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DEC 8 1975



December 8, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF

SUBJECT: Republican Leadership Meeting

Attached please find the proposed agenda for Wednesday's Republican Leadership Meeting.

bcc: Bob Hartmann  
Jack Marsh  
Dick Cheney



## AGENDA

- 8:00-8:15 a.m.  
(15 minutes) The President convenes the meeting and reports on his trip to the Far East.
- 8:15-8:30 a.m.  
(15 minutes) The President calls on Secretary Kissinger and General Scowcroft for additional comments on the trip.
- 8:30-8:35 a.m.  
(5 minutes) The President introduces the subject of the tax bill.
- 8:35-8:40 a.m.  
(5 minutes) The President calls upon Secretary Simon for comments on the tax bill.
- 8:40-9:00 a.m.  
(20 minutes) The President requests leaders' comments on the tax bill. (Representatives Rhodes, Schneebeli, Conable; Senators Scott and Curtis)
- 9:00-9:05 a.m.  
(5 minutes) The President introduces the subject of the energy bill.
- 9:05-9:15 a.m.  
(10 minutes) The President calls upon Frank Zarb for status and analysis of the energy bill.
- 9:15-9:30 a.m.  
(15 minutes) The President calls upon leaders for comments on the energy bill. (Representative Brown, Senator Fannin)
- 9:30 a.m. The President concludes the meeting.



THE WHITE HOUSE

WASHINGTON

December 9, 1975

MEETING WITH REPUBLICAN CONGRESSIONAL LEADERSHIP

Wednesday, December 10, 1975

8:00-9:30 a.m. (90 minutes)

The Cabinet Room

From: Max L. Friedersdorf

I. PURPOSE

To report on the President's trip to the Far East and to discuss the issues of energy and tax cut legislation with the Republican Congressional leaders.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

1. Both Hugh Scott and Herm Schneebeli have announced plans to retire, and Presidential letters have been sent. The President may wish to again express regret about the plans of Scott and Schneebeli to retire.
2. The President has just returned from a Far Eastern trip to the Peoples Republic of China, Indonesia and the Phillipines.
3. The House has a tax bill providing about \$17 billion in permanent tax reductions comprised of about \$13 billion in personal income tax cuts and \$4 billion in tax reductions for business. Repeated attempts by Republicans in the House to couple the tax reduction bill with a spending ceiling for Fiscal Year 1977 were unsuccessful.
4. The tax bill was taken up by the Senate Finance Committee on Tuesday, December 9. Senator Long supports separating the tax reduction from tax reform and passing a temporary (6 month) tax reduction at the level of current withholding rates coupled with some form of Expanded Stock Ownership program and the earned income credit. Furthermore, Senator Long is convinced that the Senate will not pass a spending limitation on Fiscal Year 1977 expenditures at this time.
5. Energy conferees were scheduled to file the energy bill conference report (S.622) by midnight Tuesday (December 9) and Floor consideration in the House and Senate could occur late this week.

B. Participants: See TAB A

C. Press Plan:

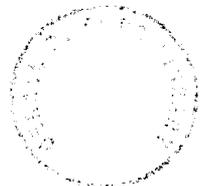
Press Office to announce as a regular Republican leadership meeting; White House and press photographers, if requested.

III. AGENDA

See TAB B

IV. TALKING POINTS

1. China Trip - See TAB C
2. Tax Cut Legislation - TAB D
3. Energy Legislation - See TAB E



PARTICIPANTS

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

HOUSE

John Rhodes  
Bob Michel  
Sam Devine  
Jack Edwards  
Barber Conable  
Lou Frey  
Jimmy Quillen  
Guy Vander Jagt  
Al Cederberg  
Bill Broomfield  
Herm Schneebeli  
Bud Brown

SENATE

Hugh Scott  
Bob Griffin  
Carl Curtis  
Bob Stafford  
John Tower  
Ted Stevens  
Cliff Case  
Milt Young  
Paul Fannin  
Cliff Hansen

STAFF

Bob Hartmann  
Jack Marsh  
Dick Cheney  
Phil Buchen  
Max Friedersdorf  
Bill Baroody  
Jim Cannon  
Jim Lynn  
Alan Greenspan  
Brent Scowcroft  
Bill Seidman  
Vern Loen  
Bill Kendall  
Bill Greener  
Pat O'Donnell  
Charles Leppert  
Tom Loeffler  
Bob Wolthuis  
Russ Rourke

REGRETS

M.C. John Anderson - out of town



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E.O. 12356, Sec. 3.2 (C)

TALKING POINTS

MR 88-1, #2 NSC Dir. 4/12/89

By KBH Date 5/8/89

People's Republic of China

1. I went to China with the intention of sustaining and building on the dialogue which we have established with the leaders in Peking over the last four years. I believe this serves the most fundamental interests of our country: to help shape the evolution of a more stable balance among the great powers; and to create the conditions for a more permanent and realistic relationship with a country with almost a quarter of the world's population.
2. I went to Peking with no illusions. We clearly have basic areas of disagreement with the Chinese. Quite apart from the differences of philosophy, culture, and social systems, they perceive the state of the world in much more ominous terms than do we. They believe the prospects for a new world war are substantial. They maintain a bitter hostility toward the Soviet Union that is reflected in both political and military confrontation.
3. For all these areas of difference, we did find much in common with the Chinese. Although our approaches to dealing with the Soviet Union differ, given our varying positions in the world and our respective national interests, we share a distrust of Soviet intentions. The Chinese support a strong NATO, as we do. They urge the Japanese to maintain strong ties to the U.S., a policy of obvious value to us. They wish to see Soviet influence excluded from the Middle East. And we both are wary of Moscow's efforts to extend Soviet influence directly or indirectly into such places as Angola, the Indian Subcontinent, and Southeast Asia. I believe my talks with Chairman Mao and Vice Premier Teng strengthened the basis for continuing parallel actions on these issues of common concern. We also clarified our areas of continuing difference. I indicated, for example, that our people find it difficult to accept some of the Chinese criticism of our policies that serve their own interests as well as ours -- as in the Middle East.

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4. On Korea, our public policies clearly differ, but my impression is that the Chinese would not find instability on the peninsula helpful to their security concerns any more than we would. I believe they will oppose the stirring up of trouble there.
5. On Taiwan and the normalization question, the Chinese did not press for a change in the present situation. They know that there are strong feelings in this country, and they see that our influence there keeps the situation stable. At the same time, their interest in the eventual completion of the normalization process has not changed. I believe that it is important that that should at some point take place -- for the larger strategic interests involved -- but there was no attempt to resolve the specific timing and the actual modalities of a new arrangement.
6. As you know from the public announcement, the Chinese very helpfully provided information on seven MIAs lost in past years along the Chinese periphery. Hopefully this may encourage Hanoi to be more forthcoming in accounting for our Indochina MIAs.
7. To summarize, I believe my four days in Peking contributed to the strengthening of our relationship with the People's Republic of China in a manner that will further our efforts to create a more stable international situation.

Indonesia and the Philippines

1. My visits to Indonesia and the Philippines were especially useful parts of the Pacific trip. They put our overall relations with the region into perspective in the context of my trip to China and our active dealings with the Japanese this past year.
2. Both President Marcos and President Suharto said that the fall of Vietnam and Cambodia last spring had produced very real questions about the future role of the U.S. in their part of the world.



3. My visit elicited comments from both of them that they do not want the U.S. to retreat to a "fortress America." They want us to play a constructive and responsible role in Asia. I told them this was precisely our intention. My speech at the East-West Center in Hawaii on Sunday was designed to explain to the American people our overall approach to the Pacific region.
4. I was highly impressed by the receptions we received in both countries, particularly in the Philippines. We have many friends and much public good will in these two countries. They are looking to us for leadership and support. I told them both that we want to sustain strong and friendly relations.
5. President Marcos is basically concerned with two aspects of our relationship: achieving more favorable terms of trade for Philippine products, and revising our base arrangements so that it does not appear as though they have no control over them. Marcos genuinely wants the bases to remain. He told me the Chinese had not in any way pressed him for their removal.
6. We agreed that we would negotiate on both subjects in the near future. We hope to include investment guarantees that would be helpful to American investors, as well as trade arrangements which are in Philippine interests, in our overall treaty. While we may agree to some changes in the base arrangements, there will be no reduction in our operating capability.
7. Indonesia is a country which merits our close attention and interest. It is the fifth most populous country in the world. It is also rich in oil resources, although its per capita income is still very low.
8. Indonesia is a member of OPEC, and we have tended to lump it together with the other OPEC countries when enacting restrictive or retaliatory legislation. I do not believe this has been a wise course. Indonesia has not in the past supported the harshest OPEC actions, such as the embargo and the full amount of the recent ten percent price increase.



9. The Indonesians are concerned about the possible spread of Communist subversion in their country. They keep Peking and Hanoi at arms length and try to react quickly to possible threats.
10. The Indonesians also indicated they want to encourage U. S. investment in their country.



TALKING POINTS: TAX REDUCTION AND SPENDING RESTRAINT PROGRAM

1. There are two broad objectives of my tax reduction and spending restraint program. First, the reduction in the level or rate of growth in Federal spending was designed to make a start toward regaining control over the excessive rise in government expenditures which has been a major force behind the inflation of recent years.
2. Secondly, the tax reduction was designed to provide relief for the American taxpayer who has witnessed a larger and larger portion of his income sent to Washington in the form of taxes. My tax program was structured to focus relief among those middle income Americans who have borne the major burden of greater taxes.
3. I have insisted on coupling my proposed tax reduction with a comparable reduction in the growth of Federal spending. To legislate a permanent reduction in Federal revenues without a simultaneous reduction in the level of Federal expenditures is to delude our constituents that we are providing them a tax cut. We only substitute the capricious tax of inflation for the income tax we seemingly cut.

We must summon the political courage to consider both tax reductions and expenditure restraints together. We must avoid the temptation to do what is easy today and put off what is difficult until later.

4. I am convinced that the great majority of Americans desire sustained economic growth without inflation and are willing to support the measures necessary to achieve this goal.

This is the purpose of my program. It is a program which is fair and achievable and a program for which I am proud to request your wholehearted support.

5. Some have suggested that establishing a limitation on Federal spending in FY 1977 now disrupts the congressional budget process. But this is a convenient criticism rather than a substantive one. To recognize and explicitly acknowledge the parameters within which one is going to make budgetary decisions is a constructive rather than a disruptive step. Establishing a level of Federal spending permits all those in the government to realize the bounds within which they must operate. We all know from our individual experience that we should not decide how much we would like to spend first and then see if we have enough resources to accommodate that level of spending. Rather, we determine what level of spending we can afford and then make our decisions within that constraint.

Comparison of Tax Cuts Relative to 1972-74 Law  
(in \$ billions assumes 1975 Income Level)

<u>Individual Cuts</u>	<u>Tax Reduction Act of 1975</u>	<u>H.R. 10612</u>	<u>President's Proposal</u>
-- standard deduction changes	\$ 2.5	\$ 2.5	\$ 4.0
-- exemption/taxable income credit	\$ 5.3	\$10.2	--
-- personal exemption	--	--	\$10.1
-- rate changes	--	--	\$ 6.6
-- earned income credit <u>1/</u>	\$ 1.5	--	--
-- house purchase credit	<u>\$ 0.6</u>	<u>--</u>	<u>--</u>
	\$ 9.9	\$12.7	\$20.7
 <u>Business Cuts</u>			
-- investment credit	\$ 3.3 <u>2/</u>	3.0	3.0
-- small business rate and surtax exemption changes	\$ 1.5	\$ 1.5	\$ 1.5
-- 2% corporate rate reduction	--	--	\$ 2.2
-- Six point utility package	--	--	\$ 0.6
	<u>\$ 4.7</u>	<u>\$ 4.5</u>	<u>\$ 7.2</u>
Total Tax Cuts	<u>\$14.6</u>	<u>\$17.2</u>	<u>\$27.9</u>

1/ Includes both refundable and non-refundable portions.

2/ Includes extra 1 percent credit for ESOP's.

(For additional detail see Annex Tables 21 and 22.)



TALKING POINTS FOR  
REPUBLICAN LEADERSHIP  
MEETING  
WEDNESDAY, DECEMBER 10, 1975

1. I have not, as yet, made up my mind on whether I will sign the omnibus energy bill now in Conference. This will be a tough decision on my part and while I have heard from most of my advisors, I will not make a final decision until I see the final bill.
2. On the one hand, this bill incorporates several of my major proposals outlined last January and begins the decontrol process, so long sought by this Administration. And while I feel this is the best possible piece of energy legislation I can expect before the election, it does have several major drawbacks, particularly the decontrol provision which will not provide adequate incentive for increased production in the next two years.
3. I hope, nevertheless, that whatever my final decision is, you will support that decision in the Congress.
4. As you know, natural gas legislation is expected to reach the House floor for a vote in the near future. Frank, will you please give us a status report on this legislation?





GOP LEADERSHIP MEETING  
December 10, 1975 - Cabinet Room  
8:00 A. M.

DECLASSIFIED  
E.O. 12356, Sec. 3.2 (C)

MR 88-1, #3 NSE Mr. 4/12/89  
By KBH Date 5/18/89

President

We have three things on the agenda this morning. It will be a busy meeting. The first item is the controversial trip to China, Indonesia and the Philippines.

I went because I felt it is important to build on the relations started in 1972 and further built on by several Congressional visits. There are three major points I wish to make.

1. Mao is stronger than I anticipated. He is mentally firm and strong physically.
2. Teng, the Vice Premier is in charge. There is no doubt about that. He is active, vigorous and has a broad knowledge.
3. There is a very strong anti-Soviet attitude. It is almost unbelievable. The Chinese urged us to strengthen NATO and U.S. -Japanese relations. They urged us to prevent Soviet expansion anywhere, but especially in the Middle East, the Pacific and in Africa. They are desperately concerned about the Soviet Union being dominant anywhere.

We also have our differences on Korea. Our social and cultural systems are different. There are, however, real benefits and advantages on understanding our agreements and differences. I spent two hours with Mao and three hours with the Vice Premier. We also had three dinners. It was very worthwhile.

My visit to Indonesia was also very helpful. It is the World's fifth largest nation with 140 million people and they have serious economic problems. They are very anti-communist and want the U.S. active in the Pacific. I was very impressed with Suharto and his ability to hold 3000 islands together. He too is very anti-communist.

President Marcos of the Philippines was also very impressive. They are concerned with two issues. They are not pressing for elimination of the U.S. bases at Subic Bay and Clark, but they do want some revisions on the bases and defense arrangements. They are very concerned about economics and suffered some under our trade bill. Marcos is very strong. He did away with some parts of Philippines democracy, but it did help the economy.



We stopped in Alaska for Ted Stevens birthday party and to visit the pipeline, which is a very impressive public works project.

Case Stevens is a very impressive public works project (laughter).

President Ted celebrated his 52nd birthday. He has a hell of a lot of friends.

Stevens I'm very grateful, Mr. President. It was a great trip. There were wall to wall people. You are the first President to visit Fairbanks since 1923.

Edwards Did you draw the President or did the President draw the crowd

President It was a very impressive project. Henry, would you like to report?

Kissinger The press is asking what are the accomplishments, but U.S. and PRC have been brought together by necessity. To have thought five years ago that an American Secretary of State could hold a press conference in Peking would have been insane. What we did in Peking couldn't be in a communique. We choose the press conference so it wouldn't look like an alliance.

We have a common interest in Soviet military expansion. The Chinese leaders are the most cold blooded and hard-nosed leaders I have ever seen. They make some pretty harsh comments about the Communist parties in Europe. This is a marriage of convenience.

We have nothing on Taiwan. There was no need to. We will work that problem gradually. The President made it clear that whatever is worked out must be done by peaceful means and we need assurances if anything is worked out. Our discussions were as close as any we have had in NATO. They may be one of our closest NATO allies. They urged us to force the Europeans to do more.



China has made clear to Japan that U.S. -Japanese relations should be number one. They continue to nag away at detente. That is their all-purpose toast for everyone including Schmidt. Let's be realistic. The Chinese want us embroiled with Russia to save China. The best U.S. position is to continue negotiations with both the Chinese and the Soviets.

The Chinese gave us enormous respect. It's a healthy relationship, but the worst problem comes if the Chinese feel the U.S. Government has lost the power to act due to the domestic situation or the will to act. The Chinese worry about the U.S. backing out.

In Southeast Asia, Indonesia and the Philippines are the pillars of ASEAN which is the follow on to SEATO. Their emphasis is on economic matters. Their confidence in the U.S. remains high and they want the U.S. to be politically and economically active in the Pacific. We must now shift from our Indo-China involvement to a new course.

These are strong authoritarian governments and our relations must be carried out at the Presidential level. Perceptions are very critical in all three countries. We cannot allow a central kingdom syndrome for Peking. We needed to go to Indonesia and the Philippines. It gave confidence to SEA as they build a new post Viet Nam structure.

Griffin

Henry, what about Chou and Korea?

Kissinger

Chou is totally out of the picture. No one saw him. Mrs. Chou was at the guest house and Mao's wife was there reluctantly. Chou is too ill to see anyone. He has dropped out of all the conversations. Mao made clear that Teng is running things. Mao and Teng are very close.

Now regarding Korea. The Chinese were badly burned in Indo-China. They have no good word for Vietnamese. They are not anxious to see another unified state in the North. They give verbal support but would urge restraint. They know our position. They said very little about our presence in South Korea. In Korea there is need for restraint.

Rhodes

What about the Brezhnev speech in Warsaw?



Kissinger I've only seen press reports. I've had no chance to study it and I'm reluctant to comment.

Case What about the other states?

Kissinger All active U.S. forces are coming out of Thailand. The general Chinese attitude is that they want the U.S. in Asia and a U.S. interest in Thailand. They are trying to dam North Viet Nam and Cambodia. Peking continues to build the road in Laos to block North Viet Nam. The Chinese urged better U.S. relations with Cambodia. The U.S. President in Honolulu and the Secretary of State in Detroit have urged improvement. We have no interests in Southeast Asia now and we can be relaxed. By March we will have completed our principal military role in Thailand.

President Anything else?

Cederberg How could such a great speech get such poor coverage? Were the newsmen tired?

President We just finished a 10 hour flight. We went to the Arizona at the precise time the attack occurred. The speech was at the East-West Center and the press people were tired.

Griffin Mike Mansfield made a fine speech and he got no coverage.

Cederberg I saw Mansfield at the Spanish Embassy last night and he was amazed at how little coverage it got.

President The last three days were too fast for the press. While I was in Peking I called John Rhodes, Guy Vander Jagt and Herm Schneebeli on the tax bill. It was a real good effort on a 220-202 recommittal vote. The wording was spectacular. The bill is now in Senate Finance. I've had many calls from Senator Long who will probably drop the reform provisions and report a six months extension of the present law which contains a \$17B cut; \$13B for individuals and \$4 B for corporations. John.

Rhodes It was a very good vote on the previous question. There were two issues. The \$395B spending ceiling and a personal exemption increase from \$750 to \$1000. We got 197 votes on the previous question and lost no Republicans. The present situation is that we must defer to other body.



Scott Russell Long is up to the 6-9 months extension ploy. He won't take the House bill. He will come down hard and long.

Curtis Senate Finance has held some hearings. We meet at 10 A.M. this morning. We'll probably take the Ways and Means bill and put on the extension of the present law for six months. We would then avoid a conference. The Minority plan is to move for a dollar for dollar reduction.

President This will be a motion in committee.

Curtis Yes. It will be an open public meeting. I am hopeful of a solid Republican vote in committee. The floor vote is not clear cut because the reform is stripped out. If there is no one for one reduction many will vote against it.

Rhodes Carl, will you yield? Is there any merit in a four month extension because by April 15 the Budget Committee must set up their budget figures. This would get us away from the 1976 election.

Conable Mr. President, your strategy is working very well. There is much rhetoric in the budget process. Someone must give political direction to the Budget Committees. They work for us. Don't apologize for your strategy. We must have the confrontation now and put it off. Shoot Santa Claus now and not in May closer to the election. Don't fall into a booby trap. The worst thing is to extend the holding rate and then look at cuts later. A wallop for the tax payer later in the political process will be tough.

Curtis Are you disagreeing with John on four months?

Conable Yes.

Schneebeli If you compromise now it will be the same as the energy bill. The Democrats are now unhappy. The key votes on the tax bill went from 160 to 180 to 197 to 202. This article by Frank Mankewicz is true. He says if the Democrats defeat you on the spending ceiling, they will hand you the election on a platter.

President He is one of your friends! (Laughter)

Vander Jagt Wilbur Mills gave us some under the table help on the wording.

Scott What was Wilbur doing under the table?



Rhodes                    Looking for his Fanny.

President                 Bill Simon has done a good job. I agree with Barber. Have no illusions, I support Barber's strategy. This is our last chance on spending control.

Stevens                 If we loose we have a veto of the tax extension.

Curtis                    We win whether we loose or not.

Rhodes                    The Republicans would be voting for a tax increase.

Cederberg                We loose this and we loose a big campaign issue. We need a cutting issue. This can be sustained and it can be sold.

President                In 1947 Truman vetoed a tax reduction bill that was over-ridden and he won in 1948. In 1954 Congress passed the biggest tax reduction and the GOP got beat. This is not a bad approach: a tax cut and spending ceiling all in the same sentence.

Cederberg                This will offer a spending ceiling and then a tax break. It's the only issue next fall.

Stevens                 It is viable if the veto is not sustained. If it is sustained, there is an issue every month. The President's historical analysis is right, but not if the veto is sustained.

Tower                    The general public says cut spending, but the interest groups want an increase.

Rhodes                    The vote is only on the tax increase and nothing on the ceiling.

Stevens                 It will be tough to keep momentum if the issue is there for three, six or nine months.

President                As Bill Simon and I have said, I will veto the bill if it comes down without a spending limitation. We have a good chance to sustain and then the Democrats will come up with a limitation. We must keep hitting. The public is with us.

Scott                    The situation is not too good in the Senate. You need 34 and there are that many candidates.



Michel Hold the conference now and not later. The Republicans generally feel the spending ceiling is simple and understandable.

Edwards We must be willing to articulate the ceiling argument. Some young Democrats like Governor Brown of California and Governor Dukakis of Massachusetts are taking the issue away. Don't let them walk away with it. We must explain it to the people.

President Regarding Governor Dukakis, when Massachusetts was about to go broke he put through a big tax increase to salvage the fiscal situation. When we Republicans do this we catch hell. They do it and it's new theory and enlightenment by the press. Jack is right. We must tell the story and fight like hell.

Brown In my State the bond issues lost badly.

Schneebeli 93% of the bond issues lost nationwide.

Tower That is the New York syndrome.

Brown They were good programs too!

Devine In Ohio it was a 4-1 loss margin.

President Governor Rhodes told me he would win all 8. I will veto the bill without a spending ceiling -- that is final.

Conable On Christmas eve? John when would we vote?

Rhodes As soon as possible. The Speaker wants to vote as soon as you veto and not have you hold on to the bill.

Scott The Democrats are caucusing today on the tax bill.

Conable A little showmanship wouldn't hurt. We must articulate it well to get the public to listen and understand. You could create a procedural embarrassment. Call the Congress back. It will get the attention of the people. They will get a big kick out of it.

Stevens Call them back in Early Jan. when the junketing starts.

Tower Call us back on the 3rd of January which is the constitutional date for reconvening Congress.



Curtis                    There is nothing here in the public interest.

President                 Don't rule out a call back. Go back a few years on an appropriation bill. They were called back after Christmas and left on New Year's Eve. I wouldn't rule it out.

Tower                    Ted's argument has some merit. Call us back on the third.

Curtis                    Seriously consider the consequences if you call us back. Will we get anything done.

President                 The situation is fluid. Nothing is categorical. The problem could be avoided if they would put on the limitation. There is no call back or veto if you put on a spending ceiling.

Rhodes                    There is no scenario for a call back unless your veto is sustained.

President                 If the Speaker says don't call the Congress back, I can't make a commitment.

Hansen                    The Democrats are missing the mood of the country.

President                 Let's turn now to the energy bill. Did they file the report. Frank could you give us a summary.

Zarb                      We have no final printed copy yet. There is nothing new. The real action point is the natural gas bill where we have a chance to get the Krueger amendment considered in the Rules committee.

Brown                     There are so many votes it may be delayed.

Devine                    Harley Staggers read in last Sunday's POST that there is no natural gas shortage and hence no need for a rule on the bill.

Brown                     If we can get a vote we'll be okay, but getting the vote is the problem.

President                 If they don't we could go for a discharge petition.

Rhodes                    Good idea

President                 Why should we let Harley not ask for a rule and preclude the members from working their will.



Stevens                    There is no shortage of gas right now.

Tower                     There is no shortage because gas is moving in the interstate pipelines at intrastate prices.

President                 Put Harley on the spot.

Brown                     We had a 19-19 vote in committee. We are in touch with the Speaker on this.

Rhodes                    The Speaker and Tip are going hard on the Railroad Bill, but no cooperation yet on natural gas.

Brown                     We will finish the Railroad bill today.

Tower                     We do have gas shortages around the nation.

President                 Generate pressure from the states. The weather has been good and intrastate shipments help, but it is no real solution.

Zarb                      The weather has been dry this fall. There has been very little crop drying. We must win this year. Next fall may be wet and shortages would occur. There will be no bill next year in an election year.

Devine                    I'll talk to Harley.

Stevens                   The House has no language yet.

Brown                     We may have the votes in Rules to consider Krueger and long term decontrol. Maybe enough votes on the floor.

Quillen                   The Democrats are vascillating in Rules, especially Long of Louisiana. I don't want to disagree with Bud, but we need more work.

Brown                     Young, Sisk and Matsunaga may take a walk.

President                 The Speaker wants it. Keep the pressure on. It is very important for the long haul.

Quillen                   A lot of people think it won't do anything.



Lynn                   The synthetic fuel program is in the ERDA Authorization. It is very comprehensive and covers the post 1985 period. The conference is concluded. It has some real bad things in it and some things we really want. The bill should be supported. The House problems are Ken Hechler and Dingell. It passed the Senate, but needs help in the House.

Fannin                 It passed the Senate 80-10.

President             I may hold my nose on these and sign them. Any understanding yet on Elk Hills?

Stevens              No agreement yet. Number 4 in Alaska has been made a separate item. We'll have nothing until after the Christmas recess.

President             That is a shame. We could get 300,000 barrels from Pet 1 within three months.

Tower                 We could get 500,000 from secondary recovery, but you must veto the energy bill. It is a disincentive, not an incentive. I'm not an oil man, just a preacher's kid. This is perceived by the independents as a disincentive. New Mexico wells could recover 1,000,000 barrels. There are certainly no increases. No way can you argue that it will stimulate energy independence.

Devine                It is the OPEC subsidy bill of 1975.

Stevens              Taking it one step further. The FOG code put much emphasis on risk capital. Private capital is there if incentive is there, but this bill has none. Rig stacking is going on now in Alaska. We've lost 2-3 billion dollars in offshore sales.

Schneebeili         What's the timetable?

Fannin                Next week. The House acts first. We can't get a good bill out of this Congress or this Conference. Frank Zarb and his colleagues got the best possible bill.

Tower                 If the best is bad why approve it?

Fannin                Let's consider what the President is up against.

Stevens              Another step down the road to hell is not progress.

Edwards                   It is not a burning issue for the people. It's not a political issue, but it is having a real impact of the independents in my area. If this passes many will do something else. It will dampen the independents, but not like common situs.

Cederberg                 I'm against this energy bill, but it is a tough decision.

President                 Don't think I don't know it.

Cederberg                 It's a real tough call on taxes, energy, and common situs. Do all three and take the sting on the tax bill. We're on the road to hell anyway. Veto common situs even if you sign energy. The principle is wrong on common situs.

President                 What is the status of common situs?

Stafford                 We have agreed on the conference report.

Rhodes                   There's a good chance to beat common situs in the House.

Tower                    If we beat common situs, then veto energy.

Schneebeli               I've received no mail on the tax bill.

Quillen                 On the way to the airport many people said don't take away our tax cut. I'm from a conservative district. Veto the common situs bill.

Fannin                   My mail is 100-1 against common situs.

Stevens                 No one favors it. I sat here when you said you would sign it if both bills came down together. You are hearing from contractors and subcontractors, but no one else. I think there was a commitment and the Secretary of Labor did a good job. I think, despite the words you hear, the work and employment are real factors. It will bring about a reduction in the cost of construction.

Griffin                 I was also in the meeting and I didn't get the impression of a clear commitment.

Rhodes                   I was at the meeting and the President made reference to a bill that labor and management could agree on.

President                 We held a meeting and I did say there would be no bill without both bills. I said labor and management must both support it and if they came down under these conditions I could sign the bill.

Hansen Chamberlain had an argument like yours (Stevens) at Munich. The public is fed up with strikes. If this is signed the people in Wyoming will consider it a disaster.

Frey We're dead in Florida. Half of our backers will endorse Reagan.

Michel I was not at the meeting. You need militant views from both sides. At any meeting you must get extreme views. At that meeting the contrary arguments may not have been heard.

President Let me tell you who was here. Thompson, Esch, Quie, Ashbrook, and Rhodes.

Brown Ashbrook is shy.

President On the Senate side, there was Griffin, Javits, Williams, and Stafford. I said there must be unanimity on both sides.

Griffin We were talking about a bill that was not even drafted.

Tower OMB is talking about big Defense cuts. Don't cut defense.

President Let's get a proper perspective. The \$395B decision required some tough guidelines on everything including DOD. All departments and agencies had a chance to look at the decision. We are now starting the reclama process. DOD has responded well. I have a meeting next Tuesday with Rumsfeld. These are tough guidelines. An instant response is typical. Some are claiming a 200,000 personnel reduction and the closure of several bases. It is very sensitive, but it was a typical bureaucratic approach like giving up the Washington monument. Everyone will get a fair hearing. I have a long standing record on defense. DOD will get its day in Court under the same broad guidelines.

Young We always cut the DOD budget by \$5B.

President If our defense budget is not adequate this year we pay a big penalty 3-5 years hence. This won't happen with my approval. Some would cut defense until we have one rifle, one tank and one aircraft. It's a typical attitude with some people. There will be plenty of money. It's not what we do, it's what Congress will do.



Lynn As a natural born hawk I was telling the homebuilders, don't take it out of Defense. We are looking for things that are not muscle. The President will not hurt our defense capability. Rumsfeld will be making that point. The President and the Budget Director have no intention to be anything less than number one.

Whatever you cut, anything will be considered essential by someone.

The media may be changing their outlook toward defense.

President I hope it is. Jack.

Edwards I have had no contact from the White House or DOD who wished to explain the President's position on any defense issue. I get a lot of two star generals, but no White House or DOD people.

President Did any DOD civilians ask you to raise anything.

Edwards Only Dr. Currie.

President That is inexcusable and someone will hear about it. There was no Secretary of the Army, the Navy or the Air Force there to fight for their programs.

Cederberg Secretary Clements sent a letter.

Stevens On the other side, Mr. President, I never saw so much lobbying. There was an overwhelming job in the Senate. Secretaries, UnderSecretaries, two and four star officers. I wouldn't fear about a good job being done. It gets damn tiresome.

Edwards I want to see someone who can tell me what your priorities are. Those who come don't always speak for you.

