

**EXECUTIVE SECRETARIAT**

**Routing Slip**

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
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12	Compt				
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15	D/OEA				
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17	SA/IA				
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SUSPENSE \_\_\_\_\_  
Date

Remarks:

Executive Secretary  
7/27/82  
Date

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1 - Route:

- C/NIC
- VC/NIC
- AC/NIC
- NIO/WE
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THE WHITE HOUSE  
WASHINGTON

Executive Registry  
*82-5320/a*

**CABINET AFFAIRS STAFFING MEMORANDUM**

DDI- *2/18/82*

DATE: 7-27-82 NUMBER: ----- DUE BY: *file*  
SUBJECT: CCEA Minutes

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baker	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	Darman ( <i>For WH Staffing</i> )	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	Harper	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	Wheeler	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	Kudlow	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
<u>CIA</u>	<input type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input checked="" type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input checked="" type="checkbox"/>
USTR	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CEA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input checked="" type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>			
_____	<input type="checkbox"/>	<input type="checkbox"/>			

REMARKS: Attached for your information are the minutes of the July 19 and the July 22 meetings of the Cabinet Council on Economic Affairs.

RETURN TO:

Craig L. Fuller  
Assistant to the President  
for Cabinet Affairs

Becky Norton Dunlop  
Director, Office of  
Cabinet Affairs

MINUTES  
CABINET COUNCIL ON ECONOMIC AFFAIRS

July 19, 1982  
8:45 a.m.  
Roosevelt Room

Attendees: Messrs. Regan, Donovan, Lewis, Harper, Porter, Hovde, Wright, Egger, Leland, Niskanen, Naylor, Bolton, McCormack, Kudlow, Steinberg, DeKeiffer, Ernst, Dederick, Garrett, Cicconi, Robinson, Bledsoe, and Denend.

1. Federal Debt Collection and Tax Refund Offsets

The Council continued its discussion of the use of tax refund offsets as a last resort in collecting federal debts.

Mr. Wright summarized two central features of the proposal for the Council's consideration: (1) the agency or department, not the IRS, would remain responsible for the debt; (2) the tax refund offset would only be used after departments had exhausted all other means. He also noted that personal income tax over withholding has remained relatively constant in recent years and that approximately 78 percent of taxpayers over withhold. He added that because of the strong emotions surrounding the collection of delinquent child support payments, the federal program to use the tax refund offset to collect such payments may not be a good test of the refund offset as a collection instrument.

Mr. Egger summarized IRS objections to using the tax refund offset, including: (1) much of the debt owed the government is tax debt and there are measures already in place to address this problem; (2) Oregon's positive experience with the tax refund offset may not be a good model for federal policy; and (3) the tax refund offset would add to the perception of government intrusion in citizen's lives with possible serious implications for the voluntary way in which citizens comply with the tax system now.

The Cabinet Council's discussion centered around the problem of inadequate agency data on overdue debt, agency responsibility to pursue debt collection by all means available, the possible consequences of using the tax refund offset for the tax system, and the magnitude of the task to implement a tax refund offset program at the IRS.

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The Council approved the Administration not opposing an amendment providing for a tax refund offset as part of the debt collection legislation. However, the Administration should urge that any tax refund offset program be undertaken on a pilot program basis. The Administration will continue to improve the data on debts owed the government and to use all available tools to collect those debts.

2. Report on the OECD Executive Committee in Special Session (XCSS)

Mr. Leland reported on the July 12 and 13 meetings of the OECD Executive Committee Special Session. His presentation focused on European attitudes toward economic relations with the Eastern Bloc countries and on the status of Global Negotiations. The European participants offered a range of observations on the most recent U.S. decisions concerning the pipeline; however all thought that the pipeline issue should not prevent a serious review of other important East-West economic issues.

The Europeans appeared willing to fully participate in gathering East-West economic data and recognized the problems associated with the increasing Eastern debt burden and nonmarket oriented Eastern trade practices. All agreed that a great deal of work will be necessary to prepare for the GATT Ministerial in November.

On Global Negotiations, Mr. Leland reported that the unanimity agreement reached at the Summit on the text of the resolution at the U.N. has already begun to erode among our Summit partners. The consensus at the meeting was that the urgency for global negotiations has seemed to pass and that perhaps other forums might be found in which to discuss traditional North-South issues.

The Council's discussion centered around the apparent difference between the generally encouraging report from the XCSS on European reactions to the pipeline sanctions and other reports from Europe, the inaccuracy of the view that most issues involve differences between the U.S. and the European Community rather than between the U.S. and individual European countries, and the importance of not letting individual issues color the entire agenda affecting the U.S. and our allies.

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3. Indian Borrowing from the Asian Development Bank

The Council reviewed a paper prepared by the Department of the Treasury on India's intention to borrow from the Asian Development Bank (ADB).

Mr. Leland's presentation focused on the impact Indian borrowing would have on the basic character of the ADB. He noted that Prime Minister Gandhi will visit the U.S. at the end of July and is scheduled to meet with the President. It is expected that she will raise the issue of ADB borrowing in the context of efforts by India to move away from the Soviet Union and return to a more independent course.

Mr. Leland explained that India had been encouraged for some time that India's resource needs could be accommodated best from the World Bank Group. If India were now to turn also to the ADB, the U.S. would have two concerns. First, it might jeopardize the IDA replenishment bill now before the Congress. The Administration has supported the bill on the ground that the World Bank Group is the only multilateral institution supporting Indian development. Second, Indian borrowing from the ADB, along with Chinese borrowing which would surely follow, would change the character of the ADB and seriously impair its ability to serve its traditional borrowers.

The Council's discussion centered around the lack of U.S. leverage to prevent Indian borrowing from the ADB, the potential impact of India's borrowing on the U.S. budget, and how to approach Prime Minister Gandhi on this issue.

The Council approved preparing a briefing paper for Prime Minister Gandhi's meeting with the President which would outline the advantages to India of continuing to limit its requests for multilateral development resources to the World Bank.

MINUTES  
CABINET COUNCIL ON ECONOMIC AFFAIRS

July 22, 1982  
8:45 a.m.  
Roosevelt Room

Attendees: Messrs. Regan, Baldrige, Block, Pierce, Stockman, Weidenbaum, Porter, Williamson, Kudlow, McCormack, DeKieffer, Cogan, Thompson, Cribb, Cicconi, Baroody, and Denend; Ms. Dunlop and Ms. Connor.

1. Economic Outlook

The Council reviewed a paper prepared by OMB on the economic and financial outlook.

Mr. Kudlow's presentation focused on broad trends in the economy which are supported by the latest economic and financial statistics. He noted that a major economic achievement of the Administration has been the sharp reduction in inflation. The current economic data are mixed, indicating a transition from decline to recovery. This situation presents a challenge for the Administration to resist policies which would accelerate the recovery and possibly lead to an unsustainable growth rate. A steady course should produce even further reductions in inflation.

Referring to June statistics, Mr. Kudlow observed that the recovery would be led by consumers. Retail sales, inventory to sales ratios, and improved consumer balance sheets all show a strong recovery. Production, employment and investment have not yet shown signs of recovering, but, based on past experience, they are expected to lag one to two quarters. The money and financial markets have improved, and interest rates are expected to moderate further. Finally, the recent reduced rate of growth in M1 has caused it to move back within the Federal Reserve Board's target range. This should allow M1 to grow at close to 6 percent during the remainder of the year and remain in the target range.

The Council's discussion centered around the timing of the recovery, its persistence, and the degree of optimism warranted by the current data.

The Council also discussed the recent revisions in the savings rate and the historical pattern of plant and

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equipment investment.

The Council requested that papers be prepared:

1. Describing and analyzing the recent revisions by the Department of Commerce in the savings statistics;
2. Evaluating the strengths and weaknesses of the personal savings rate as a measure of saving;
3. Assessing the relevance of the recent revisions in the savings rate in light of previous administration statements on the savings rate; and
4. Comparing various U.S. savings rates with those in other major industrial countries.

The Council also requested the preparation of a paper on plant and equipment investment in recent years including the amount of investment required for replacement purposes, the amount of investment for environmental, health, and safety purposes, and the amount of net new productive investment.