

President Ronald Reagan Oral History Project

Briefing Materials

James C. Miller

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JAMES C. MILLER TIMELINE

Prepared by Kelli Coughlin and Rob Martin

Miller Center of Public Affairs, University of Virginia, 10/05/2001

- 1979** James C. Miller works on Reagan's 1980 election campaign as the head of the regulatory task force.
- 1980** After heading the transition team for the Federal Trade Commission, Miller leads the transition team on regulatory reform.
- 1981**
- January* Miller joins the Office of Management and Budget (OMB) as the associate director in charge of regulatory policy. While at OMB, Miller helps draft an executive order giving the budget office authority to clear all new regulations before they are published in the Federal Register. (Executive Order 12291, enclosed) He also serves as Executive Director of the Presidential Task Force on Regulatory Relief. (Martin Anderson, *Revolution: The Reagan Legacy*, Stanford: Hoover Institution Press, 1988, p. 260; Lou Cannon, *President Reagan: The Role of a Lifetime*, New York: Public Affairs, p. 737)
- October* Reagan appoints Miller to a two-year term as Chairman of the Federal Trade Commission. Miller assumes the office on the 5th. His term is later renewed. (James C. Miller, III, *Fix the U.S. Budget! Urgings of an "Abominable No-Man,"* Stanford: Hoover Institution Press, 1994, p. 1-9)
- December* OMB Director David Stockman criticizes Reaganomics in a controversial *Atlantic Monthly* article.
- 1985**
- July* On the 9th, Stockman resigns as OMB head, effective August 1st, to join a Wall Street investment banking company. On the 19th, Reagan nominates Miller to succeed Stockman. OMB Deputy Director Joseph Wright serves as acting director in the interim.
- September* During Senate confirmation hearings Miller indicates his firm opposition to raising taxes as a way to reduce the federal deficit. (*The New York Times*, 9/25/1985)
- October* On the 4th, the Senate votes 90-2 to confirm Miller as OMB Director. Miller promises to pursue budget cuts as fiercely as his predecessor. (The Washington Post, 10/5/1985) Miller begins promoting the Gramm-Rudman amendment and starts working with Reagan on the 1987 budget.

Miller reportedly tells the media that the Administration will not extend the debt ceiling and that therefore the government will shut down on November 14th if House Democrats do not accept the Gramm-Rudman amendment already passed by the Senate. (*The Los Angeles Times*, 10/30/1985)

November On the 13th, the House votes 300-121 to give the Department of Treasury \$80 billion in new borrowing authority in order to cover government operations through early December. Later that night the Senate passes a similar measure by voice vote. Reagan agrees to sign the legislation. (*The Los Angeles Times*, 11/14/1985)

December Miller submits to Reagan a list of proposed spending cuts for fiscal 1987. The cuts range from proposals to privatize certain federal activities to shrinking programs that provide services for farmers. Miller also supports a 3% inflation-adjusted increase for the Defense Department in-line with Reagan's demands. His proposal generally avoids cutting low-income benefits programs.

On the 11th, Congress passes the Balanced Budget and Emergency Deficit Control Act of 1985. President Reagan signs the bill into law on the 12th. Known as Gramm-Rudman-Hollings, the act includes an automatic provision mandating across-the-board budget cuts should the normal political process fail to bring the budget into balance over a five-year period. In an effort to speed the budget process, the act also requires that the President submit his budget on the first Monday after January 3rd. Critics subsequently charge that the act's automatic triggering mechanism is unconstitutional because it requires the Comptroller General, an official subservient to the Congress, to perform an executive function by overseeing the automatic budget cuts.

1986

January OMB and the Congressional Budget Office release a joint report on the 15th outlining the first year's automatic cuts under Gramm-Rudman-Hollings. The two agencies predict this year's deficit will reach a record \$220 billion without automatic cuts.

Miller reportedly advocates selling portions of the federal government's loan portfolio to private investors. Proceeds from the loan sales could help reduce the federal deficit. (*The New York Times*, 1/9/1986)

February Reagan sends his budget to Congress on the 3rd. Miller appears before the Senate Budget Committee on the 5th to defend the budget proposal against bipartisan calls for higher taxes and/or lower defense spending. (*The Washington Post*,

2/06/1986)

Reagan stresses the need for deficit reduction in his State of the Union Address on the 4th.

June Miller tells reporters that Reagan wants to comply with Gramm-Rudman-Hollings targets to reduce the deficit even should the Supreme Court rule the law's central triggering mechanism unconstitutional. Alternatives include shifting responsibility for the oversight of the automatic spending cuts to OMB, as well as changing the status of the Comptroller General.

Miller reports that Reagan has rejected a budget compromise proposed the previous week by a bipartisan Senate negotiating team. The compromise calls for an increase in taxes.

July On the 7th, the Supreme Court rules 7-2 that the Gramm-Rudman-Hollings provision for automatic spending cuts is unconstitutional, leaving the legislation without an enforcement mechanism.

Miller announces that the Administration supports a new Gramm-Rudman-Hollings proposal to give OMB expanded powers to carry out the automatic spending cuts authorized by the original legislation. Miller says, "We remain committed to getting the deficit down... But if we don't have some kind of automatic mechanism, we're not going to make much progress on the deficit." (*Associated Press*, 7/22/1986)

October Almost half a million nonessential federal workers are sent home as a backlog of legislation prevents Congress from passing the appropriations bill needed to pay federal employees. The shutdown lasts for one day. (*The New York Times*, 10/18/1986)

On the 22nd, Reagan signs the Tax Reform Act of 1986, a measure he calls "the best anti-poverty bill, the best pro-family measure and the best job-creation program ever to come out of the Congress of the United States." The new law reportedly will reduce taxes for the majority of Americans and completely eliminate tax payments for over six million people with low incomes. (*Congressional Quarterly Weekly Report*, 10/25/1986)

November The loss of eight Republican seats in the Senate in mid-term elections on the 4th gives the Democrats unified control of Congress.

On the 25th, the Reagan Administration admits that funds raised from an arms-for-hostages deal with Iran were diverted to the Nicaraguan contras. Miller suggests

that the Iran-contra affair detracted from the Reagan Administration's ability to be effective in other matters, especially deficit reduction. (Miller, p. 115)

December Following incoming Speaker of the House James Wright's suggestion that deficit targets be relaxed, Miller announces that he will fight any effort to stray from the \$108 billion deficit target set by Gramm-Rudman-Hollings.

The Congressional Budget Office officially projects the 1987 budget deficit at \$151 billion, down from \$221 billion. (*Congressional Quarterly Weekly Report*, 12/20/1986)

The Administration announces that it will release a fiscal 1988 budget proposal in-line with the Gramm-Rudman-Hollings targets the following month. The budget reductions contained in the proposal reportedly trigger an unprecedented number of Cabinet appeals.

1987

January Reagan submits the outlines of his budget proposal to Congress on the 5th. The 1988 budget proposal calls for a record \$1.02 trillion in spending and includes controversial cuts to Medicare and other discretionary spending programs. Miller warns Congress of Reagan's determination to stick to the budget's guiding principles, saying, "He is not going along with a tax increase, and he's not going along with a big cut in defense. He's not going to touch Social Security. And he wants to get the deficit down. And for those who would say, 'Let's have a compromise,' they're voiding one of those things." (*The Washington Post*, 1/5/1987)

Miller defends the budget against accusations by Congress that the budget would exceed its legal deficit limit. The Congressional Budget Office predicts that the budget will lead to a deficit of over \$135 billion.

February Reagan submits his detailed budget proposal to Congress on the 5th.

April Miller calls for major changes in the congressional budget process. The changes would include altering the congressional budget resolution from a concurrent resolution to a joint resolution requiring presidential approval, switching to a two-year budget, and requiring Congress to vote on proposals to restrict budget authority instead of allowing them to die after 45 days of Congressional inaction. (*The Wall Street Journal*, 4/3/1987)

On the 16th, Miller reportedly tells reporters that he is concerned the Federal Reserve is "overreacting" to the dollar's decline, and warns that raising interest

rates could lead to a recession. This concern is reportedly shared by the chairman of the Council of Economic Advisors and other members of the Administration. (*The New York Times*, 4/17/1987)

Presidential spokesman Marlin Fitzwater, in a statement coordinated with the Treasury Department, announces that “the Administration feels the current course of monetary policy is appropriate.” Fitzwater emphasizes that Miller’s comments from the previous day express Miller’s personal opinions only, and not those of the Administration. (*The Associated Press*, 4/17/1987; Miller, p. 64)

- May* Congress avoids a government shutdown by raising the debt ceiling to \$2.32 billion.
- July* Miller sends a letter to federal department and agency heads asking for more spending cuts in order to meet the fiscal 1988 deficit target of \$108 billion. Miller issues this call as part of his midyear budget review, despite the fact that Congress has already rejected the President’s budget. (*The Wall Street Journal*, 7/13/1987)
- September* Miller informs the press that the Administration would be willing to consider revisions to the tax code as a way to raise enough revenue to avoid automatic budget cuts. President Reagan signs Gramm-Rudman-Hollings II (otherwise known as the Gramm-Rudman-Hollings fix) into law. This legislation would force automatic spending cuts should the President and Congress prove unable to agree on measures to reduce the deficit to \$144 billion or lower. Reagan indicates that he is signing the bill only because it raises the federal debt ceiling through 1989. (*The New York Times*, 9/30/1987)
- October* The stock market crashes on the 19th, as the Dow Jones sees its worst one-day decline in history. Congress subsequently demands that Reagan reframe the Gramm-Rudman-Hollings provisions.
- Budget negotiations between Congressional representatives and Administration officials begin on the 27th. Miller serves on the Administration’s negotiating team along with Treasury Secretary James Baker, Chief of Staff Howard Baker, and National Security Advisor Frank Carlucci. (*The New York Times* 10/29/1987; Miller, p. 74)
- November* The budget summit produces a compromise on the 20th. The parties agree to a two-year plan that would increase taxes in exchange for spending cuts designed to keep the deficit in-line with Gramm-Rudman-Hollings requirements.
- Miller calls for a modification or end to the U.S. Postal Service’s monopoly over

many types of delivery services. Arguing that the organization's oversized staff and poor quality of service would be improved by competition with private-sector delivery services, Miller states that the agency's "umbilical cord to the government must be cut." (*The Wall Street Journal*, 12/17/1987)

December Reagan signs the reconciliation bill and appropriations measure passed by Congress on the 22nd. This legislation carries out the budget agreement established the previous month and revises Gramm-Rudman-Hollings deficit targets.

1988

January In his State of the Union Message, Reagan criticizes Congress for sending the continuing resolution and appropriations bill to him with so little time left to study the measures. Reagan denounces the amount of pork contained in the legislation and warns that he will not sign similar measures in the future.

March Miller reportedly distributes a 115 page memorandum to Cabinet officers and agency heads asking that they review the unnecessary and wasteful measures contained in a recent spending bill. He requests that the memo's recipients devise better ways of spending the \$2 million dollars required by the measures. (*The Washington Post*, 7/8/1988)

October Miller resigns as OMB chief on the 15th. Miller deputy Joseph Wright is selected as his replacement.

JAMES C. MILLER SUGGESTED TOPICS

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Early Work in the Reagan Administration:

- Early relationship with Ronald Reagan.
- Joining the 1980 presidential campaign.
- Thoughts on Reagan's economic positions upon joining the campaign.
- Campaign responsibilities, including work on the regulation task force.
- Work heading FTC transition team.
- Responsibilities as associate director of regulatory policy at OMB.
- The Presidential Task Force on Regulatory Relief.
- The story of Executive Order 12291 which gave OMB veto power over new regulations.
- Work as Chairman of the FTC.

Getting Started at OMB:

- Departure of David Stockman.
- Selection as OMB Director and Senate Confirmation process.
- Role and responsibilities at OMB.
- Set-up and organization of Miller's OMB.
- Ideas on management function of OMB.

Relations with Administration and Congress:

- People with whom Miller worked most closely in Reagan White House.
- OMB's relationship with Treasury, Council of Economic Advisors, Federal Reserve, and other key economic agencies.
- Role at Cabinet meetings, Cabinet Council meetings, National Security Council meetings, and "Monday Issues Luncheons" with White House staff.
- Preparation of the annual budgets—what was the process, who had the most input?
- Coordinating Reagan's budget priorities, including deficit reduction, tax reduction, and maintaining defense.
- Role in the 1987 budget summit and other dealings with Congress.
- Efforts to sell budget priorities to the public.

Issues and Events During Tenure at OMB:

- Negotiating Gramm-Rudman-Hollings legislation.
- The Tax Reform Act of 1986 and its implications for OMB.
- The October 1987 stock market crash.
- Threat of federal government shut-downs.
- Advocacy of the line-item veto.
- Continued efforts at deregulation, including call to shut down the Postal Service.
- Effect of Iran-Contra scandal on work at OMB.

The Reagan Presidency in Retrospect:

- What were the strengths and weaknesses of the Reagan Administration?
- How successful was Reagan's deregulation campaign?
- What do you feel was your greatest accomplishment as OMB Director?
- What features of the Reagan Administration were missed or misunderstood by the press?
- How should the Reagan Administration be viewed by future historians?

TIMELINES

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- “‘Jim, No Tax Increase’; Reagan to Budget Chief James Miller (interview),” *U.S. News & World Report*, 01/12/1987.
- James C. Miller, *Spending and Deficits*, The G. Warren Nutter Lectures in Political Economy, (Washington, D.C.: The American Enterprise Institute for Public Policy Research, 1987).

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- Philip Shabecoff, “Reagan Order on Cost-Benefit Analysis Stirs Economic and Political Debate,” *The New York Times*, 11/07/1981.
- Executive Order 12291, National Archives and Records Administration, 01/17/1981.
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- Judith Havemann, “Miller, No Schemer, Learns on Job at OMB,” *The Washington Post*, 08/20/1986.
- Eileen Shanahan, “President Signs Sweeping Overhaul of Tax Law,” *Congressional Quarterly Weekly Report*, 10/25/1986.
- Aaron Wildavsky and Naomi Caiden, “The Politics of Dissensus: the 1980s,” in *The New Politics of the Budgetary Process*, third edition (New York: Longman, 1997) pp. 116-133.