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FM WASHINGTON 312230Z JUL 81  
TO ROUTINE F C O  
TELEGRAM NUMBER 2303 OF 31 JULY

US ECONOMIC PROGRAMME: BUDGETARY LEGISLATION.

1. THE HOUSE OF REPRESENTATIVES AND SENATE HAVE DECIDED TO TRY TO COMPLETE WORK ON THE TAX BILL AND THE BUDGET RECONCILIATION BILL BEFORE THE SUMMER RECESS, ORIGINALLY SCHEDULED FOR TOMORROW. CONGRESSIONAL LEADERS EXPECT THIS PROCESS TO TAKE UNTIL THE MIDDLE OF NEXT WEEK.
2. ON THE TAX SIDE, IT WILL BE NECESSARY TO RESOLVE THE DIFFERENCES BETWEEN THE HOUSE AND SENATE VERSIONS OF THE TAX BILL (SEE MY TELNO 2286 OF 29 JULY). THIS IS NOT EXPECTED TO PRESENT GREAT DIFFICULTY, THOUGH A NUMBER OF SENATORS ARE KNOWN TO BE CONCERNED ABOUT THE GENEROUS TREATMENT WHICH HAS BEEN GIVEN TO OIL PRODUCERS IN THE HOUSE BILL.
3. BOTH HOUSE AND SENATE VERSIONS CONTAIN THE KEY ELEMENTS OF THE PRESIDENT'S REVISED PROPOSALS: A 25 PER CENT CUT IN PERSONAL INCOME TAX RATES TO BE INTRODUCED IN 3 STAGES OVER 33 MONTHS STARTING NEXT OCTOBER, AND AN ACCELERATED (10 : 5 : 3) DEPRECIATION SCHEDULE FOR BUSINESS INVESTMENT. THESE PROVISIONS THEREFORE SEEM CERTAIN TO EMERGE IN THE FINAL VERSION.
4. ON THE EXPENDITURE SIDE, A HOUSE/SENATE CONFERENCE COMMITTEE RECOMMENDED ON 29 JULY A COMPROMISE RECONCILIATION BILL THAT IS EXPECTED TO BE ACCEPTABLE TO BOTH THE HOUSE AND SENATE. (SEE MY TELNO 1983 OF 29 JUNE). THIS BILL PROVIDES FOR REDUCTIONS IN THE SCOPE OF A NUMBER OF FEDERAL PROGRAMMES, AND WHEN PASSED IT WILL PROVIDE MOST OF THE EXPENDITURE SAVINGS CALLED FOR IN THE PRESIDENT'S ECONOMIC PROGRAMME FOR FY82. PASSAGE OF THE RECONCILIATION BILL BEFORE THE RECESS WILL LEAVE RELATIVELY LITTLE BUDGETARY BUSINESS TO BE CONSIDERED WHEN CONGRESS RE-ASSEMBLES ON 8 SEPTEMBER.

HENDERSON  
FINANCIAL  
NAD

THIS TELEGRAM  
WAS NOT  
ADVANCED