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Re 2nd Budget Resolution - impact of 1st one. The first resolution was the result of an agreement by Baker and Domenici to give the President some momentum on his savings. Our first reconciliation resolution was an instruction to the committees to cut spending. And we produced it within two weeks after Reagan had sent up his package. That decision was a bipartisan decision. And up to that point we had bipartisanship. The resolution carried 88-10. Then we began work on the regular first budget resolution for 1982. At that point, we made a fundamental decision that was, in retrospect, I think, a mistake. We decided to proceed wholly on the basis of the administration's economic assumptions and ignored the CBO's assumptions. We told CBO to compute all their numbers on the basis of the administration's figures. That was wholly a staff decision. It was not made in committee. It was made by Steve Bell and Sid Brown without Gail Foster or myself ever being in the room. It was made on the basis that there was not enough time to do otherwise. When that decision emerged in the committee context, the Democrats asked that we look at CBO's assumptions. At that point, Domenici turned his back on Hollings. He said that we would go with the administration's figures. And the committee voted to do that by a straight party line vote. That was the beginning of partisanship on the committee. Then, of course, there was the matter of taxes. The two parties differed on that. Then in order to bring along Armstrong, Grassley and Symms, we had to generate some more savings, which we had to make up pretty much out of whole cloth. The Democrats did not like that either. We got a good deal of Democratic support after that inside the committee, on the floor and on the conference report. But there always was the feeling underneath that 'you did it your way. Don't ask us for help. You would cater to the Republicans on the committee by changing your figures, but you couldn't change any of your figures for us.'

Then of course there was social security. The Democrats attacked us for cutting taxes and then coming in with social security cuts. They had agreed to them in the reconciliation bill. And Hollings was the original sponsor of the COLA. So there was some inconsistency there. Then there was the feeling by the Democrats on the House side that they had been doublecrossed and by Jim Jones in particular. Jones thought that he had produced a budget that was close enough to the President's budget so that, in conference, a compromise budget resolution could be voted out. When the President decided to play around with Gramm and his friends instead, Jones felt he had been undermined in his first big test as chairman. I must say that, from a distance, here his resentment was understandable. So, we had the economic assumptions, the taxes, social security and the problem in the House--all on the second budget resolution. of them producing partisanship/. But that's not necessarily the pattern for the next round."

Would it have paid to pressure Quayle and Kassebaum "of course it would have. And we tried. But once the President told them he didn't want to do anything, they could use the argument that it wasn't going anywhere later on. If the President had just kept quiet and said nothing, they would have gone along with us."

When we got to lunch, he said, "Domenici is on another hot streak. He's meeting with Baker today and the White House tomorrow. And he's making some headway with his ideas at the White House. He's gotten interested in the intergovernmental committee the other day and presented his idea of increased revenue sharing with excise taxes to pay for them. He was the only person in the room with new ideas--as usual. They got a lot of attention. Richard Snelling, the Chairman of the Governor's conference was particularly interested. I think the White House is interested, too."

"Jerry Jordan called and said Niskanen was feeling pretty bad, and wanted to know if Niskanen could come talk to him. It was reported that Domenici asked for his resignation. He didn't. It happened at the credit hearing the day after the story broke. Domenici opened the hearing with a sharp comment. Afterwards three reporters followed him down the hall. The first question David Espo asked was: "Does that mean you care calling for Niskanen's resignation?" We got on the elevator and rode down before Domenici said a thing. Then he said 'I'm saying I don't see how Mr. Niskanen can continue to be an effective advisor to the President.' It was reported as a call for his resignation. Niskanen was feeling pretty bad. So he came up to talk to Domenici. I don't know what was said. But we all interpreted what was said at AEI as an effort by the CEA to lay the groundwork for the view that deficits didn't matter."

Dems had found a in the Reagan arm by second
resolution.