

The Director of Central Intelligence

Washington, D.C. 20505

24 May 1983

The President  
The White House  
Washington, D.C.

MR

Dear Mr. President,

At Wednesday's Cabinet meeting on the budget outlook strongly reaffirmed my view that the time has come to more aggressively confront the Congress and alert the country to where heavy spending is taking us. Dave Stockman's presentation confirmed that any budget resolution which can get through the Congress would not make more than a tiny dent in the devastating budget outlook.

The national bankruptcy for which we are heading without substantial curtailment of ongoing government spending was even more vividly portrayed in the presentation which Peter Grace made at the Cabinet breakfast a week earlier. Peter shows that:

- in 1990 at the same average growth rates in revenue and spending which we have experienced over the last eight years we will be spending 53% more than we take in with an annual deficit of over \$600 million;
- in ten years we will be spending 83% more than we take in with an annual deficit of \$2 1/2 trillion.

Right now:

- federal contributions to transfer programs plus interest on the public debt consumes all personal income tax revenues;
- after paying obligations for transfer programs and interest on the debt we have only \$100 million in revenues left to pay for defense and run the rest of the government;
- if we take out the bracket creep which will disappear next year and pay for defense we are \$133 billion in the hole before paying a penny of the cost of running the civilian side of the government.

This is really the road to chaos. Faced with this I believe we should hold the Congress accountable with a veto policy. This can get across to the public where the Congressional policies are taking us and the need for far stronger steps than are now acceptable if we are to maintain a working economy. I view this as the only way to bring the country and the Congress around to accomplish the essential curtailment of the growth in entitlements which is on the verge of swamping us. You're making the issue and demonstrating

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the courage to deal with it will do far more to reassure the capital markets than the minimum reduction in the current deficit which a budget resolution would promise but not necessarily accomplish. The capital markets are sophisticated and take the long view.

On an even more fundamental level, I believe that we are at a historic watershed. We may be the last custodians who have a chance to turn back impending bankruptcy and permanent establishment of Soviet power at our front door. If we don't aggressively act on these dangers during the next 12 months we are not likely to have the credibility to get a sufficient mandate to deal with an even greater threat in the next four years.

Respectfully yours,



William J. Casey