

The original documents are located in Box 9, folder “Congressional Leadership Meetings with the President - 11/4/75: Republican” of the John Marsh Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

GOP LEADERSHIP MEETING

Cabinet Room - November 4, 1975 - 8 A.M.

President We have a heavy schedule this morning. New York City, the tax cut, energy, foreign assistance and Consumer Protection Agency.

My views are well known on New York City. I would like to get you up to date appraisal and recommendations. What is the status? Is floor action this week or next, Al?

Congressman Johnson We reported it out of committee 23-16. Bob Stephens voted to report it, but will oppose it on the floor. John Rousselot will also oppose it. There is not a ground swell of support. There will be fairly tough sledding on the floor.

President John, when is it scheduled?

Rhodes Al, when do you expect to go to Rules?

Hutchinson It may go sequentially to Judiciary.

Rhodes They may try to marry the two in Rules.

McKinney I expect it will go to Rules on Monday and be added there.

Rhodes Timing is up in the air. We are not aware of when or what. We also have another vacation coming up.

President Bill, isn't there a deadline coming up?

Secretary Simon Yes, November 10 or 15. New York may be able to meet these obligations. The absolute deadline is December 1.

President What about the Senate?

Tower In the Banking Committee all votes on New York were 7-6. Packwood voted to report but he may be opposed on the floor. The Senate bill has loan guarantee provisions in it. This paper is non-taxable. There is no way it can get through the Senate. A filibuster is certain and we can sustain a veto.

President It has a default provision?

Tower It does. It covers essential services. There is no section in our bill on Federal Bankruptcy. The bankruptcy legislation will pass. The loan guarantees will fail.



President The Vice President has pointed out something. The Democrats didn't know or they ignored the fact that Beame and Carey had default legislation when they came down here and Judge Rifkin sat right there next to the Vice President's chair with the legislation. Don't let them get away with it.

Vice President It also cost them \$300,000 to get the bill drafted.

President Caldwell Butler has introduced it in the Judiciary Committee.

Hruska Senator Burdick and I have introduced it in the Senate. We may have one day of hearings. There are two roads open to us. We can amend Chapter 9 or add a new one for municipalities larger than one million. Tendency seems to be the new chapter route. We are zeroing in on specific points hoping to develop a plan with some character. We could report some-time next week.

Hutchinson In the House the Democrats may act on Chapter 9. The Administration bill was co-sponsored by Congressman Butler and myself. The bill got to Banking by an historical accident. There is nothing final in the sub-committee. Clearly the Democrats can act on Chapter 9 if they choose. They have 5 votes to our two.

President Any comments?

Rhodes New York has authority to carry on essential services.

Vice President There may be chaos.

President I saw some press reports on a suit by a bank to protect its interests.

Rhodes Our posture should be to amend the bankruptcy law.

Tower Rhodes is right. Our course is Judiciary and not mess around with Banking.

Vice President The State could vote a temporary tax and appropriate to the city based on this tax.

President When is that legislative session? They keep putting it off.



Hruska Without the new law they may come under Chapter 9.

Vice President The State has \$7 billion in obligations and the city has \$5 billion and that is a tough road.

President Floor situation seems to indicate there is no time for a bailout. Keep the pressure on to get the proper default procedure.

Hruska Those hoping for reversal by the President may tangle it up so much that default may result.

President I have no inclination to change.

McKinney The House leadership will try to force the President's hand. They will claim anarchy if we don't get legislation. The Democratic solution is chaos.

Horton There are some strange things going on in Judiciary. Badillo and Rodino are saying no movement on legislation without request from Beame, but there has been no request from Beame.

Vice President They have no courage to ask.

President They had legislation drafted and wanted us to take it.

Vice President Did they leave the Rifkin bill?

Seidman No they didn't.

Edwards On the debt ceiling bill 18 New York members voted no.

Johnson They could work out a solution with their pension system. The only way is through orderly court procedures.

President Let me point out. I'm not going to change my position. I will not be locked in a corner to buy a married bill that is unacceptable. The other way is clear, quick and sound.

Now let's move to the tax cut. Herm.

Schneebeli We have met with Secretary Simon and we are sticking to the balanced approach. We have no delusion about winning but we will fight hard. They may add to debt ceiling. The tax bill is 668 pages and the Chairman may try to consider it in one day. We have 3-4 Democrats with us. Landrum, Waggoner and Burluson. Al Ullman is gun shy of losing his third bill. It is still iffy. We may finish today.



President What is the schedule on the tax bill?

Schneebeli We hope to finish by Thanksgiving and do the debt ceiling by the 15th. The Senate will hand the tax bill on the debt ceiling. I asked Wilbur if he will be in Conference and he said yes and he will be with the Republicans.

President Carl.

Curtis Senate Finance meets today. We won't really know until the House bill passes. People really understand the argument of no tax cut without a spending cut. This may prevent a bad bill. We always know when Christmas is coming. The Senate Finance Committee starts working on a tax bill.

Secretary Simon We are on 6 different tracks. They may attach tax bill to debt ceiling and if that occurs I recommend you veto the debt ceiling bill.

President Talk about the perils of Pauline.

 Any other comments, John. Will it be a closed rule?

Schneebeli Democrats and Jim Corman want a closed rule.

Michel Current law expires December 31. In the absence of your proposal what do we do?

President The previous law before this tax cut goes back into effect.

Michel Are we willing to go that far?

President I am.

Lynn Come January, 1976, we see a deficit of \$60 billion without a spending reduction matched with the tax cut. No one wants a tax bill in July of 1976. This is a strange bill.

President Somewhere between \$63-70 billion is the deficit for FY 1976. The Budget Committee figure is between \$70-73 billion. It will be somewhere in that range. A tax cut without spending cut will be a minimum deficit of \$60 billion next year.



Curtis The spending cuts are not necessarily fatal politically. There is greater responsibility on part of the electorate. We may be just as well off politically.

Michel I can't agree, but we should run it by our people. I have a feeling that is not the sentiment on our side.

Cederberg We talk much about reducing spending, but there is not much chance for that. Mr. President, your State of the Union and Budget messages should list the specific reductions and changes in the basic legislation that will be required. The Chairman of the Education and Labor Committee will not consider reductions without Presidential recommendations on where we really bite the bullet.

Lynn There is no way to get a \$395 figure without changing the law. Ninety percent of our spending is mandatory law and entitlement programs plus Federal employees. If we pass a ceiling it gives us a better chance next year. A Presidential ceiling will cut the rhetoric from the Departments and agencies. If the President has spoken it will be easier for Congressional budget committees. We should put a ceiling on this year because next Spring it will be impossible.

Cederberg That's fine Jim, but it won't happen.

Rhodes The only way is to suspend operation of the anti-impoundment act.

Lynn On the big bucks you need some limitation.

Rhodes We need a legislative agenda -- ABCD. It's the only way to make it credible.

Lynn How do you do that?

President Get a rule. Del.

Latta The old Frank Bow approach is available. You need 5% off -- send it back.

Cederberg That 5% won't come off. Take it off from Social Security -- never will that happen. The only place it will come off is from Defense.



Young I agree with Al Cederberg. It can't be done in this Congress. The laws must be changed.

President We must recognize the practical parliamentary problems. We must make a determined fight or we'll never get it under control. If we don't change the law we will be overwhelmed. The same as New York City.

Case What are your ideas for cuts and what laws do you recommend be changed. This will have to be a joint process. We need to know what to do.

President I have given guidelines to every agency and department covering the \$28 billion cut. I expect they will cooperate with some pain and anguish. There is a tendency to recommend changes only for most popular programs. I have gone over two major departments and will go over every one.

Case Is it possible to make these changes without substantive changes in the law?

President Changes in substance are required. There is a recognition that uncontrolled items must be controlled. I am going through every department.

Lynn A one percent break on Federal retirement and food stamps are substantive changes required. Social Security Insurance is another. Every county has a different formula for calculating the level of assistance. This change alone could save \$500 million yearly. Can't change any of these without changes in the law. Someone will always scream but we must handle it now. Looking at the out years, we always have a balanced five years down the line, but something always happens to destroy that estimate.

Bellmon I am not as pessimistic, but we do need some guidance. We may have a majority on the Budget Committee. Three Democrats, Chiles, Nunn and Hollings usually vote with us. I don't see a spending ceiling before April 15, 1976.

President We will work with you.

Bellmon If you refuse to sign the tax extension, you have Congress in a tough position.



President That's in the back of my mind. Let's turn now to energy.

Fannin The conference is working hard, but I am disturbed about the GAO and mileage provisions. The Democrats have us over the barrell and are now concentrating on price. We meet on Friday. There are 25 conferees from the Senate and 7 from the House. The Chairman has ruled that one Senator can conduct business and vote for the Senate with 12 proxies. It's a difficult time but I'm hopeful we can get a bill. They may add the allocation provision to the debt limitation in the Senate.

President Returning from Florida on Sunday evening, I had a very interesting discussion with Dick Stone who is working to get an acceptable bill.

Fannin He is cooperative.

Brown There is substance in the pricing section of the bill. Zarb has met with House Democrats on pricing.

Zarb They are not anywhere close among themselves and there is a considerable distance from us. The Democrats have caucused on the Senate side and have some agreement. Jackson is in a position to do it. Stone and Johnston can help, but Jackson is playing games. If we get no agreement our position should be one of increased vulnerability and higher imports. The price mechanism has some merit, but if the number is too low, we'll just have to see where we go.

Brown Jackson spoke optimistically yesterday and said they would continue to work.

President When does conference meet again?

Fannin 10 A.M. It may be postponed.

Stevens Keep the Administration position clear so there is no confusion.

Zarb We will staff those positions, including natural gas.



Brown The Dingell solution is only a short term one. Pearson-Bentsen is proscribed in a Parliamentary sense. We will try to get around the parliamentary hurdle. We may loose in the subcommittee or the full committee. We'll try in Rules for an open rule to allow consideration of Pearson-Bentsen on the House floor.

McKinney I am the only member from New England who supports deregulation, but on radio this morning I heard a report from FPC that there is no gas shortage. If this is true, our case is hurt badly.

President In Baltimore they have announced cutbacks in natural gas availability. It will be especially acute in 10-15 states.

Zarb Numbers are up in the cutbacks occurring in 12 states where it is especially serious.

McKinney When cutbacks begin then we can sell the program in New England.

Brown The press is saying that long range decontrol is frustrating a short term solution. We should keep trying to bring them around by blaming the Democratic leadership.

President This is November 4 and controls expire November 15. We are going into winter and curtailments of natural gas. Ten states are severely affected and five less so. Fifteen of the 50 states have deadlines. Do all you can in the committees. I talked to the Speaker and Mansfield and asked them to pressure Scoop and Staggers. I also called Staggers, but I don't know if that will do any good.

 There are two more items - Foreign Assistance and CPA. The foreign assistance figures are less than the January budget, but larger than a year ago. 70% of it relates to the Middle East. Israel would get \$2.3 billion and Egypt \$750. My recommendations for the Middle East are very important. This will help substantially to maintain peace. It's a big chunk of money. In the case of Israel we have recommended less than 76 Senators requested in their letter and we still got the Sinai agreement. Your support in committee and on the floor are very important.



Kissinger I'm so busy counting the jobs I have lost that...

Rhodes How high did you count.

Kissinger I'm going to think of a good answer. On economic and military assistance, Congress on the latter wants to increase MAP and reduce grant assistance. There is some debate on the level of U.S. assistance. There are four things to remember.

1. The threat to the assisted countries.
2. Interest of preserving U.S. security.
3. Diplomatic reasons.
4. Consequences of not doing it.

The bulk of the \$2.3 billion for military sales goes to Israel. She receives \$1.5 billion and any cut would have serious affect on security of Israel.

Many are reluctant to see the U.S. in the arms business, but if they don't buy from us, they buy from the Soviet Union or Western Europe. Also if we don't sell, we lose sales and political influence.

The Middle East is part of the package. Most is for Egypt and Israel. \$2.3 billion for Israel and \$700 million for Egypt.

Some people think the Sinai Agreement produced these figures, but our relations with Israel are independent of these figures. Israel was so confident of them she included them in her printed budget prior to the Sinai Agreement. In fact for Israel, no sum can be charged to Sinai Agreement. The \$2.3 billion for Israel would have been necessary with or without the Sinai Agreement.

Egypt is \$150 million higher due to the Sinai Agreement. Egypt has broken with the radical Arabs and the Soviets. It is our long term interest to keep this arrangement. The 1973 war cost \$15 billion. I urge you not to look at this assistance as payment for the Sinai agreement, but for stability and to prevent Soviet domination and to keep Jordan on a moderate course. There is \$90 million for Syria which we may reconsider.



Kissinger Other items of support include funds for Greece - to strengthen the Caramanlis Government. Funds for Portugal and its relatively moderate government which no one obeys. We do want to see Portugal move back to a pluralistic society. We have also included some money for Cyprus to be used primarily for refugees.

President Cliff.

Case I don't anticipate many difficult problems. You may end up with some cuts. I don't think we should worry too much about these countries going elsewhere. Aren't we the only source of high quality weapons?

President Cliff, I can answer part of that. Today the Germans make the best tank in the world. The French have a good fighter and the Soviet Union has some good equipment. They are always probing and are making some inroads with Syria. We must continue our efforts.

Kissinger The French F-1 is better than our F-4, but not as good as our F-16. The things the Saudis want they can get from Britain and France.

Broomfield We started hearings Thursday. Some concern about figures not high enough for Israel. There may be a move to cut Egypt. I hope the nuclear proposal for Egypt will go. It will be tough.

Rhodes Is the package for bigger grants and lower credits for Israel?

Kissinger There was a bureaucratic mixup on message from the President. The mix **was set at** 2/3 credit and 1/3 grant. The President decided on a 50-50 mix and we sent up 2/3 and 1/3. It is now straightened out and will be 50-50.

Rhodes \$1.5 billion is part of each?

Kissinger 50-50. Supporting assistance is all grant.

Edwards How much for Portugal?

Kissinger \$55 million.

President \$65 million.

Kissinger \$55 million for support and the additional for refugees.



Horton Who pays for Sinai technicians?

Kissinger \$50 million and we pay.

Stevens What is the total dollar figure?

Kissinger \$4.7 billion

Edwards There will be increased pressure. Our own subcommittee is trying to increase sales over grant.

Michel The defeat on the debt bill seems to indicate there will be deep cuts on this bill if my ears are tuned right.

Edwards We may loose our national constituency if New York goes.

President Some members are on the horns of a dilemma. We are going to fight hard in the Passman subcommittee. Otto has been a good team player and he understands the problem. He does an honest job.

Let's move now to the CPA. I had a 10:30 meeting today with Virginia Knauer and some representatives from the Federal agencies on our in house program. We need a stronger program to protect the consumer interest. I have two plans and I will squeeze each one. Once finalized the plan will be published in the Federal Register. I think it is an adequate way to protect the legitimate interests of the consumer. We don't need an extra agency. The legislation is on the floor this week. Frank, do you want to make a pitch for it.

Horton I won't make my pitch again. I'm glad you are doing what you are. The consumer will be better off and this will help Republicans to show interest in the consumer. I also urge you to keep your program on regulatory agencies. You must continue to talk about these programs. The CPA is a way to curtail regulatory problems. We are setting up a paper work commission.

President John, you are on the other side.



Erlenborn I am flat out against the bill. Head counts look good enough to sustain and maybe to defeat the bill on the floor.

Rhodes I agree with John. Michel says Republicans will vote overwhelmingly against the bill. We will need some support from the Democrats.

President Can you finish in one day. We should cover labor and if they know it the bill may not pass. Jim, what is the status of the regulatory reform legislation?

Lynn Con Rail and airline proposals are on the Hill and trucking goes today. Competition is the best protection for consumer. Our action has been therapeutic for regulatory agencies. They seem to be cutting down on red tape and are doing a better job.

President That completes our scheduled topics. Are there any others?

Michel Maybe sometime soon we should have a session to talk politics. We must stick together. We should also get together and find out where we are going and get some encouragement.

President We could have a report from Ted and Guy. We could do it next time.

Michel We have some members who are retiring and we should assess where we are.

Stevens We need to resolve some conflicts between the RNC, the Senate and House committees and your own committee.

President We will schedule it next time.



THE WHITE HOUSE

WASHINGTON

November 3, 1975

MEETING WITH REPUBLICAN CONGRESSIONAL LEADERS

Tuesday, November 4, 1975
8:00-9:30 a.m. (90 minutes)
The Cabinet Room

From: Max L. Friedersdorf *MLF.*

I. PURPOSE

To discuss with the Republican Congressional leaders the subjects of New York City, tax and spending cuts, energy, Middle East military assistance package and consumer protection legislation.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

1. Guaranteed loan legislation to bail out New York City is moving in both Houses and may be on the Senate Floor this week. In the House the guaranteed loan proposal is likely to be joined with the President's Bankruptcy Act amendment.
2. Representative Caldwell Butler and Senator Roman Hruska, both of whom accepted for today's meeting, introduced the President's bankruptcy legislation.
3. House Ways and Means Committee is in its final review and mark-up of tax cut legislation. Final Committee vote could come on Wednesday. Bill Simon has been working closely with the Minority and Joe Waggoner to have the President's tax cut and spending reduction proposals considered.
4. House and Senate conferees could conclude work this week on the energy bill (S.622/H.R. 7014). The conference is at a critical stage with the pricing provision to be resolved.
5. The President's request for military assistance for Israel and Egypt was submitted last week. Secretary Kissinger will testify on Friday, November 7, before the House International Relations Committee, and mark-up is scheduled to start next week. In the Senate, Sparkman is starting hearings on the security assistance bill.



6. H.R. 7575, a bill creating a Consumer Protection Agency, will be on the House Floor this week. The Republican leadership, led by John Erlenborn, is mounting a strong fight against the bill. The Republican whip check is encouraging and enough votes seem assured to sustain a veto, and possibly defeat the bill outright on the Floor.

B. Participants: See TAB A

C. Press Plan:

The Press Office has announced the meeting. Press and White House photographers.

III. AGENDA - See TAB B

IV. TALKING POINTS - See TAB C

1. We have a heavy agenda today, gentlemen, on five issues of great importance.
2. Those five subjects which I would like to address today include the New York City financial situation, my tax cut and spending reduction requests, energy, our Middle East security assistance request, and consumer protection.
3. In addition to our regular leadership, we have here today the appropriate Minority Members from the jurisdictional Committees, as well as our own Administration people with responsibilities in these areas.
4. Let us first discuss the subject of New York City.



PARTICIPANTS

The President
The Vice President
The Secretary of State
The Secretary of the Treasury
The Administrator of FEA

HOUSE

John Rhodes
Bob Michel
Sam Devine
Jack Edwards
Lou Frey
Barber Conable
Jimmy Quillen
Guy Vander Jagt
Ed Hutchinson
Caldwell Butler
Al Johnson
Stew McKinney
Herm Schneebeli
Bud Brown
Bill Broomfield
Frank Horton
John Erlenborn
Del Latta
Al Cederberg

SENATE

Bob Griffin
Bob Stafford
Ted Stevens
Carl Curtis
John Tower
Roman Hruska
Paul Fannin
Cliff Case
Henry Bellmon
Milt Young

STAFF

Don Rumsfeld
Bob Hartmann
Jack Marsh
Phil Buchen
Ron Nessen
Max Friedersdorf
Jim Cannon
Jim Lynn
Bill Seidman
Alan Greenspan
Bill Baroody
Dick Cheney
Brent Scowcroft
Doug Bennett
Vern Loen
Bill Kendall
Pat O'Donnell
Charles Leppert
Tom Loeffler
Bob Wolthuis

REGRETS

Sen. Hugh Scott - out of town
Rep. John Anderson - out of town



AGENDA

- 8:00-8:05 a.m.
(5 minutes) The President opens the meeting, announces the agenda, and introduces the subject of New York City's financial problems.
- 8:05-8:15 a.m.
(10 minutes) The President requests Bill Seidman and Bill Simon to comment on New York City.
- 8:15-8:20 a.m.
(5 minutes) The President requests the leaders to comment on New York City. (Senator Hruska and Rep. Caldwell Butler will attend. They are the ranking Minority Members on the Judiciary Subcommittee for the bankruptcy bill.)
- 8:20-8:25 a.m.
(5 minutes) The President introduces the subject of his tax cut, spending reduction proposals.
- 8:25-8:30 a.m.
(5 minutes) The President calls on Alan Greenspan and Bill Simon for comments on the Tax bill. (Simon has been meeting regularly with Ways and Means Minority Members on Committee strategy.)
- 8:30-8:35 a.m.
(5 minutes) The President calls on the leaders for comments on the tax bill. (Herm Schneebeli, Barber Conable and Carl Curtis will be in attendance.)
- 8:35-8:40 a.m.
(5 minutes) The President introduces the subject of energy and calls upon Frank Zarb for comment.
- 8:40-8:45 a.m.
(5 minutes) The President requests comments from the leaders on the energy conference, and natural gas. (Paul Fannin and Bud Brown will be in attendance.)
- 8:45-8:50 a.m.
(5 minutes) The President introduces the subject of military assistance to the Middle East and calls upon Secretary Kissinger for comment.
- 8:50-9:00 a.m.
(10 minutes) The President requests comments from the leaders on Middle East security assistance. (Senator Case and Rep. Bill Broomfield will be in attendance.)
- 9:00-9:05 a.m.
(5 minutes) The President introduces the subject of consumer protection. (Bob Michel will have a good whip check report; John Erlenborn, who is the chief opponent will be in attendance, as will Frank Horton, a proponent of the objectionable bill.)
- 9:15-9:30 a.m.
(15 minutes) The President suggest the leaders may wish to discuss other subjects in the brief time remaining. (Other subjects which may be raised include the Schlesinger change, Rockefeller statement, situs picketing which is on the Senate Floor this week, 200 Mile Limit which is in Senate mark-up
- 

this week, No Fault Insurance which is ready for full Committee mark-up in the House with all Republicans opposed, and busing.

9:30 a.m.

The President concludes the meeting.



TALKING POINTS
ON ENERGY
FOR REPUBLICAN
LEADERSHIP MEETING

1. I am pleased that S.2310, providing for both emergency natural gas legislation and long range deregulation, passed the Senate. It is my hope that the House Commerce Committee will begin early deliberation on a companion bill which would also provide for emergency measures as well as a long range solution -- new natural gas deregulation.
2. The Conference Committee on S.622/H.R.7014 is continuing deliberations this week. I have been pleased with the attitude of the Committee so far in addressing the concerns of the Administration. However, we still have some serious problems with the non-price provisions. The oil pricing provisions, however, have not yet been resolved and I cannot consider the bill acceptable until these provisions are addressed.
3. As you know, the bill extending oil price controls until November 15 did not allow the submission of the Administration decontrol plan before November 1. While the Administration could now submit a plan of its own to Congress, I think we must wait until we see how the Conference is proceeding. I would appreciate your views on this matter as well as your thoughts on strategy with regard to natural gas legislation and the Conference Committee.
4. Frank, do you have anything to add before we begin our discussions?



TALKING POINTS

1. I continue to be concerned about the citizens of New York City in the event of default. As I've said in the past, I think it imperative that essential services be maintained. I still believe that the City and State have it within their power to avoid a default, and I am continuing to keep abreast of the New York situation through my economic advisors.
2. I understand that the Senate and House Banking Committees have reported legislation which would provide financial assistance prior to default and also contain provisions authorizing essential services after default. Neither of these bills requires the Executive Branch to provide funds to prevent a default.
3. I would like to have your views on these bills with the understanding that in the event I decided to sign a bill into law, I would in no way consider exercising the options which would provide the federal funds to avert a default.



November 3, 1975
L. Wm. Seidman

Talking Points

My program is directed at one of the most important long-term economic problems confronting this country: an accelerating and increasingly uncontrollable rate of increase in federal outlays.

The rate of increase in nondefense budget outlays, in real terms, has been exceeding the real growth of the economy. Payments to individuals in real terms for example, rose at a 11 percent annual rate between fiscal 1965 and fiscal 1975. Real outlays for all nondefense programs, excluding NASA and interest payments, rose at an annual rate of more than 8 percent. (Real GNP rose at a 3-1/2 percent rate.)

The size of the developing problem has been obscured for years by the decline in real defense outlays following the Vietnam War peak. Between fiscal years 1968 and 1975 such outlays declined by an average of 6.4 percent per year. These trends obviously cannot continue if we wish to avoid the fate of New York City. We have three choices -- to sharply curb the growth of domestic programs, to continue the gradual dismantling of our defense establishment, or to raise taxes. Even should we, as a nation, short-sightedly opt for either of the latter two courses of action, we would be only postponing again, the inevitable confronting of the unsustainable real rise in domestic programs.

The full significance of this acceleration in outlays became particularly evident during the spring and summer of this year as the fiscal 1977 budget began to take shape. Accordingly I directed Jim Lynn to devise measures and ways by which the expenditure growth could be slowed. I further directed that any savings be refunded to the American taxpayer in order to maintain private purchasing power and job creation.

One problem that I had in formulating my program was that the temporary tax cut for calendar year 1975 expires on December 31st. Unless the new permanent tax structure were put in place as of January, income tax rates would have risen automatically. In order to reduce the uncertainty with respect to taxes, I decided to recommend my tax legislation to be effective as of January 1, 1976.

This timing problem could produce a small increase in the deficit for the first 9 months of 1976. But as I indicated previously, I would support further curbs in fiscal 1976 expenditures to eliminate this increased deficit.



In any event, the deficit increases are certainly not large when compared with a program of an extension of the current tax withholding rates and prospective outlays. Hence the impact of my program on the path of economic recovery would not be significant.

What would be significant are the effects on the levels of federal outlays during the fiscal years 1978, 1979 and beyond. The \$28 billion cut in the fiscal 1977 rate of increase in outlays, which I have proposed, would help insure that the dangerous acceleration in federal spending would be dramatically slowed and budget balance achieved in FY 1979. This would be a major first step toward defusing the very strong inflationary bias that has gripped our economy.



Talking Points

General Position. I have publicly stated that I will veto legislation to create an Agency for Consumer Protection (ACP). The proposed ACP would have broad powers and discretion to participate in any Federal agency actions affecting consumers. Its authority would include:

- an extensive right to intervene in proposed Federal actions which "substantially" affect consumer interests by injecting itself into agency proceedings and court actions;
 - sweeping independent authority to issue interrogatories to private parties; and
 - access to trade secrets and financial information.
- ACP would not, however, have authority to review labor-related and other matters which also have a great impact on consumer interests.

Objections to Legislation. I am opposed to H.R. 7575 because:

- There is no such thing as a single consumer interest that the agency could fairly represent. An ACP would have to pick and choose among competing consumer views in selecting its stand, thereby leaving other consumer views to fend for themselves.



- ACP would add a new Federal agency and layer to the Federal bureaucracy at a time when both the Congress and Administration should be trying to cut down on the size and cost of government. ACP could cost \$60 million over three years, and could require an additional 1,000 new Federal employees.
- This \$60 million in direct costs does not include the substantial costs to other Federal agencies and to the general economy caused by the inevitable delays, backlogs, and confusion which ACP could create.
- The laws authorizing most Federal agencies' activities specify that they are responsible for protecting the public interest, which includes consumer interests. A separate agency would further encourage existing agencies to be lax in this responsibility. The Administration and Congress should make sure that existing agencies respond to legitimate consumer interests. If Congress and the Administration fully exercised their oversight responsibilities, an ACP would not be necessary.
- I have recently launched a number of steps to make Executive Branch agencies more responsive. In April, I instructed Virginia Knauer to head an effort to examine the means by which Federal agencies consider consumer viewpoints in their decisions and activities.



This month all major Executive Branch agencies will publish a consumer representation plan for public comment and hearings. I am also anxious to see that existing laws are reviewed to make sure that outdated or burdensome government requirements do not work against consumers. I have supported repeal of the Retail Price Maintenance laws, for example, because I feel they tend to reduce competition, which is the means for insuring that consumers' wishes are met.

