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THE REAGAN PRESIDENCY

A REVIEW OF THE FIRST TWO YEARS

1981 - 1982

THE REAGAN PRESIDENCY

A Review of Accomplishments in 1981 and 1982

A Report Compiled and Edited by the
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THE REAGAN RECORD IN BRIEF

President Reagan came to office convinced that the way to solve America's problems was to build on her basic underlying strengths -- including her economic and military strength. Perhaps the two greatest accomplishments of his first two years have come in laying twin foundations for the revitalization of both.

FOUNDATION FOR ECONOMIC RECOVERY IN PLACE

1. Inflation has been cut almost two-thirds

-- In the two years before President Reagan took office, the consumer price index rose at a rate averaging almost 13%; many economists predicted it would take years to moderate.

-- For the 12 months ending November of 1982, the inflation rate was only 4.6%, the lowest in a decade.

2. Interest rates are down by almost half

-- The prime rate peaked at 21.5% at the end of 1980. Other short and long-term rates were also at record highs.

-- At the end of 1982, the prime was at 11.5%; FHA mortgage rates were 12% (they peaked at 17.5% in 1981); and 90 day Treasury bills were at 8% (their 1980 high was 17%).

3. Taxes and tax rates cut substantially

-- Bracket creep and social security tax hikes pushed federal payroll taxes for the average family up $750 in 1980. In the previous 15 years, the tax burden on the average family went up fourfold.

-- President Reagan's 3 year program lowers tax rates 25% and indexing will help to keep them down starting in 1985. Even with the 1982 tax bill, Americans will pay $335 billion less through 1985 than if 1980 tax rates still stood.

4. Federal spending growth down more than one-third

-- Federal spending grew at a record rate of 17% in 1980.

-- In FY82 and FY83, it was cut a third, to about 11%.

-- Overall, federal spending has been $55 billion lower in the two fiscal years begun since President Reagan took office than if the previous growth rate still stood.

5. <u>Regulatory growth also cut back</u>

-- The estimated number of manhours required to comply with federal red-tape hit 1.5 billion in 1980.

-- Regulatory relief by the Reagan Administration lowered that number by an estimated 200 million in 1982; over 300 million in the current fiscal year 1983.

6. <u>Needed human services being maintained</u>

-- Federal medical, nutrition and housing assistance to the poor is 28% higher in FY83 than it was in FY80.

-- Federal programs have been reformed to better target benefits to the needy and end subsidies for those better off. No more school lunch subsidies for the wealthy or student loans for $100,000 a year families.

7. <u>U.S. more energy independent, gasoline costs down</u>

-- In 1982, gasoline prices fell about 10 cents a gallon, the biggest drop in history and the first drop in a decade. (Decontrol critics had predicted prices would soar to $2.00 a gallon.)

-- In 1980, the U.S. imported the energy equivalent of almost 6 million barrels a day and produced domestically only about 86% of total U.S. energy consumption.

-- In 1982, we produced 91% of total energy needs, with net imports down to less than 3.5 million barrels a day.

FOUNDATION IN PLACE FOR PEACE THROUGH STRENGTH

8. <u>Real defense growth to reverse long trend</u>

-- The President's budget provides for real growth in defense spending to make up for years of neglect and his policies call for comprehensive upgrading of strategic and conventional forces.

-- Military re-enlistment rates are up.

-- Morale and the quality of new recruits are also up as the All Volunteer military concept proves its workability.

9. <u>Nuclear arms reductions proposed</u>

-- A stronger defense posture has allowed the President to propose a comprehensive set of arms reductions and talks with the Soviets have begun on U.S. proposals to:

- o cut strategic nuclear weapons by one-third;
- o cut intermediate range nuclear weapons to zero;
- o cut conventional forces in Europe to mutually lower levels.

10. <u>Prospects for Mid-East peace advanced</u>

-- President Reagan's proposals for Mid-East peace, announced on September 1, 1982 launched a fresh start toward a settlement of conflict there that would ensure Israel's security and the legitimate rights of the Palestinians.

-- The year ended with historic talks ongoing between Lebanon and Israel (with U.S. participating) on the removal of foreign forces from Lebanon.

THE REAGAN PRESIDENCY AT MID-TERM

The second year of Ronald Reagan's Presidency was a time of testing and transition.

Along with the other countries of the industrialized world, the United States struggled to free itself from the most painful recession in post-war history. By year's end, the underlying problems which had made the recession so severe had begun to respond to the medicine of fiscal restraint. Evidence was accumulating that the economy was poised for recovery.

Acting forcefully and fairly, President Reagan had averted the calamity-in-the-making which greeted him when he took office. By significantly reducing record inflation, taxation, interest rates, excessive spending and regulation, Ronald Reagan kept important promises to the American people.

The President said, "Like FDR, may I say I'm not trying to destroy what is best in our system of humane, free Government. I'm doing everything I can to save it, to slow down the destructive rate of growth in taxes and spending, to prune non-essential programs so that enough resources will be left to meet the requirements of the truly needy."

Behind his persistent push to establish fiscal discipline was the driving force of his vision for America: "The ultimate and overwhelmingly positive goal of my administration," he said, "is to put limits on the power of government, yes, but to do it so that we liberate the powers and the real source of our national genius which will make us great again."

By the end of 1982, grave problems of unemployment remained and a deep recession had driven up federal budget deficits to levels that demanded fresh attack. But the nation's traditional confidence and belief in its greatness were reappearing. Personal savings and investment in stocks and bonds were up sharply; housing had begun a recovery; auto sales were strengthening; and new, computer-based technologies were helping sunrise industries bring promise of stronger growth and more jobs for America.

As the country continued its transition from an industrial to a more service and information-oriented society, the President pointed to our next great challenge and opportunity: to prepare, and in many cases, retrain today's workforce for tomorrow's world.

While moving to revive the economy, the President acted decisively to meet the challenges of foreign policy. He set forth the most comprehensive series of arms reduction proposals ever seriously discussed with the Soviets and the United States entered arms talks in Geneva and Vienna. He pushed forward with programs to strengthen America's defenses. In visits to Europe and Latin America, and in his conversations with visting leaders, he reassured American allies while alerting adversaries the United States was determined to fulfill its mission as a trustee of freedom, democracy, progress and peace.

The President presented a bold plan to break the stalemate between Israel and her neighbors in the Middle East. The United States also took the lead to restore sovereignty to Lebanon and bring about the evacuation of all foreign troops.

To His Holiness Pope John Paul II, and to people of the world, the President pledged his strongest personal commitment to achieve an historic agreement with the Soviet Union for comprehensive arms reductions.

Nineteen eighty-two was a difficult year for the United States. But it was also a time of transition, progress and hope for a better 1983. As the New Year began, the President said, "Yes, America has been sorely tried. But if we pull together we can draw on a deep reservoir of courage and strength. We Americans have never been quitters -- and we aren't about to quit now. It was faith in God and in ourselves that made us the greatest country on Earth. Together, we will make America great again."

* * * * * * * *

The pages that follow present a review of the first two years of the Reagan Presidency. This is not intended to be a comprehensive look "warts and all." Rather, it is an attempt to summarize the major achievements and initiatives of a Presidency that is now at the mid-point of the first term, aggressively seeking to turn the nation in a new and better direction.

THEN AND NOW: TWO YEARS OF PROGRESS
(1980 vs. 1982)

Inflation

Then -- 12.4% for the year 1980; was 13.3% in 1979.
Now -- 4.6% over 12 months ending November 1982; cut by 2/3s under President Reagan.

Interest Rates

Then -- the prime hit 21.5% at the end of 1980.
Now -- the prime is at 11%, down almost half in 2 years.

Then -- 90 day Treasury bills brought 17% interest.
Now -- interest on T-bills is 8%, also down about half.

Federal Spending Growth

Then -- growth rate was over 17% in 1980.
Now -- spending will grow by less than two-thirds that rate -- about 11% -- this fiscal year (FY83).

Federal Income Tax (family of four, two workers, median income of $24,000)

Then -- under old tax law, typical family would pay $3514.
Now -- lower rates cut tax to $3048 -- $466 less.

Mortgage Rates

Then -- they were climbing; FHA on the way to 17-18% range.
Now -- they're falling; at present 12-13%, monthly cost of $50,000 mortgage is $200 less than at peak rates of last year.

Housing Starts

Then -- in 3 year slump, starts down about 1/2 million.
Now -- start rate up at year-end; almost 1/2 million higher than 1981 low.

Energy Security

Then -- Net U.S. energy imports were the equivalent of almost 6 million barrels per day.
Now -- Net imports are down to just over 3 million.

Gasoline prices

Then -- Decontrol critics predicted $2.00 a gallon gas once controls were lifted.
Now -- Price fell about 10 cents a gallon in 1982; first drop in ten years, steepest ever. Real price lower now than just before decontrol.

Regulatory Relief

Then -- the Federal Register averaged 7251 pages a month.
Now -- it's down a third, to under 4875 pages monthly.

Then -- paperwork took estimated 1.5 billion manhours.
Now -- regulatory relief cuts burden by over 300 million.

Military Re-enlistment Rates

Then -- rate was 55%, and the military was losing a valuaable pool of experienced manpower.
Now -- re-enlistment rate, at 68%, is the highest since 1964 and is evidence of overall improvement in morale.

Nuclear Arms Reductions

Then -- Senate was rejecting flawed SALT II treaty.
Now -- serious talks with Soviets on mutual cuts, not just limits.

Throughout these first two years, Vice President George Bush has been a close and trusted adviser to President Reagan. He has had a more substantial policy and administrative role than any of his predecessors in the office -- just as President Reagan promised.

The Vice President has been involved in the development and implementation of domestic and foreign policy. He has directed Task Forces on Regulatory Relief, on Drugs and Crime in South Florida, and on the deaths of 28 children in Atlanta, Georgia. The President named the Vice President Chairman of the Special Situation Group to monitor crises and other international issues. Also, Vice President Bush travelled extensively on behalf of Republican candidates and Party organizations during the mid-term elections.

Foreign Policy And National Security Affairs

Aside from his full participation in the National Security Council system and private meetings with the President and other Administration officials, a few facts will illustrate the extent of the Vice President's activities in this area: He has visited 28 foreign countries and three U.S. overseas possessions and met with more than 320 ranking foreign leaders in the United States and abroad.

The Vice President was in charge of early U.S. preparations for the important Ottawa Economic Summit in 1981. His trip to Paris in June 1981 was the Administration's first high level contact with the Mitterrand government. During an extended trip to Asia, he met with the Chinese leadership and played a substantial role in achieving agreement on the August 17th Communique on arms sales to Taiwan. His trips to South America set the stage for President Reagan's travels in December 1982 and helped underscore the Administration's commitment to strengthening democracy in the Hemisphere and to economic development through the Caribbean Basin Initiative. The Vice President's trip to Africa was crucial in explaining the Administration's efforts for Namibian independence and its policies toward the continent as a whole.

The Vice President has acted as the President's representative on several important ceremonial occasions. Often these go beyond ceremony. On his trip to Moscow, for President Brezhnev's funeral, the Vice President met with General Secretary Andropov in a frank beginning of the Administration's relationship with the new Soviet leadership.

As head of the Special Situation Group, the Vice President monitored various crises including the declaration of martial law in Poland.

The South Florida Task Force

On January 28, 1982, President Reagan asked Vice President Bush to chair the newly created Cabinet-level South Florida Task Force to address the rampant crime and smuggling that was terrorizing the once tranquil area of South Florida. He noted that South Florida has become "the nation's major terminal for smuggling of illegal drugs into the United States," and that "the federal government has a special responsibility to fill in temporarily and do what it can to reduce and, it is hoped, to eliminate these problems."

The Task Force increased the number of jails, court rooms, judges and prosecutors, increased the presence of the Drug Enforcement Administration, the Coast Guard, the FBI, Customs, Immigration, the Alcohol, Tobacco and Firearms Division and the Internal Revenue Service. It stepped up offshore surveillance, and intensified cooperation with such source countries as Bolivia, Colombia, Peru and with the Bahamas. It cracked down on banks involved with the laundering of drug money.

The Task Force operation has significantly reduced smuggling of narcotics and other controlled substances into South Florida and has disrupted trafficking patterns and strategies. A survey for the first ten months of the program reported 1,826 arrests and the seizure of over 2,000,000 pounds of marijuana and 6,000 pounds of cocaine as well as numerous other illegal drugs and firearms.

Domestic Policy

In February, 1981, the President announced the establishment of a task force, with the Vice President as Chairman to coordinate federal efforts and assist local authorities in the investigation of 28 murdered and missing children in Atlanta, Georgia. The Task Force, through federal agency contributions, raised over $4 million to increase the community's mental health, crime prevention and investigative capabilities. Additionally, the Task Force provided considerable technical and programmatic assistance to support the investigation.

On September 15, 1981, the President signed an executive order to strengthen historically Black colleges and universities through development of partnerships with the private sector. At the President's request, Vice President Bush is playing a significant role in implementing the executive order. This ongoing effort has already yielded an increase in federal funding and the planning of joint college and corporate activities.

Task Force on Regulatory Relief

Shortly after taking office, the President named the Vice President Chairman of the Administration's Task Force on Regulatory Relief to oversee the implementation of a third major leg of his Economic Recovery Program. This Task Force took the lead in developing Executive Order 12291, which the President signed on February 17, 1981. It provides for centralized activities under the supervision of the Task Force.

The Task Force continued and expanded its activities during 1982. To date, it has designated 119 regulations for agency review. Final action has been completed on about one-half of these, while reviews are in advanced stages of consideration for more than half of the remaining targeted regulations. Aggregate savings over the next decade already amount to over $70 billion, with savings of roughly $10 billion in one-time investment costs and another $6 billion in annual recurring cost savings. Additional unquantified but substantial savings have resulted from a sharp reduction in the issuance of new regulations since the start of the Reagan Administration, due in part to review procedures and standards applied by the Task Force.

Under the Vice President's leadership the Task Force also has begun to develop proposals for legislation in a number of other areas where broader efforts should be made to reduce the government's intrusion into the private economy, alleviate needless paperwork burdens or reconcile conflicting legislation or regulatory policies.

Political and Legislative Activity

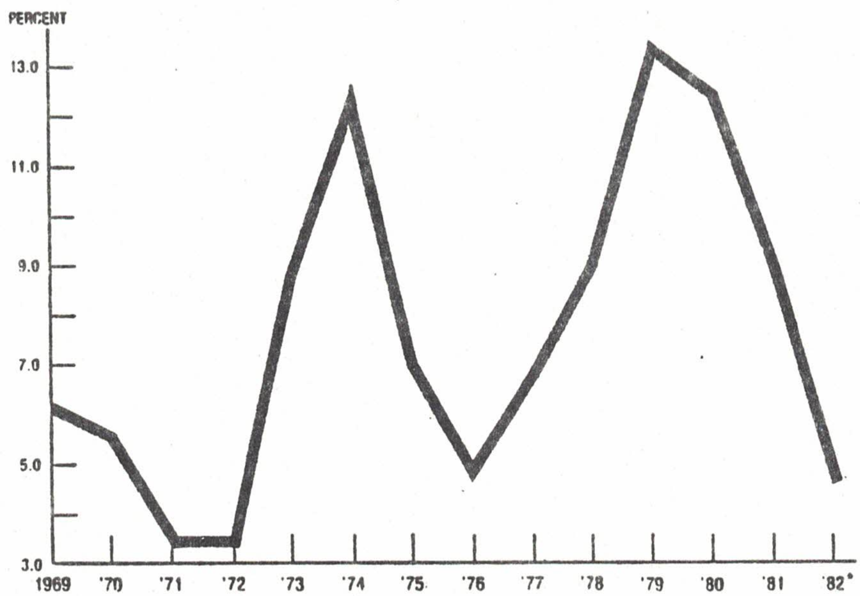
The Vice President travelled more extensively on behalf of his Party and its candidates than any Vice President in history. Over the past two years, he travelled to 46 states, attended 189 political events and raised over $28.8 million on behalf of Republican candidates and the Republican Party.

As the President of the Senate, Vice President Bush has worked diligently as an advocate of President Reagan's policies in the Congress and he played a key role in assisting the President to obtain Congressional support for major foreign and domestic legislation. Overall, Vice President Bush has logged more than 314,000 miles since taking office.

Many experts thought it would take years to do so. The problem had been building since the late '60s (prices more than doubled in the '70s). Inflation was hurting individuals and their families, and it was stifling the economy.

By 1982, inflation rates had been more than cut in half and, throughout that year, they continued to moderate. The consumer price index for the 12 months ending in November 1982 rose only 4.6 percent -- the lowest inflation rate in a decade.

LOWEST INFLATION IN A DECADE



*12 MONTH ANNUAL INFLATION RATE ENDING IN NOVEMBER, 1982.

-- <u>For American families</u>, lower inflation meant higher purchasing power. A median income family in 1982 (earning about $24,000) was about $1,500 better off that year than if inflation had stayed at 1980 rates. (Lower taxes only added to this advantage.)

-- <u>For the economy</u>, more stable prices meant that interest rates -- the biggest single obstacle to recovery -- could start coming down. After dropping gradually the first 18 months, they began to fall more rapidly in the summer of 1982 as confidence increased that government restraint and lower inflation might be here to stay.

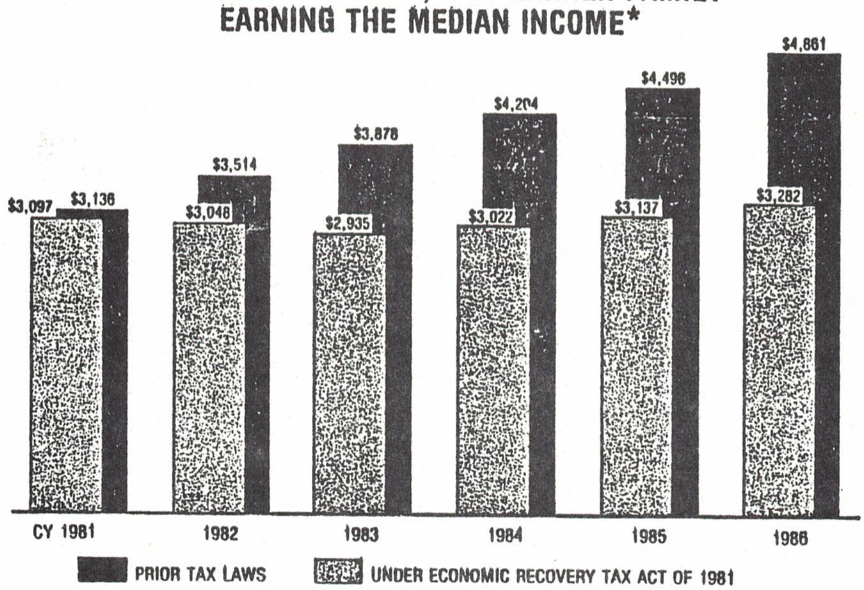
-- <u>For the federal government</u>, lower inflation was a mix of good news and bad news. Costs for some inflation adjusted programs were held down but the unprecedented drop in inflation -- exceeding even the Administration's forecasts and expectations -- also meant slower revenue growth. So the unprecedented progress against inflation, ironically, contributed to federal deficits. As President Reagan has said many times, Washington was always one of the prime beneficiaries of inflation.

2. The First Step -- Getting Government Under Control

At his Inaugural, President Reagan became chief executive of a government growing at such a rate that spending was slated to surge more than 50% and taxes to virtually double in the years 1981-86.

In 1981, the President proposed a comprehensive plan for reducing the growth of spending and for reducing tax rates to begin reining in the government's appetite. While Congress did not give the President all he asked, in June of 1981 he enjoyed one in a series of historic legislative victories by obtaining passage of the Omnibus Budget Reconciliation Act -- Gramm-Latta II -- which cut spending growth for fiscal 1982 by $35 billion. The next month, on July 29th, Congress sent the President the Economic Recovery Tax Act of 1981, authorizing a 3 year, 25% reduction in individual tax rates, a subsequent indexing of income tax rates, accelerated cost recovery for business and various other tax cuts and reforms for individuals and business.

FEDERAL INCOME TAX REDUCTIONS FOR A FOUR-PERSON, TWO-EARNER FAMILY EARNING THE MEDIAN INCOME*



*Assumes utilization of all applicable provisions in the tax program.
Source: Treasury Department, 1982

By Fall of 1981, much though not all of the President's program for economic recovery had become law: most of the spending and tax reductions would begin with the start of the new fiscal year on October 1st.

One major tax bill was enacted in 1982, the Tax Equity and Fiscal Responsibility Act, which enjoyed the President's support. It was signed into law on September 3, 1982. This bill improved the fairness of the tax system by eliminating abuses, stepping up tax enforcement and collection activities and doing away with some out-dated tax incentives. Part of a package of tax reforms and spending reductions, the bill increased receipts by $99 billion through 1985. It left undisturbed the individual rate cuts, and most of the business incentives in the 1981 tax law -- and even with its enactment America's tax bill will be $335 billion less through 1985 than it would have been at 1980 tax rates.

The 1981 tax bill pared some of the cuts requested by President Reagan and added certain additional tax reductions he had not requested or had planned to hold for a second tax bill. The net result was a total tax reduction somewhat larger than the President sought. The 1982 tax bill restored some of this revenue and President Reagan supported it as called for in the 1982 Congressional Budget Resolution which promised to combine higher revenues with lower outlays in an overall deficit reduction of $380 billion through fiscal year 1985. The President made it clear he supported the 1982 Congressional Budget Resolution because in it, Congress agreed to find $3 worth of spending restraint for every $1 higher revenues.

Congress, however, had a hard time living up to its promises on spending restraint. The President wielded the veto when he could, but that alone could not make up for all that Congress failed to do. He rejected a supplemental appropriations bill in June that exceeded his request by $2.7 billion and contained an additional $3 billion provision to bail-out the housing industry. (The President argued the bail-out was unnecessary and the surge in housing activity within the next 6 months bore out his position).

As the 1982 Fall elections neared and Congress prepared to adjourn for the final weeks of the campaign without completing the regular appropriations process (only 3 of 13 bills had been finally passed) the President called for a special "lame-duck" session. It convened at the end of November and did succeed in working with the President to complete the full-year appropriations process for the first time since 1979 and to do so at spending levels consistent with the Budget Resolution. (Congress did not finish the budget for fiscal 1983 until almost 3 months of the new

-- Housing starts, sales and permits surged as a result (the November 1982 start rate was 2/3s higher than the November 1981 rate) as millions more Americans were able again to afford a home of their own -- and a bedrock American industry began to emerge from a four year slump.

-- Auto sales brightened too, at year's end, with auto-makers offering finance rates under 12%. Sales edged up in late Fall and surged above the 6 million annual sales rate in November and December.

-- Purchasing power for America's working families improved as lower taxes let them keep more of what they earned and lower inflation made their earnings worth more. In fact, a typical family (at $24,000 median income) had about $2000 more purchasing power in 1982 than it would have if 1980 tax and inflation rates had stayed in place.

As the second year of the Reagan presidency came to an end, there were other strong indications his program was working, making real progress toward a more promising future for all:

-- Personal savings were up, with the savings rate nearly a point and a half higher than in 1980;
-- Personal income was rising -- even after inflation it was up 1.4% over these two years -- reversing a decline over the previous two years;
-- Retail sales ended 1982 6.6% higher than in 1981;
-- Leading economic indicators index was up in 7 of the last 8 months of 1982 -- a strong sign of coming recovery;
-- The stock market rebounded; the Dow-Jones average set a record in late 1982 and investors started the new year showing renewed confidence about the economic future.

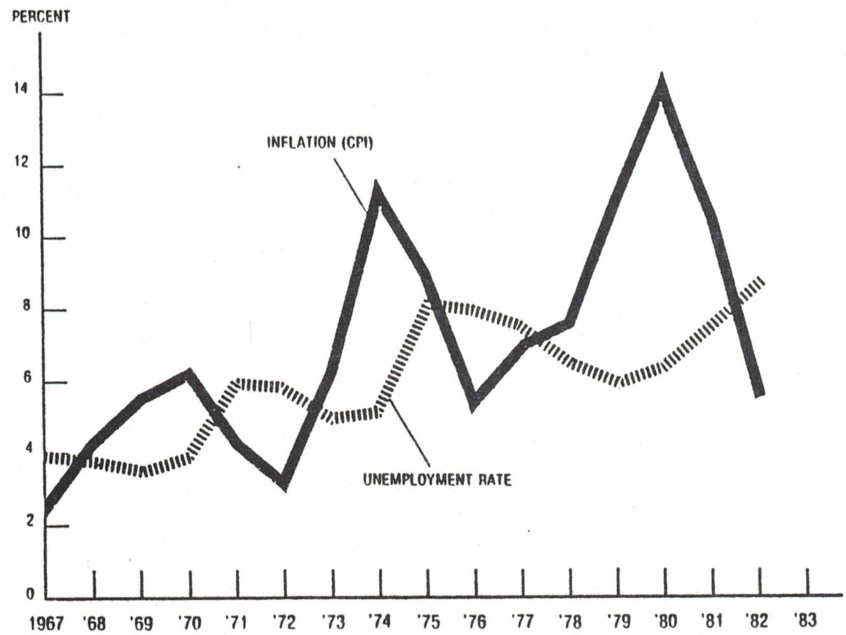
With taxes, spending growth, inflation and interest rates being brought under control, the most important and urgent remaining priority was unemployment. Always, in recent years, inflationary surges have been followed by jumps in unemployment, and the early 1980s proved no exception. The lack of economic growth dating to the start of 1979 only worsened the problem and tragically, the jobless rate rose.

4. Today's Most Urgent Priority -- Getting People Back to Work

By the 1980s, the post-war relationship between high inflation and high unemployment had been well established by experience. Three inflationary surges in the '70s had been followed, predictably, by periods of rising unemployment.

The latest unemployment surge, to double-digits in 1982, like the two previous increases in the '70s, started within months after inflation peaked. The high unemployment of 1982 was as predictable as it was avoidable -- if only earlier policy had kept inflation in check instead of allowing it to rise to double-digits in 1979-80.

INFLATION AND UNEMPLOYMENT RATES



SOURCE: COUNCIL OF ECONOMIC ADVISERS   THE FIGURE PRESENTS ESTIMATES OF THE ECONOMY'S UNDERLYING INFLATION AND EMPLOYMENT RATES. MONTHLY DATA ON CPI INFLATION AND UNEMPLOYMENT ARE USED IN THE CALCULATION

President Reagan is determined to keep inflation down as the only way to get unemployment down to stay. In the past, public policy re-inflated the economy just as unemployment started to improve, stalling the decline in the jobless rate and eventually starting it back up. Despite claims made for economic stimulus and federal "jobs" programs, real growth in a non-inflationary environment remains the only proven route to full employment.

The year 1982 ended with President Reagan as committed as ever to a real and lasting solution. When the lame-duck session of Congress considered a multi-billion dollar "jobs" program and seemed on the verge of its final passage, the President labelled it "pork-barrel" and threatened a veto. He argued it would add much as $5 billion to the deficit, could not create the 300,000 jobs proponents claimed and, would not take full effect, in any event, until 1985. The higher deficit, he suggested, would only add to the economy's troubles.

In contrast, throughout 1982, President Reagan pursued his general plans for economic recovery as the most important means of achieving full employment. He resisted proposals for temporary "jobs" programs and, instead, actively supported and pushed for additional legislation to ease the plight of the unemployed and help reduce structural unemployment.

-- Twice during 1982, unemployment insurance benefits were extended. By the end of the year, people out of work in the hardest hit states were eligible for up to 55 weeks of benefits;
-- The failed CETA program was replaced with the Job Training Partnership Act to train more than 1 million people a year in skills needed in a changing private sector job market;
-- The President's Export Trading Company legislation -- expected to help create over 300,000 jobs -- became law in the Fall of 1982;
-- The President's highway repair initiative, passed in the lame-duck session, would begin creating jobs in 1983, with the total expected to exceed 300,000.
-- On March 23, 1982 the President sent to Congress the Enterprise Zone Act which provides for the designation of zones in both rural and urban areas that have been targeted as especially distressed. Through a combination of tax and regulatory incentives, private development -- and the job creation that goes with it -- would be encouraged. The bill, which received widespread bipartisan support, is seen as an excellent means of creating jobs in some of the nation's most depressed areas. President Reagan will push for passage in the 98th Congress.

MAKING GOVERNMENT WORK

"It is not my intention to do away with government. It is rather to make it work -- work with us, not over us; to stand by our side, not ride our back,"

Ronald Reagan
Inaugural Address
January 20, 1981

By 1980, the explosive post-World War II growth of the federal government had taken a devastating toll on the American system of government and on the American way of life. As the government grew, it became more bureaucratic, distant, and unresponsive. Waste, fraud, and plain mismanagement became increasingly common while even the simplest transaction with a federal agency could be a source of confusion and frustration. As the federal government grew, it came to overshadow other institutions -- from state governments and local communities to private organizations and voluntary groups, to churches and even the family.

Ronald Reagan assumed office committed to making government work; to reducing its size; and to correcting the problems brought on by its uncontrolled growth. Despite the sceptics, the President was firm in his conviction. He assembled a team of men and women who shared his belief in the vital importance of the task. "We must remove the government's smothering hand from where it does harm," the President said early in 1981, and "we must seek to revitalize the proper functions of government."

1. Streamlining Government

Slowly but surely, the proof is coming in that less government can lead to better government. A prime example is the elimination of the ineffective CETA program and its replacement with a more efficient, less costly program -- the Job Training Partnership Act of 1982. Operating as a program of block grants to the states, the JTPA will spend 70 cents of every dollar on actual training (contrasted with 18 cents under the predecessor CETA program). In addition, unlike CETA, the President's program will place participants in skilled, private sector slots -- not dead-end, make-work public sector jobs.

When the President took office, federal regulations were costing Americans upwards of $100 billion a year. There were 100,000 pages of federal regulations on the books and Americans were spending an estimated 1.5 billion hours each year filling out forms and providing information to Washington. Simple tasks were quickly becoming administrative nightmares, and the economy was carrying a heavy burden. Easing the regulatory load became a central pillar of President Reagan's economic program.

One of the President's first acts upon taking office was the creation, on January 22, 1981, of the Task Force on Regulatory Relief, chaired by Vice President Bush. Working closely with the Office of Management and Budget, the President's Task Force has made significant inroads in reducing government red-tape. During the first 23 months of the Reagan Administration, pages in the Federal Register were down 31%, proposed rules were down 35%, and final rules were down 20% from the levels of 1980.

During the same period, the paperwork burden imposed on Americans by the federal government was reduced by 200 million manhours, with current projections for 1983 indicating an additional 127 million manhour reduction. Adoption of a common claim form for use by Medicare, Medicaid, and third party payors, for instance, has saved 10 million manhours, while simplification of the Internal Revenue Service's Form 1040 will save 31 million manhours, pointing the way to even stronger reforms in the future.

Also, under President Reagan, federal employment has been cut for two consecutive years -- the first time this has been done since World War II.

The President's first official action after being sworn in was aimed at getting control over the growth of the federal workforce. On January 20, 1981, President Reagan signed an Executive Order freezing all federal civilian hiring until such time as a full assessment of federal personnel needs could be made. That assessment came in his March 10, 1982 budget revision which called for permanent reductions of 33,000 in fiscal 1982 alone. Later that year, on September 24, the President proposed an additional 75,000 reduction goal in civilian non-defense personnel through fiscal 1984.

By the end of fiscal 1982, non-defense and non-postal Executive branch employment was reduced by 65,418 full-time equivalent employees -- 87% of the President's 1984 goal.

Executive Branch
Federal Non-Defense/Non-Postal Civilian Permanent Employment
(Total Full-Time Equivalent Slots)

Revised 1982 Budget	FY'82 (actual)	Difference
1,163,100	1,097,682	65,418

In addition, while major progress has been made on personnel reductions, 90% of the reductions have been through attrition. The Administration is committed to treating federal employees with understanding, recognizing that many bureaucratic excesses result more from Congressional legislation than from empire building by civil servants.

2. The Campaign Against Waste and Fraud

President Reagan also came to office promising a hard-hitting, no-nonsense campaign against waste and fraud in federal programs. After two years in office, the Administration has made significant progress toward fulfilling his commitment "to follow every lead, root out every incompetent and prosecute every crook that we found cheating the people of this Nation."

To carry out this commitment, he created the President's Council on Integrity and Efficiency in March of 1981. The Council -- chaired by the Deputy Director of OMB and with membership including the Inspectors General from 18 major departments and agencies, the Deputy Attorney General, the Director of the Office of Personnel Management and the Assistant Director of the FBI's Criminal Investigations Division -- has begun to do a job long needed.

Since its creation the Council has been responsible for:

-- 34,621 separate investigations
-- 3,869 indictments
-- 2,968 convictions
-- $16.9 billion in savings and recoveries
-- 574 federal employees fired

Under the Reagan Administration, the federal government for the first time in history, has a comprehensive program to assess and track down waste and fraud. Prior to this Presidency no one really knew how extensive the problems were or how best to correct them. This is now changing. Beyond rooting out waste and fraud, the Council is also prescribing methods for preventing new abuses. One method already in effect is the use of computer matching of government program beneficiaries. Since this practice was begun, over $11 million in overpayments has been prevented.

Audit Follow-Up: The Administration has implemented a highly successful program to promptly resolve and implement audit recommendations of the Inspectors General and the General Accounting Office. The result is tighter control over federal spending, tougher policing of government accounts and prompt implementation of audit recommendations. By December 31, 1982, the value of unresolved audits over six months old had been reduced to $136 million, compared to unresolved audits over 12 months old of $1.5 billion in January 1981.

Improved Internal Control: Agencies are working to implement the OMB Circular requiring the installation of strong systems of internal control to further inhibit fraud, waste and abuse. In addition, guidelines have been issued to the agencies for reporting the status of their internal controls annually to the President and the Congress as required by the Federal Managers Financial Integrity Act of 1982.

Cash Management: All major agencies have designated senior Cash Management Officers and have submitted plans for improving their cash management practices by:

- -- speeding up deposits into the U.S. Treasury;
- -- ensuring more timely payment; and,
- -- eliminating excess balances held outside the Treasury.

Debt Collection: Approximately $260 billion is currently owed to the federal government and over $40 billion of this amount is delinquent or in default.

- -- In April 1981, President Reagan ordered all agency heads to institute more effective debt collection procedures and ordered the U.S. Attorney's Offices to actively pursue collections from individuals referred by agencies.

- -- Special efforts by the Administration have resulted in at least $2.1 billion more in additional collections in 1982 than otherwise would have been collected.

- -- The Administration also proposed, and Congress passed, in 1982 comprehensive debt collection legislation aimed at revolutionizing federal credit management and debt collection practices. The Administration has begun implementing this legislation to sharpen agencies' debt collection tools.

Publications Review: Wasteful expenditures on government publications and audiovisual materials were an inviting target for elimination and economies. A Presidential directive issued in April 1981 has resulted in:

-- termination or consolidation of 2,000 publications, or one out of every six publications previously printed by the government;
-- cost reductions for another 2,300 publications;
-- reduction of publication costs by 9% in fiscal 1982 over fiscal 1981.

3. Toward Management Efficiencies

Complementing the President's campaign against waste and fraud are his efforts to bring improved management and administrative techniques to the federal government. The efforts of the President's Council on Integrity and Efficiency and the Inspectors General put in perspective for the first time how serious the problems of mismanagement within the government have become.

Reform 88: Launched on September 22, 1982, Reform 88 is a long-term project to effect permanent improvements in the management and administrative systems of the federal government. The Reform 88 group is comprised of a staff project office within the Office of Management and Budget and a Steering Committee composed of departmental Assistant Secretaries for Management, and Inspectors General. It is both overseen and represented at the Cabinet level by the newly formed Cabinet Council on Management and Administration chaired by Presidential Counsellor Edwin Meese III. Reform 88 provides the Executive Branch, for the first time, with a comprehensive and coordinated program to bring about needed changes.

Already Reform 88 has implemented short-term improvements in management techniques expected to save taxpayers $13.7 billion in fiscal 1983 alone. Other Reform 88 accomplishments include:

-- A review of OMB regulations which resulted in a 25% reduction in budget guidelines in time for the 1984 budget cycle, with another 15-25% reduction in OMB management regulations anticipated.

-- A review of procurement regulations is expected to result in the elimination of 8,000 out of 20,000 pages of primary regulations and the elimination of 50% of the more than 60,000 pages of secondary regulations.

-- Comprehensive study of major administrative systems within departments has identified 677 different systems. The Reform 88 goal is to install model, compatible management systems, government-wide.

President's Private Sector Survey on Cost Control: Formed by President Reagan on February 18, 1982, the PPSSCC represents both another step in his effort to end mismanagement and his commitment to reach outside government to seek expertise, advice and answers to some of the nation's problems. The Survey is chaired by J. Peter Grace and comprised of experts and staff from the private sector. The Survey is financed almost entirely by the private sector at a cost to the government not expected to exceed $100,000.

Patterned after President Reagan's highly successful efforts as Governor of California, the survey will make objective, third party assessments of the workings of all major federal departments and agencies. The President's mandate to Survey participants was to "roll up their sleeves and search out waste and inefficiency wherever it's to be found in the federal establishment."

The Survey, which was organized into 36 task forces, will report directly to the President in early 1983. Already, it has had a positive impact on the workings of government. A recent General Accounting Office report to Congress said of the Survey: "Most agency contacts viewed the task forces as positive attempts to identify cost savings .... Many said that (the) task force's presence forced them to improve operations." It will be the responsibility of the new Cabinet Council on Management and Administration to act on its findings and implement its recommendations.

4. Cabinet Government

Under President Reagan, Cabinet government has become much more of a working reality. The President was determined to use his Cabinet Officers not just as department managers but as a consultative body. To that end, on February 26, 1981, the President formally constituted the Cabinet Council system with the creation of the first five Cabinet Councils. They are the Cabinet Councils:

-- on Economic Affairs, chaired by the Secretary of the Treasury;
-- on Commerce and Trade, chaired by the Secretary of Commerce;
-- on Human Resources, chaired by the Secretary of Health and Human Services;

-- on Food and Agriculture, chaired by the Secretary of Agriculture; and,
-- on Natural Resources and the Environment, chaired by the Secretary of the Interior.

During 1982, two additional Cabinet Councils were established:

-- The Cabinet Council on Legal Policy, established on January 29, 1982, chaired by the Attorney General; and,
-- The Cabinet Council on Management and Administration, established on September 22, 1982, and chaired by Presidential Counsellor Edwin Meese III.

There were also two pre-existing Cabinet level groups when Mr. Reagan came into office -- the National Security Council and the Trade Policy Committee. Recommendations from all of these Cabinet groups flow into the decision-making process of the White House Office and facilitate the President's ability to manage information, make decisions and govern.

Over the course of the first two years the Cabinet Councils met a total of 318 times, 51 times with the President in attendance. Also, the full Cabinet held 56 meetings, 50 of them with the President.

5. Relations With Congress

Setting out early to ensure a close relationship with Congress, the President met with leaders of both the Republican-controlled Senate and the Democratic-controlled House of Representatives within two weeks of taking office. They met not only in the White House, but at the Capitol -- the home of Congress. In just the first six months of 1981, President Reagan met with Members 125 times, and frequent meetings were the rule throughout the first two years. For instance, the President held 63 meetings with over 300 Members just during the twelve day period preceding passage in the summer of the Tax Equity and Fiscal Responsibility Act of 1982.

While the President got less than all he wanted from the 97th Congress, a philosophical coalition emerged in the House and the Senate which was in basic agreement with the fundamental thrust of Reagan policy. The coalition gave him the majorities needed for tax cuts, spending restraint, and for much of what he sought on other domestic, defense and foreign policy issues.

Despite several historic legislative victories and an enviable overall record of success with the 97th Congress, there were frustrations. The President was particularly troubled by the slow progress of appropriations for fiscal 1983. In 1982, as Congress prepared to adjourn on October 1 without completing action on 10 of the 13 appropriations for the fiscal year starting that same day, the President urged Congress to return in November for a "lame-duck" session. They did just that, convening on November 29th for a three week session that succeeded -- for the first time since 1979 -- in completing action on appropriations for the full fiscal year. While much of it was covered by a Continuing Resolution, the lame-duck did pass 4 additional regular appropriations bills (only 3 had been passed by the October recess) and kept overall spending levels within those called for in the Budget Resolution the President had supported.

At the start of the 97th Congress, many had expected impasse between Congress and the President and between the Houses of Congress themselves -- each controlled by a different political party. The President's record of success on key legislation considerably exceeded those early expectations and proved Congress and the President could work together to enact a program with popular support.

Key votes in 1981

-- The Gramm-Latta budget resolution, setting spending targets for fiscal '82;
-- Gramm-Latta II, the Omnibus Budget Reconciliation Act;
-- The tax legislation cutting individual rates by 25 percent and providing other incentives for savings and investment;
-- The AWACS sale to Saudi Arabia;
-- The Defense Appropriations Bill;
-- Foreign Assistance Appropriations, the first such bill to be passed in three years; and,
-- The Continuing Resolution, setting spending levels for fiscal '82.

Key votes in 1982

-- The 1983 Budget Resolution setting spending targets for fiscal 1983;
-- The Omnibus Reconciliation Act of 1982;
-- The Continuing Resolution for 1983, meeting spending targets set out in the original budget resolution;
-- The Tax Equity and Fiscal Responsibility Act of 1982;
-- The Jobs Training Partnership Act of 1982;
-- The Export Trading Companies Act of 1982;
-- The Depository Institutions Act of 1982;
-- Extension of the Voting Rights Act;
-- The Surface Transportation Assistance Act of 1982; and

-- The Atomic Energy Act Amendments of 1982 (providing for nuclear waste disposal after many years of failed attempts to enact legislation).

6. Restoring a Federal Balance

Of all the institutions of American life that suffered from the excessive growth of the federal government, perhaps none lost more than state and local governments. Federal programs and federal regulations continually diminished the roles and responsibilities of states and localities. Often, federal policy bypassed the states entirely, making localities more dependent upon Washington than their own state Capitals. As power shifted to Washington, local voices often went unheard and local concerns and needs were lost in a maze of national programs and program requirements. Federal programs were often inflexible, poorly serving local needs, and imposing heavy paper-work costs on state and local governments.

President Reagan came to Washington convinced of the need to reverse these trends and to view the states once again as political partners.

"It is my intention," President Reagan stated during his Inaugural Address, "to curb the size and influence of the federal establishment and to demand recognition of the distinction between the powers granted to the federal government and those reserved to the states or to the people. All of us need to be reminded that the federal government did not create the states; the states created the federal government."

Early in his Administration, President Reagan began to fulfill his commitment to federalism.

Three of the four key components of the President's Economic Recovery Package -- budget cuts, regulatory relief, and tax cuts -- reflect the President's federalism perspective.

-- The budget cuts reflect a reordering of budgetary priorities so that the national budget is addressed at truly national needs.

-- The regulatory relief effort has made great strides in reducing the regulatory manacles which bind the hands of state and local officials.

-- Tax cuts provide a greater tax base for state and local governments by reducing oppressive levels of federal taxation.

Block Grants: As part of the Economic Recovery Program of 1981 the Omnibus Budget Reconciliation Act, signed into law on August 13, 1981, established nine new block grants. These consolidated 57 narrow and restrictive categorical programs into broader programmatic areas. Eight of the programs became effective during fiscal year 1982, and one took effect on the first of fiscal year 1983. The result was greater flexibility for state and local officials to target funds to specific needs most urgent in their locales. Block grants also provide for greater accountability because decisions are made by officials closer to the people. At the same time they save administrative overhead and allow for more innovation. For example, the new block grants meant a reduction of 667 pages of federal regulations to only 20 pages. The new block grants consolidated or streamlined programs of:

- Maternal and Child Health Care
- Preventive Health and Health Services
- Alcohol, Drug Abuse and Mental Health Services
- Primary Care
- Social Services
- Low-Income Home Energy Assistance
- Community Services
- Community Development for Small Cities
- Education

The White House Office of Intergovernmental Affairs and the Office of Management and Budget, in cooperation with appropriate Departments, held a series of regional briefings as part of a major effort to assure a smooth transition to, and effective implementation of, these block grants.

-- In part, because of these efforts, the transition to state administration of the block grants has been very smooth. Most states and territories accepted block grants at the earliest date possible (October 1, 1981), and the states and territories are currently administering all or most of them. Recent studies conducted by the GAO and others conclude the states are effectively carrying out the programs with no major problems.

-- Several additional block grants were proposed by the President in 1982, and a Job Training Partnership Act was signed into law on October 13, 1982 replacing the Comprehensive Employment and Training Act (CETA). The new program will take effect on October 1, 1983. The White House and OMB are working closely with the Department of Labor and the states, local governments and private sector to assure continued successful application of the principles of federalism to this program.

Regulatory Relief: One high priority of the President's overall regulatory relief efforts was examining federal regulations that affect state and local governments. Of the 119 regulatory reviews targeted by the President's Task Force by the summer of 1982, 35 were related to state and local governments. Over 15 other major regulatory reviews affecting state and local governments were begun by agency initiative.

-- Twenty-five of the reviews were completed. Cost savings of over $5 billion, substantial reductions in paperwork and red tape, and greater state and local government flexibility have resulted. Efforts continue to eliminate and simplify requirements in the remaining targeted regulations.

Federalism Initiative: With the announcement of the President's federalism initiative in his 1982 State of the Union Address, federalism was moved to the forefront of public debate. This reversed a fifty year trend in which the relentless gravitation of power to Washington was accepted as practically inevitable and irreversible.

-- The President characterized his 1982 Federalism Initiative as a conceptual framework and said that legislation would only be sent to the Congress after thorough consultation with state and local officials. Throughout the year, the President and White House staff met with development teams representing the nation's governors, state legislators, county, city, and township officials to fashion a federalism program which would have broad-based support by elected officials at all levels of government. As a result of that year-long consultative effort, legislation will be submitted to Congress in early 1983 to move toward a permanent sorting out of responsibilities.

An Ongoing Effort To Advance Federalism: In addition to the development of the major federalism initiative, several other steps have been taken to advance the overall effort to restore a federal balance among the levels of government in the United States.

-- For the first time in many years, the Executive Branch has actively participated in the Advisory Commission on Intergovernmental Relations (ACIR).

-- Each Cabinet member and agency head has designated a senior departmental official to handle intergovernmental affairs. These individuals consult with state and local officials and monitor programs to assure their positive effect on the state and local sector.

-- President Reagan himself has pursued an active outreach effort meeting with numerous state and local officials both in the White House and across the country. During his first two years, the President has also addressed the National Conference of State Legislators, the National League of Cities, the National Association of Counties, and five joint sessions of state legislatures.

-- President Reagan signed Executive Order 12372, Intergovernmental Review of Federal Programs, which allows states and localities to have a say on decisions on federal aid and direct development. Wherever possible federal agencies are required to make efforts to accommodate the concerns of state and local officials. The Order also encourages the simplification of state planning and of requirements imposed by federal law and allows for the substitution of state developed plans for federally required plans where statutes and regulations allow.