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THE PRESIDENT HAS SEEN *dy*

THE WHITE HOUSE
WASHINGTON

August 12, 1974

MR. PRESIDENT:

We started a high priority inter-departmental effort to develop new policy initiatives on a timely basis to insure advance preparation for next January's State of the Union. When the exercise is completed you may wish to move earlier on some appropriate initiatives--perhaps as early as September.

At some point during August I would recommend you convene a full Cabinet meeting to discuss new initiatives and get the "Ford Stamp" on the whole spectrum of government operations.



Al Haig

*Sorry for my delay.
9/1/74
G.R.F.*



THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

August 10, 1974

MEMORANDUM FOR: THE PRESIDENT
FROM: KEN COLE
SUBJECT: DOMESTIC POLICY INITIATIVES

As you know, the Cabinet has been actively working toward formulating a strong domestic policy package for presentation by the President to the Congress in January. Since early June, each Cabinet Secretary has been reviewing programs and functions of his department for the purpose of identifying areas requiring new policy initiatives.

Attached at Tab A is a brief description of the major problem areas identified by that review for further study. Work is already underway within the departments on each item and we are preparing to submit to you next week a report on the progress of their development. As I indicated to you at our last briefing, we are continuing to review the functions of each department so as to recommend those Federal programs that would be better carried out by other levels of Government.





TOPICS FOR POLICY DEVELOPMENT

Below is a brief description of the problems identified for further study and that each Cabinet Secretary will be working on in the months ahead.

Transportation - Secretary Brinegar is investigating means to develop solutions to the following three issues:

- . Many transportation systems are not operating at or near full efficiency because of restrictive policies and programs of the Federal Government. For example, our outdated economic regulation has been a large contributor to the bankruptcy of the major Northeast and Mid-West railroads. Also, the massive operating debts and poor service by many city transit systems is partially the result of inflexible Federal categorical transportation programs. To the extent government must be involved in developing and operating transportation systems, it must be done with maximum flexibility and minimum direct interference.

Governmental actions - especially at the Federal level -- have severely limited modal competition and local choice.

- . There is a startling lack of transportation knowledge in this country. There is no place a local official can go for hard, technical data on public transit options which will work in this city. There is no national repository of transportation data which provides a national basis for designing a public transportation system for a given city.

Another example of our lack of knowledge is in the area of the design and manufacturing of cars. There has been no attempt to develop a method of rationalizing the impact on the automobile industry of Federal policies and regulations conserving energy, environmental, safety and pricing.

Finally, we must develop the capability of measuring the performance of the various transportation systems in terms of their ability to support national objectives, such as food and energy production, ocean resource development, etc.

- . Although the delivery mechanisms of New Federalism are generally working well, it's clear that there are growing problems in the ability of the recipients to function efficiently. All too often, the governmental unit which receives special revenue sharing and block grant funds doesn't have the authority to carry out fully the programs covered by the particular statute.



HUD - Secretary Lynn is working to develop proposals for these two issues:

- . Most communities don't have the ability to make an accurate assessment of their economic base, their economic problems, and their economic opportunities. Such a capacity is necessary to better enable local government to respond to local needs without turning to the Federal Government.
- . The delivery of planning money to communities should be better coordinated. Presently there are approximately 24 major and 20 smaller planning and management programs all originating from different parts of the Federal Government destined to local governments to better help them plan to meet the needs of their community. This fragmentation of programs makes it difficult for local officials to decide how best to spend their planning and management money.

HEW - Secretary Weinberger has a program review underway to address the following concerns with higher education financing and vocational education:

- . There's an increasing three-fold concern about the distribution of Federal funds for higher education. First, in terms of geography, the distribution of this money appears to be unequal among states and regions and among schools within the states. Second, middle class families are having more and more difficulty gaining access to college education financing, including access both to private sources of funding as well as to government programs. Third, the erosion of the private institution's student market to low-tuition public college continues, with more and more private schools closing their doors.
- . Preparing our youth for successful entry into the labor market at a time when the new technology is reducing the traditional entry jobs poses serious education, economic and social problems. A college education is no longer a job guarantee. As our organizations and industries become more complex and as demands on the time of professional people becomes greater, a need is developing to redirect a substantial portion of this work load to persons with shorter, more specialized education. Appropriate training is equally critical if young Americans are to be assured future productivity and personal satisfaction in their work.



Health - You will soon be appointing the National Commission on Biomedical Research (mandated by Cancer Act extension legislation signed in July) to examine and make recommendations on that issue. Secretary Weinberger has underway a policy review of the long-term care problems:

- . Federal support for biomedical research has doubled since 1969 - from \$1.1 billion to \$2.2 billion today. With the rising costs of health research and health care, the slowing of the annual growth in Federal funds for biomedical research, the growth of Federal action dealing with health service needs, and the changing nature of national health problems, questions are being raised about the Federal role in encouraging biomedical research, particularly the future direction of such research, and the level of Federal funds.
- . While there's a wide range of public programs designed to meet the needs of the disabled, it's a fragmented system containing enormous gaps and inefficiencies. The present variety of programs brings with it a number of approaches to the problems of the disabled but some of the disabled are still unnecessarily institutionalized for want of constructive alternatives to meet their needs. Others are simply overlooked by public programs designed to solve only one "piece" of the disability problem.

Welfare - Secretary Weinberger is working with Treasury to prepare options on the welfare reform issue and the Social Security Advisory Council is prepared to study and make recommendations on the long range direction of social security:

- . In spite of improvements which we have made and will continue to make in fair and efficient administration of the programs composing the existing welfare system, its overall structure continues to contain all of the problems which caused the former President to characterize it as "a mess." Overlaps and gaps in coverage, work disincentives, inequities and endless complexity and fragmentation still abound. In addition, because the present system is not structured for systematic aid to all low-income citizens, there is growing pressure to provide specialized support to specialized populations through such categorical programs as housing allowances, work bonus, and continued expansion of the Food Stamp program. Secretary Weinberger expects to have an option paper for your decision to be ready later this month.



- . As the Social Security system continues to mature, it may no longer be possible or perhaps necessary for it to expand in real benefit levels and coverage to the extent it has in the past. Difficult choices will have to be made that take into account the rapidly changing income support programs related to Social Security's purposes, including the new Supplemental Security Income program for the aged, blind and disabled, a new welfare replacement program, and an improved private pension system. Also, as the payroll tax has reached levels that make it quite visible, pressure to limit tax increases is growing.

Commerce - Secretary Dent is planning ways to improve Commerce's relationship with the local businessman and will undertake a study of our oceans policies:

- . Efforts need to be taken to reestablish a viable two-way dialogue between the businessman and the Commerce Department in Washington. This is particularly important in view of the necessity for reaffirming appreciation for private enterprise in this country. Also, the local businessman should more fully understand how the Commerce Department can serve him and keep him informed of means to strengthen his business.
- . The problems of the ocean haven't been fully explored by the United States yet. Such issues as the Continental Shelf, pollution and fisheries are growing in import and the world energy situation has made more definite policies toward them even more urgent.

Interior - Secretary Morton is undertaking a study of water resources policies and taking steps to improve both data collection and analysis of developments concerning critical materials.

- . Between the legislative and executive branch there's been a longstanding basic difference of opinion on water resources policies. The appropriate role of the Federal Government is a point of contention as well as issues such as discount rates, planning objectives, and cost sharing. Resolution of these differences could lead to more decision-making and financial responsibilities for non-Federal entities.
- . The Government currently has no central system to monitor critical materials developments and to bring new problems to the attention of policy makers. The capacity for this oversight and analysis is there, but it is not brought together and focused on safeguarding the specific U.S. objective of adequate supplies of imported critical materials at reasonable cost.



Labor - Secretary Brennan is studying the need to target efforts at the hard-core unemployed youth:

- . The black teenage unemployment rate has been increasing steadily, to the point (30.2% in 1973) where it is double the rate of 20 years ago. During this period the white teenage rate, in contrast, has not been on a steadily upward trend. Moreover, the continuing gap between overall black and white unemployment rates is increasingly attributable to the effect of the black teenage rate. Studies show that the employment problems of the black teenager will continue to get worse rather than improve: these young people are not getting the training, education or jobs in their youth to qualify them for employment as adults.

Treasury - Secretary Simon has set up an inter-agency task force to examine the record and future of general revenue sharing:

- . General revenue sharing legislation expires next year and now is not too soon to start making plans for reenactment. Considerable pressure will be exerted in some quarters against renewing the legislation so the Administration must be fully prepared with answers to the issues likely to arise.

Agriculture - Secretary Butz is investigating means to more fully involve the United States in solving the world food problem:

- . An unusual series of worldwide agricultural setbacks in the 1972-73 crop year resulted in the poorest record of global food production per capita since 1965, and reduced world food stocks to the lowest level in 20 years. These events have demonstrated the need for concerted action by both exporting and importing countries to provide world food security. As a major agricultural exporter, the United States has a vital stake in the development of international policies that will not only bolster the food security of the world, but which will also safeguard the legitimate interests of American farmers and consumers.

