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Folder Title:
Talking Points on Budget Agreement/Briefing Drop-by, 10/2/90 [OA 5377]

Stack:	Row:	Section:	Shelf:	Position:
G	26	16	4	7

POTUS

Dave

1) Saved DOD from cuts
Locks in DOD for 3yrs (possible
ASSAULT in outlays)

IRONCLAD
Locked in } ENFORCEMENT
PROVISIONS

2) cuts real
strong enforcement

3) SS Colas or taxes / military +
C.S. retirement

4) DIDN'T RAISE IND. OR CORP. RATES

~~CONFIDENTIAL~~

Bundy: Watched by rest of the
world. The Pres. had to govern an
unruly Congress.

TEFRA - PROMISE OF ENTITLE-
MENT CUTS - TEFRA HAD NO TEETH.

~~CONFIDENTIAL~~ Sed on Macro-basis -
CANNOT GET ENTIREMENT CUTS w/ a VETO -
ONLY SHOT AT ENTITLEMENTS -

After tortured negotiations -
best we can do.

< "Don't let the perfect be the
enemy of the good." >

Given Dem. maj.'s in both Houses -

POTUS GOING TO WIRE

Briefing Regional Editors /

5 mins. / 3 pages

FRED Upton: Even better deal / vote it down /
~~XXXXXXXXXX~~ Darnan - Sununu "almost jumped" /
Chris Pappas } would know
Mickey Edwards } if a can. vote for it
HOUSE
Old friends of POTUS - some couldn't support it.
Darnan - what I don't do -

Michel exploded at ^{press} group

NATL. ADDRESS ?

VOTE ON
FRIDAY

2 DAYS LATER
RECONCILIATION

LAW

MOST IMPORTANT

Darnan wants
House wants
for earlier

~~POTUS~~ NUMBERS will say MORE
LIBERAL DEMS. WILL VOTE FOR IT - WILL
BE WORSE IF WE HAVE TO COME DOWN.

- 1) Biggest deficit package ever
- 2) Toyland enforcement
- 3) Largest entitlement swing ever
- 4) Balanced + fair
- 5) Cannot do better - 8 mos. of resolution
- 6) If this goes down, eco. goes down

1:00pm
Draft

**TALKING POINTS ON THE BUDGET AGREEMENT
BRIEFING DROP-BY -- OCTOBER 2, 1990**

- o I met this morning with Republican members of the Congress to underscore the necessity for **quick and decisive action** on the budget agreement through **bipartisan leadership** in both Houses. Again, I am **calling on Congress to act -- and act soon --** on this vital legislation.
- o **Everybody's had to compromise -- but we did it because the country is at stake.** And that's the difference between governing a nation and playing politics. I was elected to govern.
- o As leaders of **American business, labor, and agriculture**, you know the time had come to get our fiscal house in order. This compromise is a major step toward that goal. By 1995, it will bring government spending as a percentage of the G.N.P. to its lowest level since 1966. Let me tell you what the budget agreement will do:
- o **OVERVIEW:** The five-year bipartisan budget compromise will boost America's **economic vitality** in the long run. It will give small and medium-size business a **shot in the arm** and **create jobs**.
- o It will reduce the deficit by **\$500 billion --** the single biggest cut ever agreed to -- and that is a prerequisite for bringing real interest rates down.

The budget agreement raises the prospect of a **long-term healthy economy**, it raises the potential for growth, it raises America's ability to **compete --** but it does not raise **personal income taxes**.

- o **GROWTH INCENTIVES:** The agreement includes:
 - incentives for domestic oil and gas development, to **free America from dependence on foreign oil;**
 - and incentives for the development of enterprise zones, to **create jobs and opportunity;**

And specifically to **keep small business competitive:**

- A 30 percent research and experimentation credit;
- tax indexing for individuals who buy stock in small corporations;
- a tax deduction for investment in small corporations;
- and an expanded ability for small businesses to expense certain scientific equipment.

- o **DOMESTIC CUTS:** Our agreement will cut the projected federal deficit by half-a-trillion dollars -- with nearly \$120 billion in **real and enforceable spending cuts** on entitlement

and mandatory programs. These cuts have teeth -- for the first time, they will be guaranteed in law. No more smoke and mirrors.

- o Let me just say, if we do not reform entitlements to bring their growth under control -- as we have done in this agreement -- we will never be able to solve the deficit problem. America will be unable to invest in the future, because the entire budget will be gobbled up by entitlements and interest on the debt.
- o **MILITARY CUTS:** Although the defense budget is cut by \$67 billion over three years -- and more over five years -- our brave men and women serving in the Persian Gulf will still get the backing they deserve to accomplish their mission.
- o **BUDGET REFORM:** The budget discipline of Gramm Rudman will be extended for five years and the agreement includes substantial budget process reform. If Congress spends money it doesn't have -- a "mini-sequester" will cut it for them. For the next five years, all discretionary spending by Congress is capped. And for the first time mandatory entitlements -- which have been the biggest source of spending growth -- will be subject to a sequester to keep their growth under control. New entitlements will be subject to a pay as you go system -- they can't grow without offsetting cuts or resources to cover their cost.
- o This budget is tough, but it is fair. It is a solid package to boost economic growth and solve long term problems -- without having the burden fall entirely on any one group alone. The time has come to move beyond narrow interests and put the broad interest of United States first.
- o Most importantly, this budget agreement is our last, best chance to get the federal budget deficit under control. To all the armchair quarterbacks and backseat drivers out there, I say this: You can pick this package apart, but you cannot put a better package together.
- o It's time for action by the Congress, and it's time to end the talk. With that said, I will end this statement and take your questions.

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- o I understand some Republicans don't like certain aspects of this deal, and neither do some Democrats. As President, I don't control the Congress -- give me a Republican majority, and I would. But they're not going to do it exactly my way, so I've had to compromise. Everybody's had to compromise -- but we did it because the country is at stake. And that's the difference between governing a nation and playing politics. I was elected to govern.
- o As leaders of American business, labor, and agriculture, you know the time had come to get our fiscal house in order. This compromise is a major step toward that goal. By 1995, it will bring government spending as a percentage of the G.N.P. to its lowest level since 1966. Let me tell you what the budget agreement will do:
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- This budget is **tough**, but it is **fair**. It is a **solid package** to boost economic growth and solve long term problems -- without having the burden fall entirely on any one group alone. The time has come to move **beyond narrow interests** and put **the broad interest of United States first**.
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TALKING POINTS FOR SIGNING OF CONTINUING RESOLUTION

- 0 THE BILL I AM SIGNING TODAY WILL KEEP THE GOVERNMENT OPERATING THROUGH OCTOBER 5 PENDING PASSAGE BY CONGRESS OF A BUDGET RESOLUTION WHICH REFLECTS THE SUMMIT AGREEMENT.

- 0 IT ALSO PROVIDES THE IMPORTANT SUPPLEMENTAL FUNDS FOR OPERATION DESERT SHIELD.

- 2 -

- 0 THIS BILL REPRESENTS A FIRST STEP IN IMPLEMENTING THE BUDGET SUMMIT AGREEMENT. NOW IT IS UP TO CONGRESS.

- 0 THE BUDGET AGREEMENT WE HAVE REACHED IS A GOOD PACKAGE. THIS BUDGET IS THE RIGHT PACKAGE AT THE RIGHT TIME. IT IS IMPORTANT TO OUR NATION AND IT REPRESENTS OUR BEST CHANCE TO GET THE DEFICIT UNDER CONTROL.

0 TO THE AMERICAN PEOPLE I WOULD SAY, THIS AGREEMENT IS BALANCED; IT IS FAIR; AND IT IS CRITICAL TO OUR COUNTRY.

WE CANNOT KEEP MORTGAGING THE FUTURES OF OUR CHILDREN AND OUR GRANDCHILDREN. AND WE WILL NOT.

0 TO THE CONGRESS I WOULD SAY, THIS IS A TIME FOR LEADERSHIP. WE MUST ALL PUT ASIDE PARTISANSHIP FOR THE SAKE OF OUR NATION. WE MUST ACT -- NOW -- TO SOLVE THIS BUDGET PROBLEM.

0 I WOULD ALSO SAY THIS TO THE CONGRESS: MANY OF US IN THE POLITICAL LEADERSHIP HAVE SPOKEN FOR YEARS ABOUT THE NEED TO DEAL WITH THE DEFICIT.

AS IS USUALLY THE CASE IN POLITICS, MANY DIFFERENT APPROACHES HAVE BEEN URGED.

WE NOW HAVE A DEFICIT REDUCTION PACKAGE. IT IS A GOOD PACKAGE. IT IS ALSO A COMPROMISE, AND LIKE MOST COMPROMISES, IT WILL NOT SATISFY EVERYONE. BUT THIS IS THE TIME TO MOVE BEYOND INDIVIDUAL CONCERNS, AND EXERCISE LEADERSHIP FOR THE GOOD OF THE COUNTRY.

0 THIS DEFICIT REDUCTION PACKAGE IS BALANCED: IT CUTS SPENDING AND IT PROVIDES INCENTIVES FOR JOBS AND ECONOMIC GROWTH; IT CLEANS UP THE BUDGET PROCESS MESS, AND IT RAISES NEEDED REVENUES WITHOUT RAISING PERSONAL TAX RATES. AND MOST IMPORTANT, THESE DEFICIT MEASURES ARE REAL, AND HAVE REAL TEETH.

0 IT IS TIME TO END THE TALK ABOUT THE DEFICIT. IT
IS TIME FOR ACTION ON THE DEFICIT. AND IT'S TIME,
PAST TIME, TO PUT THE INTERESTS OF THE UNITED
STATES OF AMERICA FIRST.

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- o **DOMESTIC CUTS:** Our agreement will cut the projected federal deficit by half-a-trillion dollars -- with \$120 billion in **real and enforceable spending cuts** on entitlement and mandatory programs. These cuts have **teeth** -- for the first time, they will be **guaranteed in law**. **No more smoke and mirrors.**
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- o This budget is tough, but it is fair. It is a **solid package** to boost economic growth and solve long term problems -- without having the burden fall entirely on any one group alone. The time has come to move **beyond narrow interests** and put the **broad interest of United States first**.
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- o As leaders of American business, labor, and agriculture, you know the time had come to get our fiscal house in order. This compromise is a major step toward that goal. By 1995, it will bring government spending as a percentage of the G.N.P. to its lowest level since 1966. Let me tell you what the budget agreement will do:
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- tax indexing for individuals who buy stock in small corporations;
- a tax deduction for investment in small corporations;
- and an expanded ability for small businesses to **expense certain scientific equipment.**

- o The agreement will give a shot in the arm to America's job-generating small and mid-size companies:
 - A thirty percent research and experimentation credit for small businesses.
 - An adjustment in the tax basis for individuals who buy stock in small businesses.
 - A tax deduction for investment in small businesses.
 - An expanded ability for small businesses to expense certain depreciable business property.
- o The budget plan will also cut \$120 billion in government spending on entitlement and mandatory programs. Unlike other such agreements in the past, this is the first time such cuts will be guaranteed in law. No more smoke and mirrors. Savings will include:
 - \$60 billion from Medicare.
 - \$13 billion from Agricultural payments.
 - \$4.2 billion in Postal-service reform.
- o The agreement will also produce \$182 billion in discretionary program savings, including cuts in defense outlays of \$67 billion over three years.
- o Again, these cuts were made without caving in on raising individual income-tax rates. The agreement calls for raising \$134 billion in five years. And we can raise this tax-revenue with these measures:
 - A phased-in increase in the gasoline tax -- five cents a gallon the first year and another five cents the next year. This one measure alone will produce the greatest revenues.
 - Increased taxes on alcohol and cigarettes, as well as selected luxury items.
- o The budget discipline of Gramm-Rudman will be extended for five years and the agreement includes substantial budget-process reform:
 - Any new entitlement programs must meet hard and fast "pay as you go" provisions. This means that Congress will have to raise funds for any future entitlement, or cut an existing program.

-- All discretionary spending by Congress is capped for the next five years. If Congress spends money it doesn't have -- a "mini-sequester" will cut it for them. These cuts will last, because for the first time these cuts have teeth.

-- Any new tax cuts have to be matched by an equal increase in revenues.

-- This package will reform past credit programs that ignored huge liabilities to the American treasury; programs like S&L deposit insurance, student loan guarantees and HUD loan programs.

- o According to the terms of the agreement, the Congress has until October 19, 1990, to pass government appropriations bills consistent with the accord.

Congress must act, and act soon. We need measures to boost economic growth, and solve long-term problems. Most of all, this is our last best chance to get the federal budget deficit under control. We can meet the challenge through bipartisan leadership and quick and decisive action. No one will agree with all measures, but everyone will benefit in the long-run. We owe this much to our country, and to generations of Americans to come.

OCTOBER 2, 1990

DEMAREST NOTES
DISCUSSION POINTS ON BUDGET AGREEMENT

Congress and sequester cuts
less on partial gains
more on fiscal reform, spending cuts
less attack on Simon
Co-Chair

Positive Points -- President

1. Saved DoD from deep cuts
2. Strongest enforcement
3. Major and real
4. Didn't touch Social Security Colas, military or federal retirement
5. Held line on tax rates -- individual and corporate

Discussion Points -- Darman

1. Biggest deficit package ever
2. Toughest enforcement ever
3. Largest entitlement savings ever
4. Balanced and fair
5. Cannot do better
6. If this goes down, the economy goes down

Discussion Points -- Brady

1. Watched by the rest of the world
2. President has to govern an unruly Congress

Message to members:

1. Call on Republican loyalty -- we were at the table
2. No entitlement cuts physically connected
3. TEFFRA has no enforcement
4. Enforcement is in the bill -- "mini-sequesters"

Meeting Participants replies:

1. "Don't like -- Don't see how we can do better -- Could have done a lot worse."
2. Sell it on macro basis
3. Remember you can't get at entitlements with a veto

Governor Sununu wisdom: "Don't let the perfect be the enemy of the good."

"It's time we put the interest of the United States of America first."

**-- President George Bush, September 30, 1990
Announcing the Bipartisan Budget Agreement**

FACT SHEET

We must stop mortgaging the future of our children and their children. America needs a budget agreement. The public demands it. And, as President Bush said, this compromise meets the challenge of putting America first.

The five-year bipartisan budget compromise will boost America's long-term economic vitality. It will give small and medium-size business a shot in the arm, creating jobs. It will cut the projected federal deficit by half-a-trillion dollars. This will mean real and lasting spending cuts. And it will not raise individual income-tax rates, supporting future economic growth.

Our nation's economic problems are everyone's concern. So this agreement is, above all, fair. Everyone will have to make a sacrifice, but no one will have to bear the burden alone.

- o Social Security will not be touched.
- o Although the defense budget is cut by \$67 billion over three years (and more over five years), our men and women serving in the Persian Gulf region will still get the backing they deserve to defend themselves and accomplish their mission.
- o The agreement's new incentives for economic growth include:
 - New incentives to increase domestic exploration and development of oil and gas resources -- to free America from dependence on foreign oil.
 - New tax incentives for the development of enterprise zones -- to create jobs and opportunity for those who need it the most.
 - Extension of the research and development tax credit, so America can continue to lead in science and industry.
 - And an increase in the earned-income tax credit.