

Ronald Reagan Presidential Library  
Digital Library Collections

---

This is a PDF of a folder from our textual collections.

---

**Collection:** Beal, Richard S.: Files  
**Folder Title:** Strategic Planning Memorandum #4,  
5, 6 (1)  
**Box:** CFOA 465

---

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: [reagan.library@nara.gov](mailto:reagan.library@nara.gov)

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

(UNCLASSIFIED/SENSITIVE).

STRATEGIC PLANNING MEMORANDUM #6

TO: Edwin Meese  
FROM: Richard S. Beal  
SUBJECT: Planning Conditions and Contingencies - Phase 4  
DATE: December 22, 1981

This Strategic Planning Memorandum (SPM) contains information about planning conditions and contingencies that must be considered for Phase 4 of the President's Strategic Plan. Included are:

- brief descriptions of planning problems,
- best, worst, and expected attributes of those problems,
- broad Presidential options for each case,
- pro-active and reactive responses for Phase 4,
- implications for other phases, and
- a special section on potential major disruptive factors.

It is vital to examine Phase 4 in this manner because of the uncertainties the Administration and the nation will face. The President has initiated major changes and now must apply his power in a new direction for the nation. The future is always uncertain, but the many fast-breaking developments that occurred during 1981 and the conflicting opinions about the President's program options for 1982 demand that a wide range of conditions and contingencies be examined. The Administration cannot afford to miss the smallest opportunity nor appear ill-prepared for the inevitable surprises. The purpose of SPM #6 is to stimulate thinking about the range of possibilities and problems that will confront us in the major policy areas of importance to the President.

This document augments SPMs #4 and #5, which contain information on Phase 4 Presidential strategy and policy opportunities, respectively.

IMPORTANCE OF PHASE 4

In general, Phase 4 will be a crucial period for the Reagan Administration since it will indicate whether:

- the economic recovery strategy will begin to produce positive results,
- the Federal budget process will conform to the President's intent,

(UNCLASSIFIED/SENSITIVE)

- foreign nations will continue to view the United States as the true global leader,
- State/local governments and the private sector will accept more of their Constitutional and societal responsibilities,
- the President can set and control the national policy agenda,
- a majority of workable coalitions can be established in both Houses of Congress, and
- the American people will back the President's programs.

A critical question facing the Administration is the credibility of its theories, numbers, and personnel. In order to deal with this question and to obtain the needed coalition strength, actions by the Administration in Phase 4 must be planned and coordinated with special care. Furthermore, the President must support those actions completely so as to restore some of the credibility that may have been lost in the recessionary confusion and predictable popularity downturns during Phase 3.

With this in mind, the primary focus of the President in 1982 should be divided among domestic, foreign, and political activities in each of the pre-determined phases:

- Phase 4 (January 25 - May 15, 1982),
- Phase 5 (May 16 - September 30, 1982), and
- Phase 6 (October 1, 1982 - January 20, 1983).

REMAINDER OF PHASE 3

During the remainder of Phase 3, planning efforts should be devoted to:

- planning Phase 4,
- executing the strategy for obtaining the desired FY 1982 budget,
- preparing the President's FY 1983 budget and legislative program,
- dealing with major issues that could disrupt the future agenda, e.g. Poland, Libya,
- developing media/communications strategies,
- determining how to plan the President's time effectively, given the social demands, and
- resolving internal organizational and personnel problems that may inhibit the achievement of desired objectives.



(UNCLASSIFIED/SENSITIVE)

The results of these efforts should be incorporated in the President's State of the Union Address on January 25, 1982, which initiates Phase 4.

PHASE 4 PLANNING CONDITIONS AND CONTINGENCIES

In the sections that follow, information is presented on major planning conditions and contingencies anticipated during Phase 4. Each planning problem is briefly described, followed by views on conditions and contingencies, Presidential options, and recommended responses.

The following planning problems are addressed:

1. Economic Recovery (pp. 4-7)
2. The Federal Budget (pp. 8-10)
3. National Security (pp. 11-13)
4. Human Resources (pp. 14-16)
5. Natural Resources and Environment (pp. 17-20)
6. Federal Management (pp. 21-22)
7. Policy Agenda Control (pp. 23-25)
8. Major Potential Disruptive Factors (pp. 26-29)



PHASE 4 PLANNING CONDITIONS AND CONTINGENCIES:  
ECONOMIC RECOVERY

1. Brief Description

How does the President maintain support for and achieve the goals of his Economic Recovery Program? The economic problems facing the country are different than they were one year ago, and Presidential attention is still vitally needed. Most public opinion polls report the economy to be the most critical problem the country faces, and the President's performance rating for his handling of the economy has been moving steadily downward.

2. Conditions and Contingencies

- a. Best Case Attributes - Most economic indicators will be moving in the desired direction; the possibility of achieving the President's economic goals will be high; Presidential success in achieving economic recovery will be acknowledged by the majority of economic commentators and the public; Administration personnel will be working together toward common objectives; Democrats will be forced to restrain their criticism; special interest groups will be conciliatory; state/local governments will accept transfer of responsibility to them; financial markets will be active and up; Congress will adopt most desired economic actions; coalitions can be developed on most issues; constituencies will stay with general leadership; foreign countries will seek economic cooperation; career service will be helpful; candidates of both parties will desire Presidential support; no scandal will occur; and there will be reasonable, yet conservative purchasing and saving by consumers.

PRESIDENT'S OPTIONS:

1. He can describe the positive national situation, share credit with Congress and the financial community, turn over management of the program to the Cabinet and White House staff members, and shift his attention to other national problems.
  2. He can set higher goals, demand that more needs to be done by Congress, the financial community, and the public, and continue heavy personal involvement.
- b. Worst Case Attributes - Most economic indicators will be at an undesirable level; it will be difficult, if not impossible, to achieve the President's economic goals; the majority of the public and the economic commentators will have lost confidence in the President's (or



(UNCLASSIFIED/SENSITIVE)

anyone's) ability to solve the nation's economic problems; some Administration personnel will resign or be terminated and conflict will be high; Democrats will be in the driver's seat; special interests will be influential; state/local governments will reject the President's programs; financial markets will be slow and negative; Congress will reject desired economic actions; coalitions will be against the President; constituencies will seek high ground; foreign countries will seek other sources of economic support and some economies will collapse; Middle-Eastern money will be more powerful; career service will be working against the Administration; candidates will desire no Presidential support; several scandals will occur; there will be little purchasing or saving by consumers.

PRESIDENT'S OPTIONS:

1. He can describe the situation for the people, continue with no major changes in goals or policies, and be heavily involved personally in managing the program.
  2. He can make major changes in goals and policies (e.g., abolish tax cuts, cut defense budgets, impose price controls, tax windfall profits) and remain involved in managing the program.
  3. He can make minor adjustments in goals and policies.
- c. Expected Case Attributes - Economic indicators will be "mixed" with some moving in desirable directions and others moving in undesirable directions; some of the President's economic goals will be achievable, while others will not; public and economic commentators will be slightly pessimistic; Administration personnel will have minor conflicts; Democrats will be confused, but gaining in confidence; special interests will have minor influence; state/local governments will resist transfer of programs to them without commensurate resources and authorities; financial markets will be mixed; Congress will adopt high priority economic actions jointly worked out with the Administration; coalitions will be possible on "centrist" issues; constituencies will stay with issue leadership; foreign countries will seek the best source of economic support; the career service will be cooperative but not receiving clear guidance; some candidates from both parties will desire Presidential support; a few minor scandals will occur, mostly raised by the press; there will be some purchasing and saving by consumers.

(UNCLASSIFIED/SENSITIVE)

PRESIDENT'S OPTIONS:

1. He can report the situation to the public, continue with no real changes in goals or policies, and be heavily involved in managing the program.
2. He can announce minor changes in goals and policies, and leave the bulk of management to economic advisors and Cabinet officers.
3. He can make major changes in goals and policies and remain involved in managing the program.
4. He can make major changes in goals and policies and have others manage the program.

A set of economic indicators and levels for best, worst, and expected cases is shown on page 7.

3. Phase 4 Plan

- a. Pro-active Option - Remain with the general character of original long-range economic recovery goals. Make one or two bold changes. Leave primary management of the program to economic advisors and Cabinet officers. Submit change proposals to Congress. President and his advisors should continue to communicate with Congress, the public, other governments, and the media in a realistic, but positive and unified way about economic recovery.
- b. Reactive Response - Modify goals significantly (e.g., no reduced deficit, no budget cuts, rescind tax cuts). Rely solely on Congressional solutions. Criticize Congress and obstructionists.

4. Implications for Other Phases

The Economic Recovery Program must remain a viable program throughout the President's term(s), with appropriate adjustments made to conform to realistic projections. During Phase 5, Congress will consider and make decisions on the FY 1983-87 budget projections. The President's actions during Phase 4 will set the stage for these deliberations. Moderate-to-active Presidential involvement in Phase 4 will improve the possibility of holding Congress to his goals during Phase 5.



(UNCLASSIFIED/SENSITIVE)

POSSIBLE ALTERNATIVE CONDITIONS  
OF ECONOMIC INDICATORS

<u>POPULAR ECONOMIC INDICATORS</u>	<u>POSSIBLE LEVEL</u>		
	<u>BEST</u>	<u>WORST</u>	<u>EXPECTED</u>
Unemployment Rate	7%	10%	9%
Interest Rates			
- Long-term (FHA Mortgage ceiling)	10%	17%	14%
- Short-term (T-bill)	7%	12%	9%
- Short-term (Prime)	9%	19%	15%
- Municipal bonds	9%	14%	10%
Inflation rate			
- Producer Price Index	6%	10%	8%
- Consumer Price Index	6%	12%	8%
Gross National Product Growth (Real)	2%	-1%	1%
Average price for stocks (500 Common)	\$130	\$110	\$120
Housing starts (Annually)	1.4 M	1 M	1.3 M
Car sales (Annually)	11 M	7 M	9 M
Expected FY 82 Federal deficit	90	120	110
<u>"SOPHISTICATED" ECONOMIC INDICATORS</u>			
M1-B money supply growth	4-6%	2-1/2 or 10%	4-6%
Wage increases	4%	12%	8%
Commodity Index (AP High)	450	550	400
Retail sales	+13%	+9%	11%
Industrial production	3%	0	2%
Savings rates	7%	5%	6%
Farm Income	0%	14%	-9%
Price of Gold	\$300	\$500	\$400
Purchase of capital goods	+2%	-1%	+1%
Persons on strike	1 M	2 M	1.3 M

PHASE 4 PLANNING CONDITIONS AND CONTINGENCIES:  
THE FEDERAL BUDGET

1. Brief Description

During Phase 4, action will be required for four or more budget years:

- The FY 1981 budget year expenditures should have been closed and evaluated, and the results should be reviewed.
- Federal departments and agencies will be in the middle of the FY 1982 budget year, so partial results should be reviewed. And, since the recent continuing resolution is effective through March 31, 1982, additional Presidential action will be required on this budget.
- The FY 1983 budget estimates will have been presented in January, 1982, and coordinated interactions with Congress will be necessary.
- The general guidelines for the FY 1984-87 budgets must be developed and prepared for the Spring Review process with the departments and agencies.

Thus, the major planning problems will be 1) how to resolve the FY 1982 budget, 2) what will be required to gain approval of the President's FY 1983 budget, and 3) what guidelines should departments and agencies be given for the FY 1984 budget and out-year projections.

2. Conditions and Contingencies

- a. Best Case Attributes - The President's popularity will be high; economic indicators will all be moving in the desired directions, and most members of Congress will be satisfied that FY 1983 economic assumptions are reasonably accurate; pressure for special interest funding will be decreasing; the FY 1982 budget will be settled to the President's satisfaction; FY 1983 budget proposals will be supported by Congress and the public, including projected deficits.

PRESIDENT'S OPTIONS:

- 1. He can explain to Congress and the public the FY 1983 budget requests, assumptions, and deficit projections, offer the cooperation of his economic advisors, and be involved as needed to handle only the most important problems.



(UNCLASSIFIED/SENSITIVE)

2. He can deliver the budget message and let his economic advisors and Cabinet members handle all the needed interactions with Congress.
- b. Worst Case Attributes - The President's popularity will be low and moving downward; economic indicators will all be moving in undesirable directions; Congress will not accept the economic assumptions or deficit projections in the budget message; there will be intense pressure on Congress for funding special interests; the FY 1982 budget will not have been adequately resolved.

PRESIDENT'S OPTIONS:

1. He can collaborate with Congress on economic assumptions and budget deficits - special concerns of theirs - determining the needed coalitions for minimizing losses, and generally be heavily involved in the interaction processes. An appeal can be made that economic recovery has still not had a chance to take hold.
  2. He can focus on seeking public support, with moderate involvement in interactions with Congress. The appeal should still be that economic recovery has not been given a chance to work, and that further pressure on Congress by the American people is needed.
  3. He can work extensively on both fronts - Congress and the public.
- c. Expected Case Attributes - Presidential popularity will be mixed, but above 50%; economic indicators will be moving in both desirable and undesirable directions; there will be disagreement in Congress with the economic assumptions and deficit projections, and with some proposed budget requests.

PRESIDENT'S OPTIONS:

1. He can split his focus between Congress and obtaining public support, targeting certain committees, gaining agreement on economic assumptions and deficit projections, and explaining selected aspects of the budget to various public support groups.
2. He can focus solely on Congress by selective targeting of committees with which to interact more extensively.



(UNCLASSIFIED/SENSITIVE)

3. He can focus solely on public support, with economic advisors and Cabinet officers handling Congressional interactions.

3. Phase 4 Plan

- a. Pro-active Option - Explain the policy and budget requests to Congress and the public simultaneously. Follow it with a "mild blitz" of Congressional committees by Cabinet members and economic advisors on significant items, e.g. defense, housing, Social Security. Make special public appeals for support as needed. Ensure consistency of economic assumptions with Congress and important economic forecasters.
- b. Reactive Response - Deliver budget message, and handle problems or issues as they arise. Monitor progress in Congress and seek public appeal for requests that encounter trouble. Answer critics only as criticism jeopardizes requests.

4. Implications for Other Phases

The work done in this phase clearly will carry over into Phase 5 when the budget decisions should be made by Congress. Positive results in Phase 4 will mean that it will only be necessary to ensure that Congress votes the President's programs and budgets in Phase 5. There will also be implications for Phase 6, the beginning of FY 1983, in that the budget decisions made in Phase 4 will be those that will be implemented in Phase 6.

PHASE 4 PLANNING CONDITIONS AND CONTINGENCIES:  
NATIONAL SECURITY

1. Brief Description

How does the President demonstrate his belief in the desirability of world peace while maintaining a strong defensive posture in the context of increasing instability in Poland, the Middle-East, Central Europe, East-Asia, Africa and the Southern Hemisphere; continued dependence on foreign oil and minerals; greater Eastern liberalization; rising pressures for nuclear disarmament; increasing requests for export of arms and technology; and increased threats of terrorism?

2. Conditions and Contingencies

- a. Best Case Attributes - Initiation of expanded Middle-Eastern peace discussions, including the PLO and Libya; willing return of the Sinai and Golan Heights by Israel; El Salvador and Nicaraguan situation stabilizes; situation in Poland shifts world opinion against Soviets; Namibian independence assured; East/West economic situation and trade relations improved; no threat of invasions by East; India-Pakistan initiate peace talks; China-Taiwan initiate trade discussions; Finland elects pro-West President; Greece accepts continued U.S. presence in Turkey and agrees to continue in NATO; arms limitation talks favorable to U.S.; little anti-war or intelligence protest; Congressional acceptance of most weapons decisions; testing of emergency mobilization; excess of oil/minerals; reduced need to strengthen NATO; no test/use of unconventional weapons; insignificant jamming of communications; little espionage; minor refugee influx; no significant terrorist threat.

PRESIDENT'S OPTIONS:

1. The President, as the foremost world leader, can be very active in encouraging others to adopt the U.S. model of peace through strength and economic independence, providing economic help to Poland and the Third World, and expanding liaison and trade with the East.
2. The President can stay away from active participation in world affairs, indicating that domestic problems need attention.
3. The President can maintain a balance of attention to economic recovery, national security, and other domestic affairs, including politics.



(UNCLASSIFIED/SENSITIVE)

- b. Worst Case Attributes - Israel refuses to return Sinai and Golan heights and conducts pre-emptive strikes; Nicaragua becomes another Cuba; Libya and the PLO increase exports of terrorist teams; South Africa and Namibia break off human rights talks; civil war in Poland expands and Russia moves forces into Poland; India resists Pakistan weapons buildup; several Eastern/Western countries near economic collapse; China resists Taiwan weapons sale; Finland elects a pro-Communist leader; Greece resists Turkish arms sales; arms limitation talks terminated; large anti-war and domestic intelligence protests; Congress rejects military weapons decisions and some arms sales; confusion over emergency mobilization; shortage of oil/minerals; resistance to NATO strengthening; use of unconventional weapons by others; heavy jamming of communications; extensive espionage; heavy refugee influx.

PRESIDENT'S OPTIONS:

1. The President can take bold actions to protect interests of the U.S. by providing economic help to Poland and arms to the West, maintaining existing liaisons, and shutting off trade with the East.
2. The President can verbally attack countries for economic and political purposes.
3. The President can choose to increasingly isolate the U.S. from world affairs.

- c. Expected Case Attributes - Instability in Middle-East, Caribbean Basin, Northeastern and Southern Africa, and Pakistan; continued instability in Poland and world debate on the issue; pressure to recognize PLO; economic problems in Eastern/Western countries; renegotiation of relations with Taiwan, Finland, and Greece; grudging return of the Sinai from Israel to Egypt; Israeli hold on Golan Heights continues as a debate issue; cautiousness in arms limitation talks; some protests over war threat and domestic intelligence; Congressional resistance to some military weapons decisions and arms sales to Taiwan, Venezuela; discussion of emergency mobilization; adequate supply of oil and minerals; acceptance of strengthening NATO; testing of unconventional weapons by other nations; some jamming of domestic communications; some espionage; some refugee influx; terrorist acts continue in different world locations.

PRESIDENT'S OPTIONS:

1. The President can act as peace-maker to encourage others to resolve problems that affect them and the



(UNCLASSIFIED/SENSITIVE)

U.S., help to maintain economic trade between the West and the pro-West East, and provide arms to the West.

2. The President can stay away from an active role in world affairs and focus on economic recovery or other domestic issues in the U.S.

3. Phase 4 Plan

- a. Pro-active Option: Encourage peace negotiations worldwide; continue arms reduction talks; increase military presence in threatened areas; provide limited economic assistance to East; sell arms to friendly nations; seek greater oil/mineral independence; strengthen forces, weapons, mobilization and intelligence capabilities, protect against terrorist acts.
- b. Reactive Response: Break off arms reduction talks; send military forces into invaded areas; shut off economic assistance to East; give arms to friendly nations; use emergency oil/mineral supply; call up reserves and mobilize.

4. Implications for Other Phases

In order to preserve peace, a strong defense must be maintained during the entire term of the President. The potential need for military action, economic assistance, arms limitation, oil/mineral resource acquisition, and defense capability improvement require this. Above all, peace processes should continue.

(UNCLASSIFIED/SENSITIVE)

PHASE 4 PLANNING CONDITIONS AND CONTINGENCIES:  
HUMAN RESOURCES

1. Brief Description

How can we alleviate human resources problems during an economic recession? With the shifting of responsibilities to state and local governments, the private sector, and volunteers, it will be necessary to create greater individual initiative at a time when there are pressures of social issues (e.g., social security, education, abortion), and instability in retirement, health care, housing, and other financing programs.

2. Conditions and Contingencies

- a. Best Case Attributes - The winter will be short and mild; the unemployment rate will show an immediate and steady decline; unions will be cooperative in wage negotiations; there will be minor protests over social program cuts; there will be enthusiastic initiation of replacement social programs by state/local governments, the private sector, and volunteers; housing availability will be improved for middle and low income persons; there will be reduction in drug abuse/violent crime/economic crime; there will be improvement in fiscal stability of retirement and health care systems; educators will accept changes in aid and standards; a reasonable discussion of social issues (e.g., abortion, equal rights) will occur; strengthening of family unity will occur.

PRESIDENT'S OPTIONS:

1. The President can indicate that things are progressing well and task others to continue these efforts while he focuses on national security, foreign policy, or other priorities.
  2. The President can ignore the progress or problems and concentrate on other priorities.
  3. The President can select major social issues in which he will be involved and direct moderate attention to them.
- b. Worst Case Attributes - The winter will be long and cold; the unemployment rate will be increasing; there will be many labor strikes; severe demonstrations on social program cuts will occur; there will be resistance by state/local governments, the private sector, and volunteers to providing replacement social programs (in particular, welfare, job training/placement, nutrition);



(UNCLASSIFIED/SENSITIVE)

there will be housing problems for middle and low income persons; a severe increase in drug abuse/violent crime/economic crime will occur; many retirement and health care systems will collapse; there will be resistance among educators to changes in aid/standards; litigation will occur over social issues (e.g., abortion, equal rights); there will be a decline in family unity.

PRESIDENT'S OPTIONS:

1. The President can take an active role in seeking to resolve all of the above problems.
  2. The President can express concern about these problems and encourage a cooperative effort to help overcome them while he deals with other priority areas, (e.g., national security and economic recovery). He may appoint additional special commissions or task forces in major problem areas.
  3. The President can state that the problems are for others to solve, and focus his attention on national security and economic recovery.
- c. Expected Case Attributes - The winter will be moderately cold; unemployment will be at high levels, but starting to decrease; union contract demands will be moderate to strong; protests over social program cuts will be strong but disorganized; there will be grudging efforts by state/local governments, the private sector and volunteers to provide replacement social programs (in particular, welfare, job training/placement, child care, nutrition); the housing situation will be improving for middle income persons; a slight increase in drug abuse/violent crime/economic crime will occur; there will be continued fiscal difficulties in retirement and health care systems; frustration will be present among educators about changes in aid/standards; there will be disagreement over social issues (e.g., abortion, equal rights); the family unit will be a stabilizing force.

PRESIDENT'S OPTIONS:

1. The President can increase his personal encouragement for cooperative efforts to deal with the above problems as part of economic recovery and federalism.
2. The President can initiate all-out federal efforts to address these problems.
3. The President can focus strictly on other priorities, e.g., national security and economic recovery.



3. Phase 4 Plan

- a. Pro-active Option: Demonstrate an understanding of the human problems of others; describe the need to place benefits/services lower in priority than economic recovery/national defense; seek participation of citizens/private sector/public officials in solving mutual problems; deal personally with controversial social issues (e.g., abortion); introduce temporary recessionary unemployment benefits; suggest ways to make the health care system more competitive; propose solution to housing finance problems; defer enterprise zones to time of economic upswing; strengthen federal drug abuse/crime control activities.
- b. Reactive Response: Only deal with human resources issues as they force their way onto the agenda through litigation, legislation, protests, or events that cannot be disregarded.

4. Implications for Other Phases

The human resources agenda can be deferred somewhat until economic recovery and national security problems stabilize. Selected priority agenda items can be handled as needed during each phase, with possibly some emphasis on the human resources agenda after the 1982 elections.

PHASE 4 PLANNING CONDITIONS AND CONTINGENCIES:  
NATURAL RESOURCES AND ENVIRONMENT

1. Brief Description

How can the President maintain the support of groups and individuals interested in natural resources and environment issues, while focusing on the recovery of the national economy? The President must not alienate these groups, since they will be needed for voting coalitions on important economic recovery initiatives.

2. Conditions and Contingencies

- a. Best Case Attributes - Most economic indicators will be moving in desired directions; environmental quality indicators will all be favorable, i.e. air, water, and noise pollution figures would be lower for almost all locations where such measurements are available; reserves for all strategic minerals will be at high levels; trade and other agreements with nations who have resources needed by the U.S. will be strong; prices for needed resources, including and especially energy, will be firm at moderate levels; states and local governments will be cooperative in the management, production, and trade activities associated with natural resources and environmental issues; special interest groups will be balanced and positive toward the President's policies; Congress will enact legislation needed by the President for proper management of natural resources and the environment; environmental groups will not unduly oppose selected developmental efforts; developers will be considerate of environmental concerns, but not be overburdened by governmental regulations; the behavior of Administration policy makers will be seen as sound and in the national interests.

PRESIDENT'S OPTIONS:

1. He can take an active part in policy making and communication of natural resources and environmental policies, and develop a personal image as a President highly interested in these issues.
  2. He can take a moderate part in policy making, and let others communicate and manage efforts in these areas.
  3. He can concentrate solely on other priorities, e.g., national security and economic recovery.
- b. Worst Case Attributes - Most economic indicators will be moving in an undesired direction; pollution indicators



(UNCLASSIFIED/SENSITIVE)

will be showing degradations in quality of air and water, and increases in noise; strategic mineral reserves will be at danger points; prices for natural resources will be unduly high, and especially for energy resources, causing increases in public support programs and/or demonstrative reactions by consumer groups; relationships with nations which supply the U.S. with important natural resources will be poor; a Saudi conflict will jeopardize stability in both supply and prices of oil for the United States; special interest groups will be powerful enough to thwart any Administration initiatives consistent with the President's policies; Congress will be able to override the President on attempts at deregulating needed developmental activities; the President's image on natural resources and environmental issues will be negative; other Administration members will also be seen as attempting to destroy the nation's resources and its environment.

PRESIDENT'S OPTIONS:

1. He can take an active part in persuading groups and individuals of his interest in preserving the environmental quality and natural resources. This will involve time in policy deliberations and decision making, as well as in communicating to special groups and the general public. He can propose initiatives to ensure the steady flow of oil, and be active in world debates on energy.
  2. He can back-off of opposition to groups interested in natural resources and the environment, and attempt to enlist their aid in new directions. He can remain neutral in world discussions of energy, and particularly oil.
  3. He can take a low key posture in policy deliberations and decision making, and let other members of the Administration explain and manage the policies and programs in these areas. He can selectively participate in policy making pertaining to world energy and resources supplies.
- c. Expected Case Attributes - Economic indicators will be mixed; environmental measurements will also be mixed, with some indicating possible degradations and others showing improvements; interest groups in these areas will be at a standoff with each other; some will remain quite vocal and powerfully against the President, while others will rise to defend the President's programs; this will most likely create sufficient confusion on the part of the general public that they will be neither for nor against the President in their opinion as to his effectiveness; we will have stronger reserves of some



(UNCLASSIFIED/SENSITIVE)

strategic minerals, while still relying for others on nations of questionable friendliness; some agreements with friendly nations will be positive, while others will be subject to controversy over prices, need, balance of payments, and other bilateral issues; Congress will have mixed feelings over developers versus environmentalist issues, and will show this by mixed voting patterns on related legislation; prices for needed resources, and especially energy resources, will not rise substantially during this period; there will not be any critical shortages.

PRESIDENT'S OPTIONS:

1. He can continue with no major changes in goals and policies, remain involved as needed in the policy making and decisions in these areas, selectively communicate to groups, individuals or the general public special accomplishments or major problems, and take a leadership role in major foreign disputes that threaten resources and environmental balances.
2. He can make major changes in goals and policies, leaning in either the direction of environmentalists and conservationists or of developers, actively seek acceptance in Congress and by the public of these changes, and play a major role in world discussions on resources and the environment.
3. He can play a low-key role in any discussions or debates on resources or the environment, selectively participate in policy making and decisions in these areas, and generally concentrate on other areas of higher priority, e.g. national security and economic recovery. He might still take a more active part in international discussions.

3. Phase 4 Plan

- a. Pro-active Option - Develop and announce a natural resources enhancement program similar in scope and approach to the Economic Recovery Program. Leave primary management of the program to key Cabinet members and advisors, but be out front in public announcements of goals and principles. Introduce significant legislative proposals to Congress, and orchestrate a follow-up similar to that used for economic recovery. Attempt to get large segments of the public behind the proposals, and to build coalitions leading to achievement of desired goals.
- b. Reactive Response - Make no changes in policy or goals, and selectively address resources or environment issues



(UNCLASSIFIED/SENSITIVE)

singularly as they arise. Permit Cabinet members and advisors to take leadership.

4. Implications for Other Phases

Too little appreciation of this area can lead to many future problems. There are several groups concerned about these issues who could make life tough for the President. Absence of their support would hurt in the Phase 5 voting on the FY 1983 budget. Thus, this is one of the areas that must be handled quite delicately, with neither too much nor too little involvement.

(UNCLASSIFIED/SENSITIVE)

PHASE 4 PLANNING CONDITIONS AND CONTINGENCIES:  
FEDERAL MANAGEMENT

1. Brief Description

How can the President ensure better management of federal government programs? For the President to achieve the major goals of economic recovery, national security strengthening, and "less government - better governance", he must provide the leadership actions needed to ensure that this happens.

2. Conditions and Contingencies

- a. Best Case Attributes - The federal government will be seen as vastly improved, and employees will be more motivated and productive; red tape, waste, and fraud will have been greatly reduced, and the public's confidence in federal organizations will be high; no major agency scandals.

PRESIDENT'S OPTIONS:

1. He can express public confidence and thanks to Congress, his appointees, and career employees, and articulate further goals to be achieved.
2. He can do nothing.

- b. Worst Case Attributes - The federal government will still be seen as too big and rampant with red tape, waste, and fraud; personnel morale will be low, with extensive grievances filed, work slowdowns, and deliberate blocking of Presidential initiatives; political scandals may taint appointees; agency scandals uncovered.

PRESIDENT'S OPTIONS:

1. He can more closely monitor the performance of agencies, and hold executives accountable for non-achievement of goals. This would include personal involvement in punishment of non-achievers, and reward of achievers.
  2. He can delegate to appointees decentralized responsibility for handling all management and personnel problems.
  3. He can strengthen centralized authority of OMB and OPM to tighten standards and internal regulations.
- c. Expected Case Attributes - The federal government will be seen as reduced in size, but some red tape, waste and



(UNCLASSIFIED/SENSITIVE)

fraud will remain; personnel morale will be mixed across the various agencies, as will quality of performance and productivity.

PRESIDENT'S OPTIONS:

1. He can develop and communicate leadership messages on goals, standards, and rewards; monitor performance and accountability through increased interaction between agencies and the Executive Office of the President; and actively participate in punishments and rewards of appointees and employees.
2. He can delegate decentralized responsibility for handling all management and personnel problems to appointees.
3. He can strengthen centralized control mechanisms through OMB and OPM.

3. Phase 4 Plan

- a. Pro-active Option - Send personal messages and conduct meetings with appointees and career employees about expected goals, productivity, and accountability. Strengthen personnel management with positive approaches, and encourage management initiatives through rewards for proven cost savings.
- b. Reactive Response - Handle personnel and non-performance problems as they arise, allowing current uncertainties regarding Presidential expectations to continue.

4. Implications for Other Phases

For the Economic Recovery Program to work, and for good management of national defense programs to occur in all subsequent phases, sound management by federal appointees and career employees will be required. If poor morale, low productivity, red tape, waste, fraud, and general non-accountability for performance continue, the President will not achieve his goals. This will hinder his ability to convince Congress during Phase 5 that the FY 1983 budgets and programs are sound and achievable.

(UNCLASSIFIED/SENSITIVE)

PHASE 4 PLANNING CONDITION AND CONTINGENCIES:  
POLICY AGENDA CONTROL

1. Brief Description

How can the President be certain that he is in control of policy development in all of the major policy areas? Without a key staff member or group clearly responsible, no coordinated agenda can be planned. The President will require that the development and debate of each major policy be understood in advance, e.g., a national labor policy. Where, by whom, and in what order the debates will take place should be specified. Debates may be intramural within the GOP, intergovernmental (with states and/or localities), with Congress, and/or in the public arena. Special interest groups will attempt to get their items on the Presidential agenda, and this will be easier in an election year. Issues will come both from the right and the left.

2. Conditions and Contingencies

- a. Best Case Attributes - The President will clearly be in charge, and those responsible for each policy area will work out their agenda differences to fit into the President's overall plan; the development and debate processes to be followed for each substantial policy area will be identified and the specific policy issues within each area will be planned; only the issues of importance to the President will come to him for final decisions, e.g., major economic and national security issues.

PRESIDENT'S OPTIONS:

1. The President can decide on the overall agenda of policies for Phase 4, assign details of issue substance in each area, develop the plan for when and how policies will be developed and debated, and carry the debate himself.
2. The President can delegate the determination and planning of the agenda, as well as the debate, to other Administration officials.
3. The President can delegate the debate to party officials.
4. The President can work behind scenes and through surrogates to advance his position, but keep the debate to a minimum.
5. Any combination of the above.



(UNCLASSIFIED/SENSITIVE)

- b. Worst Case Attributes - The President will be seen as not being in charge, with no one is working on the substance of his policy agenda; processes for policy development and debate will not be thought through in advance; circumstances will permit single interest groups to push their policy issues into the national spotlight, and the Administration will take the bait on each in a reactive manner; the entire policy process will be in disarray; Administration in-fighting over failures will become severe, forcing the President's hand before careful deliberation is completed.

PRESIDENT'S OPTIONS:

1. The President can settle into a reactive mode, responding to outside forces instead of directing them. The debate can be controlled by whomever runs into a problem, or by whomever is tasked to lead the formulation of a specific policy.
2. The President can spend his time trying to locate where the next problems will come from. He can make major changes in his staff and key appointees, and offer explanations to the public that would infer he has been betrayed by his own people.
3. The President can change the processes established for development and debate of policies, take an active role in the new "order of things", and treat the changes as an ordinary part of learning from experience.

- c. Expected Case Attributes - Broad plans for policies will exist at the Presidential level, but detailed development and debate will vary from issue to issue with only a moderate degree of structure or consistency; experience and intuition will permit some policy planning, development and debate processes to be identified; the more change a policy agenda item is likely to produce, the less likely it is that the processes will be predictable; special interest groups will continue to attempt to influence the President's policy agenda by citing the political implications, but the President's established principles will be upheld by most staff and key appointees.

PRESIDENT'S OPTIONS:

1. The President can make no major changes and suggest that policy development and debate is proceeding as he had intended. His policy agenda will still contain a mixture of planned and reactive issues, and he can select those in which he wishes to be involved personally.



(UNCLASSIFIED/SENSITIVE)

2. The President can make some moderate changes of staff and processes, concentrating on assessing the degree to which his already announced policies and principles are being followed. His focus can be on broader and longer-range policy areas.
3. The President can make sweeping changes in the entire policy development process, and change policy focus as well as people.

3. Phase 4 Plan

- a. Pro-active Option - Heighten the importance of a plan for the President's focus over the entire Phase 4 period, with attention to policy opportunities of interest to special groups having political importance. Once the policy agenda has been formulated, carefully analyze and plan the debate processes. Make adjustments and improve consistency of the processes for the development and debate of policy issues. Ensure that all policy areas are identified, and that contingency plans are developed and in place. Stress that key individuals must be aware of proper behaviors under all crisis conditions that may occur.
- b. Reactive Response - Operate with little or no structure and consistency to the policy development or debate process; prepare daily, weekly, or at best, monthly contingency plans to handle situation or flare-ups as they occur; respond to problems among the staff or key appointees as they arise.

4. Implications for Other Phases

Decisions during this phase will most likely carry over for the remainder of the President's term. The window for major changes will be open only during the early part of the year, because the political debate will most likely suggest caution against major upheavals later. The next window will be during Phase 6, following the 1982 elections. Careful observance of policy developments and debates will provide experience necessary to improve these processes in future phases.

Actions taken to improve and protect the President's agenda, and his control over it, should ensure that he is not overwhelmed by the voluminous number of critical issues that will face the Administration in Phase 4. If the President and the staff become reactive to the many agendas of others during the elections process, we will fall into a trap that has caught other Presidents. The trap is that of shifting away from what the President promised, to that of satisfying immediate pressures with no long-range view.



PHASE 4 PLANNING CONDITIONS AND CONTINGENCIES:  
MAJOR POTENTIAL DISRUPTIVE FACTORS

1. Brief Description

How will the Administration handle major crises that could disrupt the President's agenda, or which would have the potential to severely threaten the nation? These could include slow-developing or surprise ones. The public's mood is vital to the country's strength. How crises are handled can affect this mood in a manner that goes beyond political popularity.

2. Conditions and Contingencies

- a. Best Case Attributes - No major crises will occur, and the public will feel that plans and capabilities exist to effectively manage them if they do; minor crises will be handled quickly and with positive results; the President and his staff will be seen as in control and able to swiftly move into action.

PRESIDENT'S OPTIONS:

1. The President can order rapid responses to even minor problems, serve as the "communicator-in-chief," and actively engage in decisions associated with all crises.
2. He can have the Vice President actively manage crises, and intervene only when needed.
3. He can delegate authority to others and selectively intervene.

- b. Worst Case Attributes - Major domestic, economic, and foreign crises will occur in rapid succession, thereby diverting the President's attention from any single matter; the entire country will be caught up in one or more of the crises; the people will criticize the President's lack of leadership in developing and carrying out a national response.

PRESIDENT'S OPTIONS:

1. The President can order bold responses to crises, communicate extensively to the public, and actively direct the activities of the staff and key appointees.
2. The President can order a decentralized response and decision process, and play a low-key role.

(UNCLASSIFIED/SENSITIVE)

3. The President can blame others and direct them to resolve the problem(s).
- c. Expected Case Attributes - One or more major crises will occur somewhere in the world, to which the President will be expected to respond; various lesser crises will occur in the U.S., but they will be spaced in both time and geography.

PRESIDENT'S OPTIONS:

1. For world crises, the President will have options of diplomacy, alliances, actions, and/or force.
  2. For domestic crises, the President will be able to delegate to the Vice President, to his staff and key appointees, or personally involve himself in the formulation and execution of responses.
3. Phase 4 Plan
    - a. Pro-active Option - Develop crisis management plans and ensure that staff and appointees are able to carry them out. Ensure the emergency mobilization capabilities are developed.
    - b. Reactive Response - Take no action until a crisis occurs or is seen as imminent. Handle each crisis on the basis of what appears needed, and keep records for subsequent historical and litigation debates.

4. Potential Disruptive Factors or Crises

Economic

- o Labor strikes and union litigation and resistance;
- o Sharp rises in bankruptcies of financial institutions, local governments, or other specialized businesses and industries;
- o Unwillingness of individuals, business and governments to effectively use capital for investments, savings, and consumption because of concern over economic recession;
- o Increase in public's concern over welfare recipients who refuse jobs because income is less than welfare payments.

National Security

- o Bold terrorist activity in the U.S. or other countries;
- o Preemptive invasions, strikes, or threats of force by one foreign nation or another;



(UNCLASSIFIED/SENSITIVE)

- o Threats made by major powers against U.S. actions or potential actions;
- o Use of force against Americans, military or civilian, by a foreign government;
- o Assassinations or attempts on foreign leaders;
- o Charges of inadequate plans or execution of mobilization and decision making during crises.

Foreign Policy

- o Rise or fall of foreign governments by other than peaceful means;
- o Economic collapse of foreign economies;
- o Disruption of flow of oil from the Middle-East;
- o Foreign nationalization of U.S.-owned industries or resources;
- o Violations of treaties with U.S. by a foreign country.

Social

- o Violent disorders or riots over racial issues;
- o Major protests, legal action, or civil disobedience over issues such as jobs, education, anti-war, anti-nuclear development, civil liberties, refugees, or welfare;
- o Major natural disasters, e.g., earthquakes, tornadoes, hurricanes, flood, or fires involving losses of lives and property;
- o Inadequacy or failure of government services, such as water, sewer, power, police, fire protection, to handle urgent needs;
- o Major cases of resistance or default by state or local governments to attempts at shifting responsibilities from the federal government;
- o Sharp increases in fatalities or injuries due to birth, health, or occupational epidemics or travel accidents;
- o Deliberate or accidental fouling of food or water supplies;
- o Winter long and cold, while cost of heating fuel is high;

(UNCLASSIFIED/SENSITIVE)

- o Sharp rises in incidence of psychological problems and suicides, and general deterioration in the public's confidence that national and personal conditions will improve.

Administrative

- o Identification of one or more major cases of fraud attributable to this Administration by Inspectors General;
- o Surfacing of one or more scandals involving Administration appointees or nominees;
- o Conflicts and credibility problems among Administration spokesmen;
- o Career personnel (military and civilian) speaking or acting in opposition to Administration policies;
- o Downturn in Presidential popularity such that public support on issues would be impossible;
- o Delays in Congressional action on budgets;
- o Bills reaching the President that require vetoes;
- o Requirements to expend extensive political capital;
- o Significant threats to changes in the separation of powers between the three Branches;
- o Political campaigns in 1982 become overly divisive and non-issue oriented;
- o Entire press corps overzealously reports slightest Administration disagreements or failures;
- o The Administration is unable to reach agreement on major policies;
- o The White House decision processes overload a few people and break down.



(UNCLASSIFIED/SENSITIVE)

STRATEGIC PLANNING MEMORANDUM #5

TO: Edwin Meese  
FROM: Richard S. Beal  
SUBJECT: Presidential Policy Opportunities - Phase 4  
DATE: December 22, 1981

This Strategic Planning Memorandum (SPM) #5 transmits an initial series of policy opportunities for the President during Phase 4 (January 25 - May 15, 1982). Each of the policy opportunity descriptions include the policy goal, Phase 4 objective, background on the issue, and proposed Presidential strategies. In priority order, the policy opportunities are:

Housing (pp. 4-7)  
Community Safety (pp. 8-10)  
Enterprise Zones (pp. 11-13)  
Health Care Competition (pp. 14-17)  
Labor Relations (pp. 18-22)  
Private Sector and State/local Initiatives (pp. 23-24)  
Energy (pp. 25-27)  
Science and Technology (pp. 28-29)  
Federal Government Management (pp. 30-32)  
Leadership On Values (pp. 33-34)

These special policy opportunities were selected for Phase 4 emphasis due to their:

- o Close relationship to the proposed Phase 4 Presidential strategies on federalism and the 1982 elections (SPM #4);
- o Importance in relation to significant economic recovery problems (e.g., housing);
- o Consistency with the President's overall objectives and policies (e.g., natural gas decontrol);
- o Relative concern and receptivity by the public (e.g., community safety and enterprise zones);
- o Priority as an ongoing problem that may need new leadership (e.g., national health care);
- o Need and opportunity to seize the initiative (e.g., private sector initiative, and science and technology); and

(UNCLASSIFIED/SENSITIVE)

- o State of readiness and timeliness of policy development (e.g., health care, leadership on values, and labor relations).

This document is a supplement to SPMs #4 and #6, which contain information on Phase 4 Presidential Strategy and planning conditions/contingencies.

The policy opportunities contained in this SPM 5 are summarized as follows:

Housing: The housing industry is in a severe slump due to general economic recession, high mortgage interest rates, and a necessary reduction in federal assistance. The economic, social, and political consequences of limiting availability of affordable homes are severe. Demonstrated Presidential concern is the key to the Phase 4 strategy.

Community safety: An increasing number of Americans are the victims of violent crime or fear that they will become a victim. The criminal justice system is not adequately controlling violent crime. The President's community safety initiative should be within the framework of Federalism, as violent crime must ultimately be dealt with locally.

Enterprise zones: Since expanded free enterprise and state/local involvement is needed for long-term solutions to urban and rural hard-core unemployment and blight, a preliminary program of tax and regulatory incentives to business/industrial development in designated enterprise zones should be established by state/local governments and the private sector in cooperation with the federal government.

Health care competition: Health care costs are rising at a rate greater than general growth since health programs and insurance provide inadequate incentives to health care providers and beneficiaries to seek less expensive and extensive services. The President should propose legislation that emphasizes more responsibility for state/local governments and private sector/volunteers to meet health care needs, which increases competition among health care providers to expand choice by consumers, and which reduces health costs.

Labor relations: With numerous union contracts up for renewal during a time of likely economic recession in 1982, the possibility exists for extended negotiation or debilitating strikes. The President should work hard to build better relations with American workers and ask that union members, in particular, recognize the long-term benefits of supporting his economic recovery program. The President should also encourage labor agreements that are compatible with his economic recovery program.



(UNCLASSIFIED/SENSITIVE)

Private sector and state/local initiatives: Success in economic recovery and the provision of social services must depend principally on private sector and state/local initiatives. The President should encourage expanded efforts by private sector/volunteers and state/local governments for the solution of community problems.

Energy: In recognition of the need for greater energy independence, a national energy policy has been adopted that provides for expanded free enterprise, greater local initiatives, and use of energy resources available within the United States. The President should seek to convince environmental groups and state/local governments that such controlled energy development is in the national interest.

Science and technology: Effective use of science and technology by the private sector and state/local governments can help improve the quality of life and provide more jobs. The President should encourage use of natural sciences in such areas as improved utilization of outer space and expanded productivity of industry.

Federal government management: The success of the President's policies depends largely on a productive and cooperative federal, state, and local workforce. The President should lead an effort to provide better guidance and encouragement to career federal civil servants to improve performance. The President should also encourage state/local governments to reduce the size and increase the productivity of their career employees.

Leadership on values: The success of the President's program depends in part on the willingness of the public to accept an appropriate set of values. The President should provide leadership that encourages the acceptance of high values on individual responsibility, initiative, work ethics, and productivity.

These policy opportunities are intended to serve as the stimulus for action to implement specific elements of the President's policy agenda.

(UNCLASSIFIED/SENSITIVE)

POLICY OPPORTUNITY: HOUSING

POLICY GOAL

Increase the availability and affordability of housing for all Americans without drawing excessive capital away from other investments.

PHASE 4 OBJECTIVES

Develop and present a strategy for reducing the dependence of the housing industry on the federal government, and encouraging the recovery of the housing market.

BACKGROUND

- o The housing industry is in its worst slump since the Depression:
  - Starts for all types of housing dropped to a 15-year low, with an annual rate of 857,000 total starts in October, 1981. (See illustration, page 7).
  - Single-family home starts are at the lowest level on record.
  - The rate of construction unemployment is 18%.
  - The failure rate among construction firms is up 41%.
- o Although short-term interest rates have been falling and the long-term bond market has revived somewhat, significant reductions in mortgage interest rates have not followed suit. Although it is not clear as to why mortgage rates have not dropped further and faster, this may reflect the concern by lenders over getting committed again to long-term loans far below the short-term rate and the view of investors that the short-term market is more profitable.
- o Federal credit for housing constitutes the major share of Federal credit activity (60% in 1981). The general goal of the Administration has been to curtail this federal role, and let the housing industry and related financing and credit industries compete on their own for limited supplies of capital.
- o Housing could become a major political issue in the 1982 and 1984 elections. Voters of all ages are finding the cost of housing to be an increasing burden. Home ownership was a reality for 64% of the U.S. population in 1980. Major housing issues for the 1980's include



(UNCLASSIFIED/SENSITIVE)

controlling high costs so home ownership is affordable; equitably distributing shelter costs for persons on fixed incomes; and assuring adequate and economical housing for renters.

- o Although maintaining levels of production adequate to meet rising demand in the 1980's (as baby boom children reach household formation ages) will require access to huge amounts of credit to finance builders' costs and purchasers' mortgages, housing may have consumed too much of the capital raised in financial markets in recent years at the expense of more fruitful investment in industrial production.
- o All Savers Certificates may not make a significant amount of housing money available, and there is nothing else that the federal government will likely do to improve housing finance other than regulatory or legislative changes to encourage pension funds and other institutional investors to step into the housing market. A reduced federal role is illustrated by the fact that:
  - President Reagan endorsed legislation in the fall of 1981 that is part of a plan to deregulate savings and loan associations and allowing them to move more of their portfolios from mortgages into other consumer and commercial loans.
  - The White House announced in November, 1981 that HUD's mortgage guarantee programs would be reduced from \$64 billion to \$48 billion in FY 1982.
  - OMB has advocated a cap on annual mortgage interest deductions.
  - The October 30, 1981 Interim Report of the President's Commission on Housing cited the need to rely on the private sector with minimal government intervention. It also recommended that federal subsidies be shifted from the construction and rehabilitation of apartments to simply helping poor people directly with their housing costs, by providing them with housing vouchers.
- o The future may see a major shift away from the small-business character of the housing industry and supporting credit institutions, and increasing monopolies and oligopolies among builders, real estate brokerage, and thrift institutions.
- o Recovery in the housing industry is not likely to begin before mid-1982.

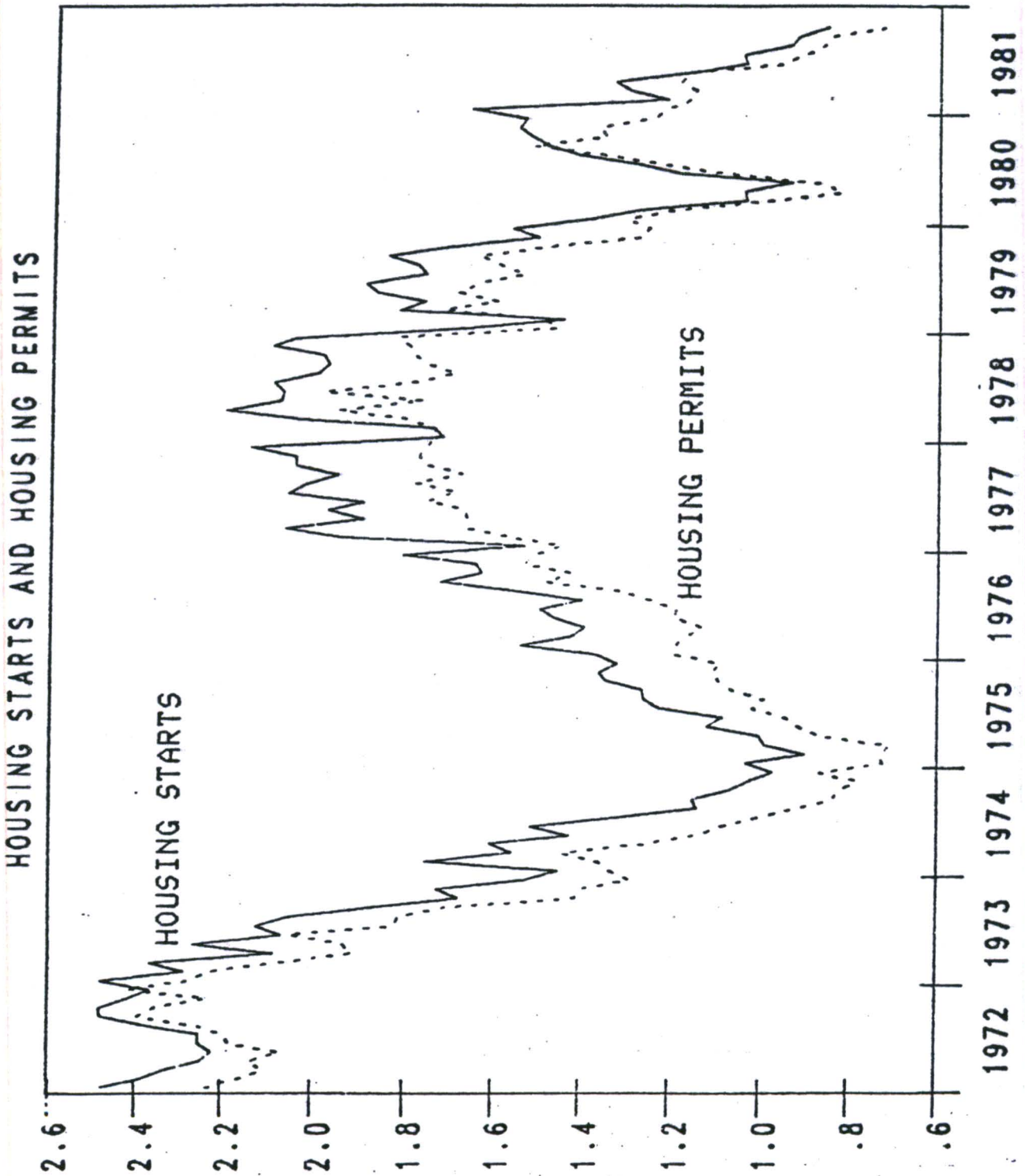
(UNCLASSIFIED/SENSITIVE)

STRATEGY

- o In his 1982 State of the Union Address, the President should demonstrate his personal concern over housing in America (including such issues as the cost of housing to all Americans, and the weakness of the housing industry), and signal his commitment to act forcefully and soon to confront these issues.
- o As part of his Federalism campaign, the President should encourage state and local governments to do as much as they can to solve housing problems at the local level without federal intervention.
- o The President should publicly direct the Cabinet Council on Economic Affairs to develop policy options and strategies, in consultation with the President's Commission on Housing, to deal comprehensively with housing as a national problem.
- o Within a few days after the issuance of the final report of the President's Commission on Housing on April 30, 1982, the President should deliver a major speech in which he outlines the major elements of his policy and strategy on housing. Suggested elements would include:
  - Continuing the shift toward free market mechanisms for reducing the costs of homes mortgages, including private markets taking the place of FHA and GNMA guarantees.
  - Maintaining most home ownership tax deductions (e.g., mortgage interest, property taxes) as an incentive to home ownership.
  - Developing more effective means of meeting the housing needs of poor people, including the possibility of a combined block grant/consumer voucher to replace present, inefficient, subsidized housing construction programs.
- o Following the President's housing speech, the Secretary of Housing and Urban Development and other Administration spokesmen should promote public awareness and support for the Administration's approach in speeches and testimony before Congress.



MILLIONS OF UNITS



(Source: Council of Economic Advisers; distributed at the December 4, 1981 meeting of the Cabinet Council on Economic Affairs).

(UNCLASSIFIED/SENSITIVE)

POLICY OPPORTUNITY: COMMUNITY SAFETY

POLICY GOAL

Increase personal safety.

PHASE 4 OBJECTIVE

Encourage residents and local law enforcement representatives to decide what they want to do about safety in their own community.

BACKGROUND

- o In recent years, at least one member of about 6 percent of all U.S. households has been the victim of a violent crime. The rate of violent crime increased by an average of 5 percent per year over the last decade. Almost all households are touched by the fear of being the victim of a violent crime. 85% of the public is more concerned about crime now than five years ago.
- o The characteristics of violent crime include:
  - 78% of recent violent crimes have been aggravated or simple assaults. (See illustration, p. 10).
  - 25% of recent violent crimes resulted in economic loss.
  - Weapons were displayed in 35% of recent violent crimes.
  - Young people, males, blacks, cities, and businesses are the most vulnerable to violent crime.
  - 70% of recent violent crime was committed by persons under age 30, with 40% being committed by persons aged 13-21.
  - A substantial proportion of violent crime is committed by persons who have committed such crimes before.
- o Less than 10% of reported violent crimes result in incarceration. 70% of the public stated that they have little confidence in the ability of the courts to convict and sentence criminals.



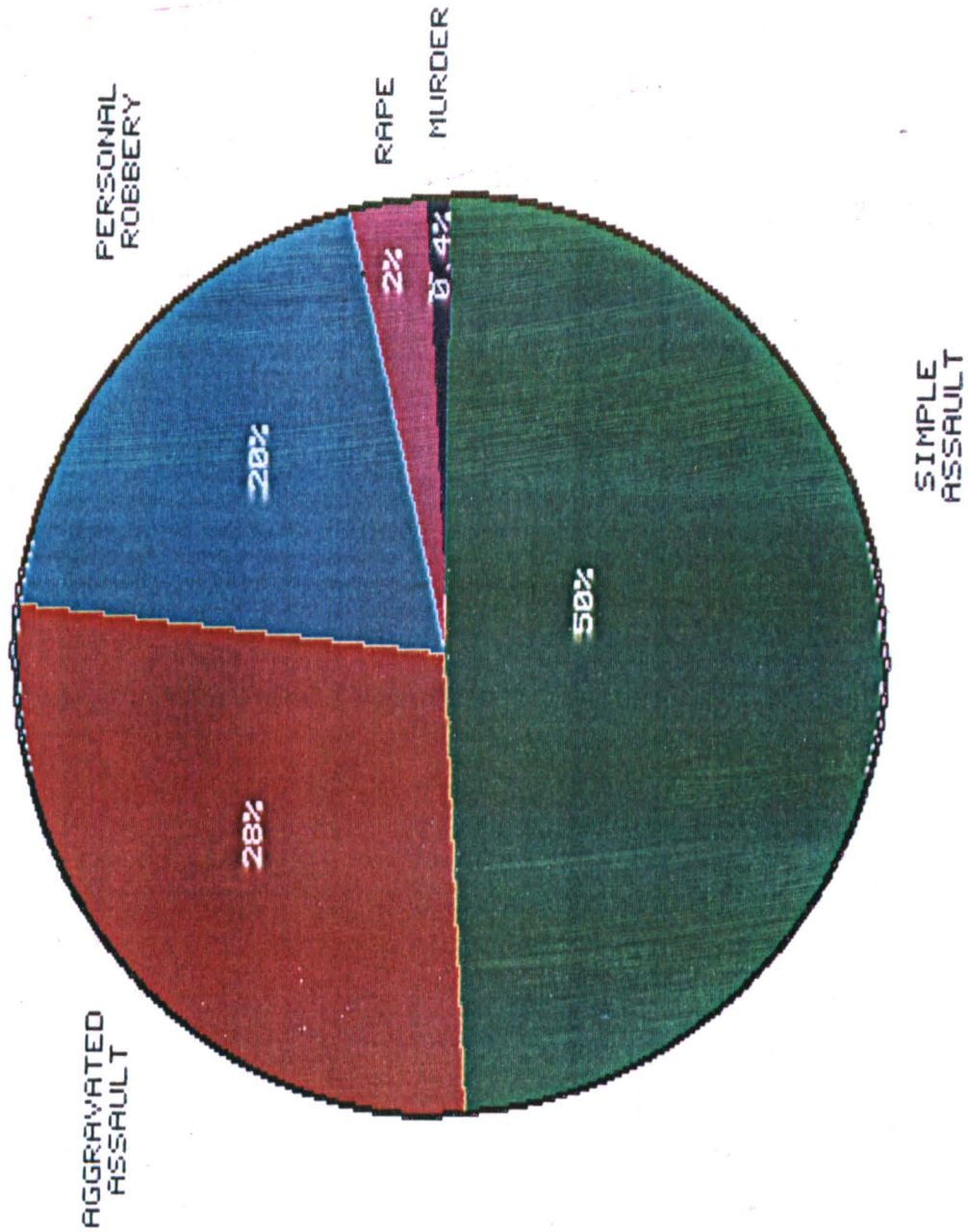
(UNCLASSIFIED/SENSITIVE)

- o Criminal justice system expenditures increased by 147% (to \$26 billion) from 1970-1979, with state/local government accounting for 87% of the expenditures.
- o Since violent crime occurs primarily at the local level among neighbors and few suspects cross state lines to avoid prosecution, the solution to the problem of violent crime should be primarily a responsibility of local government and the people who live in each neighborhood.

STRATEGY

- o The President should encourage neighborhoods to hold their own conferences, in cooperation with local law enforcement authorities, to decide what they want to do about community safety. The President could speak to a local community safety planning session on one of his visits to a city such as Cleveland during his Federalism campaign.
- o The President should appoint a National Task Force on the Victims of Crime.
- o The Task Forces on Private Sector Initiatives and on Federalism should initiate special efforts on how their activities could help with community safety.
- o The President should focus Federal violent crime efforts on border control, interstate flight, and procedures that will identify with repeat offenders.
- o The President should meet with his Attorney General and the Attorneys General from several states to discuss how federal and state governments can better cooperate in the control of violent crime.

ASSAULT IS THE MOST COMMON VIOLENT CRIME



(Source: National Indicators System Report on "Violent Crime in the United States," September, 1981).



POLICY OPPORTUNITY: ENTERPRISE ZONES

POLICY GOALS

Create new jobs and business opportunity.

PHASE 4 OBJECTIVE

Announce a program to encourage establishment of enterprise zones by state/local governments and the private sector.

BACKGROUND

- o With few exceptions, the urban or rural development programs of the last two decades have done little to permanently help the hard core unemployed, revitalize the bulk of blighted areas, or encourage free enterprise, particularly in the cities. For example, poverty was reduced in suburbs and non-metropolitan areas between 1959 and 1978, but stayed almost the same in central cities. Central cities also suffered chronically higher unemployment rates than suburbs or non-metropolitan areas from 1973 through 1980. (See illustration, p. 13). These two conditions are largely due to losses of jobs in manufacturing (from 33% of total to 26%) and retail trade (from 62% of total to 42% of total) in central cities between 1958 and 1977.
- o An enterprise zone is a geographic area that offers special governmental incentives to present and potential owners of land and capital stock with the aim of stimulating private investment and jobs in the zone.
- o Proponents of the concept have made several untested assumptions about enterprise zones, including: (1) small businesses will be attracted to a relatively tax and regulation free environment; (2) new businesses will create new jobs for unemployed in the area covered by the enterprise zone; and (3) tax reductions would be compensated for by future increased tax revenue and decreased government outlays for assistance to the unemployed.
- o Study of areas in Hong Kong and Puerto Rico that operate essentially like an enterprise zone show that there are potential complications in the concept, including: (1) increases in per capita income without real improvement to economic conditions of prior residents (with most income going to new residents); (2) personal income taxes of non-residents may bear the brunt of costs to provide the government infrastructure required for the zone; and (3) increased air, water and noise pollution.

(UNCLASSIFIED/SENSITIVE)

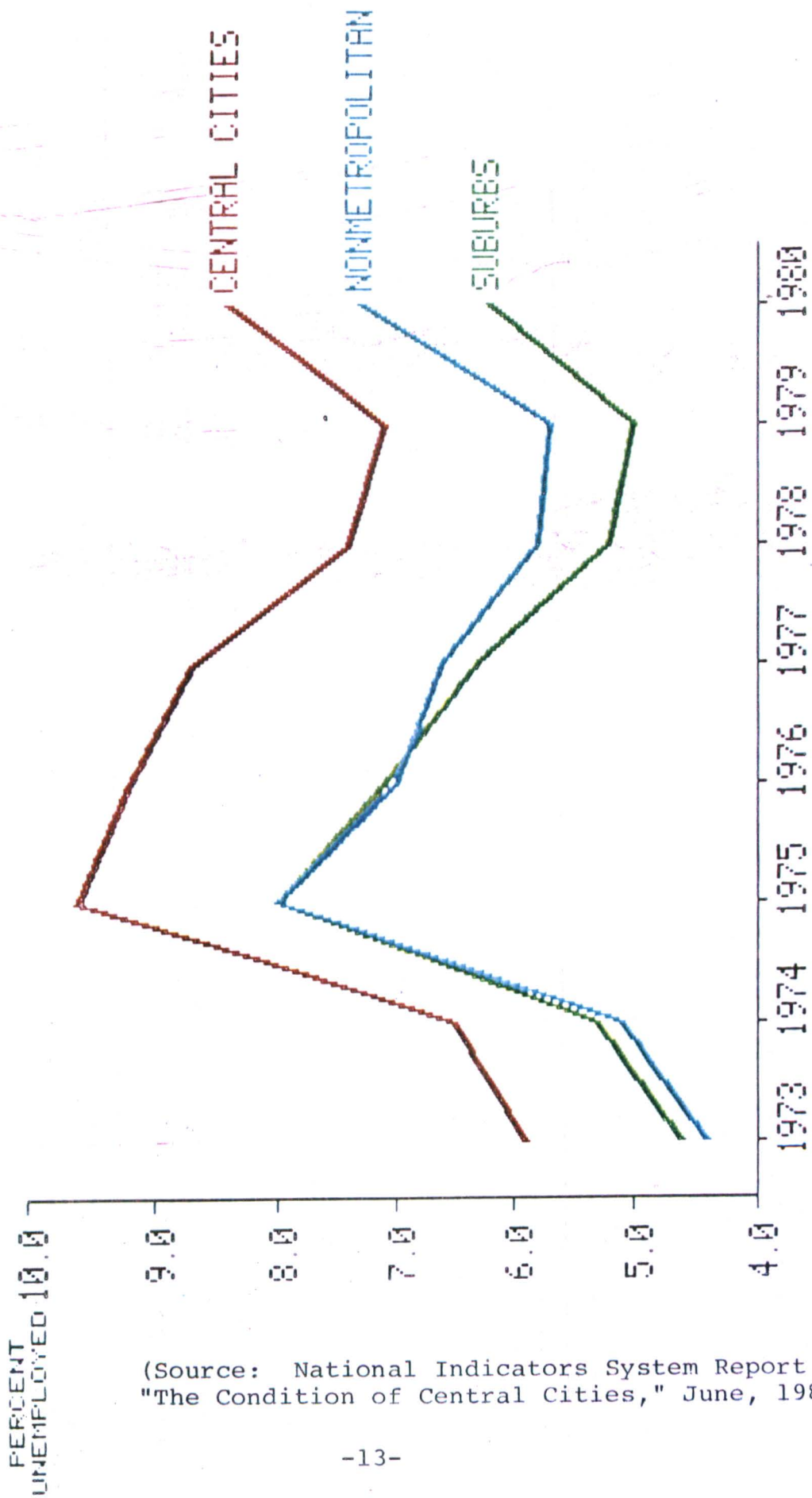
- o During and since the 1980 campaign, President Reagan has stated that the concept of enterprise zones should be tried as a method to encourage the revitalization of communities through new jobs provided by free enterprise.
- o Several related pieces of legislation have been introduced in the 97th Congress, including the Kemp-Garcia H.R. 3824 "Urban Jobs and Enterprise Zone Act of 1981."
- o A June, 1981 Gallup Survey on the enterprise zone concept showed that:
  - 71% favored the concept of enterprise zones (70% among whites, 68% among blacks, and 75% among other races).
  - 67% of those persons who disapproved of the job the President is doing favored the idea of enterprise zones.
  - 57% endorsed the idea of special tax rates for businesses in enterprise zones.
- o After numerous meetings of a working group and the Cabinet Council on Commerce and Trade, an enterprise zone proposal, including some options, is about to go to the President. This proposal is intended to be generally compatible with the Kemp-Garcia bill. The Treasury Department has estimated that lost federal tax revenues for the first likely year of operation (FY 84) could range from \$80-330 million depending on the number of zones established and the nature of tax breaks provided.

STRATEGY

- o Since enterprise zones are consistent with the President's belief in Federalism and free enterprise, the concept of enterprise zones should be tried to see whether it works. State/local governments and the private sector must assume the basic responsibility for initiating enterprise zones. In turn, tax and regulatory relief could be provided by the federal government.



# CENTRAL CITIES SUFFER CHRONICALLY HIGHER UNEMPLOYMENT



(Source: National Indicators System Report on "The Condition of Central Cities," June, 1981).

(UNCLASSIFIED/SENSITIVE)

POLICY OPPORTUNITY: HEALTH CARE COMPETITION

POLICY GOAL

Reduce the financial problems in health care.

PHASE 4 OBJECTIVE

Propose method for making the health care system more competitive through greater involvement of the private sector and state/local government.

BACKGROUND

- o The health care system in the United States is a large and growing economic and social force. For example:
  - Health care is the nation's third largest industry. Total private and public health expenditures rose from 6.2% of GNP in 1965 to 9.4% in 1980 (including an average annual growth rate higher than overall annual GNP growth rate).
  - An estimated 28 million persons participate in Medicare. Approximately 23 million persons are eligible for Medicaid and 5.4 million are covered by other governmental health programs. FY 1981 Federal spending on Medicare and Medicaid amounted to 9% of the full Federal budget.
  - Some 10% of the population is estimated to have no medical insurance coverage.
- o The growth in medical expenditure in the U.S. has brought many benefits, including:
  - Correction of many inequities in health care for the poor, minorities, rural residents, and the elderly.
  - Alternative and more cost-effective health care delivery systems are available.
  - Increase in medical personnel, research, facilities, and equipment that have significantly improved capabilities to treat the sick.
- o In spite of these improvements, problems in the health care system include:
  - The impact of inflation and increasing rates of utilization on health care costs (e.g., cost-of-living and inflationary adjustments in the



(UNCLASSIFIED/SENSITIVE)

Federal budget in 1981 amounted to \$5 billion for Medicare alone).

- Federal outlays for Medicare and Medicaid in 1981 will exceed \$57 billion - with a projection at current growth rates that this spending, along with overall health costs, will more than triple by 1990. (See illustration, p. 17).
- The current public and private insurance system is structured to be inflationary with bad incentives built in for all parties (e.g., the beneficiaries and providers are indirectly encouraged to use more expensive and extensive services).
- Although increases in hospital admissions are slowing and lengths of stay are decreasing, the growth in the relative size of the aged population will soon cause these trends to reverse.
- o Previous Administrations have failed to get health care system costs under control by use of various techniques, including extensive regulations or voluntary restraint.
- o A new approach that could better control rising health care costs is being proposed by the Department of Health and Human Services. This approach, intended to increase competition among health care providers, includes:
  - Restrictions on the total amount of tax-free health insurance premiums paid by employers.
  - The opportunity for consumers to choose health care coverage from two major alternatives, including the use of a voucher system.
- o To date, the "competition" health care proposal has not fully analyzed such factors as:
  - The contribution that legal liability makes to excessive caution and extra cost by health care providers.
  - How benefits can be better provided for lower cost home or non-professional care.
  - Whether the elderly can be assumed to be able to adequately predict or control their medical needs and choose from a wide array of alternatives.
  - Whether establishment of a voucher system for health care would cause excessive pressures for vouchers

(UNCLASSIFIED/SENSITIVE)

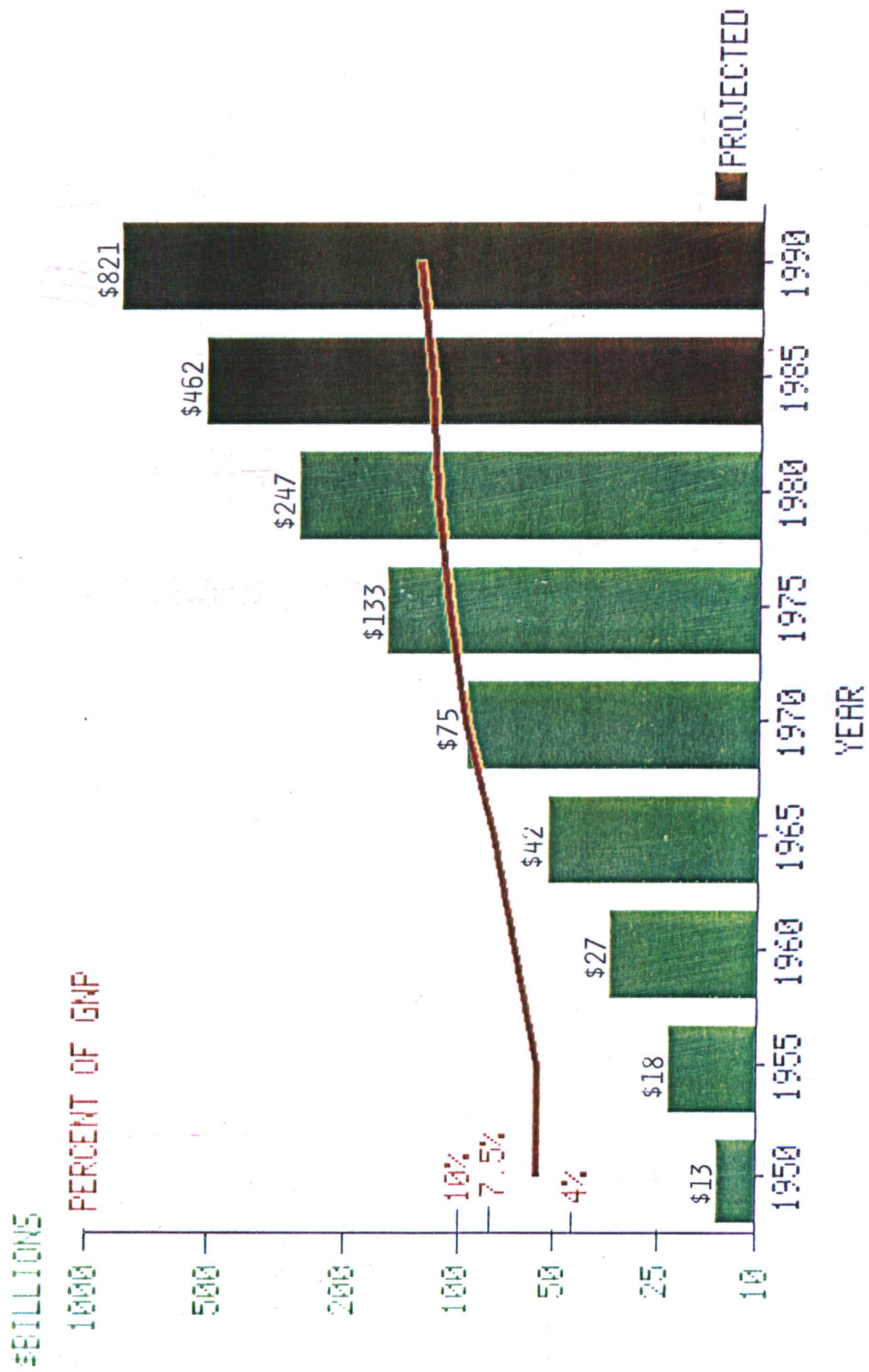
that permit withdrawal from Social Security accounts and investment elsewhere.

STRATEGY

- o The President should point out that the basic solution to health care problems should be the responsibility of private sector/volunteers and state/local governments, with assistance from the federal government in such areas as medical care for the elderly.
- o The President should use the pro-competition health care concept being developed by the Department of Health and Human Services as a key part of his programs for economic recovery and care for the truly needy. Since it usually takes about two years for health care legislation to pass, the President should propose legislation to Congress in late winter to expand competitive character of the health care system. In addition, since the benefits of health care cost containment are so large and the resistance to controls will be so severe, the President should provide a sustained effort to achieve success. Cooperation should be sought from medical providers, insurance companies, and beneficiaries after they are shown how such a plan can work to the advantage of the country and their own interest. Incentives and opportunities should be developed for providers, insurers, and beneficiaries to use more cost-effective facilities and sources.



# HEALTH BILL TO TRIPLE IN 1990s



(Source: National Indicators System Report on "Economics of Health Care," October, 1981).

POLICY OPPORTUNITY: LABOR RELATIONS

POLICY GOAL

Improve the national workforce and stimulate productivity.

PHASE 4 OBJECTIVE

Develop a new, more constructive relationship with American workers.

BACKGROUND

- o American labor is not a monolithic force or the captive of a single political party. Major diversity exists among workers in terms of what their interests are and where they work.
- o The issues that concern American workers include the following:
  - Specific, local employment matters: e.g., wages and benefits; working conditions.
  - Specific government programs or policies: e.g., unemployment compensation, minimum wage, pensions, occupational health and safety, rights, training and retraining.
  - National, state, and local economic conditions: e.g., rates of inflation, unemployment, economic growth, job security.
- o Union membership includes:
  - Private sector: 15 million Americans belong to trade unions. This percentage, which represents 21% of the private sector workforce, is declining in relation to the total population.
  - Public sector: 40% of the approximately 20 million federal, state, and local government employees are unionized. About 60% of federal employees (excluding postal workers) belong to unions.
- o The total unemployment rate was 8% in October and 8.4% in November, 1981. The rate was 15.5% among minorities (with over 40% for teenagers) in October, 1981.
- o Major milestones in the Administration's relationship with organized labor during 1981 include:



(UNCLASSIFIED/SENSITIVE)

- August 3: The President fired 11,500 union air traffic controllers after an illegal strike.
  - September 19: Over 200,000 people attended the Solidarity Day rally against the Administration.
  - November 16: Presidential Memorandum to agency heads ordering them to adopt an open-door policy towards organized labor.
  - December 1-2: The President met separately with the executive bodies of the Teamsters Union and the AFL-CIO and reiterated his opposition to rapid trucking deregulation, promised to consult fully with union leaders on economic and labor policy decisions, asked for support on foreign affairs and defense matters, and rejected the demand that he withdraw his nomination of John R. Van de Water as NLRB head.
  - December 9: The President rescinded his 3-year ban on federal employment of striking air traffic controllers.
- o 1982 could be a watershed year for organized labor. The December 21, 1981, issue of Business Week estimates that contracts involving over 4.9 million workers are up for negotiation. (See partial list on pp. 21-22). Given the recession, unions will be hard pressed to gain major concessions. The possibility of debilitating strikes looms large.
  - o There will be increased collaboration between organized labor and the Democratic Party since 1982 is an election year. The AFL-CIO recently gained increased representation on the DNC, and has mounted a grass-roots campaign to elect pro-labor candidates, mostly Democrats, in 1982. However, despite the predilection of union leadership for the Democratic banner, many rank-and-file workers voted for President Reagan in 1980 and could continue to do so in future elections.

STRATEGY

- o Continue the strategy established during the campaign of communicating directly with the rank-and-file American worker by:
  - Stressing the consistency of the Reagan philosophy and economic program with the fundamental interests of workers in economic growth and job creation.
  - Granting interviews to journals and reporters on the labor scene.

(UNCLASSIFIED/SENSITIVE)

- Stressing the substantial defense build-up which enhances not only the strength of America, but also the position of many American workers.
- o As part of his federalism campaign, the President should encourage the private sector and state/local governments to solve labor problems without federal involvement, if possible.
- o Encourage all unions with contracts up for negotiation to recognize the need for non-inflationary settlements. The President should avoid becoming involved in the negotiation process, unless there is a disruption to public safety.
- o Reach out to the leadership and membership of organized labor by:
  - Conducting discussions on specific, substantive issues of concern to American unions and making development of a comprehensive labor policy a goal for 1983.
  - Avoiding any unprovoked action or comment which smacks of "union-busting."
  - Placing more visible emphasis on effective labor relations in the federal workforce.



1982 BARGAINING CALENDAR\*

CONTRACT EXPIRATION	EMPLOYER	UNION	WORKERS COVERED
Jan. 8	Petroleum refiners (Mobil, Gulf, ARCO, Texaco, and others)	Oil, Chemical & Atomic Workers	55,000
Apr. 1	Trucking Management Inc. local cartage companies	Teamsters; Chicago Truck Drivers Union	300,000
Apr. 21	Goodyear, Goodrich, Firestone, Uniroyal	Rubber Workers	42,500
Jun. 28- Jul. 12	General Electric, Westinghouse Electric	Electrical workers (IUE, UE, IBEW, others)	150,000
Sept. 15	GM, Ford, Chrysler	Auto Workers	628,000
Oct. 2	International Harvester, Deere, Caterpillar	Auto Workers	109,000
Throughout 1982	State and local governments	State, County and Municipal Employees; Teachers; others	1,900,000
Throughout 1982	General construction contractors	Building trades	750,000
Throughout 1982	Supermarket chains	Food and Commercial Workers; Teamsters	300,000
March- June	13 textile manufacturers (wage reopeners)	Clothing & Textile Workers	25,000
Apr. 1	Clothing Manufacturers Assn. (Men's suits and coats)	Clothing & Textile Workers	75,000
Apr. 1	Metropolitan Trans- portation Auth. (New York)	Transport Workers	34,000
Apr. 21	New York Realty Advisory Board (apartment houses)	Service Employees	25,000
May 1	United Parcel Service	Teamsters'	80,000
July 1	Motion picture industry	Screen Actors Guild	49,000

\* not including all unions

1982 BARGAINING CALENDAR\*

CONTRACT EXPIRATION	EMPLOYER	UNION	WORKERS COVERED
July 1	Food processing employers (California)	Teamsters	35,000
July 1	General Dynamics (Electric Boat Div.)	Metal Trades Council	12,000
July 9	National Elevator Industry	Elevator contractors	20,000
Aug. 1	Association of Motion Pic- ture & Television Producers	Theatrical Stage Employees	20,000
Sept.- Oct.	Wilson, Swift, Armour, Mayer, & other meatpackers	Food & Commercial Workers	50,000
Sept. 1	American Airlines	Transport Workers (mechanics and ground workers)	12,000
Sept. 1 - Nov. 1	Manufacturers of men's pants, shirts, & outerwear	Clothing & Textile Workers	80,000
Sept. 15	GM	Electrical Workers (IUE)	30,000
Nov. 29	United Technologies	Machinists	12,000
Dec. 1	Chicago Transit Authority	Amalgamated Transit	11,000
Dec. 2	RCA	Electrical Workers (IBEW)	20,000
Throughout 1982	Basic pulp and paper (110 mills)	Paper Workers; Western Pulp & Paper Workers; others	43,000
Throughout 1982	United, TWA, Eastern, Continental, Northwest Republic, and others	Machinists (mechanics)	60,000
TOTAL NUMBER OF WORKERS =			4,927,500

\* not including all unions



(UNCLASSIFIED/SENSITIVE)

POLICY OPPORTUNITY: PRIVATE SECTOR  
AND STATE/LOCAL INITIATIVES

POLICY GOAL

Encourage private sector and state/local government efforts to solve community problems.

PHASE 4 OBJECTIVE

Announce opportunities for the private sector and state/local government to assume a greater responsibility in dealing with local problems.

BACKGROUND

- o The President has established (1) a Task Force on Private Sector Initiatives, and (2) an Advisory Committee on Federalism. In addition, the President or his representatives have provided support to the continuation of other state/local government or private sector/voluntary activities by attending events or meeting with responsible persons.
- o There are limits to the extent of the capability or interest that private sector/volunteers or state/local governments may have in providing funds or assistance in the solution of community problems. For example:
  - American corporations, foundations, and individuals already gave an estimated \$47 billion in charitable contributions in 1980.
  - Over 68 million Americans were estimated already to be involved as community volunteers in 1980.
  - It is estimated that inflation and reduction of government financial support for non-profit social organizations would require a 150% increase in private sector contributions just to maintain the status quo over the next three years.
  - Business/industry are under considerable pressure to increase productivity.
  - Taxes are taking a large share of income.
  - State/local revenues are lower.
  - An economic recession is underway.

(UNCLASSIFIED/SENSITIVE)

- o The disadvantaged may also have unrealistically high expectations about what the private sector can do to make up for the loss in government funds.
- o Yet, there is still room for improvement. For example:
  - It is estimated that fewer than 30% of American corporations make charitable contributions.
  - Increased incentives for charitable giving have been included in the recent federal tax reforms.
- o In times of economic recession, capital expenditures are typically deferred by business and government to the maximum extent possible. Such deferral actually contributes to the continuation of the recession since it inhibits the flow of capital in the free market. Such deferrals by government also restrict the amount of tax revenues and jobs generated by business/industry located in their jurisdictions, and often create a greater capital expense later when facilities are in worse need and costs are higher.

STRATEGY

- o In conjunction with his Phase 4 Federalism campaign and the Task Forces on Private Sector Initiatives and on Federalism, the President should recognize (including awards) and encourage expanded efforts by state/local governments and private sector/volunteers that have or may assume greater responsibility for the solution of community problems, (e.g., jobs created by the New York City partnership; community wide planning in Middletown, Ohio; family alternatives to crime provided by House of Umoja in Philadelphia; donations to help solve community problems by Tenneco, Inc. in Houston; establishment of independent health care system by State of Arizona; release of military bases by federal government to local authorities).
- o Through the Vice President's Task Force on Deregulation and the Cabinet Council on Economic Affairs, the President can propose changes in regulatory barriers and tax incentives that inhibit state/local government or private sector action.
- o Encourage responsible capital expenditures by business/industry and state/local government in order to stimulate the economy, provide needed facilities, enable receipt of greater profits and tax revenues, and permit business/industry development or continuity.



(UNCLASSIFIED/SENSITIVE)

POLICY OPPORTUNITY: ENERGY

POLICY GOAL

Increase the availability of natural resources.

PHASE 4 OBJECTIVE

Convince Congress, state/local governments, the public and the private sector that a free market energy policy is best for all concerned.

BACKGROUND

- o Energy costs, which represent 11% of the Consumer price Index (CPI) were increasing at an annual rate of 18.1% in December 1980, as compared to 12.4% for all items combined in the CPI.
- o The Administration wishes to formulate policies that encourage individuals and organizations to produce and use energy resources wisely and efficiently. In previous years, the federal government has attempted to respond to resource shortages and increasing prices with temporary and partial solutions based on limited knowledge of the problems.
- o This Administration has embarked on development of a new energy policy for the Nation. It is based on several fundamental commitments:
  - The federal government must effectively use its vast holdings of lands and waters in energy development.
  - The President has begun deregulation of many aspects of energy resources development, including oil price decontrol. The next logical step is to accelerate the deregulation of natural gas.
  - We will interact extensively with other countries through the International Energy Agency, and will seek appropriate levels of oil imports that will balance U.S. economic health and national security.
  - No potential energy resources will be overlooked in our policies. Private investment in development of energy potential will be encouraged.
  - Energy prices will be watched so as to ensure that disadvantaged and poor people do not suffer. However, the reality of higher price levels set in the marketplace should be anticipated.

(UNCLASSIFIED/SENSITIVE)

STRATEGY

- o The President should shift the burden of action to Congress on two energy matters:
  - accelerating the decontrol of natural gas to January 1, 1983;
  - abolishing the Department of Energy.
- o The President, while visiting state and local governments in his federalism campaign, should encourage specific local energy initiatives.
- o The President and members of the Cabinet should appear before environmental, business, and industrial groups to announce major energy developments or breakthroughs, and to further encourage private investment in all areas having energy development potential.
- o The Vice President should continue to announce major regulatory reductions that affect energy resource development.

Attached is a chart showing energy-related Cabinet matters and other issues of interest. These should be coordinated carefully.



STRATEGIC PLAN: ENERGY PACKAGE POSSIBILITIES

ENERGY TYPE	ACTIVITY/ISSUE/CM NUMBER							
	DECONTROL	TRANS-PORTATION	FINANCING	EXPORT/IMPORT	EMERGENCY USE	POLICY	PRODUC-TION	ORGANIZA-TION
NATURAL GAS	Decontrol (CM 53)	Alaskan NGTS (CM 83)***	Windfall Profit Taxes*					
COAL		Slurry Pipeline* (CM 121)	Severance Taxes (CM 118)	Exports (CM 46)*			Mine In-spections***	
OIL	Decontrol: Crude (CM 10)		Subsidies to low income persons in high heating cost areas***	Prohibition of American Exports (CM 85)	Emergency Preparedness (CM 76);*** Petroleum Reserves (CM 107, 86, 40, 128)***	55 mph speed limit***	Off-shore leases: General (CM 43);*** Louisiana Suit (CM 97)	Foreign investment
NUCLEAR				Exports: Licensing (CM 56)***		Policy: Domestic (CM 78)***		
SYNFUELS							Tosco, Union, ANR Plants CM 102)*	Synfuels Corporation (CM 19)*
TIMBER							Harvest***	
ELECTRI-CITY								Power Marketing Administration***
GENERAL						National Energy Plan (CM 88); * Fuel Use Act (CM 90)		Federal Energy Regulatory Commission; Appointment (CM 11);* Dept. of Energy Dismantlement (CM 163)***

\* announced  
 \*\* ready for announcement  
 \*\*\* under study

POLICY OPPORTUNITY: SCIENCE AND TECHNOLOGY

POLICY GOAL

Expand the use of science and technology to meet public needs.

PHASE 4 OBJECTIVE

Expand the use of outer space for national security, private sector opportunities, and Third World development.

BACKGROUND

- o A nation (e.g., Japan) can achieve high technological excellence and good economic success by emphasizing productivity and creativity in the use of technology developed elsewhere.
- o Lesser developed countries could become more economically independent if they had more science and technology available.
- o Provision of excessive technology to the East (directly or as a pass through by other countries) could threaten U.S. national security.
- o Of the many opportunities in outer space, some are more long range and expensive (e.g., space stations) than others (e.g., small payload launch vehicle).
- o Outer space has uses that include (1) military action; (2) communications; (3) surveillance; (4) scientific experiments; (5) manufacture of sensitive products; (6) natural resource availability; and (7) alternative human residency.
- o Space experiments can make significant changes in the nature of science and industry.
- o The military would need to maintain a reasonable degree of control in outer space for national security reasons.

STRATEGY

- o The President should give a speech on his belief that science and technology can make a significant contribution to the productivity and well-being of the U.S. and other lesser developed countries.
- o The President should announce his encouragement of private sector use of outer space (e.g., for natural



(UNCLASSIFIED/SENSITIVE)

resource location, pharmaceutical production, and wind/water current analysis).

- o The President could send U.S. government assistance teams (e.g., agricultural, outer space) to lesser developed countries to enable them to make better use of space science and technology in order to become more economically independent.

POLICY OPPORTUNITY: FEDERAL GOVERNMENT MANAGEMENT

POLICY GOAL

Improve the management of the Federal Government.

PHASE 4 OBJECTIVE

Develop a productive federal workforce, which is responsive to Presidential leadership, and which works in cooperation with state/local governments and the private sector.

BACKGROUND

- o Expenditures by federal, state and local governments account for more than one-third of the gross national product.
- o State and local government employees have increased significantly since 1950, whereas federal civilian employment has remained almost unchanged. (See illustration, p. 32).
- o The federal government work environment has become far more complex with the increased number of programs, regulations, laws, court cases, reporting requirements, special interest groups, and constituents.
- o A productive federal workforce is needed to implement the President's program. Federal employees must be provided guidance, direction, and motivation by the President on his policies and plans for effecting needed changes. Federal employees, particularly career executives, are anxious for more active and positive leadership, both by the President and by appointed Cabinet and sub-Cabinet executives.

STRATEGY

- o A means of monitoring accountability among federal employees should also be coordinated by a Cabinet-level group, including rewards for excellent performance and penalties for poor performance.
- o Shortly after the State-of-the-Union speech, a comprehensive Presidential statement on federal workforce matters should be given in Washington to several groups of 500-600 Federal employees each, and to regional gatherings of Federal employees when the President is in the region. This initial message should be followed up by meetings between senior career

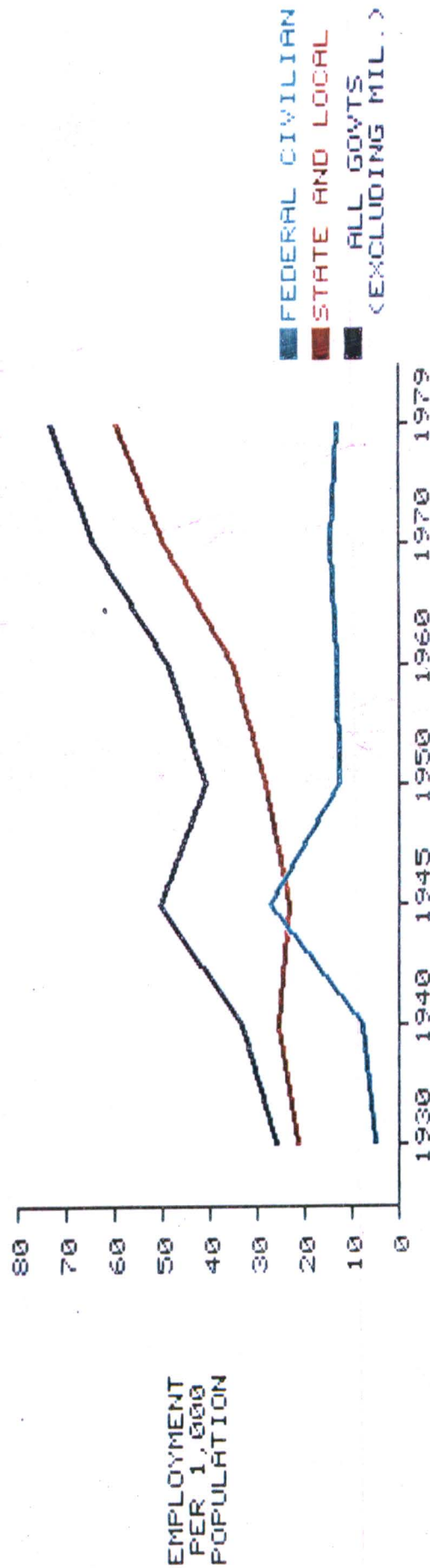


(UNCLASSIFIED/SENSITIVE)

executives and department/agency heads on policy development and implementation.

- o The President, as part of his Federalism campaign, should encourage a cooperative relationship between personnel from the federal government and state/local governments and the private sector. The President should also encourage state/local governments to reduce the size and increase the productivity of their workforces.

# STATE AND LOCAL GOVERNMENTS DOMINATE EMPLOYMENT INCREASES



(Source: National Indicators System Report on "Growth of Governments," September, 1981).



POLICY OPPORTUNITY: LEADERSHIP ON VALUES

POLICY GOAL

Provide leadership on the values of American society.

PHASE 4 OBJECTIVE

Continue to articulate the fundamental values that have made America great and which are basic to the federalism policies of the Administration.

BACKGROUND

- o The President has articulated many values that he believes override personal and party differences. Beginning with his acceptance speech and continuing with the speech on crime and personal safety to the International Association of Chiefs of Police, his Yorktown address on American values, and his recent Thanksgiving interview about family relations, President Reagan has reminded the public of values that should be driving personal and government activities.
- o Some fundamental American values are incorporated in the concept of federalism suggested in SPM-4 as a major Phase 4 focus. One is that federalism relies on local community values to provide the main thrust for government action. Another is that federalism provides for greater participatory democracy because decision points are closer to the people.

STRATEGY

- o The President should use the State-of-the-Union Address as the initial communication vehicle for linking federalism with those values he has been articulating.
- o The President should continue to articulate American values, particularly during his visits to communities during Phase 4 which will provide excellent opportunities for him to link federalism with fundamental American values.
- o The communication strategy outlined for federalism in SPM-4 calls for the RNC to play a role in reinforcing the State-of-the-Union Address through a general media campaign. This theme of "American values" would be a good focus for their campaign.
- o The discussion of values must be positive. It is what these values have done and can do that is important, not



whether or not they are currently playing prominent roles in most Americans' lives. Nevertheless, the presentations can be challenging to the public. They need to know that values and standards are to be used as yardsticks to measure efforts and are not just some unreachable ideals.

- o Federalism should be linked to themes already articulated by the President. Two examples follow:

- Individual responsibility and initiative. Federalism is the extension of this theme from individual people to individual state and local governments. President Reagan will be opening the door for state and local governments to take on both responsibility and authority for many things heretofore run by the federal government. the President has told individual Americans the same thing - that they should be more responsible for themselves.
- Work ethic and productivity. Lou Harris reports that American attitudes toward work and productivity have changed dramatically in the last decade. Ten years ago productivity was a bac word, something that meant workers would produce more but earn, in a relative sense, less for their effort. Now it is seen as a major national problem. nearly eight in ten Americans believe that productivity is a serious problem requiring urgent attention. Seven out of ten believe that improving productivity is the key to breaking the back of inflation. President Reagan's federalism program provides the President with the opportunity to challenge state and local governments to be more productive and to challenge business, industry, and labor to do more (such as initiating non-government funded training and retraining programs) to improve the productivity of workers.



(UNCLASSIFIED/SENSITIVE)

Strategies for additional policy opportunities may be prepared at a later date on such issues as:

- o Reorganization of the Department of Education
- o Federal Credit Policy
- o Telecommunications Policy
- o High Technology Predominance
- o Emergency Mobilization
- o National Security Actions
- o Foreign Policy

In conclusion, these policy opportunities provide a set of guidelines that will help advance the President's policy on specific issues in the context of his overall strategies in the domestic, foreign and political arenas. It is believed that adherence to the strategies will help achieve the desired objectives and avoid letting events take control of the agenda.