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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Memo	J. Baker, Meese to Feldstein (1 p)	10/21/83	~~P5, P6~~ F6
2. Memo	J. Baker to Feldstein (1 p)	9/22/83	~~P5, P6~~ F6

RESTRICTION CODES

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P-1 National security classified information [(a)(1) of the PRA].
P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
P-3 Release would violate a Federal statute [(a)(3) of the PRA].
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F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

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Regan Sees Contingency Tax Plan

By JONATHAN FUERBRINGER

Special to The New York Times

WASHINGTON, Dec. 12 — Treasury Secretary Donald T. Regan said today that President Reagan, to reduce future budget deficits, will include a tax increase proposal in the 1985 budget that he will send to Congress in January.

Mr. Regan added that the tax rise would be contingent on first achieving spending cuts that will also be included in the budget, which is tentatively scheduled to be submitted to the lawmakers on Jan. 30.

In answer to questions after a speech here, Mr. Regan's comments became the first official statement that there would be such a proposal in the budget for the 1985 fiscal year, which begins Oct. 1, 1984. Over the weekend, Administration officials, who asked not to be identified, said they expected such a contingency proposal in the budget.

The President included such a contingency tax proposal in his 1984 budget, but it received a cold reception in Congress and the Administration never really pushed it.

Mr. Regan insisted that no details of the tax proposal had been settled. In addition, a Treasury official, who asked not to be identified, said there is a fight within the Administration over whether the tax plan will be an actual proposal, as in last year's budget, or whether the budget will just assume that a tax increase will be approved after 1984 and "plug" such a revenue increase into the deficit projections.

Also discussing the deficit, Rudolph G. Penner, the director of the Congressional Budget Office, warned the Senate Finance Committee that the rising cost of interest on the national debt is threatening to offset any deficit reduction that may result from realistic tax rises or spending cuts.

Mr. Penner projected that, without any further spending cuts or tax rises, the deficit would rise from about $185 billion in the 1984 fiscal year, which ends Sept. 30, 1984, to $280 billion in the 1989 fiscal year.

Mr. Penner was the lead-off witness as the panel began three days of hearings on the four-year, $150 billion deficit reduction plan that the chairman, Bob Dole, Republican of Kansas, outlined before Congress adjourned in November. Mr. Penner said that Congress should move quickly and that both tax rises and spending cuts were needed.

On spending, he said that any move would have to consider reductions in the growth of military spending and popular entitlement programs, such as Social Security and Medicare.

The Budget's Growth by Category

Congressional Budget Office estimates of Federal Budget outlays, data for fiscal years in billions of dollars

	Actual 1983	Est. 1984	1985	Projected 1986	1987	1988	1989
National Defense	$211	$235	$265	$295	$328	$360	$396
Social Security	169	177	189	202	215	230	246
Medicare and Medicaid	76	86	98	108	123	140	158
Other Entitlements and Mandatory Spending	142	124	126	131	135	140	148
Nondefense Discretionary Spending	143	154	164	169	179	186	194
Net Interest	88	105	116	128	144	160	178
Offsetting Receipts	−33	−31	−34	−40	−39	−40	−42
Total Outlays	$796	$850	$925	$993	$1,084	$1,177	$1,278

Source: Congressional Budget Office

Budget Will Ask Contingency Tax Boost--Regan

By ROBERT A. ROSENBLATT, *Times Staff Writer*

WASHINGTON—Despite President Reagan's strong distaste for tax increases, the Administration's new budget will propose tax hikes linked to federal spending cuts, Treasury Secretary Donald T. Regan said Monday.

If Congress reduces spending first, "then we'll take the taxes," Regan said in a speech to the National Press Club. It was the first official word from anyone in the Administration that its 1985 budget, to be unveiled early next year, will contain a contingency tax plan.

Congress ignored the President's request for spending cuts and a contingency tax in the current fiscal 1984 budget, and a negative response is likely again next year. But Regan's forceful rhetoric suggested that the Administration views its call for lower spending as an effective campaign issue.

'Determined to Fight'

"We have to be determined to fight" for reduced spending, the Treasury secretary said. "We have to get it down."

Tax increase proposals, including several offered by influential Republicans, were quickly rejected by the President during the closing days of the 1983 congressional session last month.

But a tax increase is now considered acceptable if a spending cut of equal size is approved first, the secretary said. The specific amounts are unknown, he said, because the fiscal 1985 budget has not been completed yet.

"We will work with anyone in Congress who wants to cut spending," Regan said. The Administration asked Congress this year for spending cuts totaling $89 billion over three years, but the legislators approved cuts of only $7 billion, the secretary said.

"Why should we be racking up more spending?" he asked. "It is not that we lack the revenue, but we lack the will to cut back some programs.

"If you ask where," he added, "I refer you to the Grace Commission." This was a reference to a presidentially appointed panel of industry executives that has proposed savings of $100 billion annually in federal spending.

Headed by industrialist J. Peter Grace, the commission has called for such politically sensitive actions as cutting civilian and military pension benefits, trimming food stamp outlays and combining student aid programs. Regan refused to say which proposals are likely to be included in the new budget.

Potential Target

The fastest-growing major federal spending programs are defense and the combined Social Security-Medicare fund. Regan said in response to questions that Medicare is a potential target for savings but indicated that the defense budget will not be substantially altered.

Medicare, which helps finance hospital and physicians' services for 26 million Americans over age 65, "needs to be examined quickly" for "an overhaul," Regan said. Spending for these programs will jump from $53 billion this year to more than $100 billion in 1988, he said.

Of the defense budget, he said, "You have to have some type of national and international priority. You can't have a weak defense and a strong economy."

Administration officials are convinced that the spending issue can provide them with strong election-year ammunition.

Record Deficit Posted

Although the government under Reagan registered a record deficit of $195 billion in fiscal 1983, which ended Sept. 30, Administration officials expect to attack the Democrats in Congress as big spenders. Many private economists project a deficit of nearly $200 billion for the current fiscal year, although the Administration disputes that.

In its 1985 budget and in projections for several future years, the Administration will aim for gradually declining deficits, Regan said. Bringing the deficits down should lead to lower interest rates, benefiting all Americans who depend on credit, from farmers to car buyers, he added.

In addition, the secretary expressed concern about the Federal Reserve Board's increasingly tight restrictions recently on the growth of the money supply. With business growing at an unusually rapid rate, "the Fed wants to cool the economy before it overheats and we get inflation back," Regan said. "My concern is that they not overdo it."

THE WALL STREET JOURNAL, Monday, December 12, 1983

White House Says '85 Budget Must Include Added Taxes to Show the Paring of Deficits

By Paul Blustein
Staff Reporter of The Wall Street Journal

WASHINGTON—With radical new proposals for cutting domestic spending all but ruled out, President Reagan's fiscal 1985 budget will have to include some additional taxes in order to project declining deficits, administration officials said.

Several officials said budget calculations are leading toward resubmission of last year's "contingency tax" proposal, or something like it, in the fiscal 1985 budget that must be sent to Congress next month. As an alternative, some officials are bandying about the idea of filling the deficit gap with a revenue "plug," a vague, unspecified tax increase.

The so-called plug is being urged by some Reagan advisers who don't want to sacrifice any of Mr. Reagan's reputation as a tax cutter—especially during an election year. The plug wouldn't commit the president to specific new taxes or specific tax increases while he campaigns for reelection, seeking a mandate to slash domestic spending.

In its first budget, for fiscal 1982, the administration included a spending plug declaring its intention to make additional, unspecified, budget savings. Last year, one official said, a revenue plug was discussed seriously but dropped after "we decided it would be seen through right away." Moreover, it was thought that voters might become worried they would be hit hardest by whatever new taxes were proposed. Instead, the administration opted for the contingency tax, which included an income-tax surcharge and oil-excise levy that would take effect in fiscal years 1986-88 if spending cuts were made and certain other conditions were met.

Administration sources stressed that it is difficult to predict what final course Mr. Reagan will take. The president, who never liked the contingency tax, grew more disenchanted with it after Congress failed to enact many of the domestic spending cuts in last year's budget.

The debate between advocates of the contingency tax and advocates of the plug arises out of the administration's dilemma in reducing deficits. It wants to present itself as determined to reduce annual deficits from their current $200 billion level, a goal it would like to achieve primarily by slicing at domestic spending. But the administration doesn't want to unveil drastic new spending-cut proposals until after the 1984 elections; such proposals would stand little chance of passage next year, anyway, Mr. Reagan's advisers reason.

In the meantime, the deadline for submitting the budget is next month, and the administration has to decide how firm—and how credible—it wants to be in proposing the revenue increases that are required to narrow the budget gap to acceptable levels.

Even assuming a fairly optimistic growth forecast, the administration will need a revenue contribution of about $50 billion a year to get budgetary red ink under the $100 billion annual level by fiscal 1988 and 1989, according to Lawrence Kudlow, a Washington economic consultant who, until recently, was chief economist in the Office of Management and Budget.

The $100 billion figure is something of a "magic number" the administration is eager to reach by those final years contained in the budget forecasts, Mr. Kudlow said. Several administration sources agreed, although they noted that the $100 billion figure only has symbolic value and is based on economic projections that become extremely hazy five years out.

The magic number for the deficits "used to be zero," Mr. Kudlow observed, referring to the fact that most previous budgets aimed at least for balance within a five-year period. "Now it's $100 billion."

As reported, administration officials predict that the nondefense portion of the fiscal 1985 budget will resemble last year's, albeit with some changes in the mix of cuts and increases among various programs. That means it is almost certain that the spending total in the fiscal 1985 budget will surpass the $918.3 billion projected in the administration's mid-session budget review last July; cuts that were proposed in last year's budget but not adopted are being pushed back a year. The fiscal 1985 deficit, projected at $170.2 billion in July, is expected to grow concomitantly.

Last year's budget included about $89 billion in proposed savings over the three-year period from fiscal 1984 to 1986, including cuts in social programs that begin at low levels and become greater in subsequent years. Mostly because of the one-year "slippage" of those proposed cuts, the total spending figure for fiscal 1985 probably will end up about $10 billion higher than the $918 billion figure, one official estimated. But he said individual programs still are being reviewed and agency appeals are being considered by the White House, so the figure is subject to substantial change.

Last month, the president rejected many agencies' initial budget requests and ordered them to resubmit proposals in line with the mid-session review projections. "There has been a lot of work on how to interpret that," the official said. Some agen-

Administration Considering Contingency Excise Tax on Energy

By Martha M. Hamilton
Washington Post Staff Writer

The Reagan administration is considering an across-the-board excise tax on all forms of energy as part of the contingent tax increase it may include in its forthcoming budget.

The larger debate continues over whether to include any tax proposal in the fiscal 1985 recommendations. But, assuming that there is a tax plan, Treasury officials are favorably inclined toward the energy levy as one that would spread the revenue-raising burden across a broad spectrum of taxpayers and pose fewer political problems than the excise tax on oil only that President Reagan proposed a year ago.

Last January Reagan proposed a three-year standby tax increase beginning in fiscal 1986. It included a $5-a-barrel excise tax on oil and a 5 percent individual and corporate income surtax. The taxes were to go into effect only if the deficit remained above a certain amount, the economy continued to recover and Congress enacted specified spending cuts.

The administration did little to promote its tax proposals, but it was clear that the oil excise tax proposal would have faced stiff opposition in Congress.

A broad-based energy tax is also among the major items the Senate Finance Committee is considering in its own deficit-reduction plan, along with an income surtax for upper-income households ($60,000 and over for joint returns and $42,000 for individual) and corporations.

The committee proposal would levy a 2.5 percent tax on all forms of energy consumed in the United States including oil, natural gas, natural gas liquids, coal and electricity. It would be the broadest consumption tax in the federal code.

The tax would be levied at the easiest collection point in the distribution system, not from the user. For instance, the oil tax would be imposed on the sale of refined petroleum products by a refiner while the natural gas tax would be imposed on the sale to a local distribution company.

Tax rates for different commodities would be set for a unit of that commodity—a ton of coal or a barrel of oil, for instance—based on the average nationwide price per unit.

John Chapoton, assistant treasury secretary for tax policy, said over the weekend that no element has been ruled out for inclusion in a contingent tax proposal, but that the broader energy tax appears more politically feasible than last year's excise tax on oil.

The Finance Committee plan is the work of aides to senators from oil and non-oil states. Part of a package introduced just as Congress was adjourning last month, the proposal produced little discussion during hearings.

"If they are going to propose a contingency tax, they might be attracted to some of the things we have in our package, rather than going back to what they had," one Finance Committee staff member said.

The biggest contingency remains whether the president will include any specific tax measure as part of his budget. Administration officials have said repeatedly that, if so, the tax measures will be contingent on spending cuts by Congress.

Also said to be under consideration is something called a "plug"—a promise to raise a certain amount of revenue without spelling out exactly how that would be done.

Regan Sees Gap In 1985 Budget Of $100 Billion

But Aide Says Qualifier Used. In 'The Area Of,' Allows For Range to $120 Billion

By LAURIE MCGINLEY
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Treasury Secretary Donald Regan, making a surprisingly low projection, said the federal government's budget deficit could narrow sharply to "the area of" $100 billion in fiscal 1985.

Mr. Regan made the projection during a question-and-answer session before the U.S. Chamber of Commerce. Afterwards, aides said it wasn't a slip of the tongue, but they sought to play down its significance. "The secretary isn't predicting a $100 billion deficit, but he is saying that is doable," said a spokesman. Mr. Regan's phrase, "in the area of," means a deficit ranging from $100 billion to $120 billion, the spokesman said.

The Office of Managment and Budget in July projected a $170.2 billion deficit for fiscal 1985. A spokesman said he "couldn't possibly" comment on the Regan estimate because he didn't know what economic assumptions the Treasury boss was using.

Treasury officials, who provided only sketchy details to support Mr. Reagan's deficit projection, said the estimate was based on the secretary's belief that the economy will grow at a faster pace than was expected in July.

The July estimates "still are understating growth," said one department official. Faster-than-expected growth will reduce unemployment more quickly than anticipated, the official said, noting that Mr. Regan believes the unemployment rate could fall to about 7% by Dec. 31, 1985. That is a percentage point lower than the July estimate.

Treasury officials estimate that each percentage-point reduction in the jobless rate narrows the federal deficit $30 billion because of lower outlays for unemployment insurance and higher tax revenues from people back at work. The nation's unemployment rate stood at a seasonally adjusted 9.5% of the work force in August.

Mr. Regan predicted in his speech to the chamber that the economy would grow between 4.5% and 5%, after inflation adjustment, from the end of this year to the end of next year. However, he said, it's likely to be "closer to 5%." In July, the budget office put growth next year at 4.5%.

Mr. Regan's 1985 deficit projection, aides said, also assumes that the Reagan administration will be able to persuade Congress to make already-proposed spending reductions, as well as additional cuts. So far, the administration has had far less success than it would like in getting Congress to cut spending. But a Treasury official said that a strong Republican performance in the 1984 elections could create the political climate needed for substantial cutbacks.

The aide said that the Treasury supports a "line-item veto," which would give the President authority to reject spending levels for individual programs, rather than having to veto appropriations for an entire group of agencies.

Mr. Regan said that if spending levels aren't reduced, a tax increase "definitely will have to be considered in 1985. Until then, however he said he opposes tax-increase proposals, except those "putting the lid on" industrial-revenue and mortgage revenue bonds.

The federal deficit for fiscal year 1983, which ended Sept. 30, totaled $195 billion to $200 billion, Treasury officials said. In July, the deficit was projected at $209.8 billion. Officials attributed the narrower deficit to the robust economic recovery and slower-than expected government spending. Those same factors could produce a deficit in the current fiscal year of $150 billion to $170 billion, an aide said, compared with the July estimate of $179.7 billion.

Meanwhile, chairman Dan Rostenkowski of the House Ways and Means Committee described large federal deficits as "the greatest ticking time bomb of the economic future." But, the Illinois Democrat said, the modest tax bill being drafted by his panel this week is a step toward addressing the deficit problem.

The real challenge, he said in a luncheon talk to a meeting of the Futures Industry Association, will come in 1985 when Congress and a new administration will have to decide whether to take back some of the "very generous" tax revisions enacted in 1981.

Mr. Rostenkowski, who met with the president yesterday, told the Futures group that Congress and the White House are "in a gridlock" on the deficit issue.

Smaller Cuts in U.S. Domestic Spending, New Tax Plan Seen in Budget for Fiscal '85

By PAUL BLUSTEIN
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—President Reagan's advisers expect to recommend fiscal 1985 budget proposals that call for smaller cuts in domestic spending than the previous year's budget, administration officials say.

In a related development, Treasury Secretary Donald Regan confirmed yesterday that the budget will almost certainly contain a new tax proposal of some type. Administration officials had privately predicted that a substantial amount of new tax revenue would be needed in future years to show federal budget deficits declining from their current $200 billion annual levels.

The tax proposal would be conditional upon congressional passage of spending cuts, the Treasury Secretary said, with "at least a one-for-one" ratio between spending cuts and tax increases. But the proposal contained in the budget might be substantially different from last year's "contingency tax," he said.

Social Programs

For fiscal 1985, which begins next Oct. 1, officials said they are readying a budget that will probably contain less in domestic spending cuts than the $21 billion the administration proposed last year for fiscal 1984. Proposed cuts in social programs for fiscal 1985 might be in the $12 billion range, one official said.

The budget proposals for fiscal 1986 through 1989 are likely to follow a similar path, another official said. "The tone of the way things are going is that we're going to be asking for another round of cuts, but not quite as big as the ones we asked for last year," he said.

The numbers are still subject to considerable uncertainty, officials cautioned, because of internal battles going on among individual agencies, the White House, and the Office of Management and Budget. And President Reagan might order his subordinates back to the drawing boards for a major overhaul of the figures.

Agency Cuts

Nevertheless, the administration is clearly taking election-year realities into consideration as it forges the new budget. In some cases, budget aides have concluded that because Congress rejected previously proposed cuts, it isn't "feasible" to re-propose those same cuts next year, one official said.

Although a few agencies may be asked to cut back even further than they were last year, "I don't expect anything dramatic," the official added. That is what administration sources have been saying with increasing confidence in recent days as more agreements were worked out among agency heads and budget officials.

President Reagan's advisers have said both publicly and privately that they expect the economic recovery to coast through next year without being hurt by looming deficits. If the president is reelected, officials say, he will then redouble his efforts to slash domestic spending and reduce budgetary red ink.

The likelihood that proposed domestic cuts in the fiscal 1985 budget will be less than last year's isn't entirely attributable to the 1984 election. The administration, for example, agreed this past year to compromises with Congress on certain programs that preclude any further reductions in the fiscal 1985 budget.

In a meeting with reporters yesterday, Secretary Regan said in response to a question that the budget will include "a tax proposal of some type that will be contingent on getting some spending cuts. The actual type hasn't been decided. What I'm talking about is, spending cuts come first."

The new tax proposal "wouldn't necessarily be the same contingency tax" that the administration proposed last year, Mr. Regan stressed. That measure included an income tax surcharge and oil excise tax designed to take effect in fiscal 1986 provided spending cuts were enacted and certain other conditions were met. As reported, some administration officials are considering simply filling the deficit gap with a vague, undefined revenue "plug" instead of a concrete tax proposal.

Education Budget

Separately, Education Department officials said that they have persuaded the White House budget office to accept about $1 billion more for the department's fiscal 1985 budget than the $13.3 billion proposed ceiling contained in the administration's midsession budget review last July. The higher figure is still about $1 billion below levels approved by Congress for the current year, however. Department sources said Secretary Terrel Bell is trying to convince the White House that Congress is likely to continue the department's spending authority at current levels; thus, he is said to reason, it would be politically advantageous for Mr. Reagan to recommend the same thing.

The $1 billion extra that the budget agency has accepted so far would be distributed proportionately among all the department's programs, a department official said.

Administration sources also said that the budget office wants to cut more than $150 million from the Energy Department's proposed fiscal 1985 budget for non-defense, nuclear-research programs. The bulk of the proposed cuts are aimed at a nuclear energy program that is slated to replace the Clinch River Breeder Reactor axed by Congress earlier this year.

Officials said that Energy Secretary Donald Hodel has appealed the budget office's effort to reduce to about $500 million from about $668 million the proposed spending levels for nuclear fission, nuclear waste and other civilian nuclear programs. Current spending levels are about $620 million for these programs.

WASH.POST:12-13-83

'85 Budget To Include Tax Plan

Regan Says Rise To Be Contingent On Spending Cuts

By Jane Seaberry and Martha M. Hamilton
Washington Post Staff Writers

Treasury Secretary Donald T. Regan said yesterday that the upcoming 1985 budget will include a contingent tax increase, and administration sources said that Defense Secretary Caspar W. Weinberger also is giving some ground on next year's proposed defense buildup.

Both actions deviate from President Reagan's basic budget preferences and are aimed at reducing a deficit that Congressional Budget Office Director Rudolph G. Penner said yesterday could go as high as $280 billion by 1989 unless tax and spending policies are changed.

Regan became the first administration official to say on the record that Reagan would propose a contingent tax increase for fiscal 1985 just as he did for the current fiscal year. Regan said that the size and shape of the increase have yet to be worked out, but that it would take effect only if Congress also enacted spending cuts and that it would be no larger than those spending cuts.

"There will be a tax proposal of some type that is contingent" on spending cuts made by Congress, Regan said in a speech to the Washington Press Club. "Of what type, no one knows. But it will be contingent upon spending cuts."

He said that the spending cuts would have to precede the tax increases and that the ratio of cuts to taxes would "have to be at least one to one." He also said he did not know how large the proposed tax increase might be.

In the budget it sent to Congress last January for this fiscal year, the administration proposed a contingent tax increase of about $50 billion a year, to take effect in fiscal 1986 if the deficit had not fallen satisfactorily by then.

The increase was to be in the form of an income surtax and excise tax on oil. But the president lost interest in it as the year wore on, finally saying that he would oppose any tax increase, and Congress also flinched at the prospect.

Doubt then arose whether the president would revive the contingent proposal in the 1985 budget. Over the weekend unidentified aides indicated that he might, and yesterday Regan said he would. Many economists say they fear that without a tax increase and other steps future deficits will be so high that they will drive up interest rates and choke off the economic recovery.

Weinberger is scheduled to meet with Reagan and Office of Management and Budget Director David A. Stockman today in search of a defense-buildup compromise between what Weinberger believes is needed and what Stockman believes is fiscally and politically prudent.

Weinberger's five-year plan submitted to Congress last January projected a 1985 budget of $322 billion in budget authority, compared with less than $290 billion projected in the budget resolution passed earlier this year.

Administration officials said yesterday that Weinberger expressed willingness in a Friday meeting to come down from the $322 billion he had sought. Among other things, the defense secretary has said that lower-than-expected inflation rates may allow some reductions in spending estimates without substantial program cuts.

Whether he will go further remains unclear; defense officials cautioned yesterday that "the fight isn't over."

Penner told the Senate Finance Committee yesterday that unless there are major changes in taxes and spending, the budget deficit will consume larger and larger amounts of money as the government struggles to pay interest on the national debt.

Making major spending changes will require looking at military spending, Social Security, Medicare and Medicaid, he said, adding, "Like Willie Sutton—you have to go where the money is."

Penner was the first witness in deficit hearings scheduled by committee Chairman Robert J. Dole (R-Kan.), who tried unsuccessfully to marshal support for a major tax increase and spending cut package before Congress adjourned last month. He failed in part because of administration resistance. His point was that it will be harder to raise taxes and cut spending next year, an election year.

Penner's estimates show the deficit increasing steadily from $185 billion in 1984. The CBO estimate of a $280 billion deficit by 1989 assumed defense buildup of 5 percent per year, much less than Reagan has advocated. Weinberger's original $322 billion goal for next year would amount to a 22 percent increase.

"There is a real danger of political stalemate in the coming year over the budget issue issue," Dole said, but he was restrained in his comments about the administration. "We're not going to point a finger of blame. There's enough of it for everybody."

While confirming that the president would propose a tax increase, Regan made no secret of his continuing lack of enthusiasm for the step.

Regan said that because of the unexpected strength of the economy revenues in 1985 and 1986 would exceed revenues in the previous two years by $200 billion.

"That should be enough for us to spend," Regan said. "Why do we have to go on racking up more spending than that?"

Regan said he knew of few programs whose funding would decline in current dollars despite expenditure reductions by the administration. However, he said the administration needs to look at Medicare expenditures and possibly overhaul the system.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

JAB
READ
File

October 29, 1983

NOTE FOR BARBARA HAYWARD

FROM: GEORGIA O'CONNOR g

Dr. Feldstein had to decline the attached invitation to address The Forum Club in January 1984. January is probably the most hectic month of the year for us because of the Economic Report of the President. His regrets were relayed to Mr. Cater by phone on October 19.

Attachment

THE WHITE HOUSE

WASHINGTON

October 25, 1983

MEMROANDUM TO: MARTIN FELDSTEIN

FROM: JAMES A. BAKER, III JAB III

SUBJECT: The Forum Club Invitation

John Cater has sent me a copy of his October 11 invitation for you to attend The Forum Club's luncheon meeting in January 1984.

I would appreciate it if you would review this invitation and respond as you deem appropriate, in light of your long-term schedule. I am not asking for any special consideration; simply that a decision is made as soon as your office can determine your schedule.

Thank you for your consideration of John Cater's invitation.

Attachment

Officers
John T. Cater, Chairman
Stewart Orton, President
F.W. Steckmest, Vice President
Robert M. Hermance, Treasurer
Anne H. Coley, Secretary

Former Chairmen
Benjamin N. Woodson
Philip G. Hoffman
Carol Vance
Leon Jaworski (1905-1982)

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A Community Platform for Distinguished Speakers

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Telephone: (713) [illegible]

October 11, 1983

The Honorable Martin S. Feldstein
Chairman
Council of Economic Advisors
Executive Office Building
Washington, D.C. 20506

Dear Dr. Feldstein:

I am pleased to invite you to address The Forum Club of Houston, our community platform for distinguished authorities to speak on vital national and international issues. As described in the enclosed brochure, The Forum Club is an independent, nonpartisan institution whose purpose is to enrich the knowledge and broaden the outlook of present and future leaders of Houston.

Our speakers have included government officials such as Gerald Ford, George Bush, Jim Baker, Henry Jackson, Pete Domenici, Jim Wright, Lloyd Bentsen, Ernest Hollings, and Jeane Kirkpatrick; business leaders such as David Rockefeller, Clifton Garvin, Edward Jefferson, Robert Beck, and David Roderick; medical and scientific authorities such as Dr. Michael DeBakey and Dr. Edward Teller; and foreign dignitaries such as Chinese Ambassador Chai Zemin, Israel's Yitzhak Rabin, and Speaker George Thomas of the British House of Commons.

We should like to suggest that you propose a date or dates in January 1984 to address a luncheon meeting. I am available to answer any questions you may have. If you would care to have a representative discuss suggested dates and arrangements, he or she may call our Club Vice President, Francis W. Steckmest, at (713) 869-0676.

We would be pleased to provide your transportation and hotel accommodations. Also, if you would like, there would be a reception before your speech for you to meet a number of community leaders as well as friends and associates.

The Forum Club officers and members sincerely hope that you will accept our invitation. We look forward to welcoming you and hearing your views on a vital issue of public concern.

Sincerely,

John T. Cater

John T. Cater
Chairman

Enclosure

cc: The Honorable James A. Baker, III
White House Chief of Staff

Jimmy - If you get a chance to call Martin Feldstein and urge his attendance, it would be greatly appreciated.

Best regards,
John

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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

Jim –

I wrote the attached memo to the President last night before I received your note. I hope that it reassures both of you.

I believe that Peter Kilborn (of the NY Times) is a bit too creative in his reporting and far too eager to say something "interesting" even when there is no basis in fact

Marty

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 23, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: MARTIN FELDSTEIN MF.

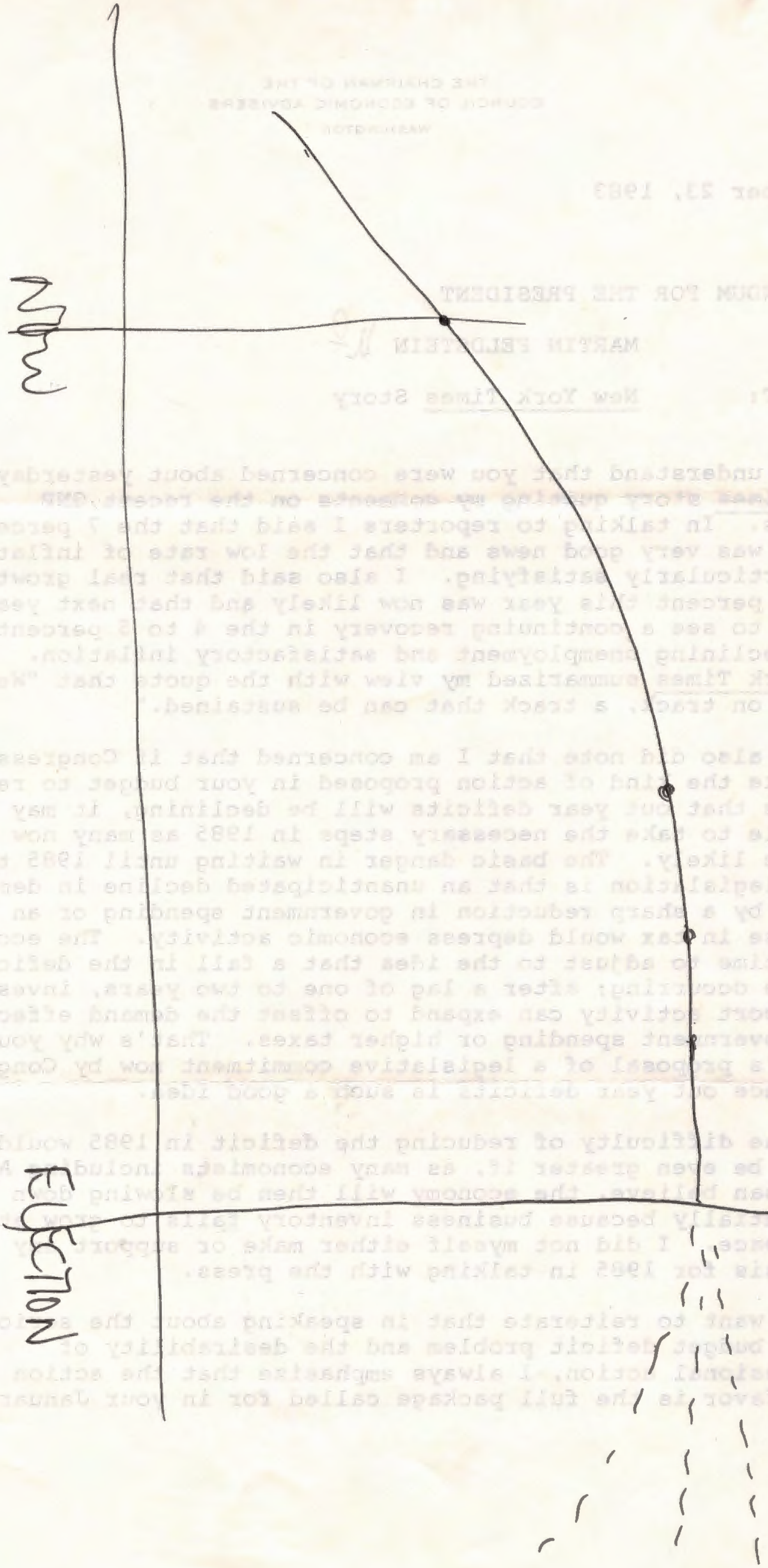
SUBJECT: New York Times Story

I understand that you were concerned about yesterday's New York Times story quoting my comments on the recent GNP figures. In talking to reporters I said that the 7 percent growth was very good news and that the low rate of inflation was particularly satisfying. I also said that real growth of 6 to 6.5 percent this year was now likely and that next year is likely to see a continuing recovery in the 4 to 5 percent range with declining unemployment and satisfactory inflation. The New York Times summarized my view with the quote that "We're really on track, a track that can be sustained."

I also did note that I am concerned that if Congress does not take the kind of action proposed in your budget to reassure markets that out year deficits will be declining, it may not be possible to take the necessary steps in 1985 as many now think is more likely. The basic danger in waiting until 1985 to enact legislation is that an unanticipated decline in demand caused by a sharp reduction in government spending or an increase in tax would depress economic activity. The economy needs time to adjust to the idea that a fall in the deficit will be occurring; after a lag of one to two years, investment and export activity can expand to offset the demand effect of less government spending or higher taxes. That's why your budget's proposal of a legislative commitment now by Congress to reduce out year deficits is such a good idea.

The difficulty of reducing the deficit in 1985 would of course be even greater if, as many economists including Alan Greenspan believe, the economy will then be slowing down substantially because business inventory fails to grow at its usual pace. I did not myself either make or support any such prognosis for 1985 in talking with the press.

I want to reiterate that in speaking about the seriousness of the budget deficit problem and the desirability of Congressional action, I always emphasize that the action that I would favor is the full package called for in your January budget.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