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Defense

DEFENSE-- Overview --

". . . It is . . . my duty to do all that I can to reduce the level of danger by diplomatic means, so my policy for national security can be summed up in three words--peace through strength. I believe it is far better to seek negotiations with the Soviet Union based on strength than to permit a runaway nuclear arms race and risk a nuclear holocaust."

President Ford
The White House
February, 1976

President Ford believes that a strong defense posture gives weight to our values and our views in international negotiations; assures the vigor of our alliances; and sustains our efforts to promote settlements of international conflicts. Only from a position of strength can the United States negotiate a balanced agreement to limit the growth of nuclear arms. Only a balanced agreement can serve our interest and minimize the threat of nuclear confrontation. President Ford has said that he is:

"determined to resist unilateral disarmament."
"committed to keeping America's defenses second to none."

Fourteen years on the Defense Appropriation Subcommittee while a Congressman, gave President Ford an in depth understanding of the elements required for a truly comprehensive national defense policy. Since taking office, President Ford's Administration has:

- * Continued development of the modern B-1 international bomber and Trident strategic submarine;
- * Streamlined our conventional combat strength by shifting support personnel to combat functions; and
- * Continued the technical modernization of our land and Naval forces and increased new ship construction.



Today, for the first time in a decade and a half, America is at peace. But preservation of both world peace, and our freedom, rests on the maintenance of a balance of power between the U.S. and the U.S.S.R. Hence, our position relative to the Soviet Union stands at the forefront of our foreign policy, our security arrangements, and our military planning and posture around the world.

Defense spending--measured in terms of what a defense dollar can buy--has steadily declined over the last seven years. Federal spending for services and support for individuals--health, social security, and other benefits--and the amount of money sent to the states in the form of grants, often to supplement many of these services--has nearly doubled over that time. While states, counties, cities, individuals, and the Federal Government contribute at each level to these health, income maintenance, and social improvement programs, only the Federal Government can constitutionally maintain the national defense. Thus, only the Federal budget reflects its cost. And the percentage of this budget devoted to defense is now the lowest (24.4%) since Pearl Harbor.

Over the years United States policy has been to seek a reduction of international tensions and a corresponding decrease in military expenditures, through negotiations and discussions. President Ford believes, however, that the incentive to achieve effective agreements will exist only if the United States and its allies remain at least as strong as those of potential adversaries. It has been clearly established that the U.S.S.R. has steadily increased its army, navy, and air force in recent years. Consequently, President Ford has decided that it is time to halt the downward trend in defense spending.

To maintain the military balance, the President has submitted a defense budget for 1977 which provides a real increase of \$7.4 billion in total obligational authority in defense spending to buy new weapons systems; to improve readiness of existing forces; and to increase selected combat forces. In supporting his FY 77 defense request for \$114.6 billion in total obligational authority, President Ford said:

"In my Presidency, I have proposed the two largest peacetime defense budgets in American history as the best assurance of deterring aggression and maintaining our own national security."



The President's budget increases are designed, above all, to maintain and improve U.S. military capabilities:

* The new main battle tank for the Army will move from the development to the production phase. President Ford told the Armed Forces Committee last May, "As we saw, vividly saw in the 1973 Middle East war, tanks played a central role in ground combat. And as part of our budget for FY 77, which I submitted to Congress in January of this year, we are going to make sure that American soldiers have nothing but the best in this very crucial area."

* New helicopters and anti-tank missile systems will reinforce the Army's arsenal.

* Production will begin on the Trident submarine missile fleet, with the keel of the first vessel already laid.

* Tactical air forces will be strengthened with additions of the F-15, F-16, and F-18 high performance aircraft.

* Launching the procurement phase of over 200 B-1 bombers to replace aging B-52's.

* Continued development of the cruise missile and an improved intercontinental ballistic missile.

* Improvements in the combat power, equipment and readiness of the National Guard and the Reserve components.

To his initial budget request for 16 new Navy ships -- a 25% increase over the average ship-building in the previous nine years -- the President later asked for additional money for five more ships plus advance funding for a new Nimitz-class aircraft carrier. Among the new ships will be three more nuclear powered attack submarines, and eight guided missile frigates.

And, to moderate the increase in resources that are required to maintain U.S. military strength, President Ford has proposed the following measures to increase the efficiency of the defense establishment:

* Restrain the growth in compensation levels;

* Reduce civilian personnel positions by consolidating headquarters and other base facilities;

* Eliminate dual compensation for Federal employees on active duty for training with the National Guard or Reserves;



- * Reduce temporary duty and permanent change-of-station travel;
- * Reduce petroleum consumption for proficiency flying programs through greater use of small aircraft and ground training aids; and
- * Hold new construction below 1976 levels.

* * * *

Speaking on March 29, in support of the Defense budget, President Ford stated:

"I want to serve notice today that if the Congress sends me a defense budget that shortchanges the future safety of the American people, I will veto that defense bill, unprecedented though that might be, and go directly to our fellow citizens, 215 million strong, on this life and death issue. Nothing is more vital than our national security."

President Ford emphasized his commitment to a strong, vital national defense this way:

"I am convinced that adequate spending for national defense is an insurance policy for peace we cannot afford to be without."

Before the Armed Force Committee in Louisville, Kentucky, President Ford set forth these principles:

"We owe our soldiers, sailors, airmen and marines the finest tools, the finest equipment, the finest leadership that this country can provide. And we are going to provide it. . . . We are strong today. We are well-prepared to deter war, as we have. But if deterrence . . . should fail, we are well-prepared to control the conflict and to avoid nuclear confrontation. Our job is to make sure America remains strong, and I promise you as Commander in Chief and as President that we will remain strong in the future, as we have in the past."



Economy



ECONOMY--Overview--

President Ford, in his 1976 State of the Union Message-- in the same forthright manner in which he first addressed the American people as President--talked about the difficulties that confronted the nation's economy in 1975:

" . . . 1975 was a year of hard decision, difficult compromises, and a new realism that taught us something important about America . . . "

President Ford's realistic policies in 1975 were the right prescription for the nation's economic ills:

- * The worst recession since World War II turned around last April.
- * Double digit inflation of greater than 12% was cut by more than half to 4.6% for the first half of 1976.
- * In July, 3.8 million more Americans were at work than in March, 1975, at the recession low.

Last year's progress is continuing in 1976. Reduction in the rate of inflation is expected to coincide with a healthy recovery in the standard of living. Real gross national product is expected to grow by over 6 percent in 1976 and by another 6 percent in 1977.

Real GNP for the first quarter of 1976 grew at an annual rate of 9.2%, with a growth rate of 4.3% in the second quarter.

Some of the more important economic indicators are shown on page 6.

* * *

THE PRESIDENT'S ECONOMIC PROGRAM

President Ford's economic policies, outlined in his State of the Union Message, are designed to keep the economy on an upward path toward two central long-term objectives:

- * Sustained economic growth without inflation
- * Productive jobs for all who seek work.



SPENDING RESTRAINTS: TOWARD A BALANCED FEDERAL BUDGET BY 1979

"We all know from recent experience what runaway inflation does to ruin every other worthy purpose. We are slowing it; we must stop it cold . . .

"The way to a healthy non-inflationary economy has become increasingly apparent; the government must stop spending so much and borrowing so much of our money; more money must remain in private hands where it will do the most good. To hold down the cost of living, we must hold down the cost of government."

The President's budget recommended \$394.2 billion in Federal outlays for FY 1977, a reduction of nearly \$29 billion in the projected growth of Federal Government spending. As a result of this spending restraint, the Federal deficit would be reduced from an estimated \$76 billion in FY 1976 to \$43 billion in FY 1977.

Under President Ford's budget, the growth of Federal Spending would be cut in half, down to 5.5%. By further cutting this growth, the President will achieve a balanced budget by 1979. (See "Federal Spending")

The Congress has ignored the President's call for budgetary restraint, passing instead budgetary resolutions that are \$15-20 billion over the President's target.

TAX CUTS

President Ford's budget reductions for FY 1977 allow him to seek further permanent tax cuts for the American people. The President has called for a total of \$28 billion in permanent tax reductions. The President's proposed permanent tax reduction is \$10 billion more than the temporary tax reduction (annualized) enacted in December. These tax reductions are firmly tied to budget reductions:

" . . . My recommendations for a firm restraint on the growth of Federal spending and for greater tax reduction are simple and straightforward: For every dollar saved in cutting the growth of the Federal budget we can have an added dollar of Federal tax reduction . . . "



The President's permanent program has the following major features:

- * an increase in the personal exemption from \$750 to \$1,000.
- * substitution of a single standard deduction--\$2,500 for married couples filing jointly and \$1,800 for single taxpayers--for existing low income allowance and percentage standard deduction.
- * a reduction in individual income tax rates,
- * a permanent 10 percent investment tax credit,
- * a reduction in the maximum corporate income tax rate from 48 percent to 46 percent and making permanent the current temporary tax cuts on the first \$50,000 of corporate income,
- * a program to stimulate construction of new electric utility facilities to insure that long-run economic growth is not limited by capacity shortages in the production of electricity.

Again, the Congress has neglected to act on the President's recommendation for deeper tax cuts, tied to spending cuts.

JOB CREATION AND EMPLOYMENT

"One test of a healthy economy is a job for every American who wants to work.

Government--our kind of government--cannot create that many jobs. But the Federal Government can create conditions and incentives for private business and industry to make more and more jobs."

President Gerald R. Ford
State of the Union Message
1976



President Ford has undertaken a program which will put the unemployed back to work--not by creating "make-work" jobs the American taxpayer has to pay for--but by creating conditions and incentives for private business and industry to make more and better jobs. The President's approach to the unemployment problem has embraced three main concepts:

- * Alleviating the economic hardship for those who are unemployed through extending unemployment insurance coverage to 12 million additional workers and temporarily extending the period of time individuals may receive unemployment insurance benefits from 39 to 65 weeks.
- * Providing increased funds for established and proven Federal programs including Comprehensive Employment Training Act (CETA), summer youth employment and public service employment.
- * Stimulating economic activity in the private sector --to create new, permanent jobs--through a reduction in individual and corporate income taxes and encouraging increased investment in America's economic future through a series of tax incentives.

President Ford has proposed four new programs to promote additional investment and create real, permanent new jobs in the private sector:

- * Tax cuts.
- * Accelerated depreciation for construction of plants and equipment in high unemployment areas.
- * Broadening stock ownership potential among low and middle income working Americans through tax incentives.
- * Estate tax proposals which would
 - stretch out the payment period for federal estate taxes
 - increase the estate tax exemption from the current \$60,000 to \$150,000.



OTHER AREAS: ENERGY

Taking a longer look at America's future, President Ford knows that there can be neither sustained growth nor more jobs unless we continue to have an assured supply of energy to run our economy. In his recent State of the Union Message, President Ford made this point:

"...Domestic production of oil and gas is still declining. Our dependence on foreign oil at high prices is still too great, draining jobs and dollars away from our economy at the rate of \$125 per year for every American.

He again urged the Congress to move ahead immediately on the remainder of comprehensive energy proposals to make America invulnerable to the foreign oil cartel.

SUMMARY

In summary, President Ford's economic plan has been comprehensive and compassionate. It has brought us out of the worst recession since World War II. More than two million more Americans are at work than at the bottom of the recession. Inflation has been slashed in half, to 6.9% for 1975. The cost of food is holding steady for the first time in years...the dollar is holding its value.

The President's policies have been aimed at accomplishing two primary goals:

- * Sustained economic growth without inflation.
- * Productive jobs for all who seek work.

His program of economic growth focuses on spending restraint in the Federal government--The President's budget for FY 77 is \$29 billion less than projected. And the growth of Federal spending has been cut in half, to 5.5%. A balanced budget can be reached by 1979.

- * Tax cuts matching Federal spending cuts of \$28 billion.



In creating jobs for those who seek work, President Ford has taken measures to:

- * Stimulate creation of new, permanent jobs in the private sector through reductions in individual and corporate taxes;
- * Alleviate economic hardship of those temporarily unemployed by temporarily extending and broadening unemployment coverage; and
- * Provide temporarily increased funds for proven Federal job-training programs.

And, the President has taken action to ensure the future health of the economy by:

- * Undertaking major regulatory reforms.
- * Developing and implementing a major, comprehensive national energy policy to create energy independence by 1985.



JOB CREATION AND UNEMPLOYMENT

"One test of a healthy economy is a job for every American who wants to work.

Government--our kind of government--cannot create that many jobs. But the Federal Government can create conditions and incentives for private business and industry to make more and more jobs.

Five out of six jobs in this country are in private business and industry. Common sense tells us this is the place to look for more jobs and to find them faster.

I mean real, rewarding, permanent jobs..."

(President Gerald R. Ford
1976 State of the Union Message)

Last year, unemployment or the prospect of being unemployed, coupled with rising prices for food, fuel, energy, clothing, and goods and services in general brought hardship for many Americans. Recession and inflation in 1975 were associated with a number of unique circumstances, including

- Continued excessive Federal spending over the past 15 years, and the deficits incurred by such spending, set in motion a wave of inflation and other severe adjustments that are still being felt.
- Deficit financing throughout the 60's contributed to an accelerating inflation rate.

In September, 1974, the President convened an Economic Summit Conference to solicit the ideas of economists, businessmen and labor leaders on the state of the economy and the direction government policy should take. Few persons at that time foresaw the magnitude of the downturn; but as unemployment rose from 5.3 percent to 6.6 percent and the real Gross National Product fell at a \$23.4 billion rate in the fourth quarter of 1974 the President took action.



- * In January, 1975 the President called for immediate reductions in both personal and business taxes. In March, the Congress passed and the President signed the Tax Reduction Act of 1975.
- * Beginning in December 1974, the Administration, in cooperation with the Congress, also took a series of actions to reduce the hardships of unemployment.

By acting as promptly as information warranted, the government was able to contribute importantly to stemming the downturn and starting the economy steadily upward. Spurred by a strong increase in the production of goods and services and a marked improvement in the inventory positions of business, real GNP increased at an annual rate of growth of 8.6 percent during the third and fourth quarters of 1975. The number of jobs increased by over 2.6 million from the March low, and the unemployment rate fell from 8.9 percent in May, 1975 to 7.5 percent in March 1976. The employment gains coupled with a significant moderation in the rate of inflation produced significant gains in real disposable income over the last three quarters of the year.

Despite this progress in increasing the number of jobs, the task ahead is great.

President Ford has undertaken a program which will put the unemployed back to work--not be creating "make-work" jobs the American taxpayer has to pay for--but by creating conditions and incentives for private business and industry to make more and better jobs. The President's approach to the unemployment problem has embraced three main concepts:

- * Alleviating the economic hardship for those who are unemployed through extending unemployment insurance coverage to 12 million additional workers and temporarily extending the period of time individuals may receive unemployment insurance benefits from 39 to 65 weeks.
- * Providing increased funds for established and proven Federal programs including Comprehensive Employment Training Act (CETA), summer youth employment and public service employment.
- * Stimulating economic activity in the private sector --to create new, permanent jobs--through a reduc-



tion in individual and corporate income taxes and encouraging increased investment in America's economic future through a series of tax incentives.

Proven Job Programs

The 1977 budget includes funding for a number of proven, job-related community programs:

- * Block grants to communities for construction of such things as sewerage, municipal parks, and urban renewal will be increased from \$2.75 billion for FY 1976 to \$3.2 billion for FY 1977.
- * The 1977 Budget includes \$249 million for EDA public works and business development projects focused on developing permanent employment opportunities for residents of economically depressed areas of the country.
- * The 1977 Budget also includes \$42 million for the Regional Action Planning Commissions (RAPC) of the Department of Commerce.

And, in proven job-training programs including:

- * \$400 million for the CETA public service employment program which will fund (50,000 jobs).
- * \$1.6 billion for state and local CETA programs which will provide 466,000 training and employment opportunities for 1.3 million enrollees.
- * \$414 million for national CETA programs.
- * The CETA Summer Youth Employment Program which will fund 672,000 jobs.

Promoting Investment to Create New Jobs

President Ford has proposed four new programs to promote additional investment and create new jobs:

1. Tax Cuts

The President proposed permanent reductions in individual and corporate income taxes and a permanent increase in the investment tax credit. Details of these proposals are outlined above.



2. Accelerated Depreciation for Construction of Plants and Equipment in High Unemployment Areas

To speed up plant expansion and the purchase of new equipment in high unemployment areas, the President proposed permitting very rapid depreciation for business constructing new plants, purchasing equipment, or expanding existing facilities in areas experiencing unemployment in excess of 7 percent.

The program would accelerate the construction of new industrial and commercial facilities in areas of high unemployment where new jobs are most needed. It would immediately benefit the construction industry--one of the most depressed industries in the economy--and would create productive, permanent, well-paying jobs in the private sector.

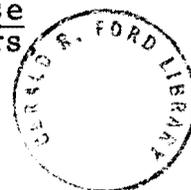
3. Broadening Stock Ownership

The President proposed tax incentives to encourage broadened stock ownership by low and middle income working Americans by allowing deferral of taxes on certain funds invested in common stocks. Widespread stock ownership will promote more stable financial markets; strengthen economic, social and political support for the free market system; and help employees build a reasonable estate.

4. Estate Tax Proposal for Family Farms and Businesses

The President proposed a change in the Federal estate tax laws to make it easier to continue the family ownership of a small farm or business. The proposed changes would stretch out the estate tax payment period so that Federal estate taxes can be paid out of the income of the farm or business. No payment will be required for five years and 20 years will be allowed for full payment of estate taxes at a 4 percent interest rate. This reform will help ensure the survival of smaller farms and businesses for future generations and allow them to expand their current operations.

And recently, President Ford called for an increase in the inheritance tax exemption, for all taxpayers from \$60,000 to \$150,000.



TAX CUTS FOR INDIVIDUALS

"My recommendations for a firm restraint on the growth of Federal spending and for greater tax reduction are simple and straight forward. For every dollar saved in cutting the growth in the Federal budget we can have an added dollar of Federal tax reduction."

President Gerald R. Ford
State of the Union Message, 1976

President Ford believes that by holding down the growth in Federal spending we can afford additional tax cuts and return to the people who pay taxes more decision-making power over their own lives. In December, 1975, the President signed legislation to extend the 1975 tax reductions for the first six months of 1976 -- and in his State of the Union message, he proposed that, effective in July 1, 1976, the American taxpayer receive an additional tax cut of \$10 billion -- for a total of \$28 billion in tax cuts for the individual tax payer and for businesses.

Calendar Year 1977 and Beyond

The President's permanent program has the following major features:

- * an increase in the personal exemption from \$750 to \$1000.
- * substitution of a single standard deduction -- \$2,500 for married couples filing jointly and \$1,800 for single taxpayers -- for the existing low income allowance and percentage standard deduction.
- * a reduction in individual income tax rates

Calendar Year 1976

Since taxpayers compute their taxes on a calendar year basis, the President is proposing tax liability changes for calendar year 1976 that mesh his permanent proposal with the Revenue Adjustment Act of 1975 and approximate the effect of applying in 1976 the current temporary tax cuts for six months and the President's permanent tax cuts for six months. The President's full proposed tax liability changes will apply for 1977 and subsequent years.



The President's proposals would result in lower withholding tax rates -- and higher take-home pay -- effective July 1, 1976. The lower withholding tax rates would reflect the full impact of the tax cuts proposed by the President last October and would remain constant in 1977.

President Ford's tax reduction proposals mean that, for a family of four making \$15,000 a year, there will be \$227 more in take home pay annually -- extra cash that can really be used. Coupled with anti-inflationary measures that President Ford has taken over the last 18 months, which have cut inflation in half, the American taxpayer is finally getting something for his money.



Figure 1: KEY ECONOMIC STATISTICS1. EMPLOYMENT

3.8 million more people were at work in June 1976 than at the March 1975 recession low.

Employment was at a historical high of 87.9 million persons in July.

Unemployment steadily dropped, from 8.9% in May, 1975 to 7.8% in January, to 7.5% through March and April. A sharp expansion of nearly 700,000 in the labor force caused the unemployment rate to increase to 7.8% in July from 7.5% in June and 7.3% in May, but the downward trend is clear.

2. INFLATION

The inflation rate for 1975 was 6.9%, half of its 1974 12.2% high.

The 12.2% inflation rate in the latter part of 1974 was cut by over half to 4.6% during the first six months of 1976. In July, the Consumer Price Index was up only 5.4% from July 1975.

3. WHOLESALE PRICE INDEX

The Wholesale Price Index (WPI) dropped .5% in February--the fourth straight month in which this key indicator either dropped or held steady. The WPI rose only .2% in March, and .8% in April for a total of only a .1% increase over the six months ending in April. In May the WPI rose .3%; in June .4% and in July only .3% again.

4. HOUSING

In July 1976, housing starts were at a seasonally adjusted annual rate of 1,387,000, up 14.9% from July, 1975.

5. TOTAL INDUSTRIAL PRODUCTION

In seasonally adjusted real terms, total industrial production in June 1976, was up .3% from the previous month, and up 11.6% from the same month in 1975.



6. RETAIL SALES

Retail sales, in current dollars, seasonally adjusted, were at \$53.21 billion in July, 1976, up 8% from the same month a year ago.

7. GROSS NATIONAL PRODUCT

The Gross National Product (GNP), in constant 1972 dollars, increased at a 4.3% annual rate in the second quarter of 1976, after increasing at a 9.2% annual rate in the first quarter of the year.

8. PERSONAL INCOME

Personal income, in current dollars was at a seasonally adjusted rate of \$13.9 billion in July 1976, up 1% from the previous month. It was the biggest monthly rise since August last year.

9. COMPOSITE INDEX OF LEADING INDICATORS

The Composite Index of Leading Indicators showed a gain of .3% for June, 1976 over the previous month, and has increased in 14 of the past 15 months.

10. NEW DOMESTIC CAR SALES

New domestic car sales through mid-August were up 19.1% over last year, with employment in that industry sharply up from last year.





EDUCATION--Overview--

"The education of our children is vital to the future of the United States. From the start, our Founding Fathers knew that ignorance and free government could not coexist. Our Nation has acted from the beginning on the sound principle that control over our schools should remain at the State and local level. Nothing could be more destructive of the diversity of thought and opinion necessary for National progress than an excess of control by the central government."

President Ford
March 1, 1976

"Our schools are no better than we make them. They can provide a solid educational foundation for our children. They can provide a training ground for leadership development. They can offer an opportunity for expanded technical knowledge and cultural enrichment through continued education. They can become a center for community involvement. But the future our schools provide is in large measure dependent upon our involvement."

President Ford
May 10, 1975

It is President Ford's concern, above all else, that all Americans receive a quality education.

Major Revisions of and Reform of Existing Education Programs

President Ford believes that public education is primarily a state and local responsibility. The Federal government helps, however, to assure that children with special needs, such as the handicapped and disadvantaged, receive an equal educational opportunity. President Ford has proposed four major efforts in the field of education for 1977:



- * Consolidation of 24 categorical programs under the Financial Assistance for Elementary and Secondary Education Act into a single block grant (see below).
- * Provision of aid to school districts facing problems in eliminating discrimination.
- * Reform of the Impact Aid Program.
- * Full funding of basic educational opportunity grants for all eligible undergraduate post-secondary students.

The major vehicle for reform will be the Financial Assistance for Elementary and Secondary Education Act which was submitted to the Congress in March, 1976. In addition to the major consolidation noted above, this legislation would:

- * Bring under the block grant umbrella Titles I-V of the Elementary and Secondary Education Act of 1965, the Education of the Handicapped Act, the Vocational Educational Act of 1963, and the Adult Education Act.
- * Continue to assure that funds are available to the States and localities prior to the start of the school year.
- * Minimize the intrusiveness and burden of Federal regulations while continuing appropriate Federal support for education.

The Handicapped

Funds will be allocated to States on a formula basis. Three-quarters of the Federal funds will have to be used to serve the disadvantaged and the handicapped. The remaining quarter may be spent on any program consistent with the purposes of the programs consolidated in the block grant.

Public Participation

The Act will require state plans to be developed with full public participation. Each State will have to certify that funds (\$2.5 billion) will have been used for purposes required by the law and consistent with the State plan. Actual use of funds will be verified by an independent audit to be conducted by the State.



Non-Discrimination, Non-Public School

The Act will also require that to receive funds the State may not discriminate against a participant on the basis of race, sex, national origin or handicapping conditions.

In addition, non-public school children will continue to be served on an equitable basis as under the program to be consolidated.

Elementary and Secondary Education

By law and tradition, State and local governments have the responsibility for providing free and universal public education. Over time, the Federal Government has furnished increasing assistance to State and local governments to support elementary and secondary education. The Federal government today supports about 7% of the total cost of elementary and secondary education. The bulk of that support is channeled through numerous narrow categorical programs. The Federal effort has helped to assure that children with special needs receive an equal educational opportunity.

However, Federal assistance has also led to the promulgation of layers of rules and regulations and to the impositions of administrative burdens at the local level which are unrelated to the development of programs of quality education. Although Federal, State and local efforts overlap, the rules often earmark Federal funds for specified, often narrow purposes. As a result the test often becomes not whether children are helped, but whether the State or community meets the rules. As the President has noted:

"Too often we have found ourselves asking whether Federal forms have been properly filled out, not whether children have been properly educated."

Emergency School Aid

President Ford has requested continued financial assistance to those school districts that are in the process of eliminating discrimination. Increased support will be provided for Title IV of the Civil Rights Act of 1964 which will provide greater advisory support and technical assistance to help educational institutions move toward equality of educational opportunity.



Reform of Impact Aid Program

Recognizing that Federal activities provide an economic benefit to host communities, President Ford has proposed reform of the Impact Aid Program. These reforms would limit Federal aid to those school districts where free education is provided for children whose parents both live and work on Federal property. Since Federal property is exempt from local taxes, these families do not contribute to the cost of education as other families do, and Federal contributions are therefore fully justified. This proposal will save nearly \$285 million in 1977 and approximately \$330 million in 1978.

Higher Education

Two principles underlie President Ford's support for the provision of Federal funds for higher education:

- * No student should be denied access to a post-secondary education because of financial barriers. Those in need should receive grants; others with higher family incomes should be helped to borrow to meet the costs.
- * In most cases, aid should be provided to the individuals rather than to institutions. In this way, the student -- who is the ultimate consumer in the education process -- can exercise choice, not on the basis of the aid that a school receives, but on the basis of the kind of education the student wants. Aid to institutions should be limited to carefully defined objectives or supplementary to direct student aid.

President Ford's budget for FY 77 provides \$6.3 billion for higher education, including \$4.3 billion for the G.I. Bill. This will provide assistance to approximately 2.4 million students enrolled in colleges, universities and other post-secondary institutions across the country. The budget also proposes:

- * A request of \$1.379 billion for the Basic opportunity Grant program (with supplemental).



- * A funding level of \$44 million for the State Student Incentive Grant program.
- * \$400 million in subsidies for loans made under the Guaranteed Student Loan program.
- * \$250 million for the College Work-Study program.
- * \$110 million for the Developing Institutions program.
- * \$60 million for Special Programs for the Disadvantaged.

Budget Outlays for Education

Substantial Federal educationally related expenditures are directed toward activities whose purposes are not primarily educational. The Federal Government invests in specialized education for many activities, the largest of which is defense related and the second largest is in the health field. An estimated \$8.7 billion in outlays will be provided in 1977 which indirectly benefit education, but are directed toward other purposes.

In 1977 total Federal outlays for education are estimated to be \$18.2 billion. By general category these are estimated to be:

- * \$9.2 billion for programs whose primary purpose is education.
- * \$4.6 billion for elementary and secondary education. This includes \$3.3 billion to be funded under the block grant program.
- * \$3.6 billion for higher education.
- * \$1.0 billion for adult, continuing, and other education.



Other Actions

In other actions since taking office, President Ford, in 1974, signed H.R. 69 which extended the Elementary and Secondary Education Act, the impact aid laws, the Adult Education Act, the Bilingual Education Act, and the Indian Educational Act through Fiscal Year 1977, and the Emergency School Aid Act through Fiscal Year 1976.

Provisions of that Act:

- * Authorized aid to States and local school districts for the education of disadvantaged students.
- * Prohibited the use of all Federal funds (except Impact Aid) for busing activities.
- * Established a Deputy Commissioner for a new Bureau of Handicapped.
- * Provided financial assistance to State and local agencies to establish equal educational opportunity for children of limited English-speaking ability.
- * Consolidated existing authorities into a new categorical grant program focusing funds on metric education, women's educational equality, consumer, gifted career, and community schools.
- * Extended the current Adult Education Law for 4 years and established a new 15% set aside from State funds for innovative programs and teacher training.
- * Provided 2 new Vocational Education Act categorical authorities dealing with bilingual education.
- * Extended the Indian Education Act program for special projects for Indian education and programs for Indian children in public schools through FY 78.
- * Authorized a new Reading Improvement Program with categorical programs for 1975-1978 to be distributed to States on school age population formula.



- * Liberalized veterans cost of instruction payment institutional eligibility, to require only 10% of undergraduates to be veterans.
- * Extends present Ethnic Heritage Studies program through FY 1978.



School Desegregation Standards and Assistance Act

In June 1976, after months of study by Administration officials and meetings by the President with large numbers of concerned groups, the President sent to Congress the School Desegregation Standards and Assistance Act.

- * The purpose of this legislation is to maintain progress toward the orderly elimination of illegal segregation in public schools while preserving community control of schools. The legislation would set guidelines for Federal courts concerning the use of busing in school desegregation cases. It would require that courts determine the extent to which acts of unlawful discrimination have caused a greater degree of racial concentration in school or school system than would have existed otherwise and to confine the relief provided to correcting the racial imbalance caused by those unlawful acts. The legislation would also limit the duration of court-ordered busing generally to a period of no longer than five years.

In his message of transmittal, the President noted that:

- * "First, for all of my life I have held strong personal feelings against racial discrimination. I do not believe in a segregated society. We are a people of diverse background, origins, and interests, but we are still one people--Americans--and so much we live.
- * "Second, it is the duty of every President to enforce the law of the land. When I became President, I took an oath to preserve, protect and defend the Constitution of the United States. There must be no misunderstanding about this--I will uphold the Constitutional rights of every individual in the country. I will carry out the decisions of the Supreme Court. I will not tolerate defiance of the law.
- * "Third, I am totally dedicated to quality education in America--and to the principle that public education is predominantly the concern of the community in which people live. Throughout the history of our Nation, the education of our children, especially at the



elementary and secondary levels, has been a community endeavor. The concept of public education is now written into our history as deeply as any tenent of American belief."



ENERGY

--Overview--

Early in his Administration, President Ford said that he would not sit by and watch the Nation continue to talk about an energy crisis and do nothing about it. Nor, he said, would he accept half-way measures which failed to change the direction that has made our nation so vulnerable to foreign economic interests.

The President proposed firm, but necessary measures designed to achieve energy independence for the U.S. by 1985, and to regain our position of world leadership in energy. To accomplish this objective, President Ford recommended to the Congress the first comprehensive national energy program specifically designed to reduce dependence on foreign oil, by:

1. increasing domestic energy production;
2. promoting the conservation of scarce energy supplies; and
3. new domestic energy supplies, including fossil, nuclear, solar, and geothermal energy sources.

It was no easy task, however, to accomplish the President's goal of a comprehensive national energy policy. The diverse and sometimes competing interests of many Americans led to months of national debate. President Ford's strong leadership resulted in a solid step forward in December with his signing of the Energy Policy and Conservation Act of 1975. In signing the compromise bill, President Ford said:

"This legislation is by no means perfect. It does not provide all the essential measures that the Nation needs to achieve energy independence as quickly as I would like.

"First, this bill will enable the U.S. to meet a substantial portion of the mid-term goals for energy independence that I set forth...Second, the pricing provisions of this legislation, properly implemented, will permit the gradual phasing out of controls on domestic oil...and should give industry sufficient incentive to explore, develop, and produce new fields in the Outer Continental Shelf, Alaska, and potential new reserves in the lower 48 states...Third,...this legislation represents the most constructive bill we are likely to work out at this time...



The President knows that there is a great deal more to do. In his State-of-the-Union message for 1976, he said:

"Taking a longer look at America's future there can be neither sustained growth nor more jobs unless we continue to have an assured supply of energy to run our economy. Domestic production of oil and gas is still declining. Our dependence on foreign oil at high prices is still too great, draining jobs and dollars away from our own economy at the rate of \$125 per year for every American

I again urge the Congress to move ahead immediately on the remainder of my energy proposals to make America invulnerable to the foreign oil cartel..."

Other proposals which he has submitted to the Congress and which are vital to the achievement of energy independence would:

- * Reduce domestic natural gas shortage;
- * Allow production from national petroleum reserves;
- * Stimulate effective conservation, including revitalization of our railroads and the expansion of our urban transportation systems;
- * Develop more and cleaner energy from our vast coal resources;
- * Expedite clean and safe nuclear power production;
- * Create a new national Energy Independence Authority to stimulate vital energy investment;
- * And accelerate development of technology to capture energy from the sun and the earth for this and future generations.

President Ford has, from the outset of his Administration, shown strong leadership in setting the nation's energy policy, to finally enter the road to energy independence.



NUCLEAR ENERGY

President Ford believes that we must increase the use of nuclear energy (as well as coal) in the years ahead. Even with strong efforts to conserve, energy demands will increase for a growing economy.

The only alternative over the next 15 to 20 years to increased use of both nuclear energy and coal is greater reliance on imported oil which will jeopardize our nation's strength and welfare.

- We now have 62 nuclear plants licensed to operate in the United States providing about 9 percent of our electrical energy. By 1985, we will have about 150 plants, supplying about 20 percent of the nation's electricity.
- Electricity from nuclear plants is cheaper than that produced from either oil or coal fired plants. The President's environmental advisers believe that nuclear energy is preferable from an environmental point-of-view than other principal ways of generating electricity.
- Commercial nuclear power has an excellent safety record, with nearly 200 plant years of experience (over 18 years) without a single death rate from a nuclear accident. President Ford has acted to assure that the record continues in the years ahead. He has increased funds for the independent Nuclear Regulatory Commission (NRC) and for the Energy Research and Development Administration (ERDA) for reactor safety R&D.
- President Ford has expanded programs to provide safe, secure and environmentally acceptable transportation and storage for nuclear wastes. (He is expected to announce a program dealing with nuclear wastes during the week of October 18.)
- Concern about proliferation of nuclear explosives capability has grown. The President has taken a number of steps over the past two years to deal with the threat of nuclear proliferation abroad. This past summer he directed that a major review of all nuclear policies and options be undertaken with particular attention to nuclear proliferation, exports, reprocessing and waste management. He has decided on new policy directions, authorized consultations with other nations and will announce new policy decisions in the near future.



A number of responsible people in the country have expressed concerns and have asked questions about nuclear power. The President feels we should expect questions about any relatively new technology. The programs that he has undertaken are designed to deal effectively with any concern that has been expressed.

We will have to rely on coal and nuclear energy until more acceptable alternatives are developed. We are pushing ahead with work on all promising alternative technologies but it is clear that we cannot expect the major contribution to our energy supply from any of these alternatives until late in this century.



ENVIRONMENT-- Overview --

President Ford is deeply committed to achieving a balance between the needs of the environment and the needs of a dynamic, growing economy.

"I am committed to the Nation's effort to clean up the environment. At the same time, I am concerned about the costs and impact on the economy. We can't do it all tomorrow."

The budget submitted for Fiscal Year 1977 by the President included an outlay of \$4.5 billion for the Environmental Protection Agency. Out of this total, 84% was earmarked for use in sewage treatment construction. The policy highlights of this budget include:

- *An effort to continue to make progress in cleaning our lakes and streams by emphasizing expenditures for sewage treatment plants.
- *Greater priority will be given to catching up on the backlog of sewage treatment plants needed to solve immediate water quality problems while at the same time Federal commitments to projects of marginal effectiveness will be reduced.
- *Additional aid will be given to States for the implementation of the Safe Drinking Water Act in order to assist them in assuming primary enforcement responsibility.
- *A continuation of efforts aimed at assisting State and local pollution abatement agencies meet the environmental goals through the continued funding of their programs. This will include funds to aid in the implementation of the Safe Drinking Water Act, the Clean Air Act, and the Federal Water Pollution Control Act.

On December 4, 1974 the President transmitted to Congress a proposal for 37 new additions to our National Wilderness Preservation System, this would add over 9 million more acres to the Wilderness System. The President has just recently proposed the use of \$1.5 billion over the next ten years in order to increase the size of the National Park System.



One of the first bills the President signed upon entering office was the Forest and Rangeland Renewable Resources Planning Act of 1974. This bill provides a process which should permit better choices to be made in the management of the Nation's vital renewable resources.

On February 27, 1976 the President stated:

"It is a measure of our progress as a Nation that today, in the 200th year of American Independence, we are in the midst of a dynamic movement to restore, protect and preserve our environment and, at the same time, the objective of providing a better life for ourselves and for our children and grandchildren."

Speaking at Yellowstone National Park on August 29, 1976, President Ford unveiled the Bicentennial Land Heritage Act. This program proposes to spend \$1.5 billion during the next ten years, and will more than double our present acreage of land for national parks.

"Now it is our turn to make our gift outright to those who will come after us 15 years, 40 years, 100 years from now. What better way can we add a new dimension to our third century of freedom."



LAND AND WATER CONSERVATION ACT

On September 28, 1976, President Ford signed a bill that will substantially increase funding authorization for the Land and Water Conservation Fund (L&WCF) and expands the Federal role in the area of historic preservation.

This bill increased the annual authorized level of the L&WCF from a current level of \$300 million to \$600 million for FY 1987, \$750 million for FY 1979, and \$900 million for each of the FY's 1980 through 1989.

This Act was originally designed to stimulate a nationwide action program to create new and expanded high quality outdoor recreation areas and facilities. L&WCF monies are available for (1) acquisition of Federal recreation lands, and (2) matching grants to State and local governments for: planning, acquisition, and development of recreation lands and facilities.

As America looks toward her third century, we draw strength from our past. Our heritage of natural areas and the remaining records of our cultural history provide a reassuring sense of the direction from which we have come. and a respite from the tensions of continuing progress. It is essential that we preserve our natural areas and historic resources in the face of progress. I pledge to do all I can to further this goal.

President Gerald R. Ford
Rose Garden - White House
September 28, 1976



ETHNIC AMERICANS--Overview--

Meeting with leaders of the Nation's ethnic organizations at the White House in May of this year, the President said:

"A sense of neighborhood, a sense of belonging, of cultural identification, are threatened. I can appreciate your deep concern for the future of institutions which you work so very hard to establish--the ethnic church, the school, the credit union, the fraternal lodge.

"As we enter our third century, I believe that we can have a rebirth of individual freedom and that we can protect the diverse heritage which gives so much strength and so much richness to our society. Working together, we can achieve these goals."

President Ford's remarks underscore his conviction that cultural diversity is one of America's greatest strengths.

Shortly after assuming office, President Ford established an Ethnic Affairs Office in the White House with responsibility to ensure a rich and continuing dialogue between the White House and the Nation's ethnic communities.

Actions and Accomplishments

In the two years of his Presidency, Mr. Ford has:

- * Invited over 500 Italian, Eastern European, Greek, Hispanic, and other leaders to the White House for discussions and review of Federal policy affecting ethnic communities.
- * Provided funds for an Ethnic Heritage Studies Program.
- * Established a Presidential Committee on Urban Development and Neighborhood Revitalization to develop better Federal programs for our Nation's neighborhoods.



- * Through the Immigration and Naturalization Service created an Advisory Committee for Spanish-speaking peoples.
- * Added to the Bureau of the Census and ad hoc Committee for Spanish-speaking people.
- * Created a statistical census base for Hispanics by signing into law H.R. 92.
- * Appointed the first Hispanic Special Assistant to the President.
- * Advocated and signed legislation extending the protection of the Voting Rights Act to the Spanish-speaking and other Americans who do not speak English.
- * Increased from \$42 million to \$70 million Federal assistance for bilingual/bicultural education programs.

President Ford has met with leaders of virtually every ethnic community in this Nation and has, with pride, asked members of all of America's ethnic communities to serve in his Administration.

In addition, the President has held 121 meetings with foreign leaders, and has visited 14 countries in his two years in office, including Belgium, Germany, Poland, Finland, Romania, and Yugoslavia. These visits have helped maintain the country's relations with the homelands of many of America's ethnic citizens.

The Ford White House has followed an open-door policy. The President has welcomed discussion of the problem affecting these communities and is responsible for bold achievements in this area.



FEDERAL SPENDING--Overview--

In the past decade, the Federal budget has been growing at an average rate of over 10% every year. President Ford has repeatedly asserted his intention to halt this trend. It is one of his primary goals to make the Federal government fiscally responsible:

. . . To put it simply, we must decide whether we shall continue in the direction of recent years -- the path toward bigger Government, higher taxes, and higher inflation -- or whether we shall now take a new direction -- bringing to a halt the momentous growth of Government, restoring our prosperity, and allowing each of you a greater voice in your own future.

To accomplish this, the President believes that (1) the Federal government must make a substantial and permanent cut in Federal taxes, and (2) make a substantial reduction in the growth of Federal spending. President Ford called upon the Congress to join him in restraining Federal spending by placing a \$395 billion limit on FY 77 expenditures -- some \$28 billion below projected spending for that year. Specific actions that he has taken include:

- * Setting a 5% limit on Federal pay increases
- * Using the Presidential veto power to save the taxpayer over \$9.2 billion. Congress has overridden only ten of President Ford's 56 vetoes.

In his speech to the nation on October 6, 1975, President Ford said:

. . . If we cut only taxes but do not cut the growth of Government spending, budget deficits will continue to climb, the Federal Government will continue to borrow too much money from the private sector, we will have more inflation, and ultimately we will



have more unemployment. . . In 1962, the Federal budget for the first time in our history ran over \$100 billion. In only 8 years, the budget doubled in size. In the coming fiscal year, unless we act, it doubles again to over \$400 billion. . . (M)uch of the increase in each year's budget is required by programs already on the statute books. . . If we don't slow it down, Federal spending could easily jump to more than \$420 billion -- without a single new Federal program.

The President has pointed to the financial experience of our biggest and richest city--New York--as a profound lesson to all Americans about the dangers of living beyond our means:

" . . . Though we are . . . the richest Nation in the world, there is a practical limit to our public bounty, just as there is to New York City's. . . If we go on spending more than we have, providing more benefits and more services than we can pay for, then a day of reckoning will come to Washington and the whole country just as it has to New York City. . . When that day of reckoning comes, who will bail out the United States of America?"

President Ford means what he says when he talks about fiscal responsibility--his speeches about cutting the budget and saving money are not just rhetoric. His views on holding down Federal spending are simple: for every dollar saved in cutting the growth in the Federal budget, there can be another dollar saved by the taxpayer in tax reductions. The budget he has submitted for FY 1977 cuts the rate of growth of Federal spending in half, for the first time in a decade of increasing federal budgets. President Ford's budget for FY 77 -- \$394.2 billion -- was even less than he had promised. By holding down the growth in Federal spending, the President has been able to ask for additional tax cuts -- nearly \$10 billion more than the Congress agreed to in December. This means a total tax cut of \$28 billion for the American taxpayer, because of President Ford's fiscal restraint.



CUTTING THE GROWTH OF FEDERAL SPENDING

"We all know from recent experience what runaway inflation does to ruin every other worthy purpose. We are slowing it; we must stop it cold..."

The way to a healthy non-inflationary economy has become increasingly apparent; the government must stop spending so much and borrowing so much of our money; more money must remain in private hands where it will do the most good. To hold down the cost of living, we must hold down the cost of government..."

President Gerald R. Ford

The Federal budget is an important step toward reversing the long-term trend in Federal spending. President Ford proposes to cut the rate of growth of Federal spending, year to year, to 5.5%--less than half the average rate experienced over the last ten years.

At the same time, President Ford has proposed further, permanent income tax reductions so that individuals and business can spend and invest these dollars instead of having the Federal Government collect and spend them.

In proposing his budget, the President was determined to achieve fairness and balance:

- between the taxpayer and those who will benefit by Federal spending;
- between national security and other pressing needs;
- between our own generation and the world we want to leave to our children;
- between those in some need and those most in need;
- between the programs we already have and those we would like to have;
- between aid to individuals and aid to State and local governments;
- between immediate implementation of a good idea and the need to allow time for transition;
- between the desire to solve our problems quickly and the realization that for some problems, good solutions will take more time; and



--between Federal control and direction to assure achievement of common goals and the recognition that State and local governments and individuals may do as well or better without restraints.

President Ford's budget recommended \$394.2 billion in Federal outlays for FY 1977, a reduction of nearly \$29 billion in the projected growth of Federal Government spending.

As a result of this spending restraint, the Federal deficit would be reduced from an estimated \$76 billion in FY 1976 to \$43 billion in FY 1977. By continuing to check the growth in Federal spending, the budget can be balanced in FY 1979. Significant spending restraint coupled with tax cuts will foster sustained economic growth without inflation.

The combination of tax and spending changes that he has proposed will set the nation on a course that not only leads to a balanced budget within three years, but also improves the prospects for the economy to stay on a growth path that can be sustained.

"...This is not a policy of the quick fix; it does not hold out the hollow promise that we can wipe out inflation and unemployment overnight. Instead, it is an honest, realistic policy--a policy that says we can steadily reduce inflation and unemployment if we maintain a prudent, balanced approach..."

(Budget Message of the President,
Jan. 21, 1976)



FOREIGN RELATIONS--Overview--

In his August, 1974, speech before a joint session of Congress, President Ford expressed his belief that a successful foreign policy has to rest on a strong national defense, one able to command respect from adversaries and to provide leadership to friends:

"A strong defense is the surest way to peace . . .
Weakness invites war . . ."

Since taking office, President Ford has continued to add to the record of leadership in foreign affairs and in maintaining a strong national defense that he built in his 25 years in the Congress. As President, he has pursued a realistic foreign policy, reaching to all areas of the globe in his efforts to strengthen allies and to minimize the danger of needless confrontation between ourselves and potential adversaries.

President Ford talked about his policy of peace through strength in a recent interview:

". . . the United States will meet with super powers, the Soviet Union and with China and others, and seek to relax tensions so that we can continue a policy of peace through strength. If we are strong militarily, which we are, and if we continue that strength, we can negotiate with the Soviet Union, with China and with others in order to maintain that peace. I think we ought to talk about the realities--the negotiation for a lowering of a strategic nuclear ballistic type capability. We ought to talk about trade. We ought to talk about science and those things in an atmosphere where we are dealing from strength."

In pursuing a more constructive relationship with the Soviet Union, President Ford, in the short time he has been in office, has been able to:



- * Bring our two countries towards the completion of a reliable strategic arms limitation agreement, based on the principles of strict equality agreed to at Vladivostok in November, 1974 -- an agreement that will ultimately limit the strategic arms buildup of both sides for a 10-year period; and to
- * Achieve a long-term grain agreement with the Soviet Union that is good for American farmers and that will minimize the impact on food prices for American consumers.

In the Middle East, President Ford seized an historic opportunity to help the area move towards a secure, just, and omprehensive peace settlement. During the Spring of 1975, the President held an extensive series of meetings with important leaders in the area, including Egyptian President Sadat, Israeli Prime Minister Rabin, Jordan's King Hussein, Syrian Deputy Prime Minister Khaddam and others. Shortly thereafter, in early September, an interim agreement of potentially great importance was reached between Israel and Egypt. This agreement reaffirmed and strengthened the 1973 ceasefire, widened the buffer zone, and, most importantly, committed both sides to settle their differences by peaceful means. As but one result, the Suez Canal was opened to Israel for non-military shipping for the first time in years.

In carrying out his wide-ranging and comprehensive foreign policy, the President has, in other areas:

- * Brought our alliance relations to their greatest health and solidarity in decades. We now coordinate closely in economic areas, as at the Rambouillet and Puerto Rico Summits, and on energy matters, as in the International Energy Agency. The President has led the NATO Alliance in the development of positions for the Mutual and Balanced Force Reduction Talks with the Soviet Union and the Warsaw Pact, and he has worked for the standardization and more efficient use of defense resources within the NATO Alliance.
- * Underscored our commitments to our Asian allies, Australia, Korea, New Zealand, Indonesia, and, to Japan, in the first visit of an American President to that country; and



- * Continued to seek better understanding and cooperation with the world's most populous nation. In a visit to the People's Republic of China in December, 1975, President Ford had useful and constructive discussions with China's leaders, reaffirming the durability of this important new relationship.

President Ford fully recognizes the responsibility that accompanies American economic power. He has committed his Administration to policies which will bring about an improved international economy and stable growth serving the interests of America and the world. Stable economic growth is critical to solving the problems of the developing world and President Ford has taken concrete steps to ensure that our country plays a constructive leadership role in meeting these challenges:

- * At the 1975 UN Special Assembly, the U.S. set forth comprehensive proposals in food, trade, and raw materials.
- * The Paris Conference on International Economic Cooperation brought together the industrial, developing and oil producing nations to strengthen economic and energy arrangements for the mutual benefit of all.
- * At the World Food Conference in Rome, the United States pledged to meet 60% of the world food aid target to ensure the basic needs of the poorest nations.

The pursuit of peace requires decisive action:

- * When the Cambodians illegally seized the U.S.S. Mayaguez, President Ford ordered, and personally directed, the recovery of the ship and its crew by U.S. Marines. The right of innocent passage on the open sea was upheld by President Ford's assured, firm response to the situation.
- * Similarly, when North Koreans brutally murdered two U.S. officers in the DMZ, President Ford's firm response upheld our rights in the DMZ and elicited significant North Korean concessions assuring the safety of our personnel in their peacekeeping role.



President Ford's pursuit of peace has been based on a realistic understanding of world affairs and a commitment to a strong national defense. The President has pledged to maintain a national defense second to none, and to modernize and upgrade our capabilities. He has:

- * Proposed a real increase of \$7.4 billion for the fiscal year 1977 defense budget.
- * Continued development of the modern B-1 intercontinental bomber and the Trident strategic submarine.
- * Streamlined our conventional combat strength by shifting personnel to combat functions.
- * Continued the technical modernization of our land forces, new ship construction, and modernization for our Naval forces.

Without question, President Ford has built a solid record of achievement in foreign affairs:

- * Our volunteer military forces are strong and ready.
- * Our principal diplomatic and military alliances are solid.
- * America has launched a serious dialogue between the industrial and non-industrial world.
- * A lasting Middle East peace agreement is possible.
- * Sino-American relations have been put on a durable basis.
- * And most importantly, America is at peace.



CUBA

Recent Cuban intervention in the domestic affairs of other nations such as their attempt to interfere in the U.S. relationship with Puerto Rico and their massive involvement in the Angola conflict, is unacceptable and precludes any improvement in relations between the United States and Cuba at this time.

While we acceded to persistent Latin American demands within the Organization of American States that each government be free to determine and follow its own policy with respect to relations with Cuba, the administration nonetheless has maintained the U.S. bilateral prohibition against trade with Cuba. The President has made clear that no improvement in U.S. relations with Cuba is possible as long as Cuba pursues such interventionist policies.

President Ford reaffirmed this position on February 28, 1976:

"When you look at the fact that he (Castro) took the initiative to try and upset the problems in Puerto Rico, when he took aggressive action in Africa some 4,000 or 5,000 miles from Cuba where he sent 12,000 mercenary forces, I see nothing but an aggressive, anti-freedom movement and so, under Fidel Castro, unless there is a 180 degree turn, I can't imagine any change . . ."

And on July 29, 1976, he said:

"My administration will continue a policy of friendship toward the people, and I underline the people, of Cuba. But, I add very emphatically, we will not accept intervention by the Fidel Castro regime in the affairs of other countries. We will not accept the counsel of those who would give in to Fidel Castro."



THE MIDDLE EAST

President Ford's policy in the Middle East is to take advantage of what is now an historic opportunity to help the area move to a secure, just and comprehensive peace settlement. So long as this conflict remains unsolved, it poses the constant danger to us of renewed war, international crisis and economic disruption, strains in our major alliances and nuclear confrontation with the Soviet Union. These are intolerable dangers. Because the United States is in a unique position of trust with all the parties, we have -- at their request -- been engaged for the last two years in a peacemaking effort without precedent in three decades. The President is determined that this effort continue until the achievement of a negotiated peace as foreseen by the UN Security Council Resolutions 242 and 338.

Because President Ford believes that this nation can make a decisive contribution to world peace, he has:

- * Conducted an intensive series of meetings with Egyptian President Sadat, Israeli Prime Minister Rabin, Jordan's King Hussein, Syrian Deputy Prime Minister Khaddam, and other important leaders in the area, to advance the negotiating process.
- * Brought about a second interim agreement in September, 1975, between Egypt and Israel. This agreement reaffirms and strengthens the ceasefire, and widens the buffer zone. It publicly commits both sides to settle the Middle East conflict by peaceful means and to refrain from use or threat of force or military blockade, and permit non-military Israeli cargoes to use the Suez Canal. This is the first agreement between Israel and an Arab country that was not simply to half fighting or disentangle military forces.
- * Submitted foreign assistance requests to the Congress, including assistance to Israel and moderate Arab states, to strengthen their ties with us and their survival against extremist pressures which seek to undermine the process of peace. We will maintain, as we have for decades, military supply programs commensurate with Israel's defense needs and our commitments to her survival and security. The President has proposed U.S. assistance to Israel of \$4.2 billion for a 27-month period, over 40% of all U.S. aid to Israel since 1948. At the same time, American support has been requested to help nations in the moderate Arab world who are our friends and supporters of the peace process.



President Ford intends to maintain our peace effort, to prevent the momentum of events in that volatile region from rushing again towards war. This effort serves important American interests, and interest of world peace, our moral commitments in the area and the desire of the American people to see the specter of war and dislocation banished from the Middle East. Any stagnation of the negotiating effort poses intolerable risks to the interests of the United States -- economic, political, and security -- and to world peace. The President is determined to move forward until the achievement of a final, just, and durable peace.



THE PANAMA CANAL

Every President since Franklin Roosevelt has recognized a need to modernize our relationship with Panama concerning the Canal. President Ford believes that modernization is possible, and his Administration is discussing with Panama the possibility of arriving at such a treaty relationship. The goal of these negotiations is to reach an agreement which will accomodate the needs of both the United States and Panama, while protecting our basic interests in defense and operation of the Canal. The President will not propose to the Congress any agreement with Panama that will not protect our vital national interests.

"We will absolutely insist that our interests and the defense of the Canal and of the use of the Canal be maintained. That is why the negotiations have been going on so long under five Presidents and why there is no settlement of the issues right now..."

President Gerald R. Ford
February 18, 1976



HEALTH

- Overview -

"The health of our people is one of our nation's most vital resources."

President Ford
February 26, 1976

Significant progress has been made in improving the health of the Nation's people during the last 25 years, as can be seen in the continued reductions in the infant mortality rate; increases in life expectancy, and the conquering of some communicable diseases. This progress has come under a largely private health care system with the support of public funds.

In the past 10 year period (1965-1975) Federal spending for health has increased from \$5 billion to \$37 billion. With greater Federal funding has come a multitude of Federal programs, regulations and restrictions--all motivated by the best of intentions but each adding to the confusion and overlap and inequity that now characterizes our efforts at the national level.

To resolve these problems, President Ford recently asked the Congress to enact the Financial Assistance for Health Care Act which will consolidate Medicaid and 15 categorical Federal health programs into a \$10 billion block grant to the States. The President proposed that future Federal funding for this new program be increased annually in increments of \$500 million plus the amounts needed after 1980 to ensure that no State will in the future receive less under this proposal than it received in fiscal year 1976.

This comprehensive block grant proposal, discussed in the following pages, was only the most recent of a great number of actions taken by President Ford over the last year and a half.

This comprehensive block grant proposal, was only the most recent of a great number of actions taken by President Ford over the last year and a half. His other initiatives and accomplishments have fallen into six main categories of health care:

- * Health Care for Older Americans
- * Resources and Planning



- * Services
- * Medical Research
- * Disease Prevention
- * Medical Costs

FORD ADMINISTRATION HEALTH ACCOMPLISHMENTS

Health Care for Older Americans

In his recent State of the Union Message, President Ford proposed protection against catastrophic health expenditures for Medicare beneficiaries. This will be accomplished in two ways:

- * First, the President proposed extending Medicare benefits by providing coverage for unlimited days of hospital and skilled nursing facility care for beneficiaries
- * Second, he proposed to limit the out-of-pocket expenses of beneficiaries, for covered services, to \$500 per year for hospital and skilled nursing services and \$250 per year for physician and other non-institutional medical services.

This will mean that each year over a billion dollars of benefit payments will be targeted for handling the financial burden of prolonged illness. Millions of older persons live in fear of being stricken by an illness that will call for expensive hospital and medical care over a long period of time. Most often they do not have the resources to pay the bills. The members of their families share their fears because they also do not have the resources to pay such large bills. The President summarizes his concerns this way:

"We have been talking about this problem for many years. We have it within our power to act now so that today's older persons will not be forced to live under this kind of a shadow. I urge the Congress to act promptly."



Resources and Planning

- * Expansion of National Health Services Corps, which places health professionals in critical health manpower shortage areas.
- * Improved coordination in the Federal financing programs (Social Security Administration, Social and Rehabilitation Service) with the resources, services, and research programs (Public Health Service); (and unification of health policy development).

Services

- * Initiated coordination of rural health activities funded by the National Health Services Corp, migrant health program, community health center program and the area health education center program to serve individuals in rural areas.
- * Strengthened program in nursing home improvement in which the quality of life and care in skilled nursing facilities is being improved through enforcement and new standards, including patients' rights. A survey of almost 300 skilled nursing homes provided essential data on the quality of care, and preliminary material is being published and discussed with providers and consumers.
- * Improved coordination of child health activities, to concentrate on health needs of children.
- * Implementation of the Professional Standards Review Organization program (over half the country now covered by PSROs), aimed at assuring quality and containing costs of service.
- * Increased availability of kidney dialysis and transplant services (for person with end-stage renal disease).



Medical Research

- * Continued major investment in research on cancer and heart disease.
- * Building of comprehensive research plan for the field of aging.
- * Initiation of more research related to arthritis.
- * Continued development of vaccine for hepatitis.

Disease Prevention

- * Initiated the largest public health activity in U.S. history with a program to immunize all Americans against swine influenza and prevent a pandemic of that disease.
- * Reversal of alarming trend toward lower levels of protective immunization among U.S. children.
- * Screening of 1,300,000 children at high risk from lead poisoning, resulting in 85,000 of them with increased lead absorption being subsequently placed under pediatric management and 13,000 receiving hospital treatment.
- * Continued successful disease surveillance (programs unsurpassed anywhere in the world) of such killer diseases as plague, yellow fever, cholera.
- * Increased emphasis on health hazards of the workplace, including more research on possible carcinogenic agents.
- * Increased attention to Federal policies affecting nutrition--The Public Health Services has developed a comprehensive nutrition policy statement; published proposed food nutritional labeling regulations to uncrease consumers' ability to select a nutritional and adequate diet; initiation of nationwide (award-winning) consumer education program on nutritional labels and their uses.



- * Expansion in the review of over-the counter drugs for safety and efficacy; improvement of warning labels on cosmetics; further support legislation to strengthen Food and Drug Administration review of medical devices.

Medical Costs

- * Continued attention to total costs, and rates of increase in costs (at all-time highs) through the Summit Conference on Inflation.
- * Recommendation of new legislation and usage of existing authorities to control the cost rise under Medicare and Medicaid.
- * Continued emphasis on potential inflation impact of Federal programs.
- * Controlling of governmental expenditures for drugs by establishing "maximum-allowable-cost" regulations.



HISPANIC AMERICANS

-- Overview --

President Ford and his Administration repeatedly demonstrated his concern for and commitment to Spanish speaking Americans by:

- * Providing active support for the 1975 Amendments to the Voting Rights Act of 1965, including support for specific voting guarantees for Spanish speaking and other language minority Americans;
- * Sponsoring White House meetings on Bilingual Education, Equal Employment Opportunity Programs, Minority Business Enterprise, Consumer matters and Ethnic Concerns;
- * Supported an increase in appropriations for bilingual education programs (from approximately 45 million to 70 million dollars);
- * Providing ombudsman-type services to Hispanic Americans seeking to participate in Federal programs and benefits;
- * Providing senior White House representation at major Hispanic community events;
- * Lending support for minority business development efforts through the issuance of a December 1974 memorandum on Minority Business Enterprise;
- * Appointing qualified Hispanic American citizens to major boards and advisory councils including the Presidential Clemency Board, the National Council on Educational Research, the Commission on International Women's Year, the Legal Services Corporation Board of Directors, the President's Manpower Planning Commission, the Corporation for Public Broadcasting Board of Directors and many others;
- * Providing support for the Civil Service Commission's Spanish Speaking Program through the issuance of a Presidential Memorandum in March 1973.



And, President Ford has taken strong measures to assure the meaningful involvement of Hispanics at all levels of government. He has either appointed, promoted or retained in office well over 50 Hispanic super grade and management level Hispanics including Bert Gallegos, Director of the Community Services Administration; Alex Armandaris, Director of OMBE; Raymond Telles, EEOC Commissioner; Carmen Maymi, Director of the Women's Bureau; Sam Martinez, Federal Regional Council Chairman; Joe Maldonado, Regional Director of HEW (San Francisco); Gilda Bojorquez Gjurich, IWY Commissioner; Rudy Cervantes, Manpower Planning Commissioner, Rudolph Montejano, National Board of Directors of the Legal Services Corporation; Gilbert Pompa, National Deputy Director of the Community Relations Service, Department of Justice; Victor Rivera, Regional Director of SBA (Denver); Edward Aguirre, Regional Commissioner of Education (San Francisco); Edward Baca, Regional Commissioner of Education (Dallas); Edward Pena, Director of Compliance, EEOC; Lorenzo Ramirez, Regional Director of EEOC (Dallas), Angel Rivera, Associate Administrator for Field Operations, CSA; Carlos Villareal, Postal Rate Commissioner; Eddie Mercado, Regional Director of EEOC (New York); Roger Moure, Executive Officer, US Public Health Service, HEW; John Molina, Director of Bilingual Education, U.S. Office of Education HEW; John Rodriguez; Assistant Commissioner of Education, HEW; and many others.

The list is lengthy. In fact, at no time in the history of our nation have so many Hispanics occupied important decision-making posts in the Federal Government than under the present Administration.



HOUSING / CONSTRUCTION

- Overview -

The President has repeatedly said that the health of the housing industry is of critical importance to the Nation's well-being. During his Administration, he has made a strong commitment to assist the recovery of the housing industry by:

- * Authorizing \$13 billion in mortgage purchases by Government National Mortgage Association for the purchase of home and multi-family project mortgages at below-market interest rates.
- * Curtailing the excessive Federal spending that has required heavy borrowing from the private sector in order to reduce interest rates for home mortgages.

In his State of the Union message for 1976, President Ford candidly noted that 1975 was a disappointing year in the housing industry. But he also pointed out:

" . . . the housing industry is improving. With lower interest rates and available mortgage money, we can have a healthy recovery in 1976."

To spur that recovery, President Ford directed HUD to provide housing assistance for 975,000 families, over a two year period (FY 1976-77) programs which will expand housing opportunities, spur construction, and help to house moderate and low income families. To reach this

- * 400,000 low income families will be provided subsidies under a rental housing program through FY 76; 400,000 additional families will be provided with subsidies in FY 77, including 125,000 units of new construction or substantial rehabilitation. This "Section 8" program will pay the difference between a percentage of family income and the rent charged by the landlord.



- * Mortgage subsidies will be approved for an additional 175,000 families in FY 76-FY 77 with moderate incomes to help them buy newly constructed or substantially rehabilitated homes, under the revised Section 235 homeownership assistance program.

Note - July figures for housing starts were: 1,387,000 (at seasonally adjusted rate) up 15% above rate of 1,207,000 for July 1975.

- * On September 15, 1976, President Ford initiated a program to reduce down payments on lower and middle-priced housing by up to 50%. The President's proposal will lower the monthly mortgage payments in the early years of home ownership and then, increase them as a family's income rises.



HOME OWNERSHIP

Improving the quality of housing available to low and moderate income families is one of the key objectives of President Ford's housing policies.

Past emphasis on building large Federal Housing projects for direct rental to poor families--projects that in many cases soon were plagued by vandalism--has been replaced with the rent supplement program. By relying on the private sector for the construction, financing and maintenance of housing for lower income families, these families are given more freedom of choice in seeking a place to live.

Moderate income families have seen an increase in the maximum Federal Mortgage Insurance they can get toward the purchase of a new home.

The President has sought to pursue economic policies, including tight control of unnecessary Federal spending, to hold down inflation, reduce interest rates, cut taxes, increase purchasing power and thus, make available more funds for home mortgages.

President Ford's home purchase policy has sought to make available to homeowners the mortgage credit they need at reasonable interest rates, and to moderate extreme swings in mortgage credit availability.

The President recently announced an accelerated homeownership program that would:

- reduce down payments on FHA loans for lower and middle price houses by up to 50%.
- accelerate implementation of a new Federal Guaranty Program to lower monthly payments in the early years of homeownership and gradually increase them as family income increases.



URBAN COMMUNITY DEVELOPMENT

President Ford is committed to returning more power to State and local authorities to deal with their local problems, free from unnecessary Federal red tape.

In one of his early actions as President, signifying major progress toward this goal, President Ford signed the Housing and Community Development Act of 1974.

This Act, along with the General Revenue Sharing Program, forms the cornerstone of the President's urban policy and marks a complete and welcome reversal in the way the Federal government tries to help urban communities solve their problems. Local officials are provided the resources to deal with the particular need of their communities as they think best instead of being told from Washington exactly what they must do.

Under the new approach:

- * A single block grant for community development replaces seven rigid categorical grant programs such as model cities and urban renewal.
- * The President's budget provides \$3.25 billion for block grants in 1977, about \$450 million more than in 1976 and nearly a billion dollars more than the \$2.47 billion provided for the old categorical programs in 1972.

President Ford demonstrated his concern with the growing problems facing many older cities when he established, on June 30, 1976, a Commission on Urban Development and Neighborhood Revitalization to recommend to him, by October 1, ways to revitalize urban areas and neighborhoods. HUD Secretary Carla Hills is chairman of the Commission.



HOUSING/MORTGAGES -- CHANGES
FOR MIDDLE-INCOME AMERICANS

In his speech at the University of Michigan on September 15, 1976, the President stated as one of his goals home-ownership by every American family that wants a home and is willing to work and save for it. President Ford has outlined the following policies for achieving that goal:

- * The continuation of economic policies, including tight control of unnecessary Federal spending, in order to hold down inflation, reduce interest rates and cut taxes. These policies will increase purchasing power and make funds available for home mortgages.
- * At the present time, down-payment requirements are too high for most people to afford. President Ford has recommended changes in the FHA law to reduce down-payments on FHA-insured mortgages by up to 50%.
- * The President has directed the Department of Housing and Urban Development to accelerate implementation of a new federal guaranty program to lower monthly payments in the early years of home-ownership and gradually increase them as the family income goes up.

