Collection: President, Office of the: Presidential Briefing Papers: Records, 1981-1989

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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 FEB 16 82

Subject: 1. Meeting with National officers of the Reserve Officers Association

2. Meeting with national officers of the American Legion to receive resolutions

3. Drop by of luncheon for representatives of financial magazines and newspapers.

4 Meeting with Secretary Sam Pierce regarding the housing industry.

Subject Codes:
PR007.01
VA
ND007
ND010
PR013
PR016
BE003.04
FG023
BE003.05

ROUTE TO:		ACTION		DISPOSITION		
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
RMMATT		RSZ	82/02/26		C	82/02/26

Referral Note:

DCF

UNPUBLISHED
February 12, 1982
5:00 pm

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S SCHEDULE
Tuesday, February 16, 1982

9:00 am (30 min)	Staff Time (Baker and Meese)	Oval Office
9:30 am (15 min)	National Security Briefing 9:29 – (William P. Clark) JB, Em, T. Reed, B. McFarland	Oval Office
~~9:45 am~~ (~~15 min~~)	~~Senior Staff Time~~	~~Oval Office~~
10:00 am (1hr4 min)	Personal Staff Time	Oval Office
11:45 am (5 min)	Courtesy Call by the President, Reserve Officers Association, Maj. Gen. Evan Hultman, et al (Elizabeth Dole)	Oval Office
11:50 am (5 min)	Courtesy Call by the National Commander of The American Legion, Jack Flynt, et al	Oval Office
12:00 m (60 min)	Issues Briefing Lunch (Richard Darman/Craig Fuller)	Cabinet Room
1:00 pm (10 min)	Dropby at Briefing Luncheon for Financial Magazine Editors 1:02 – 1:30 (Karna Small)	Roosevelt Room
1:10 pm (1hr50min)	Personal Staff Time 1:30 –	Oval Office
3:00 pm (30 min)	Meeting with HUD Secretary Samuel R. Pierce (Craig Fuller) 3:00 – 3:32	Oval Office
4:00 pm (30 min)	Presentation of Diplomatic Credentials by Ambassadors-designate of France, Nicaragua, Dominica and Israel 4:02 – 4:20 (William P. Clark), DCF, McFarland	Oval Office
4:30 pm (60 min)	Dr. Michael Lemp (Dr. Daniel Ruge)	Residence
~~5:30 pm~~ (~~30 min~~)	~~Staff Time~~ (~~Baker and Meese~~)	~~Residence~~

THE WHITE HOUSE

WASHINGTON

February 12, 1982

MEETING WITH THE NATIONAL OFFICERS OF THE RESERVE OFFICERS ASSOCIATION

DATE: February 16, 1982
LOCATION: Oval Office
TIME: 11:45 a.m. - 11:50 a.m.

FROM: ELIZABETH H. DOLE

I. PURPOSE

To meet the National Officers of the ROA, and thank them for their constant support of your Administration's programs.

II. BACKGROUND

The Reserve Officers Association includes 127,000 reserve officers in all branches of the services. These officers will be the first to augment the active service in a time of emergency.

The ROA has been a strong supporter of the Administration's policies, including the 1981 budget cuts and tax cuts. This group played an especially important role in building support for the AWACS sale.

You are a lifetime member.

III. PARTICIPANTS

Maj. Gen. Evan L. Hultman, National President
Col. William C. Pfeiffer, Army Affairs Vice President
Capt. Bennett C. Sparks, Navy Affairs Vice President
Col. Carl Zimmerman, Air Force Vice President
Maj. Gen. J. Milnor Roberts, Executive Director

IV. PRESS PLAN Bladwell

White House Photographer

V. SEQUENCE OF EVENTS

11:45 a.m. You greet your guests and exchange brief remarks.

11:49 a.m. Pose for pictures in front of fireplace.

11:50 a.m. Your guests depart.

Attachment: Talking Points

THE WHITE HOUSE

WASHINGTON

February 12, 1982

MEETING WITH THE NATIONAL COMMANDER OF THE AMERICAN LEGION

DATE: February 16, 1982
LOCATION: Oval Office
TIME: 11:50 A.M. - 11:55 A.M.

FROM: Elizabeth H. Dole

I. PURPOSE

To greet the new National Commander of the American Legion, Jack Flynt, and to receive the resolutions from the Legion's 1981 annual convention.

II. BACKGROUND

The American Legion with 2.6 million members is the largest veterans group. They actively supported your Administration's economic program and the AWACS sale.

You are a life member of the American Legion.

III. PARTICIPANTS

Jack Flynt, National Commander
Robert Spanogle, National Adjutant
Mylio Kraja, Executive Director
Jack Tancred, Aide to National Commander

IV: PRESS PLAN

White House photographer

V. SEQUENCE OF EVENTS

11:50 A.M.	You greet your guests and exchange brief remarks.
11:53 A.M.	You receive the resolutions from the Legion's convention from Jack Flynt, and pose for pictures in front of the fireplace.
11:55 A.M.	Your guests depart.

Attachment: Talking Points

THE WHITE HOUSE

WASHINGTON

February 15, 1982

DROP-BY AT END OF LUNCHEON FOR FINANCIAL PRESS

DATE: Tuesday, February 16, 1982
LOCATION: Roosevelt Room
TIME: 1:00 p.m. (10 minutes)
FROM: Karna Small

I. PURPOSE

To greet and make brief remarks to a small group of editors and writers from the major financial press who are having lunch and being briefed by David Stockman. The general press has been analyzing the new budget and writing critical articles about deep cuts in social programs (without also pointing to their rapid growth in recent years), large increases for defense (without showing its decline in past years) and the various alternative ideas being proposed on the Hill. This meeting would give you an opportunity to mention your priorities and get them into the forefront of the current debate.

II. BACKGROUND:

This group has not been to the White House for any type of special event, with the exception of Gerald Rosen of Dun's Review, who was here last week for a special briefing by Murray Weidenbaum on the Economic Report.

III. PARTICIPANTS:

The President
David Stockman
Karna Small
List of attendees (Tab A)

IV. PRESS PLAN:

No press
WH Photographer

V. SEQUENCE OF EVENTS

The luncheon will begin at noon. David Stockman will brief the guests on the new budget and answer their questions. At 1:00, you will enter the Roosevelt Room through the door closest to the Oval Office -- there will be a place for you at the end of the table, should you wish to sit down for a few moments. Otherwise you may stand and greet the group, make some brief remarks and answer a few questions.

VI. REMARKS:

Talking points (Tab B)

TAB A

Attendees at luncyeon briefing with David Stockman in the Roosevelt Room, Tuesday, February 16 - with Presidential drop-by

Tom Donlan - BARRONS

Robert Farrell - BUSINESS WEEK

Suzanne Garment - WALL STREET JOURNAL

Ben Weberman - FORBES

Gerald Rosen - DUN'S REVIEW

Robert Gray - NATION'S BUSINESS

Tom Richmond - INK

THE WHITE HOUSE

WASHINGTON

February 13, 1982

MEETING WITH SECRETARY SAM PIERCE

DATE: FEBRUARY 16, 1982
TIME: 3:00 p.m. (30 MINUTES)
LOCATION: OVAL OFFICE

FROM: CRAIG L. FULLER CF

I. PURPOSE

As you will recall, there was not enough time during last week's meeting of the Cabinet Council on Economic Affairs to discuss the conditions within the housing industry. Secretary Sam Pierce has asked for time to brief you personally this week on conditions within the industry and this meeting has been set for that purpose.

II. BACKGROUND

Secretary Pierce has indicated that he prefers to brief you orally on the conditions facing the industry, hence, HUD has provided no background material of their own.

I thought, however, that you might be interested in some current information on the industry. Attached is a paper developed by OMB indicating housing industry trends over the past few years.

A recent paper from the Council of Economic Advisers makes the following points:

-- Home sales have rebounded in the last three months, rising to 438,000 (annual rate) in December from September's low of 322,000.

-- Housing starts rose sharply in December to 978,000 units (annual rate) well above November's rate of 863,000.

-- New home building permits rose to 807,000 (annual rate) in December from 722,000 in October.

The point being made by both OMB and CEA is that while the housing industry has been suffering through the worst conditions they have faced in decades, signs of improvement are being observed. As a result, any major new federal initiatives should be weighed carefully to determine whether the potential for short term benefit outweighs the long term cost associated with another federal initiative in the housing field.

It is expected that Secretary Pierce will make some recommendations with regard to federal assistance for the housing industry. It is suggested that his recommendations be referred to the Cabinet Council on Economic Affairs for immediate consideration. That Cabinet Council has been monitoring the housing situation for several weeks.

III. PARTICIPANTS

Secretary Sam Pierce
~~Jim Baker~~
Ed Meese
Craig Fuller

IV. PRESS PLAN

White House photographer only. WH Video Also

V. SEQUENCE

Secretary Pierce will make his presentation and any recommendations he may have.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

February 13, 1982

Presentation of Credentials

Tuesday, February 16, 1982 -- 4:00 p.m.

1. FRENCH REPUBLIC - EUR
Bernard Vernier-Palliez
Accompanied by wife, Denise
Escort Officer - John A. Murtha NSC: Dennis Blair
Area Representative - David C. Gompert
Deputy Assistant Secretary
Oval Office - Approx. 4:00 p.m.

2. REPUBLIC OF NICARAGUA - ARA
Francisco FIALLOS Navarro
Accompanied by wife, Elsie Porres de Fiallos
Escort Officer - George Sealey NSC: Roger Fontaine
Area Representative - Everett E. Briggs
Deputy Assistant Secretary
Oval Office - Approx. 4:08 p.m.

3. COMMONWEALTH OF DOMINICA - ARA
Franklin Baron
Unaccompanied NSC: Roger Fontaine
Escort Officer - Miss Rodney Rawding
Area Representative - Everett E. Briggs
Deputy Assistant Secretary
Oval Office - Approx. 4:16 p.m.

4. STATE OF ISRAEL - NEA
Moshe Arens
Accompanied by wife, Muriel
Escort Officer - Richard Massey NSC: Geoffrey Kemp
Area Representative - David T. Schneider
Deputy Assistant Secretary
Oval Office - Approx. 4:24 p.m.

UNPUBLISHED
February 12, 198
5:00 pm

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S SCHEDULE
Tuesday, February 16, 1982

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11:50 am (5 min)	Courtesy Call by the National Commander of The American Legion, Jack Flynt, et al (Tab B)	Oval Office
12:00 m (60 min)	Issues Briefing Lunch (Richard Darman/Craig Fuller) (distributed separately)	Cabinet Room
1:00 pm (10 min)	Dropby at Briefing Luncheon for Financial Magazine Editors (Karna Small) (Tab C)	Roosevelt Room
1:10 pm (1hr50min)	Personal Staff Time	Oval Office
3:00 pm (30 min)	Meeting with HUD Secretary Samuel R. Pierce (Craig Fuller) (Tab D)	Oval Office
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A

THE WHITE HOUSE

WASHINGTON

February 12, 1982

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DATE: February 16, 1982
LOCATION: Oval Office
TIME: 11:45 a.m. - 11:50 a.m.

FROM: ELIZABETH H. DOLE

I. PURPOSE

To meet the National Officers of the ROA, and thank them for their constant support of your Administration's programs.

II. BACKGROUND

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III. PARTICIPANTS

Maj. Gen. Evan L. Hultman, National President
Col. William C. Pfeiffer, Army Affairs Vice President
Capt. Bennett C. Sparks, Navy Affairs Vice President
Col. Carl Zimmerman, Air Force Vice President
Maj. Gen. J. Milnor Roberts, Executive Director

IV. PRESS PLAN

White House Photographer

V. SEQUENCE OF EVENTS

11:45 a.m. You greet your guests and exchange brief remarks.

11:49 a.m. Pose for pictures in front of fireplace.

11:50 a.m. Your guests depart.

Attachment: Talking Points

B

THE WHITE HOUSE

WASHINGTON

February 12, 1982

MEETING WITH THE NATIONAL COMMANDER OF THE AMERICAN LEGION

DATE: February 16, 1982
LOCATION: Oval Office
TIME: 11:50 A.M. - 11:55 A.M.

FROM: Elizabeth H. Dole

I. PURPOSE

To greet the new National Commander of the American Legion, Jack Flynt, and to receive the resolutions from the Legion's 1981 annual convention.

II. BACKGROUND

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III. PARTICIPANTS

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Jack Tancred, Aide to National Commander

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White House photographer

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THE WHITE HOUSE

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February 15, 1982

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Karna Small
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WH Photographer

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Talking points (Tab B)

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D

THE WHITE HOUSE

WASHINGTON

February 13, 1982

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III. PARTICIPANTS

Secretary Sam Pierce
Jim Baker
Ed Meese
Craig Fuller

IV. PRESS PLAN

White House photographer only.

V. SEQUENCE

Secretary Pierce will make his presentation and any recommendations he may have.

February 11, 1982

MEMORANDUM FOR: Craig Fuller

FROM: Lawrence A. Kudlow LAK

SUBJECT: Housing Conditions

1) The construction of new housing starts (single and multi-family units) peaked in April 1978 at 2.2 million units, and then gradually worsened throughout the year and into 1979. By 1980 the housing recession was well underway, and in 1981 conditions underwent further deterioration.

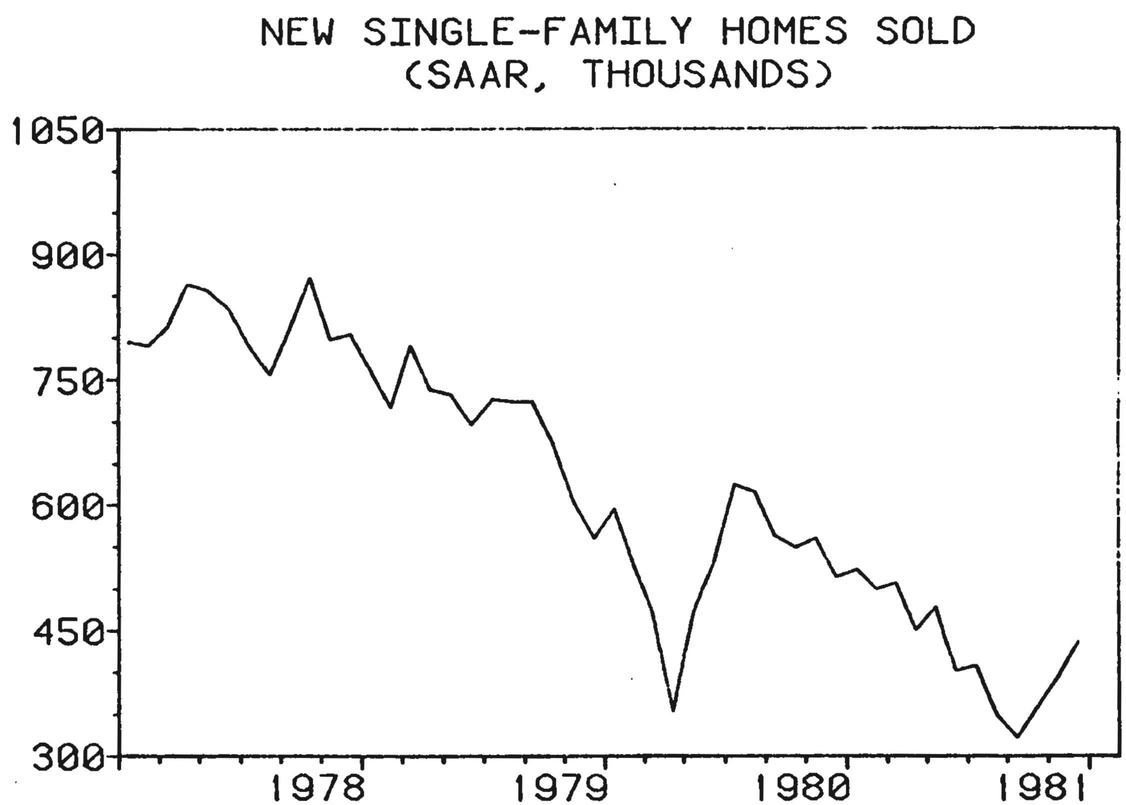
Housing Starts
(thousands of units)

1978	2,001
1979	1,716
1980	1,303
1981	1,109

2) <u>Sales of new homes</u> (single-family) averaged only 478,000 in 1980 and 1981, down from a peak of 872,000 registered in October 1978.

- o New home sales hit bottom in September, 1981 at 322,000 units.
- o Since then sales have increased by 10% in each of the past 3 months.

FIGURE 1

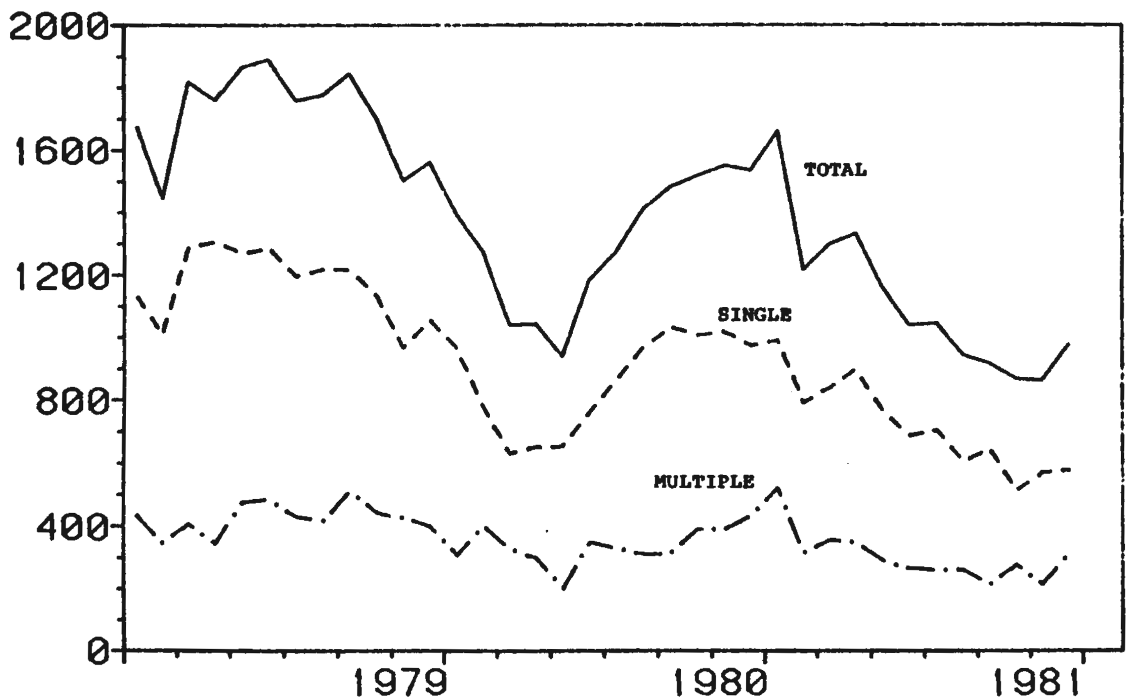


3) Multi-family units have not fared as poorly, as new sales of single family units.

	Housing Starts	
	Single family	Multi-family
	(thousands of units)	
1978	1,418	582
1979	1,172	544
1980	859	445
1981	715	394

FIGURE 2

HOUSING STARTS -- TOTAL, SINGLE UNIT, MULTI-UNIT
(IN THOUSANDS OF UNITS)



4) The weakness in home building during the past two years is also shown in the declining GNP share of this sector, where the proportion of current dollar housing construction to gross national product declined from 5.2% in 1978 to 3.6% in 1981. However, the decline shown here (30% from 1978 to 1981) is not as sharp as the roughly 50% drop suggested by the data on sales and starts. The difference is probably reconciled by a homeowner shift to additions and modernizations rather than new purchases.

Residential Construction
as a Share of GNP

	Current Dollars	1972 Dollars
1977	5.0	4.4
1978	5.2	4.3
1979	4.9	4.0
1980	4.0	3.2
1981	3.6	3.0

5) One positive by-product of the slump in housing is the moderation of housing prices which took place in 1981. Officially recorded prices increased by less than half the rate of gain of 1980. Also, anecdotal evidence suggests that actual transactions during 1981, including creative and personalized financing packages, allowed for actual declines in the sale of existing homes.

	Percentage Change in Home Prices, December/December		Percentage Change Adjusted for Inflation December/December	
	New	Existing	New	Existing
1978	13.7	15.2	4.6	6.1
1979	2.7	11.0	-10.6	-2.3
1980	9.3	11.5	-3.1	-0.9
1981	4.0	6.2	-4.9	-2.7

6) There are several reasons for the decline in housing prices, construction and sales. The housing boom was a product of rising inflation, but it went too far and could not be sustained. With the Administration's new set of fiscal and monetary policies, designed to reduce inflation and to pave the way for sustainable economic growth, a shaking out in housing became unavoidable, just as in many other sectors of the U.S. economy.

- Starting in 1979, the explosion in housing prices and land values put new housing out of reach for many Americans. This reduced new housing demand, slowed down the rate of rise of new housing prices, and suggested that the boom could be coming to an end.

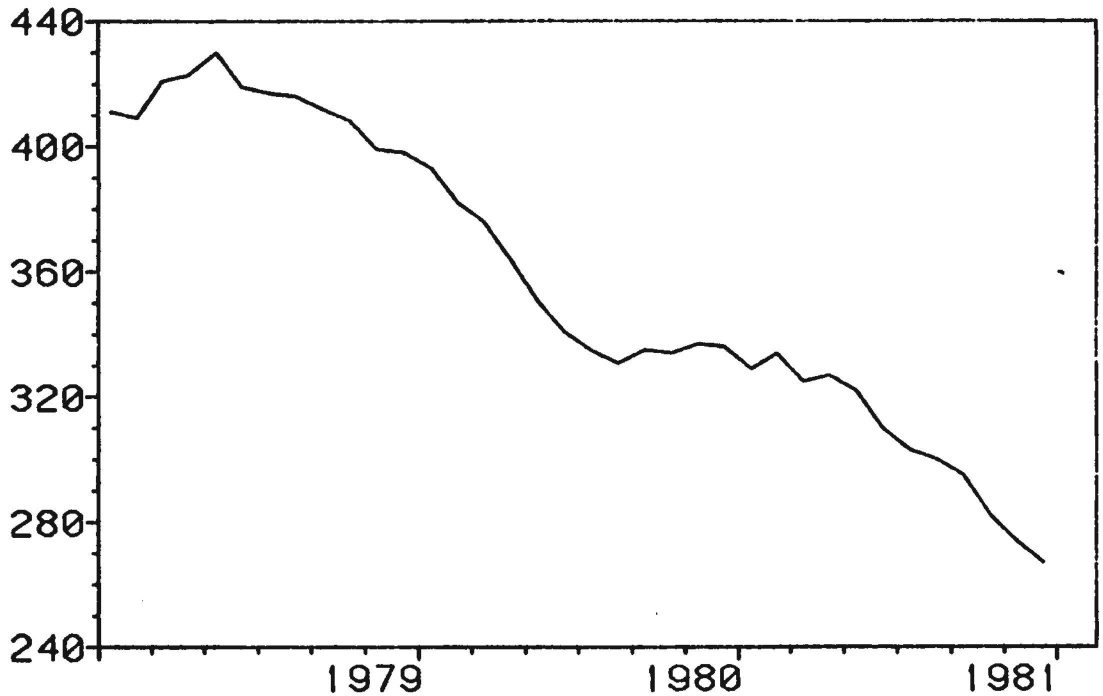
- With skyrocketing interest rates in 1979, 1980 and 1981, the wave of speculative investment in housing and real estate began to slow down. This speculation affected the turnover of existing housing stock, which had risen to dizzying heights, characteristic of all unhealthy booms. But the combination of housing price disinflation and high interest rates has put an end to this dangerous speculation.

- The excesses and imbalances in the housing industry, as elsewhere in the economy, are now coming to an end. Speculation has been curbed, and prices have moderated. A return to equilibrium and balance suggests that the worst is over, and many signs now point to recovery in 1982. Without new excesses or injections of artifical government stimulus, the housing recovery can be sustained for many years.

7) The current inventory of new private homes waiting to be sold is 7.3 times the monthly sales pace. This is significantly lower than the 12.4 ratio registered in April 1980. Also, the December level of 267,000 unsold units is the lowest since 1972. This paring down of excess inventory stock suggests that a housing recovery may be close at hand.

FIGURE 3

NEW SINGLE-FAMILY HOUSES FOR SALE
(IN THOUSANDS, SAAR)



8) Other signs of housing recovery have emerged in recent months.

- The rate on FHA-insured mortgages, which stood at 10% in January 1979, jumped to 15% in March 1980 and peaked at 18 1/2% in September 1981. During the past 3 months, however, mortgage rates have fallen about 200 basis points, dropping to 16 1/2% in December 1981.

- New housing permits, a leading indicator of activity, appears to have reached bottom in October. In December this indicator jumped by 18%.

- New housing starts leveled out in November and rose 13.3% in December.

- Single family home sales increased from 322,000 in September to 438,000 in December, a total increase of 36%.

- In anticipation of the housing recovery, lumber and plywood commodity prices, which had fallen around 30% from January through October, have essentially bottomed out.

E

THE WHITE HOUSE

WASHINGTON

PRESENTATION OF DIPLOMATIC CREDENTIALS

Tuesday, February 16, 1982
Beginning at 4:00 p.m.
The Oval Office

FROM: CHARLES P. TYSON

I. PURPOSE

To receive for accreditation the diplomatic credentials of four Ambassadors.

II. BACKGROUND AND PRESS ARRANGEMENTS

A. Background: The Ambassadors from the French Republic, Republic of Nicaragua, Commonwealth of Dominica, and the State of Israel will present their credentials. After an exchange of documents, you will hold a brief conversation with each Ambassador.

Three-by-five cards are attached noting pertinent information and suggested talking points.

B. Press Arrangements: White House photographer only.

UNPUBLISHED
February 12, 198
5:00 pm

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S SCHEDULE
Tuesday, February 16, 1982

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10:00 am (1hr4 min)	Personal Staff Time	Oval Office
11:45 am (5 min)	Courtesy Call by the President, Reserve Officers Association, Maj. Gen. Evan Hultman, et al (Elizabeth Dole) (Tab A)	Oval Office
11:50 am (5 min)	Courtesy Call by the National Commander of The American Legion, Jack Flynt, et al (Tab B)	Oval Office
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1:00 pm (10 min)	Dropby at Briefing Luncheon for Financial Magazine Editors (Karna Small) (Tab C)	Roosevelt Room
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4:30 pm (60 min)	Dr. Michael Lemp (Dr. Daniel Ruge)	Residence
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A

THE WHITE HOUSE

WASHINGTON

February 12, 1982

MEETING WITH THE NATIONAL OFFICERS OF THE RESERVE OFFICERS ASSOCIATION

DATE: February 16, 1982
LOCATION: Oval Office
TIME: 11:45 a.m. - 11:50 a.m.

FROM: ELIZABETH H. DOLE

I. PURPOSE

To meet the National Officers of the ROA, and thank them for their constant support of your Administration's programs.

II. BACKGROUND

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The ROA has been a strong supporter of the Administration's policies, including the 1981 budget cuts and tax cuts. This group played an especially important role in building support for the AWACS sale.

You are a lifetime member.

III. PARTICIPANTS

Maj. Gen. Evan L. Hultman, National President
Col. William C. Pfeiffer, Army Affairs Vice President
Capt. Bennett C. Sparks, Navy Affairs Vice President
Col. Carl Zimmerman, Air Force Vice President
Maj. Gen. J. Milnor Roberts, Executive Director

IV. PRESS PLAN

White House Photographer

V. SEQUENCE OF EVENTS

11:45 a.m. You greet your guests and exchange brief remarks.

11:49 a.m. Pose for pictures in front of fireplace.

11:50 a.m. Your guests depart.

Attachment: Talking Points

B

THE WHITE HOUSE

WASHINGTON

February 12, 1982

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DATE: February 16, 1982
LOCATION: Oval Office
TIME: 11:50 A.M. - 11:55 A.M.

FROM: Elizabeth H. Dole

I. PURPOSE

To greet the new National Commander of the American Legion, Jack Flynt, and to receive the resolutions from the Legion's 1981 annual convention.

II. BACKGROUND

The American Legion with 2.6 million members is the largest veterans group. They actively supported your Administration's economic program and the AWACS sale.

You are a life member of the American Legion.

III. PARTICIPANTS

Jack Flynt, National Commander
Robert Spanogle, National Adjutant
Mylio Kraja, Executive Director
Jack Tancred, Aide to National Commander

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White House photographer

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Attachment: Talking Points

SUGGESTED TALKING POINTS FOR MEETING WITH
THE NATIONAL COMMANDER OF THE AMERICAN LEGION

-- Congratulations on your election as National Commander of the American Legion.

-- I want to thank you for the Legion's active support of my Administration's economic program and the AWACS sale.

-- Please extend my best wishes to your 2.6 million members. Our country is deeply indebted to them. I can assure you my Administration is committed to maintaining high quality health care for veterans.

-- We have proposed an increase of $530 million in the medical care budget for veterans in 1983. We have suggested the addition of 1259 new employees. These increases will provide for the activation of two new replacement hospitals, a new outpatient clinic and four new nursing homes.

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THE WHITE HOUSE

WASHINGTON

February 15, 1982

DROP-BY AT END OF LUNCHEON FOR FINANCIAL PRESS

DATE: Tuesday, February 16, 1982
LOCATION: Roosevelt Room
TIME: 1:00 p.m. (10 minutes)
FROM: Karna Small

I. PURPOSE

To greet and make brief remarks to a small group of editors and writers from the major financial press who are having lunch and being briefed by David Stockman. The general press has been analyzing the new budget and writing critical articles about deep cuts in social programs (without also pointing to their rapid growth in recent years), large increases for defense (without showing its decline in past years) and the various alternative ideas being proposed on the Hill. This meeting would give you an opportunity to mention your priorities and get them into the forefront of the current debate.

II. BACKGROUND:

This group has not been to the White House for any type of special event, with the exception of Gerald Rosen of Dun's Review, who was here last week for a special briefing by Murray Weidenbaum on the Economic Report.

III. PARTICIPANTS:

The President
David Stockman
Karna Small
List of attendees (Tab A)

IV. PRESS PLAN:

No press
WH Photographer

V. SEQUENCE OF EVENTS

The luncheon will begin at noon. David Stockman will brief the guests on the new budget and answer their questions. At 1:00, you will enter the Roosevelt Room through the door closest to the Oval Office -- there will be a place for you at the end of the table, should you wish to sit down for a few moments. Otherwise you may stand and greet the group, make some brief remarks and answer a few questions.

VI. REMARKS:

Talking points (Tab B)

TAB A

Attendees at luncyeon briefing with David Stockman in the Roosevelt Room, Tuesday, February 16 - with Presidential drop-by

Tom Donlan - BARRONS

Robert Farrell - BUSINESS WEEK

Suzanne Garment - WALL STREET JOURNAL

Ben Weberman - FORBES

Gerald Rosen - DUN'S REVIEW

Robert Gray - NATION'S BUSINESS

Tom Richmond - INK

TAB B

TALKING POINTS FOR DROP-BY AT LUNCHEON FOR FINANCIAL PRESS

-- I know that you've been well briefed by David Stockman for the last hour and I'm sure that he has gone over many of the details in the 1983 budget. But I wanted to make a few comments about our priorities.

-- I've been reading alot in the press lately about how this budget makes the deepest cuts ever in social programs and spends the most money on defense.

-- I would like to see some articles about how many of these entitlement programs have been the fastest growing federal programs in the last few years - growing at an astonishing rate of some 15% every year (and this is outside Social Security). But next year, they will still grow, but at a more reasonable rate of 6%.

-- Instead of emphasizing the cuts, I would like to emphasize what we ARE doing. David may have gone over this, but it's important to say it again:

--We are spending almost as much just for the elderly as we are on defense..and that amount spent for the elderly is double what we spent just 5 years ago.

--We are going to be providing 95 million meals a day - one out of every 7 is subsidized with your tax dollars.

--Almost 19 million Americans will still be receiving food stamps.

-- And let me ask you this: should the goal of this government be to have more and more people receiving food stamps or welfare payments year after year?? Or should the goal of this government be to turn this economy around so that millions of people will have an opportunity to get OFF welfare once and for all?

Talking points continued:

-- On defense matters, it's important to note that the majority of the new budget for defense goes for manpower, maintenance and readiness -- not for fancy new weapons systems. In fact, since it takes many years for new weapons systems to come on line, if you were to cut out ALL of the big ticket major weapon systems (those over $500 million in cost) which would be a case of unilateral disarmament -- you would only save, in 1983, 6.5 billion dollars -- which would not exactly balance the budget (analysis from OMB is attached).

-- Defense is an area that, unlike entitlement programs, has not been growing at such a rapid rate. Yet even when we play "catch up ball" our expenditures for defense will still be only 6.3% of GNP, whereas it was about 9% of GNP back in the late 50's when we were relatively secure.

-- But the really important point I want to make today is that our basic tax cut plan must remain in tact. We must move away from overtaxing our productive citizens, and move toward a system of incentives to produce and to save. For only in that way will we really turn this economy around and see the improvement that I know can, and will occur.

2/11/82

Major Weapon Systems
> $500M
1983

	System	TOA ($M)	Outlays ($M)
Army	*AH-64 Advanced Attack Helo	999	76
	UH-60A Blackhawk	740	47
	MLRS	506	90
	PATRIOT Air Defense System	977	176
	PERSHING II	620	147
	*M-2 Fighting Vehicle	966	87
	*M-1 Tank	2,047	132
	DIVAD Air Defense Gun	714	50
	Anti-Ballistic Missile	754	431
		8,323	1,236
Navy	AV-8B	1,060	186
	F-14A	1,200	166
	*F/A-18	2,962	433
	*SH-60B LAMPS	1,250	168
	TRIDENT 1 Missile	779	124
	*CG-47 AEGIS	3,163	95
	CV SLEP	737	109
	*CVN Aircraft Carrier	6,871	92
	FFG Frigate	749	22
	SSN-688 Submarine	1,735	52
	TRIDENT Submarine	3,008	90
		23,514	1,537
Air Force	*B1-B Strategic Bomber	4,787	806
	*C-5 Airlift Aircraft	860	73
	F-15	1,808	220
	F-16	2,312	242
	KC-10 Tanker Aircraft	829	70
	KC-135 Tanker Aircraft	610	66
	ALCM Air Launched Cruise Missile	864	220
	GLCM Ground Launched Cruise Missile	645	116
	*MX Missile	4,463	1,957
		17,178	3,770
TOTAL		49,015	6,543

* Major systems subject to controversy. For these systems 1983 TOA is $28,368M and Outlays are $3,919M.

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THE WHITE HOUSE

WASHINGTON

February 13, 1982

MEETING WITH SECRETARY SAM PIERCE

DATE: FEBRUARY 16, 1982
TIME: 3:00 p.m. (30 MINUTES)
LOCATION: OVAL OFFICE

FROM: CRAIG L. FULLER CF

I. PURPOSE

As you will recall, there was not enough time during last week's meeting of the Cabinet Council on Economic Affairs to discuss the conditions within the housing industry. Secretary Sam Pierce has asked for time to brief you personally this week on conditions within the industry and this meeting has been set for that purpose.

II. BACKGROUND

Secretary Pierce has indicated that he prefers to brief you orally on the conditions facing the industry, hence, HUD has provided no background material of their own.

I thought, however, that you might be interested in some current information on the industry. Attached is a paper developed by OMB indicating housing industry trends over the past few years.

A recent paper from the Council of Economic Advisers makes the following points:

-- Home sales have rebounded in the last three months, rising to 438,000 (annual rate) in December from September's low of 322,000.

-- Housing starts rose sharply in December to 978,000 units (annual rate) well above November's rate of 863,000.

-- New home building permits rose to 807,000 (annual rate) in December from 722,000 in October.

The point being made by both OMB and CEA is that while the housing industry has been suffering through the worst conditions they have faced in decades, signs of improvement are being observed. As a result, any major new federal initiatives should be weighed carefully to determine whether the potential for short term benefit outweighs the long term cost associated with another federal initiative in the housing field.

It is expected that Secretary Pierce will make some recommendations with regard to federal assistance for the housing industry. It is suggested that his recommendations be referred to the Cabinet Council on Economic Affairs for immediate consideration. That Cabinet Council has been monitoring the housing situation for several weeks.

III. PARTICIPANTS

Secretary Sam Pierce
Jim Baker
Ed Meese
Craig Fuller

IV. PRESS PLAN

White House photographer only.

V. SEQUENCE

Secretary Pierce will make his presentation and any recommendations he may have.

February 11, 1982

MEMORANDUM FOR: Craig Fuller

FROM: Lawrence A. Kudlow LAK

SUBJECT: Housing Conditions

1) The construction of new housing starts (single and multi-family units) peaked in April 1978 at 2.2 million units, and then gradually worsened throughout the year and into 1979. By 1980 the housing recession was well underway, and in 1981 conditions underwent further deterioration.

Housing Starts
(thousands of units)

1978	2,001
1979	1,716
1980	1,303
1981	1,109

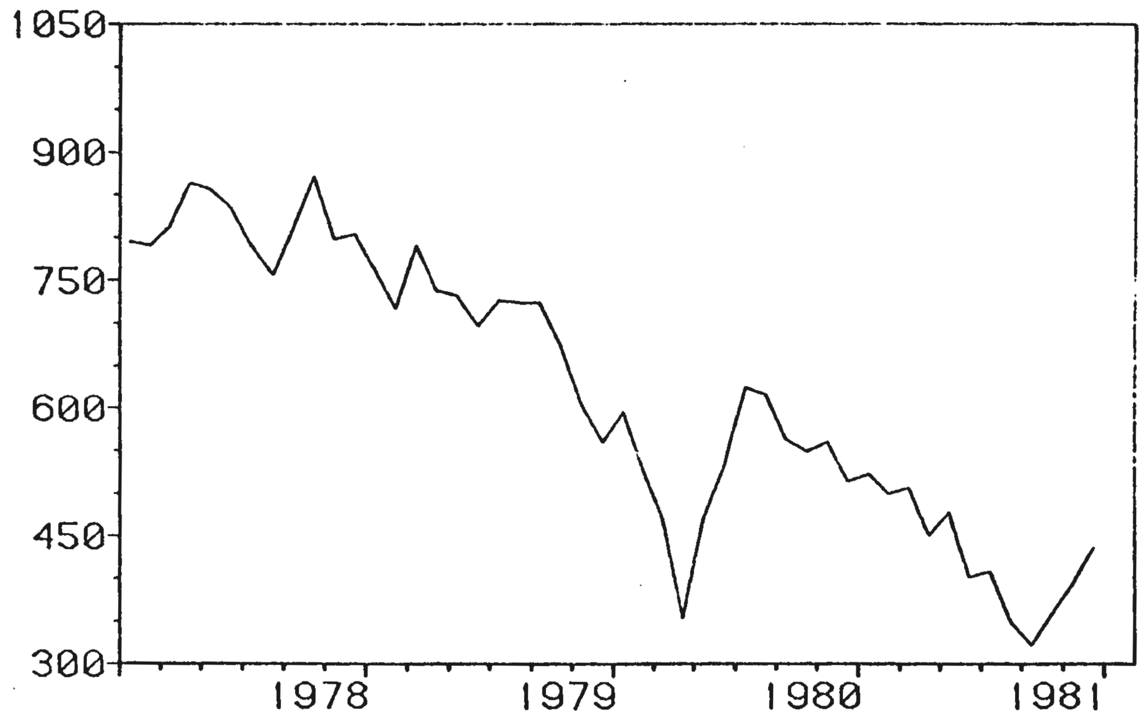
2) Sales of new homes (single-family) averaged only 478,000 in 1980 and 1981, down from a peak of 872,000 registered in October 1978.

- o New home sales hit bottom in September, 1981 at 322,000 units.

- o Since then sales have increased by 10% in each of the past 3 months.

FIGURE 1

NEW SINGLE-FAMILY HOMES SOLD
(SAAR, THOUSANDS)

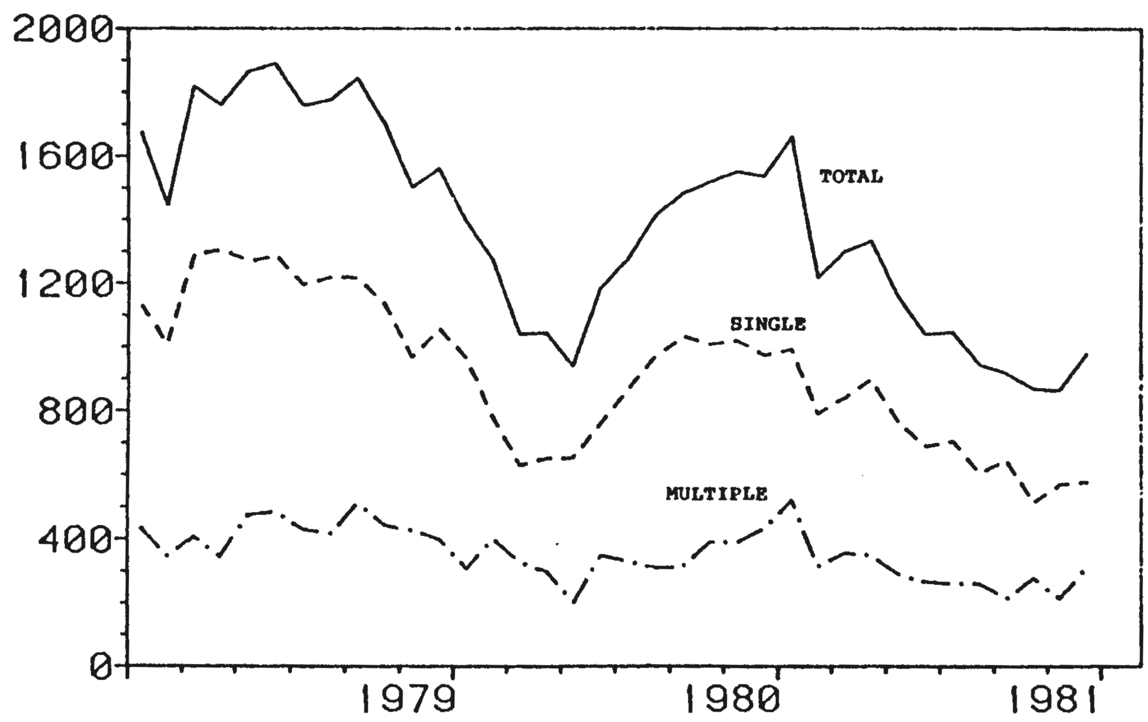


3) Multi-family units have not fared as poorly, as new sales of single family units.

	Housing Starts	
	Single family	Multi-family
	(thousands of units)	
1978	1,418	582
1979	1,172	544
1980	859	445
1981	715	394

FIGURE 2

HOUSING STARTS -- TOTAL, SINGLE UNIT, MULTI-UNIT
(IN THOUSANDS OF UNITS)



4) The weakness in home building during the past two years is also shown in the declining GNP share of this sector, where the proportion of current dollar housing construction to gross national product declined from 5.2% in 1978 to 3.6% in 1981. However, the decline shown here (30% from 1978 to 1981) is not as sharp as the roughly 50% drop suggested by the data on sales and starts. The difference is probably reconciled by a homeowner shift to additions and modernizations rather than new purchases.

Residential Construction
as a Share of GNP

	Current Dollars	1972 Dollars
1977	5.0	4.4
1978	5.2	4.3
1979	4.9	4.0
1980	4.0	3.2
1981	3.6	3.0

5) One positive by-product of the slump in housing is the moderation of housing prices which took place in 1981. Officially recorded prices increased by less than half the rate of gain of 1980. Also, anecdotal evidence suggests that actual transactions during 1981, including creative and personalized financing packages, allowed for actual declines in the sale of existing homes.

	Percentage Change in Home Prices, December/December		Percentage Change Adjusted for Inflation December/December	
	New	Existing	New	Existing
1978	13.7	15.2	4.6	6.1
1979	2.7	11.0	-10.6	-2.3
1980	9.3	11.5	-3.1	-0.9
1981	4.0	6.2	-4.9	-2.7

6) There are several reasons for the decline in housing prices, construction and sales. The housing boom was a product of rising inflation, but it went too far and could not be sustained. With the Administration's new set of fiscal and monetary policies, designed to reduce inflation and to pave the way for sustainable economic growth, a shaking out in housing became unavoidable, just as in many other sectors of the U.S. economy.

- o Starting in 1979, the explosion in housing prices and land values put new housing out of reach for many Americans. This reduced new housing demand, slowed down the rate of rise of new housing prices, and suggested that the boom could be coming to an end.

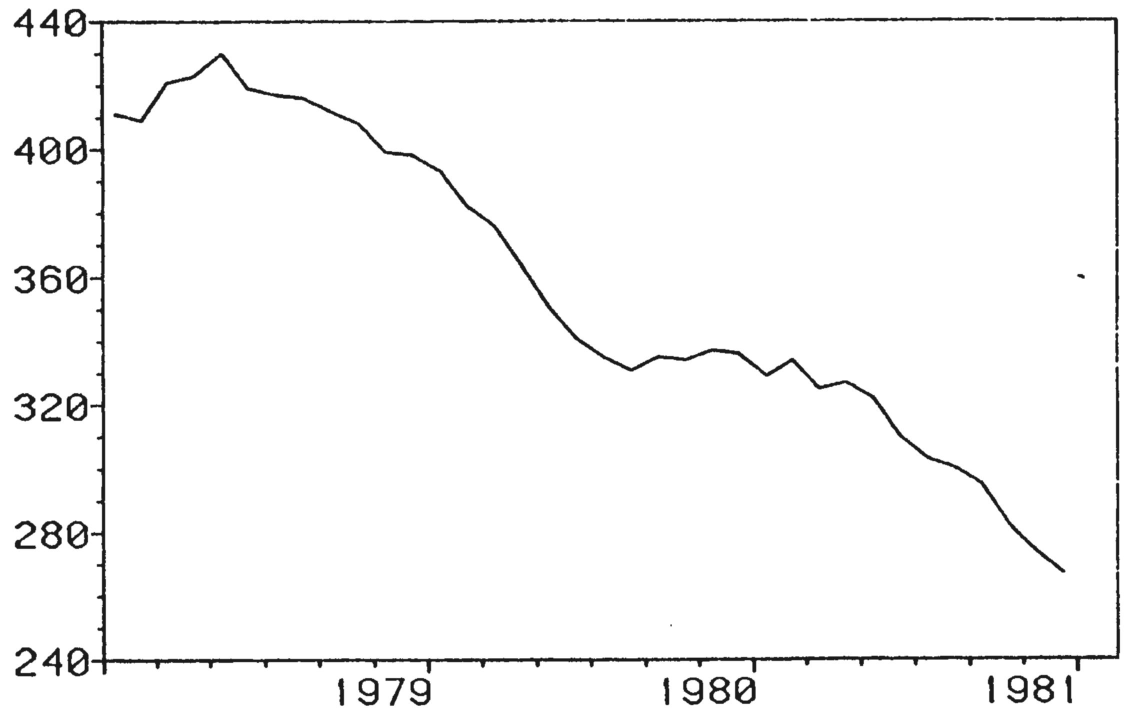
- o With skyrocketing interest rates in 1979, 1980 and 1981, the wave of speculative investment in housing and real estate began to slow down. This speculation affected the turnover of existing housing stock, which had risen to dizzying heights, characteristic of all unhealthy booms. But the combination of housing price disinflation and high interest rates has put an end to this dangerous speculation.

- o The excesses and imbalances in the housing industry, as elsewhere in the economy, are now coming to an end. Speculation has been curbed, and prices have moderated. A return to equilibrium and balance suggests that the worst is over, and many signs now point to recovery in 1982. Without new excesses or injections of artifical government stimulus, the housing recovery can be sustained for many years.

7) The current inventory of new private homes waiting to be sold is 7.3 times the monthly sales pace. This is significantly lower than the 12.4 ratio registered in April 1980. Also, the December level of 267,000 unsold units is the lowest since 1972. This paring down of excess inventory stock suggests that a housing recovery may be close at hand.

FIGURE 3

NEW SINGLE-FAMILY HOUSES FOR SALE
(IN THOUSANDS, SAAR)



8) Other signs of housing recovery have emerged in recent months.

- The rate on FHA-insured mortgages, which stood at 10% in January 1979, jumped to 15% in March 1980 and peaked at 18 1/2% in September 1981. During the past 3 months, however, mortgage rates have fallen about 200 basis points, dropping to 16 1/2% in December 1981.

- New housing permits, a leading indicator of activity, appears to have reached bottom in October. In December this indicator jumped by 18%.

- New housing starts leveled out in November and rose 13.3% in December.

- Single family home sales increased from 322,000 in September to 438,000 in December, a total increase of 36%.

- In anticipation of the housing recovery, lumber and plywood commodity prices, which had fallen around 30% from January through October, have essentially bottomed out.