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WHITE HOUSE
OFFICE OF RECORDS MANAGEMENT
WORKSHEET

- X - MEDIA
- H - INTERNAL

Name of Document: BRIEFING PAPERS FOR
PRESIDENT'S SCHEDULED
APPOINTMENTS FOR JUN 01 81

Subject Codes:
PR 007.01

1 Subject: Meeting with Senator Alan Simpson
regarding immigration and refugee
policy.

LM
ND 016

2 Meeting with Senator Edward Kennedy
regarding Ireland and gun control

CO 073
JL 003

3 Meeting with Democratic Congressional
Leadership regarding the tax bill

FG 032
PL 005.02
F1 010

5 Meeting with FRED GOTTFURCHT

PL

6 Meeting with 5 governors and 7 mayors
regarding economic recovery
program and block grant
proposals.

ST
LG
BE 004
FA

4 Supplementary note for the President
re tax bill meeting with Democratic
leadership.

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
RMMATT	RSZ	8210125		C 8210125

Referral Note:

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT'S SCHEDULE
Monday, June 1, 1981

6:05
9:00 am Staff Time Oval Office
(30 min) (Baker, Meese, Deaver)

9:30^{9:32} am National Security Briefing *BUSH, HAIG, ALLEN, EN, JB, MKO, MYERS* Oval Office
(30 min) (Richard V. Allen)

9:45 - 10:00
10:00 am Meeting with Baker, Meese, Deaver, Friedersdorf, Speakes and Gergen, *DAVIDSON* Oval Office
(15 min)

10:15 am Meeting with Senator Alan Simpson (R-Wyo) Oval Office
(15 min) (Max Friedersdorf)
-10:32 No Press Coverage *-SEE BRIF. MEMO* (TAB A)

35 - 11:01
10:30 am Meeting with Senator Edward Kennedy (D-Mass) Oval Office
(15 min) (Max Friedersdorf)
No Press Coverage (TAB B)

11:05 - 12:27
11:00 am Democratic Congressional Leadership Oval Office
(30 min) (Max Friedersdorf) *PHOTO OPP-* (TAB C)

12:26 - 12:38
11:45 am Visit with Mr. and Mrs. Fred H. Gottfurcht Oval Office
(5 min) (Craig Fuller)
White House Photographer (TAB D)

12:45
12:15 pm Lunch Alone in Office Oval Office
(60 min)

131 - 2:13
1:30 pm Meeting with Group of Governors & Mayors Cabinet Room
(30 min) (Richard Williamson)
2:15 - 2:38 Press Photo Opportunity at Beginning (TAB E)

2:15
2:00 pm Personal Staff Time Oval Office
(90 min)

3:00
3:30 pm National Security Council Meeting Cabinet Room
(90 min) (Richard V. Allen) (Distributed separately)

3:37 - 4:50
4:50 pm Staff Time Oval Office
(30 min) (Baker, Meese, Deaver)

~~4:00~~
5:05 *Reschedule*

THE WHITE HOUSE

WASHINGTON

May 29, 1981

MEETING WITH SENATOR ALAN SIMPSON (R-Wyoming)

DATE: Monday, June 1, 1981

LOCATION: Oval Office

TIME: 10:15 a.m. (15 minutes)

FROM: Max Friedersdorf *M.F.*

I. PURPOSE

To respond to a request from Senator Simpson to discuss his views on immigration policy with the President prior to the Lopez Portillo visit.

II. BACKGROUND

The meeting with Senator Simpson will occur just as the report of the Attorney General's Task Force on Immigration and Refugee Policy is nearing completion. The report is in a holding pattern to allow discussion with Lopez Portillo before making Administration decisions.

All of the following elements regarding illegal immigration are being considered:

- o Increased enforcement of existing immigration and labor laws, with some increased support of border patrols.
- o Employer sanctions. Establishment of civil fines against employers (with four or more employees) who knowingly hire illegals. Good faith reliance on existing documentation (including a more secure social security card) would be a defense. Most Task Force members recommend employer sanctions; others do not.
- o Legalization of those here a long time. There are different views within the Task Force on whether the legalization should be large or small.
- o Temporary worker program. Again, there are different views as to whether this should provide for major new influxes at the expense of those here, or whether we should experiment with a smaller program (20,000) based on states' needs.

In regard to legal flows, the Task Force is considering an increase of 40,000 from the current ceiling of 270,000, with some short term increases to handle backlogs. An absolute ceiling on immigration, which might restrict the President's response to refugee crises, has not been recommended.

Senator Simpson was an active member of the Select Commission on Immigration and Refugee Policy, and chairs the Senate Subcommittee on Immigration and Refugee Policy. If the Administration proposes changes in current law regarding immigration and refugees, they will be considered by Simpson's subcommittee.

The Senator's own strategy for reform, which he describes as "a 3-legged stool" consists of: (a) increased enforcement; (b) sanctions against employers who knowingly hire illegals; and (c) some identification mechanism for legal workers. He opposes establishment of a new "guest worker" program, but might be willing to accept this approach, as well as amnesty for those already here if his "3-legged stool" were in place. He supports the establishment of an absolute annual ceiling on legal immigration to establish control, and feels the I.N.S. is underfunded and understaffed.

III. PARTICIPANTS

The President
The Vice-President
~~Attorney General William French Smith~~
Senator Alan Simpson

STAFF

Edwin Meese
Jim Baker
Max Friedersdorf
Frank Hodson
Martin Anderson

IV. PRESS PLAN

White House photographer.

V. SEQUENCE OF EVENTS

Senator Simpson to arrive northwest gate and be escorted to the Oval Office for a 15-minute meeting with the President.

Attachment: Talking Points

SUGGESTED TALKING POINTS FOR MEETING WITH
SENATOR ALAN SIMPSON (R-WYOMING)

- Welcome Senator Simpson. Acknowledge the great importance of the issue (immigration and refugee policy) which he has come to discuss with you.
- Let the Senator outline his recommendations. Since the Attorney General's report has not been completed, you should avoid making any specific commitments at this time. You might mention that several of the Senator's suggestions are being considered by the Attorney General's task force.
- Senator Simpson has indicated his willingness to "carry the Administration's water" on this issue in terms of guiding his subcommittee's action. Express appreciation for his cooperation, particularly in view of the fact that he is under pressure to move ahead on the issue.
- Simpson may ask how you intend to present your immigration program to the Congress. Assure him that you want to work together on this.

THE WHITE HOUSE

WASHINGTON

May 29, 1981

MEETING WITH SENATOR EDWARD M. KENNEDY (D-MASS.)

DATE Monday, June 1, 1981

LOCATION The Oval Office

TIME 10:30 a.m. (15 minutes)

FROM: Max L. Friedersdorf *M. G.*

I. PURPOSE

To accomodate a request by Senator Kennedy for a private meeting with the President.

II. BACKGROUND

Senator Kennedy called Max Friedersdorf and requested a short, private meeting with the President to present the Senator's thoughts on two subjects: Ireland and gun control. The Senator stressed the confidentiality of the meeting with no press or public statements.

III. PARTICIPANTS

The President

Senator Edward M. Kennedy (D-Mass.)

MAX FRIEDERSDORF

IV. PRESS PLAN

None. White House photo only.

V. SEQUENCE OF EVENTS

The Senator will enter the Southwest Gate, park on West Executive Avenue and be met at the West Basement entrance by Max Friedersdorf and escorted to the Oval Office.

Attachment: Talking Points

SUGGESTED TALKING POINTS FOR MEETING WITH
SENATOR EDWARD M. KENNEDY

- I am aware of your call to request a private meeting to discuss Ireland and gun control.
- I am always pleased to have your views and would like to hear them.

THE WHITE HOUSE

Washington, D.C.

May 29, 1981

MEETING WITH DEMOCRATIC CONGRESSIONAL LEADERSHIP

DATE Monday, June 1, 1981
LOCATION The Oval Office
TIME 11:00 a.m. (30 minutes)

FROM: MAX L. FRIEDERSDORF

I. PURPOSE

To discuss the tax bill

II. BACKGROUND

The House Democratic Leadership has rejected a compromise tax bill proposal advanced by the Conservative Democratic Forum. The proposal, embracing a 5-10-10 rate reduction starting October 1, 1981, is opposed chiefly by the Speaker and the liberal House Democrats who prefer a one year tax bill and more relief for the \$20,000 to \$50,000 brackets. Ways and Means Committee Chairman Rostenkowski, left to his own devices, would probably accept the 5-10-10 proposal. There is the possibility that the Democratic Leaders might advance a two year proposal, 10-10 or some other variation, during the meeting today. Senator Russell Long is also somewhat favorable to the 5-10-10, but has been very quiet on the whole issue thus far.

III. PARTICIPANTS

See Attachment A

IV. PRESS PLAN

Announce to press. (Coverage to be determined) White House photo.

V. SEQUENCE OF EVENTS

Democratic Leaders enter the Northwest Gate, proceed to the West Lobby and are escorted to the Oval Office to meet the President.

Attachment: Talking Points (See Attachment B)

ATTACHMENT A

PARTICIPANTS

✓ The President
✓ The Vice President
✓ Secretary of Treasury Donald Regan

SENATE

Senator Robert Byrd, Minority Leader
Senator Russell Long, ranking minority member Finance Committee

HOUSE

Speaker of the House Tip O'Neill
Majority Leader of the House Jim Wright
Congressman Dan Rostenkowski, chairman of Ways and Means Committee

STAFF

Jim Baker
Ed Meese
Max Friedersdorf

ATTACHMENT B

SUGGESTED TALKING POINTS FOR MEETING WITH
DEMOCRATIC CONGRESSIONAL LEADERSHIP

- The tax load on the American people is too heavy, and unless we act swiftly, the tax burden is going to increase.
- As part of our Economic Recovery Program, we have recommended both spending reductions and tax reductions. They are both essential to getting the economy back on track.
- The key to an effective tax bill is a multi-year, three-staged across-the-board rate reduction that assures individuals and businesses that relief is permanent. This will encourage investment, savings, and provide a sense of consistency.
- The American people would like to see the Administration and the Congress work together on this program in a spirit of cooperation and bipartisanship.
- I am most anxious to work with the Leadership on a program that preserves the integrity of the Economic Recovery Program, and I will lend every effort to reaching an agreement to this effect.
- However, we must act quickly to meet your timetable -- completing the tax bill by the end of July.
- If we cannot agree on a program that will meet this deadline and preserve the basic requirements of a healthy economic recovery program, the Administration must pursue its own agenda.

THE WHITE HOUSE

WASHINGTON

May 30, 1981

MEETING WITH FRED GOTTFURCHT
Monday, June 1, 1981
Oval Office
11:45 a.m.

FROM: Craig Fuller

I. PURPOSE

To say hello and wish you well.

II. BACKGROUND

Mr. Gottfurcht is the man who, before meeting you, put up 18 billboards around Los Angeles after the '76 Convention saying "hang in there, you'll win next time, etc." He has been a key fund raiser from March 1979 right up to the election (one of Mary Jane Wick's top people).

III. PARTICIPANTS

Mr. and Mrs. Fred H. Gottfurcht (Helen)

IV. PRESS PLAN

No press coverage.

V. SEQUENCE OF EVENTS

Mr. and Mrs. Gottfurcht will arrive at the West Lobby and will be escorted to the Oval Office by Karen Hart. The White House photographer will take their photo in the Oval Office.

THE WHITE HOUSE

WASHINGTON

May 30, 1981

MEETING WITH 5 GOVERNORS AND 7 MAYORS
ON THE ADMINISTRATION'S ECONOMIC RECOVERY PROGRAM

Date: June 1, 1981
Time: 1:00 - 2:00 p.m.
(You will arrive at 1:30)
Location: Cabinet Room

I. PURPOSE

This is an opportunity for you to review objectives shared by the Governors and the Administration with regard to the Block Grant Proposals. In addition, it is an opportunity for you to respond to questions raised by the Mayors and to allay their concerns and reservations with respect to the administration of the Block Grants by the states.

II. BACKGROUND

The Governors and Mayors have been invited to Washington, D.C. by the White House Intergovernmental Affairs Office in an attempt to deflect criticism by Mayors of the Administration's Block Grant Proposals. The problem has been aggravated by confusion over the Administration's position over what, if any, dealing we will have with local government. Ed Meese has responded, but lingering doubts remain (see Attachment 1). It is the purpose of this meeting to further the Administration's working relationship with Mayors and Governors on Block Grants; and to demonstrate their abilities to work amongst themselves.

Note: Three of the Mayors are from states represented by three of the Governors at the meeting.

III. PARTICIPANTS

- The Vice President
- Secretary Samuel Pierce
- Director David Stockman
- Richard S. Williamson
- ~~Maxin Anderson~~
~~James Baker and Edwin Meese will also attend.~~

Governors (See Attachment 2)
Mayors (See Attachment 2)

IV. PRESS PLAN

Group Photo Opportunity upon your arrival.

V. SEQUENCE OF EVENTS

1:00 - 1:30 p.m. Richard Williamson will welcome the Governors and Mayors, describe the format of the meeting, introduce the staff in attendance and call on Director Stockman.

Director Stockman will make brief remarks (3-4 minutes) on the Economic Recovery Package and the Tax Cut Proposal.

Richard Williamson will call on Secretary Pierce.

Secretary Pierce will make brief remarks (3-4 minutes) on the Block Grant Proposals and recognize Mayor Bill Hudnut (R-Indianapolis).

Mayor Hudnut will make brief remarks on behalf of the Mayors and call on Governor Kit Bond (R-Missouri).

Governor Bond will make brief remarks on behalf of the Governors.

Remaining Time: Q and A

1:30 p.m. You will arrive accompanied by the Vice President.

1:30 - 1:35 p.m. Press Photo opportunity.

1:35 - 1:40 p.m. You will make brief remarks and call on Mayor Hudnut (See Attachment 3, Talking Points.)

Mayor Hudnut will make brief remarks on behalf of the Mayors and call on Governor Bond.

Governor Bond will make brief remarks on behalf of the Governors.

Remaining time: Q and A

- Attachments:
- 1) National League of Cities Article.
 - 2) List of Governors and Mayors attending meeting.
 - 3) Talking Points.

NATIONAL
LEAGUE
OF
CITIES

Nation's Cities Weekly

Volume 4, Number 21

Washington, D.C.

May 25, 1981

Will cities' link to Washington be cut? Views from White House differ on Reagan's new federalism

by Francis Viscount
and Fred Jordan

If President Reagan can have his way in reshaping American federalism, there will be no direct program relationship between cities and the federal government, a key White House aide said last week.

The aide, Robert B. Carleson, a special assistant to the president for policy development, spoke at a National Tax

Association symposium whose theme was the new federal fiscal policy and its effects on state and local government.

But later in the week, the president's top aide, Edwin Meese III, seemed to disavow Carleson's view.

In response to a question from The Weekly on whether Carleson was correctly stating the White House policy, Meese said, "The eventual form of the president's revitalized federalism cannot be predicted at this time."

A more pointed denial later came

More on federalism—See below, pp. 2-3

from Richard S. Williamson, the president's assistant for intergovernmental affairs, who said that Carleson's statement "does not represent administration policy."

In a telephone call Friday to NLC President William H. Hudnut III, Williamson added that Reagan's block grants "will guarantee that cities will

See p. 2, col. 1

White House

from p. 1
be treated fairly." His response was approved at the highest White House staff level, he said.

Carleson shared the opening panel with Norman B. Ture, undersecretary of the Treasury for tax and economic affairs. Ture discussed Reagan's budget cuts and tax policy proposals, and Carleson explained the proposed block grants and the future of federalism.

Since early this year, Carleson has emerged as a key proponent of what he says is the president's sincere desire to turn over to the states all present activities of the federal government that can possibly be transferred [See *The Weekly*, March 9].

In his appearance at the symposium last week, that position seemed to be more sharply defined in its insistence that cities look to the state capitals, rather than to Washington, for program definitions and for any money that might come originally from the federal government.

Carleson said that block grants to the states should be seen as a technique to "ameliorate the impact of budget cuts, not as a technique to cut the budget." He added that as the administration proceeds, "the burden of proof will be on those who think there should be a continuing federal role."

If Reagan's effort to get the federal government out of these activities creates a void, Carleson said, the states will be fit in wherever possible. Cities will be encouraged to work with states, and private organizations seeking money or subsidies—such as neighborhood groups, trade associations and so on—will be encouraged to go to the cities and the states, rather than to Washington.

"No matter how clean a block grant is at its beginning," Carleson said at another point, "very soon the federal government would eventually put strings on it again," so it would be best for the cities not to deal directly with Washington.

When asked if federal oversight functions requiring planning, reporting and auditing are to be changed, Carleson

said state reporting and public review of state audits would be a sufficient check on proper use of funds. Federal oversight and review are not consistent with the president's wishes, he said.

There are two basic forms, Carleson said, to the block grant. The first will be a direct grant to states, giving them full discretion on how to spend the money within a given program area—spending it directly or transferring it to local government or to non-government service providers.

The second would require passing through a fixed percentage of the money to local governments. The pass-through may require a hold-harmless provision for the first few years, guaranteeing cities to share, but later the states would decide which local governments would get money. The states could not charge administrative costs

to the pass-through part of the grant.

After the White House intergovernmental affairs staff, who report to James A. Baker III, the chief of staff, were told of Carleson's remarks—Carleson's office is controlled by Martin Anderson, the assistant to the president for policy development—Meese issued the following clarification of Reagan's federalism policy:

"It is a high priority to President Reagan to revitalize our federalism system. Towards that end, President Reagan has and will continue to meet with a broad bipartisan spectrum of state and local officials to seek input and advice on initiatives the administration should take.

"The president is firmly committed to developing and continuing a partnership to realize these goals between the federal government, the state governments and local governments. Among

the steps he has taken has been the proposal for a number of block grants, including some which have pass-through formulas to local governments. The design for these programs was arrived at only after significant input from state and local officials.

"The eventual form of the president's revitalized federalism cannot be predicted at this time. He has formed his Federalism Advisory Committee with a number of mayors and county officials as members to help him develop the long term policy objective to reshape America's federalism.

"The president, the Cabinet and the White House are all appreciative of the positive contributions made by Mayors such as Bill [William H.] Hudnut [III of Indianapolis], president of the National League of Cities. We fully expect to build on this new beginning in forging our partnership." □

ATTACHMENT 2

GOVERNORS AND MAYORS ATTENDING JUNE 1, 1981 MEETING

Governor Kit Bond (R-Missouri)

Governor John Spellman (R-Washington)

Governor Bob Orr (R-Indiana)

Governor Charles Thone (R-Nebraska)

Governor Edward King (D-Massachusetts)

Mayor William Hudnut (R-Indianapolis, IN)
President, National League of Cities

Mayor Ferd Harrison (D-Scotland Neck, NC)
First Vice President, National League of Cities

Mayor Helen Boosalis (D-Lincoln, NB)
Upcoming President, U.S. Conference of Mayors

Mayor Dick Berkley (R-Kansas City, MO)

Mayor George Israel (R-Macon, GA)

Mayor Jayne Plank (R-Kensington, MD)

Councilwoman Joanne Collins (R-Kansas City, MO)

SUGGESTED TALKING POINTS FOR THE PRESIDENT FOR
MEETING WITH GOVERNORS AND MAYORS

June 1, 1981

- I understand that you have been discussing the Economic Recovery Plan and especially the tax cuts and Block Grants with Secretary Pierce, Director Stockman and Rich Williamson.

- I appreciate the support many of you have given to my Economic Recovery Plan. As you all have read, we are in negotiations with Congress on the tax cut proposals and I want to reiterate my total commitment to a 3 year plan.

- Now on a subject of particular concern to you, I cannot stress more emphatically my personal commitment to the concept of Block Grants.

- Along with the tax cut legislation and regulatory relief, Block Grants are a major priority of this Administration. Block Grants are a crucial element in our federalism objective to return power to state and local governments.

- In addition, they are an important vehicle for budgetary savings.

- Now, I have heard that some Mayors have reservations about working with their state governments on the administration of Block Grants. And I can appreciate your concern.

- As you know, Congress is currently considering our Block Grant proposals. I have had meetings with Ed Meese, Jim Baker, Rich Williamson and others about your concerns. We are open to further discussion on how to ensure a smooth transition from the status quo to Block Grants.
- I hope that through meetings like this we can begin to resolve the reservations and concerns some of you may have.
- I look forward to the constructive suggestions you may have this afternoon.
- I understand that Mayor Hudnut and Governor Bond are to make comments on behalf of the Mayors and Governors here today before we open the meeting to a general discussion.
- (Call on Mayor Hudnut)

THE WHITE HOUSE

WASHINGTON

June 2, 1981

MEMORANDUM FOR DAVID FISCHER

FROM:

JAMES MEDAS 

SUBJECT:

Attendance List For June 1, 1981, Meeting
With The President

I. Governors

Governor Kit Bond (R., Missouri)
Governor Bob Orr (R., Indiana)
Governor Charles Thone (R., Nebraska)
Governor John Spellman (R., Washington)
Governor Ed King (D., Massachusetts)

II. Mayors

Mayor William Hudnut (R., Indianapolis)
Mayor Ferd Harrison (D., Scotland Neck, North Carolina)
Mayor Helen Boosalis (D., Lincoln, Nebraska)
Mayor Dick Berkley (R., Kansas City)
Mayor George Israel (R., Macon, Georgia)
Mayor Jayne Plank (R., Kensington, Maryland)
Councilwoman Joanne Collins (R., Kansas City)

III. Administration

Secretary Sam Pierce
Director David Stockman

IV. White House Staff

Richard S. Williamson
Martin Anderson
Alan Holmer, Deputy Assistant to the President
Intergovernmental Affairs
Thad Garrett, Assistant to the Vice President
for Domestic Policy

June Koch, Deputy Undersecretary for Intergovernmental
Relations, HUD
Don Moran, Associate Director of OMB
Jim Kelly, Deputy Associate Director of OMB for
Intergovernmental Affairs
Jim Medas, Special Assistant to the President,
Intergovernmental Affairs
Steve Rhodes, Special Assistant to the President,
Intergovernmental Affairs
Bob Carleson, Special Assistant to the President,
Policy Development
Roger Porter, Special Assistant to the President,
Policy Development

THE WHITE HOUSE

WASHINGTON

June 1, 1981

SUPPLEMENTARY NOTE FOR THE PRESIDENT

FROM: RICHARD G. DARMAN *r. d.*
SUBJECT: Tax Meeting with Democratic Leadership
(Monday, June 1, 11:00 a.m.)

This is a supplement to Max's note on the same subject -- taking into account developments over the week-end.

I. OBJECTIVES

We want to be able to leave this meeting:

- EITHER in agreement, or very close to agreement, on an acceptable bill -- an alternative none of your advisers thinks likely;
- OR in the best possible public position to join promptly with the House Conservative Democratic Forum (and others) in a bi-partisan tax effort like the one used to win on the budget resolution.

If it were possible, the first alternative -- agreement with the leadership -- would be the quicker and easier route to a tax bill. Working with the CDF would be a very much harder -- and probably very much longer -- course. Our ability to win would ultimately turn on a difficult floor vote. (This would probably come first on a procedural issue, not the tax bill itself.) Nonetheless, CDF leaders believe they have the necessary votes to deliver both the procedural vote and the type of 5/10/10 package advanced publicly by Senator Dole.

NOTE: The CDF is awaiting the outcome of this meeting -- giving the Democratic leadership a full, fair chance. The CDF will caucus on Tuesday. If the CDF caucus decides upon a bill satisfactory to us (as seems likely), the CDF will meet with the Democratic leadership on Wednesday -- for a last-chance-before-we-try-to-roll-you discussion. If the Democratic leadership does not go along, the CDF will then advance its bill -- in coordination with us, with House Republicans, and with key Senate leaders.

II. TWO KEY ELEMENTS OF UNCERTAINTY

(A) ROSTENKOWSKI'S PERSONAL POSITION

Although Don Regan and others have talked with Rostenkowski, we still do not know what posture he will be in on Monday. Some think he would have liked to have compromised last week -- but that he simply could not control the left side of his Committee. He is in a difficult situation.

He now runs the risk of being "rolled" in his first time out as Chairman of Ways and Means (and with his eye on the Speakership). On the other hand, by not compromising with us, he preserves his position with O'Neill and with the liberal wing of the Democratic party. And if -- as they think likely -- our economic policies fail, they could become the ultimate winners.

We don't want to break relations with Rostenkowski if there is a reasonable chance of gaining his support for our approach. But there probably is not: He wants rate cuts more heavily skewed in favor of the middle income range; he is opposed to a 33-36 month program; and he probably sees his future as dependent upon the Democratic liberals. In any case, we cannot afford to wait much longer for Rostenkowski.

(B) THE PROPOSAL THEY MAY PUT ON THE TABLE

We have heard informally that Rostenkowski may offer a specific proposal. We do not know what it is. There would seem to be two broad alternatives:

- (1) It may be obviously outside the acceptable range. You will then of course know that the leadership has decided to let us go with the CDF -- and that we can expect to be in a vigorous public relations contest from the moment they walk out the door.
- (2) It may be artfully designed to seem relatively close to the Dole-announced proposal. This would require more careful handling.

Such a proposal could be offered in good faith. It could, however, be offered with a view toward the type of ambiguous compromise that some could describe as a defeat for the Administration. Or it could simply be offered with a view toward further delay -- on the theory that time is the Democrats' strongest ally.

NOTE (a): On Saturday, staff from the joint committee on taxation (through the courtesy of Senator Dole) introduced us to the type of proposal that might be advanced. It was billed as a 25.2% tax cut phased in by 1984. It included an immediate reduction in the top rate from 70 to 50%, a reduction in the marriage penalty, and an increase in the zero bracket amount. To this extent, it looked a lot like the proposal that had been discussed with CDF, Dole, and Rostenkowski. But the rates were not cut evenly across-the-board: They were cut more toward the \$7,600-24,600 range than was the Dole/Hance approach. And overall, this alternative approach was skewed about 2% more toward the \$20,000-50,000 range.

NOTE (b): You should be aware that even pure "across-the-board" proposals may vary in some degree from one income class to another. This is because of rounding (dropping decimal points) in the tax tables. Even Kemp-Roth wanders up and down a couple of percentage points in moving from one income class to another. The issue is whether or not the effect is back and forth as a result of rounding -- or whether it is consciously skewed toward one broad income class or another.

NOTE (c): You should not allow them to claim that we have been insensitive to the needs of the middle and lower bracket tax payers. In fact, the 5/10/10-plus approach that Don Regan discussed with Rostenkowski (and that Rostenkowski rejected) cuts the overall tax liability of lower and middle income brackets considerably more than it does the upper brackets.

NOTE (d): Rather than offer a specific proposal, they may simply outline a possible approach and ask to work with us further on it. This could be a tactic for further delay -- and you will have to be very sensitive to this possibility.

III. RECOMMENDED APPROACH

After appropriate politeness and introductions:

(A) Ask them (Rosty) if they have a specific tax package to offer.

(1) If not, express regret -- and note that:

-- Their agreed and announced timetable appears to be slipping badly. (They originally committed to complete House mark-up by June 2.)

- We have been waiting patiently for them to come forward with something -- in hopes of working something out but cannot wait any longer.
- (2) If they (Rosty) have a specific package to offer, but it is obviously not consistent with your basic requirements, then the rest of the meeting will have to be largely pro-forma on both sides.
- (3) If they (Rosty) have a proposal that is superficially very similar to 5/10/10 or 10/10, you might ask them to elaborate upon their reasoning. But you are probably best advised not to give any positive reaction to particulars -- and rather, to agree only to have their proposal analyzed. (Note: This has to be done as a courtesy -- consistent with "listening" -- and it allows us time to formulate a fully considered response.)
- (B) Ask them if they are still committed to report to the House by June 10 and to complete House floor action by June 26 -- emphasizing the importance of avoiding further delay.

Note: We don't know whether their strategy is to stretch this out well into the fall, or whether they might be planning to try to catch us unprepared and move very quickly. Either way, we want them to stick to their calendar.

cc: Jim Baker
Ed Meese
Max Friedersdorf