the notion of a balanced Federal budget. In addition, we believe that investment must be encouraged if we are to succeed economically. We note that a reduction in the capital gains tax is not included in this proposal. However, we urge that, in the future, steps be taken to lessen this burden, thereby encouraging investment throughout all levels of society.

Although we disagree with certain aspects of the proposal, failure to enact this measure could seriously impair the Nation's long term economic health. Accordingly, NPCA urges you and your colleagues to vote in favor of the bi-partisan budget agreement.

Sincerely,

J. Andrew Doyle
Executive Director

cc: Vice President J. Danforth Quayle
White House

The Honorable John H. Sununu
Chief of Staff

The Honorable Roger B. Porter
Assistant to the President for Economic and Domestic Policy

The Honorable Fredrick D. McClure
Assistant to the President for Legislative Affairs

1500 Rhode Island Avenue • Washington, DC 20005 • 202/462-6272

cc

CHEMICAL MANUFACTURERS ASSOCIATION

Robert A. Roland
President

October 4, 1990

The Honorable Thomas S. Foley
Speaker
House of Representatives
H-204 U.S. Capitol
Washington, D.C. 20515

The Honorable Robert H. Michel
Minority Leader
House of Representatives
H-232 U.S. Capitol
Washington, D.C. 20515

Dear Mr. Speaker and Mr. Minority Leader:

The Chemical Manufacturers Association (CMA) wishes to urge adoption of the bipartisan Budget Summit Agreement.

CMA is a non-profit trade association whose member companies represent more than 90 percent of the productive capacity for basic industrial chemicals in the United States. In 1989, the U.S. chemical industry employed more than one million American workers and had a favorable balance of trade of over $17.2 billion.

Reaching prompt agreement to reduce the Federal budget deficit is the most important issue before the Congress today. Despite our concerns over particular items in the package, CMA urges the members of the House to support President Bush and adopt the Budget Summit Agreement.

Sincerely,

cc: All Members of the U.S. House of Representatives

bcc: Richard Darman, Nicholas Brady, John Sununu, Bobbie Kilberg, Gray Boyden, Frederick McClure, and Roger Porter

CMA
CHEMICAL MANUFACTURERS ASSOCIATION

The Honorable John Sununu
Chief of Staff
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

2501 M Street, NW
Washington, DC 20037

For Delivery

American Electronics Association

AEA

5201 Great America Parkway, Santa Clara, California 95054. Telephone: (408) 987-4200
1225 Eye Street. N.W., Suite 950. Washington, D C. 20005. Telephone (202) 682-9110

ACTION ALERT!

To: AEA Member Company Executives

From: Dick Iverson, AEA President

Re: Budget Agreement -- Urgent Action Requested

We need your help *immediately.* AEA has been very active over the past few months in urging the Administration and Congress to come to an agreement on meaningful deficit reduction with real growth incentives. As you have read in the papers, an agreement was reached this past weekend.

There are a number of elements of the package that reflect a great deal of work by AEA and others:

- There is meaningful deficit reduction, with an extension of the Gramm-Rudman budget discipline for five years and additional budget process reforms.
- There are incentives for small and medium-sized companies, including: 1) a 30% R&D credit; 2) an adjustment in the tax basis for individuals who buy stock in small businesses; 3) a tax deduction for small business investment; and 4) an expanded ability for small business to expense certain depreciable property.
- A proposed "luxury tax" on electronics goods was eliminated from the final package.
- The package focuses on consumption rather than investment taxes.

By its very nature -- a $500 billion deficit reduction over 5 years -- this type of compromise pleases almost no one completely. Just about every group is affected negatively in some way. For example, we wish that the final package had included a permanent R&D credit, capital gains differential, and Section 861 provisions related to allocation of R&D expenditures, and did not include a proposed interest deduction disallowance for tax underpayments.

AEA believes that the budget agreement represents the best -- and perhaps the last -- chance for meaningful deficit reduction in the next few years. The budget deal faces huge obstacles in Congress, and your support is needed NOW.

We urge each of you to take a few moments out of your busy schedule TODAY or TOMORROW to call your Member of Congress and your two Senators. Call 202-224-3121 and ask for the appropriate office. If you call NOW, you can make a difference.

Please send us a short 1 paragraph FAX note (202-682-9111, attention John Mancini) and let us know who you contacted.

American Electronics Association AEA

5201 Great America Parkway, Santa Clara, California 95054. Telephone: (408) 987-4200
1225 Eye Street, N.W., Suite 950, Washington, D.C. 20005. Telephone: (202) 682-9110

Electronics Report Card on the Budget Agreement

AEA strongly endorses the summit agreement and is working with its 3,500 member companies to see it enacted into law. AEA believes that the budget agreement represents the best -- and perhaps the last -- chance for meaningful deficit reduction in the next few years.

By its very nature -- a $500 billion deficit reduction over 5 years -- this type of compromise pleases almost no one completely. Positives and negatives for the electronics industry are:

<u>On the plus side:</u>

- An actual budget agreement with meaningful enforcement provisions
- Small business incentive provisions, including:
  - 25% deduction for investment by individual taxpayers, up to a total of $50,000.
  - When selling asset, either value is indexed OR evaluated at 50% of selling price
  - 30% R&D credit
  - Expensing of many equipment purchases
- Elimination of proposed consumer electronics luxury tax
- Focus on consumption rather than investment taxes

<u>On the minus side:</u>

- Only one year extension of R&D credit (instead of permanency)
- No 861 allocation rules
- No broad-based capital gains differential
- Interest deduction disallowance for tax underpayments

FOR IMMEDIATE RELEASE

FOR MORE INFORMATION
John B. Hatch
(202) 682-9110
(408) 987-4232 (messages)

WASHINGTON, D.C., Oct. 2 -- The American Electronics Association (AEA) today commended the Budget Summiteers for producing a significant deficit-reduction agreement.

AEA President and CEO J. Richard Iverson said the Summit agreement is a much needed step toward total deficit elimination. "The Summiteers -- both from the Administration and from Congress -- merit strong praise for their efforts. AEA has long felt that deficit reduction should be an end in itself," he added.

"Many of AEA's fiscal public policy recommendations apparently were heard by the Summit participants," Iverson stated. "The agreement properly places the tax burden on consumption and not on investment. And, key AEA proposals that the cost of capital be reduced and that risk taking be encouraged were addressed positively in the pact."

AEA does believe that the agreement can be improved, particularly through additional incentives that would enhance research and development.

Iverson concluded, "AEA will now work with both Congress and the Administration to improve the budget package and make it

(more)

even more meaningful to long-term economic growth. We fully understand the delicate political balances required to pass a broad-based budget bill requiring sacrifices from all segments of our society."

The American Electronics Association represents some 3,500 companies in technology communities throughout the United States. For almost fifty years, AEA has been the accepted voice of the U.S. electronics industry.

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NOTE TO EDITORS: AEA will hold a Press Backgrounder on how the Summit Agreement might impact technology companies on Wednesday, October 3, at 9 am, at AEA Headquarters, 1225 Eye Street, Washington, D.C. 20005. For more information, call John Hatch, (202) 682-9110.