

LEGISLATIVE OUTLOOK

Attached is a list of legislative priorities. The following are a few general observations -- to be elaborated upon orally, as appropriate:

- (1) Year 2 is not likely to be much like year 1. Whereas the first year was a year of several, major, dramatic, affirmative legislative victories -- each reinforcing an image of remarkable Presidential power and leadership -- the second year is likely to show few, if any, such victories. The entire House is up for reelection, of course -- and, as always, is running scared. We won our big victories last year by only a handful of votes in the House -- while holding 190 Republicans. This time, many Republicans will have to put some distance between themselves and the Administration; and there is little prospect of being able to pull over enough Democrats to offset the likely defections. Further, on the Senate side, 11 out of 20 members of the Finance Committee are up for reelection -- and all the difficult tax and entitlement issues must go through that Committee. If anything big is to move, it will require a moderate amount of compromise on our part -- and we are not now playing for compromise. (In this regard, however, one should perhaps note that our big victories last year involved very substantial, though largely unnoticed, compromises.)
- (2) Our biggest problems are likely to be in relation to the following:
 - (a) Getting a new debt ceiling through (needed by mid-May). This is a natural opportunity for Democrats to embarrass us -- and they are likely to be aided by conservative Republicans in the Senate. There is some talk (on our side) of trying to get this out of the way soon, by tying it to the 3rd budget resolution. But it seems more likely that the Democrats (plus Armstrong et al.) would wish to make a crisis of this -- and attempt to extract a substantial price for support of the debt ceiling bill. That price could take any number of forms -- all of which would be likely to be at variance with our budget and economic program.
 - (b) Potential stalemate on our economic program. We will do well to get a budget resolution through the Senate. Even if we get one through both houses, it is unlikely that we will be able to get a substantially satisfactory reconciliation bill through the Congress. Without this, there will be insufficient pressure on the substantive committees to get them to move our program. As a result, we will not likely get our entitlement cuts; and deficits -- both projected and real -- will be the higher. (This in turn, of course, will put additional pressure on both our defense and tax programs.)
 - (c) Visible attacks on the defense budget and on military/ security assistance bills (as, e.g., re El Salvador).

- (d) Various pressures to undo parts of the tax program. This will take different forms from different sources. Democrats are said to be working on a program that would accelerate tax cuts in the short term, and decelerate (or delete) tax cuts for the longer term. Pressures will also likely arise to eliminate indexing (which doesn't start until 1985). The leasing provisions are likely to go as soon as a legislative opportunity arises. This, in and of itself, is not of major consequence; but if there is any coalescing around a tax approach that would reduce the deficits substantially and have a serious chance of enactment, the Administration will be in an awkward position.
- (3) Progress with other initiatives is likely to add up to a mixed picture -- success on some smaller things (after compromise), inaction on others. It should be possible, nonetheless, to portray this as a record of substantial progress -- it just won't be as dramatically successful as year 1:
- (a) Federalism. This is likely to be visibly discussed (in part because we will be hyping it); but it is not likely to be enacted in the near term. At best, we might expect to get the Senate to pass it this summer so that the initiative could be used to campaign against the House.
- (b) Regulatory Reform. It is likely that moderate bills may be enacted re both Clean Air and Regulatory Reform generally.
- (c) Departmental Reorganizations. Elimination of the Department of Energy has a moderate chance of enactment; elimination of the Department of Education has little or no chance this year.
- (d) Enterprise Zones. We have not sent our proposal up yet, but are likely to soon. We may get a bill here. But we probably should not hype this too much because it really amounts to what is only a modest experiment, with what many experts believe is less than a 50% chance of "working."
- (e) Intelligence Related Bills. We are likely to get an Intelligence Agents Identities Protection bill through the Senate promptly, with a reasonable chance of getting something similar from the House. Repeal of the Clark Amendment will be more difficult -- and although favorable action from the Senate may be possible, trouble is to be expected in the House.
- (f) Accelerated Natural Gas Deregulation. We have not formally proposed this yet. The question of when to do so is a difficult one. As a substantive matter, it would be desirable to do this as soon as possible. But as a political matter, it might risk serious losses of seats if it is sent up for action before the election.
- (g) Nominations. The most visible controversy now in sight is likely to be over van der Water. It would appear now that we may have the necessary votes to get the nomination discharged from committee (51 votes). But the Senate Republican leadership does not now see its way to sufficient strength to get cloture on the Senate floor.

I. ECONOMIC PROGRAMBasics:

- (1) Budget Resolution (due May 14)/Reconciliation Instructions
- (2) Debt Limit (necessary by May, probably)
- (3) Tax Code Revision(s)

Related Priorities

- (4) Continuing Resolution -- Labor/HHS, State/Justice, Treas./Post. (by March 31)
- (5) Clean Air Act
- (6) Regulatory Reform
- (7) Enterprise Zones
- (8) [Special Unemployment-related Matters -- as necessary]
- (9) Export Trading Companies
- (10) [Natural Gas Deregulation -- at appropriate time]

II. DEFENSE/FOREIGN POLICY PROGRAM

- (1) Defense budget resolution, authorization, appropriation
- (2) Caribbean Basin Initiative
- (3) Intelligence Agents Identities Protection
- (4) Clark Amendment Repeal
- (5) Assistance Appropriations

III. GOVERNMENTAL RESTRUCTURING

- (1) Federalism Initiative
- (2) Energy Reorganization
- (3) Education Reorganization

IV. "SOCIAL ISSUES"

- (1) Voting Rights Act
- (2) Tax Exempt Private Institutions
- (3) Immigration Reform
- (4) Busing/Abortion/Prayer
- (5) [Crime Control Package -- when developed]
- (6) [Pro-competitive Health Plan -- later]

V. NOMINATIONS

- (1) Van der Water

VI. LAME DUCK MATTERS

- (1) Social Security

Handwritten notes:
Baker
1/17/82
f. Darman
Meese

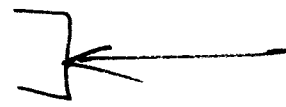
THE WHITE HOUSE

WASHINGTON

March 8, 1982

NOTE FOR JAMES A. BAKER III

SUBJECT: Coordinating Review of Schedule Proposals
Re Budget/Economic Program



FROM: Richard G. Darman

Richard G. Darman

Requests are coming in from many sources to Meese, Baker, Deaver, Darman, Fuller. These requests are from:

- various WH staff offices;
- various Cabinet members;
- various industries;
- various associations and interest groups;
- various Congressional groups;
- and so on.

If we just approve/disapprove these seriatim, we run the risk of accidentally creating external and internal relations problems.

I suggest:

- 1) You raise this with Meese/Deaver at breakfast;
- 2) if they agree, you note at senior staff meeting that Darman-Fuller will be responsible for reviewing such matters -- to develop an appropriate plan/sequence, and to provide advice to Deaver (in coordination with Baker, Meese as appropriate).

Handwritten note:
Darman-Fuller

cc: Craig L. Fuller