

BUDGET HEARINGS

February 23, 1982

*This is heavy weight 2nd baseline
for #2
Gund - PD - bipartisan - budget talk.*

Hollings - (great "lecture") to Stockman.

"We're going to have to work on a bipartisan basis... If we don't get bipartisan solution and guide we're going to be in a paralysis... It's not a poker game... We're not going to be able to negotiate in June and July... We'll be looked into election year politics... "We ought to see, in the early steps, how we can package and get support... I'm willing to work with you... I'm very very worried we can't get a majority to vote for a budget resolution."

Symms: he wants "substantial reduction in entitlements." "Isn't it going to take that kind of substantial message..." Stockman says he wants "bipartisan consensus" on whatever is done. He warns about jumping at any "big formula" solution. Symms sees debt ceiling vote as a place where pol. crunch will come.

Charles thinks Committee will come to a bipartisan consensus , but need more cooperative from Pres. He sees consensus in business. "There's one player that's musing--the chief, the communicator--" he wants "a summit." He sees "clock ticking" abyss coming.

Stockman says things aren't "non-negotiable in ultimate sense." "Let's not over dramatize what is available for discussion." - idea that President is not on board is "disservice." "It's going to take dozens and dozens of steps." to get package together.

Bosdiwitz says he sees consensus forming, talks about "broader" view. Stockman says that when you move from "recipe to scrutiny" it will be more difficult. Pres. proposes budget "then we get into the disapproval phase of it." Says he can get together with Hollings."

Metzenbaum - Dayton experience.

program - emotional talk. There is no safety net. "You and your computer and your ivory tower economists have let the people down." He lectures Stockman - Stockman says there's 210 billion for elderly.

Gorton - "Great degree of dissatisfaction" on committee. He asks about Hollings proposal... Stockman says "On an accounting basis, it will get in there...but it will get in some of the places we wouldn't want to be." i.e., he'll cut defense more than he wants--not practical. Severe threat and jeopardy to our national defense posture." He is aiming at Holling's achilles heel, his concern for defense. "Everything isn't final in our budget." Stockman - "I don't know when push comes to shove how one would defense 'fundamental retreat'" (which is what RR says about taxes). Gorton says that it's awfully difficult to get from here to there. "Gorton says "He shares goals of Senator from SC and majority of committee does also." no sacred.

Johnson "economic Dunkirk is here." "Frightened enough to do things that are politically unpopular." "Bipartisan means we've got to have great communicator." Committee passed entitlement cuts and passed at Republicans tried to sell it to RR and he said no." There's not one single supporter of Pres. budget in the Congress." "In view of our experience last year when the committee screwed up its political coverage on entitlements and got slapped down" and in view of fact that Pres. political advisers find bill fundamentally flawed, how can we get Pres. to save face, etc. (laughter). Stockman says that he "can't advise this committee on tactics." But he says "great bulk of President's budget will be a part of it." Hollings has given an opening but he can only go so far. "If you want us to give political blood, you'll have to get your man down there to make a fundamental retreat."

Stockman says that Hollings COLA change request came 2 weeks before admin's own. Social Security plan came out and that Dems in House killed it. He says bipartisan in consensus will take work by Senate Democrats and House Democrats.

Grassley - "Nobody is bailing out on the president." "There's a perception among public at large that the budget isn't fair...that defense can get anything it wants and now defense things bear brunt of program"-- "that perception out there" of what he talks about.

Note: Nearly everyone who speaks mentions his constituents. Metzenbaum started that way; Exon did.

Exon wants "truth in budgeting" and goes into agriculture.

Kasten - everyone interested in interest rates - don't care about anything else. ("the political number" I say). He goes back to campaign 30-30-30. And asks about accelerating tax cuts. Asks about real growth as key problem and suggests that tax acceleration might produce. Stockman doesn't think it would affect real growth rate.

Riegle "This budget is a farce." "Not a single senator is supporting this budget." "You've got to come down to earth." Cancel recess. Michigan problems.

Note: You really get the sense that Stockman is here defending the President's budget and that the quarrel is with the President. RR frustrates everybody.

Stockman "It all depends on whether we can get together on a plan." "How many times do I have to tell you before you get it through your head that you're too late." etc. etc. Lot of fake anger. 'What do you tell people on brink of disaster - keeps pressing that question in sharp tones.

PD says he's not sure Riegle would have answer for people right now either. And that Committee won't get anywehre till they have alternative.

Quayle - "Why wouldn't President be happy if Congress agreed to cut back entitlements. Wouldn't he go where he wants to go.

Stockman - "I'd like to see the whites of their eyes first. "He goes into Hollings administration social security "uproar in House. Doesn't want to "run that risk again."

Quayle - Don't you think entitlement reform is necessary?

Quayle says COLA is not off bounds anymore "a fundamental change of attitude in the Congress."

Biden - problem last year was that admin. program went beyond COLA when they went to House - Has always been assumption that someone beside President supports budget. "It doesn't make sense to your budget... It's not a bargaining chip. It's not the place to start. There's nothing to it... We have reached point it usually takes 6 months to reach - on the first day. Nobody likes it. Nobody wants it. Nobody will entertain it."

Stockman again says he wants to get down to nitty gritty details and not "roundhouse formulas."

Biden says business is "uncertain." They know Congress will alter budget and they don't know what Congress will do." They aren't as my friend from Iowa said "liquid." They are liquid. They just don't want to spell any.

Stockman "opponent stalemate that has developed here in these early weeks.

Biden - "He's going to have to charge Roth Kemp." "It's going to have to become negotiable... Don't let them become for him Carter's water projects."

Biden says Don't let RR become a Johnson who says he can finance war on credit. A kind of advice to Stockman to give RR. Quayle is like that too--asking Stockman to carry a message to Reagan. But the question is whether Stockman has any influence or not, with Reagan. Is Stockman, in RR's eyes, a credible carrier of Congressional attitude. And does RR care about Congress attitudes.

Stockman says his job is to defend budget.

PD - I have come to conclusion we aren't going to get eco. recovery in spite of the optimism that's out there.

Interest rates have to come down if business is to invest and grow.

Stockman agrees.

PD - Any room left to cut in the budgets.

Stockman - yes - on merits, but not sondering politics. "In realm of practicality, there's not a lot more."

PD - Why aren't interest rates coming down? Isn't crowding out the problem.

Stockman - financial markets don't think inflation is gone, that deficit are large and government will print money. Business needs expect that inflation will stay down.

PD - Is size of deficit most important aspect of budget making for next 3 years.

ST - Yes.

PD - Wouldn't an activity to cut deficit and keep it cut convince the skeptics.

St - Yes.

St - He thinks financial markets are looking for

PD - "My single condition for bipartisan coalition (and)...It is necessary--It won't do job of House who join assume we don't have to reduce

budgetint outlays of 1983, 4, 5." He wants less spending by federal government.

St - "That's bottom line... No way to balance budget via defense or tax increase."

PD - If we don't address revenue side . I'm going to try to put a bipartisan budget together... I hope nobody thinks (it can be done without cutting back programs).

Afterward, Pete Davis was very pleased. "Well, he uncorked the bottle today. He came right out and said he was going to produce a bipartisan coalition on the committee. He was livid. The reason was that he had just come back from the White House and there was absolutely no give there. I've never seen him so with his jaw so set and looking so grim."

Went to lunch with Pete Davis and Mike Malbin and Alan Struthers. Mike noted Pete's stress on the budget cuts already in the Reagan budget that they would have to be cut, too, and that would remind Dems that they couldn't do it all via defense and taxes. Mike also thought it interesting that Kasten. should talk about fact that they didn't really enact Kemp-Roth last year, that maybe they should have, etc. Mike says he is only supply rider left.

I noted that people like Mattingly, Kasten., Michels campaigned on it remember it and haven't forgotten their campaign as people often do. The 1980 campaign made great impression on these people and you need to understand that to understand their behavior. It just wasn't a matter of "campaign promises" for them--made and forgotten. It was an intellectual, emotional, political event.

Ran into Ed Furtek - who said what a fascinating session this was. "It's

*Ed had
a Presidential
Candidate!*

more fascinating than last year--which was just like a huge wave engulfing Congress. This year it's high drama. You don't know what's going to happen from one to the next." He went to Finance Committee meeting with Regan. And he thinks a major tax bill will be on the floor by the time debt limit bill comes up.

Debt limit is clearly another target date that leadership has to worry about.

Ed really sees RR as putting pressure on Congress to blance the budget. And we agreed that his aim is not so much economic recovery act is to lower government spending, get less government. So he doesn't want any excess revenue around.