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THE WHITE HOUSE
WASHINGTON

October 3, 1975

TO: PAUL THEIS
FROM: ROBERT T. HARTMANN

F.Y.I.





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

file
FY 1977
budget

OCT 3 1975

MEMORANDUM FOR: WILLIAM BAROODY
PHILIP BUCHEN
JAMES CANNON
RICHARD CHENEY
JAMES CONNOR
JOHN DUNN
ALAN GREENSPAN
ROBERT HARTMANN
JOHN MARSH
RONALD NESSEN
DONALD RUMSFELD
BRENT SCOWCROFT
WILLIAM SEIDMAN
JOHN VENEMAN

FROM: JAMES T. LYNN

SUBJECT: 1977 Budget Process

Preparation of the FY 1977 budget is well underway. The budget submissions for most agencies have already arrived at OMB.

These submissions are the starting point for the fall budget process culminating in the transmittal of the document to the United States Congress on January 19, 1976.

It should be emphasized that this budget will go to the Congress about two weeks earlier than the two previous budgets. This is in response to Congress' expressed need (and formal request) for more review time during the first year in which the new budget reform procedures become fully effective.

Because your participation in the budget process is important, and in fact essential, I have attached for your information a broad outline of the 1977 budget process which will give you an idea of the timetable that is necessary if we are to meet the January 19 deadline.



You and your staff may desire to provide input or to advance ideas of your own concerning the 1977 budget. We also recognize you may wish to consult with OMB on our views or those of the agencies.

Your contributions and suggestions are welcome and solicited. Please note that they are most timely and useful in October and early November. After Thanksgiving it becomes increasingly difficult to make changes.

Should you desire additional information, please contact us.

Thank you for your cooperation.

Attachments



PLAN FOR THE 1977 BUDGET PROCESS

Examiner review of agency proposals (September and October). Most agency budget submissions are received by October 1. Upon receipt, the submissions are analyzed in detail by OMB examining staff. During this period, hearings are scheduled with agency representatives to obtain a better understanding of the proposals. No commitments are made during these hearings.

Preparing recommendations to the President on agency budget requests (October and November). OMB associate directors (Don Ogilvie, Cal Collier, and Jim Mitchell) and their deputies will put together tentative budget recommendations after an intensive review of the agency budget submissions and the recommendations of the OMB examiners. Major issues for the larger agencies will be discussed at oral review sessions conducted by Jim Lynn and Paul O'Neill between October 14 and November 19 (see attached schedule). As in the past, we hope that representatives of the White House and other Executive Offices can join us in the appropriate sessions. Materials for each of the sessions are available in advance from the Secretary of the Director's Review, Lee Mosedale (ext. 4884), who can also inform those planning to attend specific sessions of any changes in the schedule. Review of recommendations on minor issues in the larger agencies and recommendations for smaller agencies will be handled by the circulation of decision papers within OMB. White House and Executive Office representatives will also be consulted.

Presentation of budget issues and requests to the President (October 30 to November 26). The objective of the first round of reviews with the President is to determine what response should be made to agencies' budget requests. The responses will be made as soon as possible after each meeting with the President. During this first round, we will give the President progress reports on the emerging budget totals. We will also be reporting on those totals at senior staff meetings. The first round will be completed before the President's trip to China.

Presidential Appeals (weeks of December 8 and 15). If a major agency feels compelled to disagree with the response to its request, the agency and OMB will prepare joint appeal papers for the President's review. Agency heads will attend some of these sessions with the President.

Drafting the Budget Message and related policy statements (beginning in mid-November). OMB staff will prepare initial drafts on the President's Budget Message and the more detailed justification of the President's proposals that are contained in the 100 or so pages of Part 5 of the main budget volume, "The Federal Program by Function." These will be prepared in late November and will not only explain the



budget proposals, but will also reflect the Administration's policy viewpoints that support them. Subsequent drafts of the Message will be circulated to you when they have gone through our internal review and begin to develop into something like a final product. Relevant sections of Part 5 will be circulated to your staffs shortly after Christmas.

Preparation and printing of the budget documents (late November to mid-January). Initial printing of the budget documents will begin on November 24. Final adjustments to agency requests, to economic assumptions, and to new Presidential initiatives must be worked into the budget detail and the numbers "locked up" before (1) the large volume of numbers can be summarized and categorized in a variety of ways, and (2) justification and explanation of the budget can be drafted. The lock-up must occur by Christmas. Final production of documents must be released to the Government Printing Office for final production on a phased schedule 10 to 6 days before transmittal.

Press briefings (Saturday, January 17). The budget documents will be released to the press on January 16. Not only the main press briefing, but also many agency briefings will be held on January 17.

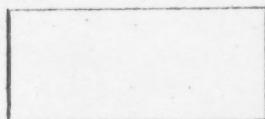
Transmittal to the Congress (Monday, January 19).



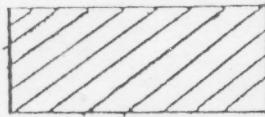
1977 Budget Review Sessions

OCTOBER

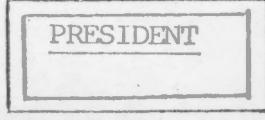
MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
	13 Columbus Day	14 Economic and Fiscal Overview	15	EPA
				17 VA
20	21	22 Interior and Corps of Engineers	23 Labor	24
				NASA
27 Veterans Day	28 NR, EPA & SSFT small agencies	29 Statistics Crosscut TA & NS small agencies	30 PRESIDENT VA Labor	31 HUD



- sessions on the larger agencies



- sessions on small agencies



- proposed sessions with the President



All sessions will be held in Room 248, Old Executive Office Building. Morning sessions begin at 10:00 a.m., afternoon sessions begin at 2:15 p.m..

1977 Budget Review Sessions
NOVEMBER

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
PRESIDENT EPA, Interior, Corps of Engineers ----- *3	Agriculture HR & CVA small agencies 4	Foreign economic and military aid *5	PRESIDENT NASA and Mitchell small agencies 6	ERDA and Energy R&D** * 7
HEW *10	Treasury GSA 11	Commerce SBA 12	Defense 13	Energy Policy and FEA** 14
PRESIDENT ERDA and Energy R&D ----- 17	Transporta- tion 18	PRESIDENT HUD 19	PRESIDENT Agriculture 20	21
PRESIDENT Foreign Aid Ogilvie small agencies 24	PRESIDENT HEW & HR/CVA small agencies 25	PRESIDENT Justice, CSC & half of Collier small agencies 26	PRESIDENT Treasury, GSA, Commerce SBA 27	PRESIDENT Defense and Ogilvie small agencies 28
PRESIDENT Energy Policy and FEA -----	PRESIDENT DOT & half of Collier small agencies 25	PRESIDENT Justice, CSC & half of Collier small agencies 26	Thanksgiving	



*Indicates entire day allotted for review.

**Morning session begins at 10:30 a.m.

*Till
Save*

EMBARGOED FOR RELEASE UNTIL
10:00 A.M. WEDNESDAY,
JANUARY 21, 1976

JANUARY 20, 1976

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

BRIEFING BY THE PRESIDENT
ON THE
1977 FISCAL YEAR BUDGET

THE STATE DEPARTMENT AUDITORIUM

9:35 A.M. EST

THE PRESIDENT: Good morning.

It seems to me I have seen some of you before in the last 24 hours.

Mr. Vice President, members of the Cabinet, members of the press, and guests:

Let me welcome you to this briefing on the budget this morning. I am going to break with tradition of the recent past and begin with a very few, or very limited, remarks. Then I will respond to your individual questions about the specifics in the new budget.

I might note that over a quarter of a century ago, when President Truman used to conduct similar briefings, he sent up a budget for \$43 billion in expenditures. His message to the Congress on that occasion was over 80 pages long, and here is a copy of it.

This year the budget is \$394.2 billion, but my budget message is only four pages long. So, at least we are beginning to achieve some economies in those areas over which we have some direct control. (Laughter)

Naturally, I hope we have an equal amount of success with the Congress in this regard. I decided to conduct this briefing myself in order to emphasize how important the new 1977 budget is to the future of the United States.

We are at a critical point in our history, a point where we can either allow Federal spending and Federal deficits to mushroom and allow our economic foundations to erode, or on the other hand we can decide to restrain the growth of Federal spending and restore the vitality of our private economy.

MORE



This is what I meant when I spoke last night about striking a new balance within our economy.

Let me call your attention to a few passages from this budget that I regard as particularly important for all. The combination of tax and spending changes I propose will set us 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 we can sustain.

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.

In formulating this budget, I have tried to achieve fairness, as well as balance, between the taxpayer and those who will benefit from Federal spending, between national security and other pressing needs, and between the desires to solve our problems quickly and the realization that for some problems good solutions will take more time.

The American people know that promises that the Federal Government will do more for them every year have not been kept. I make no such promises. I offer no such illusions. Notwithstanding these hard choices, I believe this budget reflects a forward-looking spirit that is in keeping with our heritage as we begin our Nation's third century.

With those introductory comments, I would like to turn to your questions. As you can see, the members of the Cabinet, along with the Vice President, and the heads of the major independent agencies are here. You should feel free to direct questions to them specifically. I will, of course, reserve the right to add to or, if necessary, even subtract from their answers. (Laughter)

With those comments, I will be glad to call on Dick Grawald.

QUESTION: Mr. President, we understand that one individual is to be named with authority and scope for authority to handle welfare matters for the Administration, a so-called welfare czar, such as Mr. Zarb's activities in the energy field. Can you please tell us about that?

MORE

THE PRESIDENT: That, of course, is a possibility, although no specific decision has been made as yet. In order to achieve our welfare reform, which is needed and necessary, we have to get some additional authority, some flexibility, from the Congress.

We will ask for that authority, and once that authority is given -- and I hope the Congress will respond -- it is conceivable that we will appoint a so-called welfare czar.

QUESTION: Mr. President, there has been some criticism there might be some gimmickry in your budget. Can you tell me how you square such things as a \$10 billion tax cut with such things as a Social Security increase?

THE PRESIDENT: Fran, the way in which we achieved the spending limitation of \$394.2 billion was not any gimmickry whatsoever. We went through the process which produced this result by giving each department some spending limitation back in the early fall. They then had an opportunity to come forward with their programs within those departmental limitations.

I then made an evaluation in October, predicated on the changed economic trends. We, therefore, were in a position to revise some of those limitations to respond to some of the departmental requests, and the net result is we have been able to take care of the older people in Social Security in all Government retirement programs without any capping, so to speak.

We felt that this was the proper thing to do under the current circumstance, bearing in mind the beneficiaries as well as the failure of Congress to act on those for the current fiscal year, and at the same time be realistic and honest in asking, for example, for additional tax increases in the Social Security Trust Funds payments.

It was an even balance in seeking to impose integrity on the Trust Fund funding on the one hand and benefits for those who were retired on the other.

QUESTION: Mr. President, you have stressed the need to reduce the size of Government and, as you say, restore the vitality of the private sector. Some critics say that in doing so, you are creating additional fiscal restraints for the economy that threatens recovery and perhaps induces a new recession. How do you respond to that criticism?

MORE

THE PRESIDENT: I don't believe that an additional \$10 billion tax reduction will restrain the economy. It will probably be a partial stimulant to the economy if the Congress responds to my request and makes it effective July 1, 1976.

The other side of the coin, the restraint on Federal spending to a limit of \$394.2 billion, is not a cutback in Federal spending, but a 5 percent increase in Federal spending over the present spending growth figures for fiscal 1976.

So, I think the critics are totally wrong. We are adding to a tax cut on the one hand to keep the momentum going, and we are permitting limited growth and spending on the other side.

QUESTION: Mr. President, if I may follow up, when you measure that increase in dollars, 5-1/2 percent against your own projected rate of inflation, isn't there an actual cut in real spending?

THE PRESIDENT: It is my recollection -- and I may be in error -- that that -- no, I am sorry, I am wrong. The rate of inflation for fiscal 1977 is anticipated to be 6 percent, and the growth in Federal spending is roughly 5-1/2 percent.

But, it is growth to that degree. I think the economy will come along very well, particularly with the \$10 billion increase in a tax reduction.

QUESTION: Mr. President, to follow up on that same thing, another measure of the economic effect of the budget is what we call the full employment deficit or surplus, and this budget shows it would be actually in surplus in fiscal 1977, and I wonder how you would respond to the criticism that that is very bad policy at a time of continued high unemployment?

THE PRESIDENT: It seems to me that if we don't get a handle now on the growth of Federal spending -- and this is a critical year, it is a threshold -- we are going to be in serious difficulties in the years projected ahead.

Our projections for the reduction in unemployment show that in 1976 or 1975 it will be 8.5 as an average, 7.7 in 1976 and down to 6.9 or 6.8 in the following year. It seems to me this trend is in the right direction, and the overall balance between spending and tax reductions are in the right proportion.

MORE

QUESTION: Mr. President, you will need the utmost in Congressional cooperation to make this budget valid, as you well know, and my question is to what extent did you consult with the Congressional budget committees or with the leadership in preparing this?

THE PRESIDENT: I did not personally consult with any of the budget committees. I suspect that members of the OMB staff were in communication, but you would have to ask them particularly. I did not consult personally with any of the Members of the House or Senate budget committees.

The responsibility as President is to prepare the budget, and I prepared it. I think I spent over 100 hours in personal attention to the decision-making process as far as the budget was concerned. That is a Presidential responsibility.

The Congress, subsequently, has its responsibility, and I would assume they will undertake it.

QUESTION: Mr. President, most of these cutbacks, reductions and consolidations have been aimed at traditional targets of conservatives; that is, health, education, social services, Medicaid. If you were really and truly seeking Congressional cooperation in controlling Federal spending, do you think it would have been more effective if you were evenhanded in your reductions?

I note there is a pretty big increase in the Defense Department budget. Do you think you would have gotten more cooperation from Congress if you would have tried to be a little more evenhanded in your reductions?

THE PRESIDENT: Let me take each of the consolidations. In the case of education, which includes elementary and secondary education, which includes vocational education, aid to the handicapped and libraries, the figure for fiscal 1977 is \$3 billion 300 million. We have added sweeteners of \$150 million, so there is no cutback, none whatsoever, in the Federal aid to education. It is an increase rather than a cutback.

In the case of health, we are recommending in the consolidation process taking some 15 or 16 categorical grant programs, and in this case we are increasing the Federal contributions to the States over fiscal year 1976. That is not a cutback.

In the case of social services, as I recollect, it is identical. In the case of child nutrition, where we are consolidating 15 programs, there is a cutback, but it is a very good and simple answer. We will give more money to the children at the poverty level or below, and we will cut out child nutrition programs for those families above the poverty line.

I think that makes sense. We will spend less money but we will concentrate the Federal resources on the children below the poverty line, and the people above the poverty line ought to be able to take care of their own children.

So, overall, I think you will find that in the four programs that we have consolidated, there is more spending contemplated in 1977 than in 1976, so there can't be any valid accusation that we have reduced Federal grants to States for programs that we believe should be carried on.

We simply are emphasizing with this approach a better delivery system of the services, whether it is health, social services, education or child nutrition.

QUESTION: Mr. President, if you are interested in reversing a flow of power toward Washington and giving more flexibility to State and local Government, why don't you go all the way and actually transfer those programs and the tax base to the States, as has been proposed, rather than have the money come to Washington and ship it back in block grants?

THE PRESIDENT: I think the other approach is totally impractical. I can't imagine 50 States having all of these programs dumped on them and then have to increase taxes if they want the programs continued. The better approach is the one that I have recommended. It provides an equal or greater amount in toto of funding from the Federal Government to States, but giving to the individual States the authority to decide at that level what programs they want continued and how they want individual programs to be handled.

I have talked on many occasions to Vice President Rockefeller, who served 15 years as Governor of the State of New York, and he has repeatedly indicated to me that if the approach that we are recommending was in effect, that a substantial percentage of the Federal funds could be saved by better administration.

Perhaps the Vice President, who has had some practical experience in this area of managing State and Federal programs, would be a better witness than myself.

VICE PRESIDENT ROCKEFELLER: I think you asked a very fundamental question, and for those of us who come from States where there has been a long tradition of social responsibility and where we have increased taxes, particularly income taxes, and where our neighbors have no income tax and where other States don't have income tax, we find ourselves able to finance the programs.

MORE

But, those States which don't have the income taxes don't have the programs and, therefore, we attract those who need help and we lose those who are trying to manufacture or do business and who move to the States where the taxes are lower.

There is no chance of the States on their own voluntary effort developing uniform tax structures, and we are vulcanizing America. Therefore, I think the President has followed a course which the Governors for 15 years, to my knowledge, have urged that we go to block grants, that we give the States the opportunity to develop their programs with the assistance from the Federal Government, because the Federal Government, since the time that the Federal Government was authorized to collect income taxes, has the fast growing tax source.

Some States have adopted it, but a great many have not. Therefore, we have a tremendously difficult situation as far as the tax structure of the 50 States of this country is concerned.

QUESTION: May I follow that? In that case, why are you dropping the matching funds requirement, since in that case the wealthy States will continue to match funds voluntarily and the poor States won't, and the same harmful effect you mentioned will continue?

VICE PRESIDENT ROCKEFELLER: Yes, but what you don't -- excuse me, sir. I mean, what I would like to point out (Laughter) is that with the requirement that the Federal Government has had for years that you have to enrich and improve your programs if you are going to get matching funds.

If your programs are already rich and improved and you want to get Federal funds, you have to make it more rich and more improved, and the result is that our standards in New York went higher and higher -- higher than we felt they should -- but it was the only way we could get the Federal money and, therefore, it distorted our whole structure.

I understand Congress' attitude on this. They don't want to give money and have it substitute for local tax money, but if you are already doing the job, why should you increase it when there are other things you need more or when you should reduce taxes, which is what we wanted to do, but could not do because of these laws.

This is a very complex situation, and the special interest groups -- and I understand that, too -- instead of going to 50 State Legislatures, that it was much easier for them to go to Congress. They get a constituency in Congress and in the Congressional staffs and in the bureaucracy of the Federal Government.

MORE

They have a situation going that is very powerful, and I admire tremendously the President's courage in stepping up to this thing and facing it as he has and having the confidence and the belief and the faith in the American people and their elected representatives and local Government.

This is what America is all about, and I think this is a very significant step and a turning point in our country, and is going to be welcomed by the States and local Governments, and that includes cities and counties.

Thank you.

THE PRESIDENT: I might make two added comments. We have two block grant programs at the present time; one, the community development program, which consolidated seven categorical grant programs for the aid and assistance of urban communities. That program is in effect, it works well and the communities were held harmless in the transition process.

The Law Enforcement Assistance Act was also a block grant program which gives flexibility to the States in the decision-making process. It is working well, so it can work. I believe the Congress will move, and it is a far better program than one that dumps the responsibility on the States and does not give them any assistance in the funding.

QUESTION: Mr. President, last night you placed great emphasis on your proposal to crank into the Medicare program the catastrophic insurance plan, which would cost an additional \$538 million, but in this morning's document I note that this would be more than offset by taking from Medicare recipients \$1.3 billion and from providers of health services about close to another billion dollars so that the net for Medicare is actually reduced by 2.2.

My question is, do you feel you leveled with the medical profession and the Medicare recipients last night when you told them only about the sweetener and not about the bitter pill?

THE PRESIDENT: Let me remind you, you ought to go back and read my statement. I said in the statement there will be a slight increase in the fees. It is in the sentence where I referred to the \$500 and \$250.

Now, let's talk about the facts. Under the present situation, when a person under Medicare goes into the hospital, that individual in effect gets 60 days free care. After 60 days, that person bears the total financial burden.

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Under my plan, which I think is the soundest, the person pays 10 percent of the hospital care cost up to a total of \$500. After \$500 the individual pays nothing, and after \$250 for physician care the individual pays nothing.

What we are trying to do is help the three million people who are today affected very adversely by catastrophic illness, three million out of 25 million.

The financial burden, the mental fear and apprehension of the individual who is hurt by a catastrophic illness is really extremely serious. In order to protect these three million people, who have no hope, none whatsoever, of protecting themselves after they are afflicted, we think is the right group to concentrate on, and we feel that we can redistribute the financial burden across the 25 other million people in order to protect those three, and all of those who might in the future be affected.

QUESTION: Mr. President, only a month or two ago you were quite insistent that Congress commit itself to a specific spending ceiling as a precondition of any tax cut. Yet, last night, when you proposed your additional \$10 billion in tax cuts, you made no mention of a requirement for such a spending ceiling. Could you explain that?

THE PRESIDENT: I think if you reread the message you will find that I do say -- or did say, rather -- in that message that if we restrain Federal spending, we can have a tax reduction on a dollar for dollar basis. I can't remember the page, but it is in the message that I read to the Congress last night.

QUESTION: Yes, but I think that you are no longer insisting on a specific ceiling being approved by Congress as a precondition to that extra \$10 billion.

THE PRESIDENT: We say that the ceiling is \$394.2. Now, there are uncertainties that take place as we move along, and we have five and one-half months before July 1, 1976. So, there has to be some flexibility.

I have picked a ceiling. I have said that we can, with that ceiling, as of today, have a \$10 billion additional tax reduction over that the Congress has approved. We will have to wait and see how economic conditions develop in the coming months, but the concept of dollar for dollar was set forth in the message last night.

QUESTION: Mr. President, wouldn't one way to help the States and cities the most be to establish comprehensive welfare reform and take most, if not all, of the financial burden off the States and welfare cities. I notice we are just remodeling the present structure without going into any extensive welfare reform.

THE PRESIDENT: That is a possibility, and there are a number of options for complete and total reform of welfare. When I was in the Congress, on two occasions I voted for what was known as family assistance programs. But, it did not seem to us, as I said last night, that this was the time, as we are coming of the recession, to make a massive reform of welfare.

We believe that the better approach at the present time is to get legislative authority from the Congress in order to take specific actions to remedy defects in the various individual programs. I do not rule out the possibility of a total reform of welfare in the years ahead, but I think at the present time it would be very unwise.

QUESTION: Mr. President, I wanted to follow up on the bitter pill question about Medicare. As it stands now, under Medicare you get \$104 Medicare. There is a \$104 deductible for the first 60 days. That is my understanding of it. But, under your plan it would be 10 percent of that in the first 60 days.

I checked with Social Security Medicare, and your people up in Baltimore, and it turns out the average stay for a Medicare patient is 12 and one-half days. Using your formula, instead of getting \$104 in a Medicare payment for that first 60 days, you would get almost \$240.

Is that your understanding, that this would be an upfront cost to Medicare recipients, that they would have a doubling of cash out of their pocket?

THE PRESIDENT: I can't recall the precise figures, but as I said last night, there is an increase in the front end cost, but the three million people who are saved from the horrendous cost of catastrophic illness are protected.

Anyone who has known a family or had someone in a family who had catastrophic care problems knows that that is the worst thing that could possibly happen, and we think a redistribution of the cost for the people who are relatively well compared to those who are bedridden for months and months is the proper approach.

QUESTION: Mr. President, could you tell us -- or perhaps Mr. Lynn or Mr. Clements or Mr. Ogilvie -- the difference between the defense budget presented here and the one advocated by Secretary Schlesinger?

MORE

THE PRESIDENT: The defense budget that we have submitted includes all of the programs that former Secretary Schlesinger recommended. The defense budget for fiscal year 1977 calls for obligation authority of \$112.7 billion, an increase of around \$10 to \$11 billion over the current fiscal year.

It calls for expenditures of \$100.2, which is roughly \$8 billion over the anticipated expenditures for fiscal year 1976, this year.

The budget provides all of the major programs requested by the Joint Chiefs of Staff. There is virtually no difference in what has been approved in dollars or programs in what the former Secretary of Defense recommended. We keep the exact uniform personnel figures the same. 2.1 million in fiscal 1971; 2.1 million in fiscal 1977.

We do call for a reduction of 25,000 in civilian employment in the Defense Department, but I think better management can bring that about.

Bill, do you want to add any comment?

MR. CLEMENTS: I would only say, to enlarge upon your statement, that the various services and the Joint Chiefs are completely in accord with the budget as you presented it. It provides for real growth in the defense budget and in a reasonable sense it maintains the momentum of the programs that we consider our priority programs, and I would say that the Department of Defense is pleased with the budget.

We are not entirely satisfied, of course, I don't think we would ever be in that particular position. But, we are pleased with the budget. We think it meets our requirements, it maintains our momentum and it gives us the priority programs we need.

QUESTION: Mr. President, a number of leading Democrats, including virtually all the Presidential candidates, are advocating a Government policy that would guarantee a job for everyone who wants to work.

I want to know why you rejected that position, and do you challenge their contention that for every 1 percent decrease in unemployment there is a \$16 billion increase in Federal revenues and, therefore, such a policy would not increase the deficit?

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THE PRESIDENT: I don't believe that the Federal Government should, out of the Federal Treasury, coming from the Federal taxpayers, provide a job for every individual. It seems to me that the better approach is to create an economic environment, so that the private sector provides jobs for those who want to work.

That is the basis of my proposal in the budget, and in the economic message. The employment of individuals by the Government, with the taxpayers paying the bill for their employment, in my opinion is not in concept the American way. We have prospered, and we will prosper in the future, by utilizing the free enterprise system and the private sector far better than making the Government the employer.

QUESTION: Mr. President?

THE PRESIDENT: Yes, Sarah, how are you? (Laughter)

QUESTION: Don't you feel that you may have 50 little nations by sending this money back to the States for this program on children and other block grant ventures? Don't you feel the States might take the money and then might use it badly or they might not have a program at all?

One State might have a better program than the other, and the people in the population might flock to that State.

THE PRESIDENT: Sarah, I think you have forgotten that the Federal Government was established by the States.

QUESTION: I have not forgotten it, sir, but I don't see how that applies here.

THE PRESIDENT: It seems to me the States have a record of handling the problems the best, as far as their individual circumstances are concerned. I believe that States and local units of Government with elected officials can make better judgments than a bureaucracy here in Washington, D.C.

I believe that the closer decisions are made to the people, the better they are. That is the concept in which I firmly believe. It is working in community development. It is working in the law enforcement assistance area.

MORE

I am not going to give up on properly elected officials at the State and local level. I think they do a good job, and all we are doing is giving them money to carry out the kinds of programs. The programs in education may be different in Florida from those in Maine. The programs in the field of health may be different in South Carolina than they are in Alaska.

I happen to believe that the Governor of Alaska and the Governor of Florida or South Carolina can make good judgments in these areas. I think we have an obligation to help give them the money so the programs can be continued and not pull the money away and tell them to undertake the programs.

QUESTION: Mr. President, I notice in your economic assumptions that you predict 7.7 percent unemployment about November of 1978.

Would you talk about politics for a moment and tell us how this might affect your chances for election?

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THE PRESIDENT: Let me point out that the economic assumptions say that in 1975 they were 8.5 and the average in 1976 will be 7.7 and it will go down to 6.9 in 1978. The important point is not the average. The important point is that the trend of unemployment is down. It will be an average of 7.7, but it will start higher in January of this year, and by November of this year, I think it will be something less than 7.7. The trend is down.

What does that mean? It means that everybody who has a job has a degree of security and those who don't have a job know the prospects for getting one are better. That is the situation when the trend is down, as we projected, and it will be. So from an economic point of view, with peripheral political benefits, I think it is a good program.

QUESTION: Mr. President, can you give the specifics on what you project for November?

THE PRESIDENT: I can't give you the specific projection for November. All I know is the trend will be down.

QUESTION: Mr. President, given your difficulties with the Congress last year, and given the fact that you said the Presidential responsibility is to make the budget but, nevertheless, you did consult with the budget committees, and given the fact that many of these programs have been in effect for years and they are already tired of the Congressional way of life, so to speak, do you realistically expect, sir, that you can get cooperation from the Congress to pass the budget that you are recommending, and where will you make the compromise?

THE PRESIDENT: I expect to get full support from the Governors, from local officials. I think they can have an impact on the Congress in those proposed consolidation areas. In fact, I am meeting with some Governors and local officials before lunch -- and having lunch with them today -- just to try and generate real activity by them on behalf of what I have recommended.

Maybe the Congress won't go along, but if you look at those mess charts up there, anybody with any common sense would want to make some changes. And I happen to believe there are quite a few people in the Congress who have some common sense.

Look at those mess charts up there. It is unbelievable. And I think Congress, when they look at it, and the public sees it, will respond.

QUESTION: Mr. President, going back and following up on the medical catastrophic illness. You said there were 3 million out of 25 million with catastrophic illnesses. What have you done, sir, to provide more money for medical research? Last year the NIH medical research funds were cut. What do you provide for research in medicine for these catastrophic illnesses?

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THE PRESIDENT: I believe that -- let me say this. Overall research in this budget -- this is across the spectrum -- is \$24 billion-plus, an 11 percent increase in the Federal funds for research, including an 11 percent increase in basic research. It is the largest Federal budget for research in our history -- an 11 percent growth factor. I believe, if you take all of the NIH proposed funding, that we are roughly the same as we have recommended for fiscal 1976.

David, do you want to comment on that?

SECRETARY MATHEWS: To be concise, your budget recommends an increase of \$185 million for all of the institutes under NIH, that is roughly a 10 or 11 percent increase

QUESTION: Mr. President, now that Congress has attached its salaries to this equation and it has also attached the Government pay raises to inflation and the Government pensions to inflation, isn't it true this guarantees we are going to have inflation and also guarantees a continuous erosion of private pensions and private salaries which are not attached to inflation?

THE PRESIDENT: The experience we had this last year worked out very well in getting some restraint on the growth of pay increases in the Federal Government, including the Congressional pay increases. The cap was 5 percent. The proposed increase was 8.6. So, yes, there will be some growth, but I think the connection between the two gives us a better handle on doing it responsibly than the way it was before. I think Government employees should not have their pay frozen ad infinitum. The way it worked last year worked out quite well.

QUESTION: Mr. President, I have a two part question. One, a lot of people -- poor people, rightly or wrongly -- are depending on Medicaid to pay their doctor bills. What will happen in States without that social responsibility that Governor Rockefeller talks about when they decide not to match the Federal payment with the State money.

And, secondly, in States such as New York, when the Medicare gives out, people go over onto Medicaid and this is a de facto catastrophic illness plan. What is the improvement here?

THE PRESIDENT: I don't believe that the public in any State will permit a State Legislature or a Governor from failing to meet their responsibilities. They have the same public interest and pressure on them that the Congress does. The record is good and the money that we plan to give to the States in the health consolidation program is \$10 billion in fiscal 1977, it goes to \$10-1/2 billion in fiscal 1978, and to \$11 billion in fiscal 1979. We are showing our responsiveness, and I believe that States will respond as their citizens want them to.

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Now, on the question of going from Medicaid to Medicare -- or Medicare to Medicaid -- under the catastrophic program that I have, the individual has not reason to do so -- none whatsoever.

QUESTION: Mr. President, in your budget, why is it that proposed outlays for military programs go up 9 percent while proposed outlays for education go down 12 percent, and for such things as community development down about 5 percent?

THE PRESIDENT: It relates precisely to our national security. We have had, over the last ten years, a trend totally in the opposite direction. Ten years ago the Department of Defense got, roughly, 40-some percent of the Federal outlays and domestic programs got 32 or 33 percent. And in fiscal 1976, it was almost reversed. And if we are going to have an adequate national security, if we are going to have a capability and conventional or strategic arms, we have to increase our expenditures in fiscal 1977. It is just that our national security dictates it. We have been pinching the national security forces in the last ten years, and I think we have to have a slight change in that direction.

QUESTION: If I might follow up -- there, of course, are a great many people in this country that think that education is involved in our national security, and I would like to ask you, with a 6 percent projected rate of inflation and a 12 percent cut in Federal education programs, how is education in the United States possibly going to keep up?

THE PRESIDENT: As I recall, the percentage of money spent on education nationwide by the Federal Government is a relatively small part of it, and, actually, in our education program we are recommending \$150 million more, so we are adding to the pot as far as the Federal Government is concerned.

I will ask Secretary Mathews to give you a more complete answer, but the Federal contribution to education is a relatively small part of the total that is spent by States and local communities for education. So the switch here I don't think is significant, particularly when the Federal Government has the total responsibility for our national security, and that is our prime obligation in this complicated world in which we live.

SECRETARY MATHEWS: Up until a minute ago, Mr. President, I thought that our increase in the block grant was \$263 million, but, roughly (Laughter) an increase there of some several hundred million dollars. The figures we have indicate that for your 1976 budget, revised, you have recommended \$6 billion 451 million. This year you are requesting \$6 billion 916 million, which is an increase.

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QUESTION: Mr. President, I would like to ask you about the Social Security tax increase. An increase in Social Security tax rates hits people below the poverty line as well as those up to the wage base. It also raises labor costs to employers and helps cause higher prices. Why did you opt for a Social Security tax rate increase instead of either increasing the wage base very substantially or doing what the original task force that helped create Social Security programs recommended, which was to turn to general revenue financing for the welfare components of Social Security, that initial unfunded liability you create when you raise benefits?

THE PRESIDENT: If you go to the program that you have indicated in the last option, you are in effect losing the concept that a person working is paying for his or her retirement. I think it is important for us to retain that concept, that a person, through Social Security, is in effect contributing to his or her capability to retire at a date certain. I strongly oppose dipping into general funds to supplement the Social Security Trust Fund.

The option of increasing the tax three-tenths of one percent I think is the most responsible way to do it. To broaden the base, as I said last night, it will mean that the person at the wage ceiling of \$15,400 will pay no more than \$47.00 a year or less than one dollar a week. The person at the lower wage base will pay significantly less -- very limited increase.

So I think it is a fair way to distribute the burden for having a retirement certainty at 65.

QUESTION: Mr. President, on the question of jobs again, the Democrats are likely to ask why it is proper, in your view, for the Federal Government to spend \$17 billion on unemployment compensation and not take a portion of that money to create jobs for the people who are out of work. How do you respond to that?

THE PRESIDENT: It has never been proposed in the Congress during the 25 years I was there -- and the Democrats dominated the Congress in all but two years -- that they would use that concept while they were controlling the Congress. This must be a new idea of spending unemployment payments to create jobs. I have never heard of that approach before.

What we think is the better way is to not take that money, which is a well-accepted concept, and stimulate the economy so that we get more people off the unemployment rolls and reduce our unemployment payments and get people working for private enterprise rather than for Government on the one hand or unemployment on the other.

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QUESTION: If I may follow up, Dr. Burns suggested, among other people, that it would be well to limit the period of unemployment compensation and instead provide jobs through Government means.

THE PRESIDENT: Yes, Dave, I saw what Dr. Burns said and I was very interested in what George Meany said in response. Dr. Burns proposed that people who work for the Government under this guaranteed employment program of his, that they be paid less than the going wage, or they be paid less than the minimum wage, and the minute Dr. Burns raised that question, George Meany said he would have no part of it.

So there is not unanimity among those who, in one way or another, indicate that the Federal Government should be the employer of last resort.

QUESTION: Mr. President, I did not have my follow up question. I would like to ask Mr. Lynn, if I might -- I asked him yesterday in our briefing in the Old EOB why it was there was nothing in the State of the Union Message about handling the excessive increases of Federal pensions whereas they were talking of maybe possibly eliminating the increases in Social Security? Can you answer that, sir?

MR. LYNN: Yesterday, you recall, I had my problem of trying to stick to a briefing on the State of the Union. Today I have no such problem. If you will notice, one of the initiatives of the President in this budget is to eliminate the so-called one percent kicker, which is a provision that, in addition to adjustments for cost of living, adds another one percent and which we feel is not appropriate in the way to address the problem.

There, of course, has to be an overall look constantly in every program in the Federal Government, and this is no exception, but we do believe that this is an important step to be taken to bring that program into better long-range prospective.

QUESTION: Mr. President, can you tell us, sir, how much is in your new budget for Angola and, also, the CIA spending?

THE PRESIDENT: The budget for fiscal 1977 follows the long tradition of not identifying the budget recommendations for the intelligence community. I think that is a good procedure. It has worked well, with some exceptions in the last few months, and I don't think that I should comment either on the amount or the specifics for any undertaking in any definite way.

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QUESTION: Mr. President, Mr. Lynn has just indicated that you are going to propose eliminating the one percent kicker on Federal pensions. Have you proposed or are you planning to propose anything which would deal with the so-called flaw in the Social Security cost of living increase which is said to give a double jump to Social Security beneficiaries?

THE PRESIDENT: It is my recollection that we seek to remedy those defects in all cases. Am I correct?

MR. LYNN: That's right, Mr. President. We do address this question and I think the book that you have been handed on 70 issues goes into that in somewhat more detail.

QUESTION: Mr. President, in your Medicare program you suggest that you are going to limit Medicare payment increases to 7 percent for hospitals and 4 percent for physicians. The medical profession has not been known for limiting their increases. If they ignore this plea, would the burden go on to the recipient and would that be over the maximum amount that we have been told they would pay in catastrophic?

THE PRESIDENT: That limit of 7 percent increase on hospitals and nursing care homes and 4 percent limit on physicians fees applies only to those programs where the Federal Government pays the hospital, the nursing home or the physician. And I believe that a physician or a hospital under those programs can't charge extra where the Federal Government has the principal responsibility.

David or Paul?

SECRETARY MATHEWS: Roughly, the theory we are operating on here is -- everybody knows the costs in health care delivered. They are running well above any of the other inflationary costs. Some figures are up to 40 percent. These are two remedies we seek to restrain that cost, but we are obviously operating on the assumption that there can be some moderation both in hospital fees and in doctors fees in this case.

THE PRESIDENT: Paul, do you want to add anything?

MR. O'NEILL: One thing. Under the Medicare program now and under this new proposed legislation, a doctor or a hospital, if they agree to accept assignment -- that is to say, if they agree to work directly with the Medicare program -- they must agree to accept the fees without any further billing to the patient. They do, of course, have the ability, if they wish to take advantage of it, not to deal directly with the program, but rather to deal directly with the patient, but I don't think we would expect the doctors and hospitals to turn down so-called assignments under these new provisions.

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QUESTION: Mr. President.

THE PRESIDENT: Yes, Tom.

QUESTION: Your mess charts and the other indications is that Health, Education and Welfare is a bit huge. Have you given any thought to breaking up the Department?

THE PRESIDENT: I do not think it is needed and necessary to divide the Department of Health, Education and Welfare. The enactment of the necessary legislation to move to the block grants in health, child nutrition, social services and education, will relieve very substantially, Secretary Mathews' administrative problems. As you can well see from the chart, if we were able to do that, which I hope we can, I see absolutely no need and necessity for tearing apart the Department of HEW.

QUESTION: Mr. President, in the defense section of your budget, you refer to the possibility of the need for developing a new generation of ICBM missiles. How likely a possibility do you think that is, and what do you anticipate its cost to be?

THE PRESIDENT: I think it is still in the R&D stage. We have not gone beyond that. We always are looking down the road to make sure that we don't rest on our oars. We know our adversaries are not, so this is one of several programs that takes a look at the future and the need and necessity for the best weapons for our national security.

Bill, do you want to add any comment?

SECRETARY CLEMENTS: That is exactly right.
I have nothing to add.

QUESTION: If I could follow up -- there has been some defense theory that holds that land-based ICBM's should be phased out entirely and replaced with sea-based. Since you are calling for an increase in Trident appropriations, I wonder what do you think of that theory and do you envision us maintaining ICBM's as a deterrent?

THE PRESIDENT: I believe our ICBM's Minutemen, various versions, are a very strong deterrent and a very capable military weapon. We do have the Poseidon and potential Trident. We have to have a mix. I think it is important, not only to have land-based, but submarine-launched missiles, ballistic missiles, but I think it is also important to have the manned aircraft, the B-52's and the P-1's that are coming along. We are going to be progressive. We are going to be flexible in our strategic weapon capability. It may mean moving to some version of mobile missiles. It may mean development, as we are, in the cruise missile area. We can't stay static. If we ever get on a plateau and stay there, our national security will be seriously in jeopardy.

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QUESTION: Your budget this year includes Federal assistance for 500,000 housing units. Even with this support I believe you are forecasting 1.4 to 1.6 million units. This is well below the two million units that has been presented for current needs.

How do you answer criticism that this Administration is taking away these units and increasing shortages in housing?

THE PRESIDENT: We think the 500,000 housing construction and rehabilitation program is a good base for a sound Federal housing program. The number of starts in calendar 1975 was roughly one million one hundred thousand.

We are optimistic that the figure will be improved, particularly with interest rates going down and with mortgage money being available.

I would like to ask the Secretary of HUD to add anything to that. She just went down and did not get run out of town in Dallas when she spoke to the homebuilders, so she must have a good program that will be better in 1976.

SECRETARY HILLS: I agree, Mr. President, that the remedy to truly help housing is to get the inflation down so that we close the gap between the actual cost of housing and the real income of people. Now, to correct what I think was implied there, our assistance is to people, not to construction, when we address our over 500,000 units.

That reflects 100,000 units which will give an opportunity for home ownership through a home subsidy program. In addition, we have 400,000 units, which is comprised of new, existing and substantially rehabilitated, where the assistance is in the form of rental subsidy whereby we provide the difference between 15 or 25 percent of the person's income and the fair rental value of a modest unit.

In addition, we have reflected in this budget 6,000 units of housing for our Indians, so we are over 500,000 units. But, I think the real remedy is to expand home ownership for all of our people, and we certainly have done that in an emergency basis through our tandem program where great numbers of dollars -- indeed, over \$15 billion of mortgage purchase assistance -- has been provided over the past 22 months for single family dwellings.

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Just two weeks ago we have released \$3 billion for multifamily assistance. I regard these as purely emergency measures, and by 1977, if our economy continues on the track which it is on now, we can be sure we won't need these emergency measures, but that people will be able to enter the housing market and buy the home of their choice.

QUESTION: Mr. President, if I could follow up on the question on housing and ask either you or Mrs. Hills, we have at least nine million people in this country living in slums or paying a disproportionate share of their income for housing.

Some estimates are up to 15 or 16 million. Congress has set a goal of 2.8 million new housing units in this country as necessary to assure every American decent housing and you are proposing 500,000.

How do you justify that?

THE PRESIDENT: The Congress passed several years ago a ten-year program for two million two hundred thousand homes per year. That is the target over a ten-year period. We did not meet that target last year. We met about 50 percent of it. I think in only one year, in the four or five years, has the housing industry been able to meet that \$2.2 million program.

Now, the best way to get more housing is to make more money at lesser interest rates available to the home purchaser, and as long as you have the Federal Government going in this year with a deficit of \$70 to \$75 billion, you can't possibly have enough money out there in the capital field to make money available to build two million two hundred thousand homes.

Now, the 500,000 program that Secretary Hills mentioned is what the Federal Government can do, and I think that is a good base from which the industry can operate and still give enough capital in the capital market for the private sector to meet the rest of the challenge.

Carla, do you want to add anything?

SECRETARY HILLS: I would only say that Congress suggested 600,000 units to assist our poor. We are over 500,000 units at HUD, and there is a substantial rural assistance program in the Department of Agriculture. For the first time in many years, this Administration has truly addressed the housing needs of our poor, and I think it is a program that fits within budget constraints so that we are not at the same time prejudicing others who would be adversely affected by an increase in the mortgage interest rate.

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QUESTION: Mr. President, a year ago you and your staff made a series of projections in terms of economic performance and budget deficit. I wonder what sort of assurances you can give us that these projections are going to be closer to the mark?

THE PRESIDENT: The projections on the budget deficit last year -- and I was checking them this morning -- were not as accurate as I would certainly have liked. As I recall, we projected a \$50 million deficit, and it is going to be somewhere between \$70 and \$74 billion.

But, bear in mind that budget was put together in October and November and December of last year when we were going through a serious inflationary problem, with inflation over 12 percent and not many, if any, experts were telling us we were going into the kind of unemployment that we experienced in 1975.

A substantial increase in the deficit for the current fiscal year is in the additional amount, some \$12 billion, in unemployment compensation.

Now, we believe that the economy is moving in a much steadier way and with no anticipated, unexpected events coming up, so our projections should be much more accurate.

Alan, do you want to add something to that?

MR. GREENSPAN: Yes, Mr. President. It is certainly true that we overestimated the decline in economic activity in 1975 in the last year's report. We had a 3 percent decline in real GNP, and it was actually only 2. The unemployment figures, however, were miscalculated because of very difficult problems with respect to the period in which the estimate between the economy and unemployment was taken.

It is exceptionally difficult to make estimates, both of economic activity and its reflection on the budgetary process. I think if you go back and look at the data last year, I think you will find that the forecasts were reasonably accurate, specifically in the context of how active you intend to be and that the translation to the budget was, I think, missed in part on the deficit side, as far as economic assumptions were concerned, by our misestimating the relationship between the levels of economic activity and the level of unemployment.

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Even though, as you recall, at the time we had a very high rate of unemployment and at the meeting a year ago we sort of startled everybody by the type of level of unemployment we were forecasting. We were still too low by several tenths.

QUESTION: Mr. President, I want to get back to jobs.

THE PRESIDENT: Somebody who has not asked a question.

QUESTION: Mr. President, last night Ways and Means Chairman Al Ullman said it seemed to him that what you were saying was that if Congress has any spending over \$394.2 billion, that you would veto it.

Was that the case? Would you veto everything over that level?

THE PRESIDENT: I would not hesitate to veto any legislation or appropriations that would go beyond \$394.2 billion.

QUESTION: Is there no room for compromise?

THE PRESIDENT: I carefully used the words. I would not hesitate to veto anything over that spending limitation.

QUESTION: Mr. President, do you think your budget is fair to Federal employees? There have been charges you have been making Federal employees wage scales go down by putting a 5 percent cap on Federal spending.

The basis of the Rockefeller Commission report is that it would in essence lower Federal pay.

THE PRESIDENT: The Rockefeller Commission made a number of specific proposals. One, as I recall, on the basis of comparability, took computer operators and secretaries and said that their pay vis-a-vis the private sector was higher, that they were doing better than comparable employees in the private sector so they made a recommendation for revision there.

There is evidence, I think, that although the aim and objective was comparability for Federal employees, in the last three or four or five years since that program has been in effect, there has been some distortion, and the net result is we have had to take some correction action.

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I think it is also fair to point out that another factor does have some significance. Most Federal employees, once they become qualified, are seldom laid off. That is not true in the private sector. In the private sector, they are subject to much more uncertainty, so you have to balance, not only pay but reliability for continuous employment, and when you add it all up, I think in most instances Federal employees are reasonably fairly paid.

Bob?

QUESTION: Mr. President, in the area of military pay, your defense budget makes several cuts in the area of -- reducements in the area of military pay. Do you feel that military members are adequately paid now or are they underpaid or are they overpaid? What is your feeling on military pay?

THE PRESIDENT: The military pay formula for the last several years is predicated on comparability with the private sector. That was the legislation passed. That is the formula that has been used, and the situation is precisely this, for the benefit of background.

Ten years ago the total pay-related cost of the Department of Defense was 40 percent of the total defense expenditure. At the present time, pay-related expenses of the Department of Defense are 52 percent of what the department gets to spend.

It is getting to be a very serious problem as far as the total piece of Defense Department spending. Now, you take the suggestion that we have made for a three-year phase-out of the direct hire of employees in commissaries. The pay of the employees, military personnel in the Defense Department, is predicated on comparability with the civilian work force.

The commissaries, with a Federal subsidy of about \$180 million a year, gives them an added advantage. They ought to at least absorb the direct hire cost. I think that is a responsible and reasonable request.

QUESTION: Is it fair to say because of the commissary benefits, in regard to comparability, you feel military members are overpaid by that amount?

THE PRESIDENT: I did not say overpaid. I think they are paid properly.

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QUESTION: Overcompensated?

THE PRESIDENT: I said they were paid properly. I don't use your words. I use my own. (Laughter)

QUESTION: In light of what you just said about the seriousness of the problem of 52 percent of military budget being spent on pay, would you consider returning to the old nonvoluntary system, the draft system?

THE PRESIDENT: I firmly believe in the all-volunteer military force. I believe that the experience in the last three years has been good. All of the services have been able to recruit all of the manpower they needed.

They have been able to increase the educational requirements and still get all the manpower that they wanted in a voluntary way. So, I strongly believe in an all-volunteer military force, a career force, and the experience in the last several years has been very encouraging, and I think we should continue it.

QUESTION: Mr. President, your last budget message and your last budget placed emphasis on steps to get the Nation out of the recession. Does this budget represent a shift in emphasis to fighting inflation?

THE PRESIDENT: It is a budget that aims at a balanced economy, continued efforts against inflation and the establishment of a healthy civilian economy that will provide for greater jobs in the private sector.

It is a combination well-balanced Federal in that regard.

Bob?

QUESTION: On page 66 of your budget you say you call for a full-scale development of long-range strategic cruise missiles. Does that mean you have given up hope for achieving some kind of controls or restraints on cruise missiles in Moscow?

THE PRESIDENT: The research and development program on cruise missiles, whether they are from aircraft or submarines, or surface ships, or land-based, is a program that must continue.

Secretary Kissinger is now in Moscow to continue negotiations on SALT II. We certainly expect to continue the research and development in this new weapon system area until we find out whether or not we can negotiate SALT II.

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SALT II may have -- I say may have -- some impact on what we do in the future in cruise missiles, but certainly I can't predicate funding on a research and development program in the budget that begins October 1, 1976 on decisions that have not been made in December of 1975.

It just makes sense to put the money into continued research and development, and we will see what happens in the negotiations.

QUESTION: Mr. President, in May, sir, the Congress is due to invoke its first tentative ceiling on the fiscal 1977 budget. If Congress' ceiling is higher than your \$394.2 level, will you permit the current tax rates to be extended for the rest of the year?

THE PRESIDENT: I think the Congress, when they take a look at the fact, will come to the same conclusion I do, that \$394.2 is a responsible and attainable figure. I don't want to prejudge what they might do, and if they do that, then I will do something else.

I will stand by my figures and hope that they will act responsibly and do the same.

QUESTION: Mr. President, in answer to an earlier question you used the phrase "B-1 bombers that are coming along." Does that mean the decision has already been made?

THE PRESIDENT: The money in this budget, as I recall, provides for the procurement of the B-1 bombers.

Bill, is that right?

MR. CLEMENTS: That is right. And the long lead items related to limited production. I would further add, Mr. President, that the R and D development program with the plans we now have is progressing beautifully. We have not run into any great difficulties with the program, and we are extremely pleased with it.

QUESTION: Can I just follow that? I thought the decision was going to be made at the end of this year on whether to procure them or not, am I wrong?

THE PRESIDENT: We put the money in, as Bill said, for the long lead time items. This is for a budget that begins October 1, 1976. But, we have to make some decision because of the time lag, and it is our judgment at this time that those long lead time items be recommended.

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MR. CLEMENTS: Mr. President, your budget is anticipating that production will start in FY 1977, and we are asking, as I said, for that long lead time money to make that production as efficient as possible and as less costly as possible.

QUESTION: Mr. President, if I could get back to jobs, because that is a central area of disagreement between you and the Democrats, while nobody disputes your contention or your statement that it is better to have people working in private enterprise than for the Government, isn't it common sense that it is better for people who are now unemployed, especially the young, to have temporary jobs than to have them be on unemployment compensation, on welfare or standing around on street corners figuring out how to commit crimes?

THE PRESIDENT: We have recommended in this budget full funding for the summer youth program. The money is about \$450 million. That is a very good program that helps substantially in major metropolitan areas in the undertaking of getting young people off the streets and getting them working.

We have also recommended the full funding of the comprehensive education training program--I think that is around \$1.6 billion--to get people who are unemployed to be trained for subsequent employment. Those are good programs.

I mentioned them last night in the State of the Union Message. Those are constructive. I think they have been proven, but to go into a massive \$17 billion Federal employment program I don't think is the right approach when a better way is to get the private sector to do it.

QUESTION: Mr. President, in nonmilitary terms, in your budget, what are the nonmilitary expenditures aimed at achieving and maintaining peace as opposed to the Defense Department budget? Are they more or less than last year?

THE PRESIDENT: The foreign aid programs, is that what you refer to?

QUESTION: Foreign aid.

THE PRESIDENT: The foreign aid programs, as a whole, are in the magnitude of approximately \$6 billion. They provided traditional economic supporting assistance for a number of countries. There is a heavy concentration in the Middle East.

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As I recall, it is about 30 percent of the overall total, but it is a program designed for economic assistance and some military assistance for nations around the world.

Secretary Sisco, do you want to add anything to that?

MR. SISCO: Mr. President, I would just add that, as you indicated, the emphasis in the AID program is on the high level of economic aid to the Middle East for the obvious reasons that this is a very volatile area. In addition, we are supporting new multilateral development assistance initiatives that are an outgrowth of the statement that we made before the U.N. General Assembly, the economic session, about a year ago, and we are implementing this particular program.

Likewise, there are important elements on the bilateral development aid assistance, as well as maintaining the U.S. food aid at about two-thirds of the worldwide target of ten million tons of food.

QUESTION: Mr. President, will you comment on your energy budget for 1977?

THE PRESIDENT: The energy budget for 1977 shows in the research and development area about a 40 percent increase in the non-nuclear field. In the nuclear field, it is somewhere between 35 and 40 percent, if I recall.

So, overall, the research and development programs in energy are increased very substantially.

Does anybody here want to give any more specific answer?

Here is Dr. Seamans, head of ERDA.

MR. SEAMANS: Just to confirm what you said, Mr. President, that we do show in our energy research and development demonstration budget a very substantial increase in all areas. The largest increase will be in conservation. That is up around 60 percent. The solar, the geothermal and nuclear will run around 35 percent, as you indicated.

We do show a very marked increased on the nuclear fuel cycle. That shows an increase of around 55 percent.

THE PRESS: Thank you, Mr. President.

THE PRESIDENT: Thank you. We all enjoyed it. See you next year.

END (AT 11:00 A.M. EST)