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Wirephotos W45, 6, 7

By EDWARD Le BISTON

Associated Press Writer

WASHINGTON AP - President Ford will send Congress a \$394.2-billion budget tomorrow, but congressional Democrats are already attacking it and marshaling their strength for imminent veto battles to test their strength in the election-year spending dispute.

The outlines of the budget Ford will submit Wednesday were made clear in his State of the Union message Monday night as he urged spending restraint and renewed his proposal for a balancing income tax cut.

In his address, Ford said the nation's condition was better now than it was a year ago but that it's still not good enough. He proposed cutting income taxes by \$10 billion, raising Social Security levies \$4.2 billion, adding catastrophic health insurance for Medicare recipients, encouraging business expansion by offering new tax incentives and providing housing assistance for 500,000 families.

A White House data sheet announcing the budget total for the 12 months beginning next Oct. 1 says the budget will be \$42 billion in deficit. The deficit for the current fiscal year is estimated at \$76 billion.

Democrats responded with a chorus of charges that Ford was putting what they called an arbitrary spending ceiling ahead of the needs of the unemployed in an economy just beginning to recover.

The Democrats also signaled that the forthcoming disputes over vetoes and the federal budget will bear the seeds for future political issues in this election year.

Ford raised some political themes in his address, possibly trying out "new realism," as a campaign slogan and obliquely criticizing his Republican opponent, Ronald Reagan.

The first veto dispute comes next Tuesday when the House will vote whether to override Ford's veto of a \$45-billion labor-health, education and welfare appropriation heavy with funding for social programs. They would need a two-thirds vote to override, and the outcome is in doubt.

House Majority Leader Thomas P. O'Neill Jr., D-Mass., said Ford's economic plan would throw an additional 200,000 persons out of work. Sen. Hubert H. Humphrey, D-Minn., said Ford failed "to come to grips with the problem of unemployment and the sluggishness of our economy."

In another major squabble between the Democratic Congress and Ford, the House votes next Tuesday on a \$112-billion defense appropriation that contains a ban on using U.S. funds to help any faction in the Angolan civil war. The Senate already has approved the ban.

"We must not face a future in which we can no longer help our friends, such as in Angola, even in limited and carefully controlled ways. . . .," Ford told Congress in a nationally broadcast address.

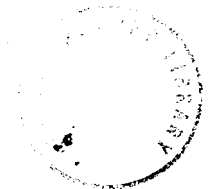
He said such actions as the Senate's vote for the Angola-funds ban were "very short-sighted."

House Speaker Carl Albert has said he cannot conceive of Congress approving Angola aid on the basis of arguments put forward by the administration. Albert called Ford's spending restraint-tax reduction plan unworkable.

"After the rhetoric has faded we find that the tough questions remain unanswered by this President," he said.

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Ford said his tax-cut and spending-ceiling proposal, essentially the one Congress refused to vote last year, would provide a \$10-billion tax reduction in addition to the compromise cut in effect until midyear. He said it would mean \$227 a year in additional take-home pay for a family of four with \$15,000 income.

But Ford also proposed an increase in another tax, the payroll levy paid by employers and employees to support the Social Security system that has been running a deficit and dipping into its reserves.

Effective in 1977, the increase would raise the maximum tax paid by an employee to \$1,014, up from \$855 this year. All but \$49 of this proposed hike might occur anyway under automatic provisions of present law.

However, Ford said he would not renew his recommendation for a limit on cost-of-living increases in Social Security benefits, rejected by Congress last year.

Chairman Al Ullman, D-Ore., of the House Ways and Means Committee, said Ford was looking only at Social Security's short-range problems. He said Congress will have to consider the longer range needs of the system and consider finding revenues in addition to the payroll tax.

Ford also proposed a revision in the Medicare health program for the aged. It would cost the over-65 patients more for short-term illnesses, but set a \$740-a-year ceiling on what they could be charged for covered services. The limit, he said, would protect them against catastrophic costs for serious illness.

Ullman suggested that active workers with family responsibilities are at least as much in need of protection against health cost catastrophes. Chairman Russell B. Long, D-La., of the Senate Finance Committee remarked that such protection might be a better use for some of the \$10 billion Ford would devote to income tax reduction.

While Ford's message foreshadowed clashes on a number of issues with the Democratic majority in Congress, it also staked out some positions that would set him apart from Reagan.

While Reagan has proposed large-scale transfers of federal programs to the states, Ford came out for tightening rather than abolishing federal welfare programs.

"Surely we cannot simply dump welfare into the laps of the 50 states, their local taxpayers or private charities, and just walk away from it," Ford said.

His welfare proposals, a White House data sheet said, would involve a grant of authority to the President, subject to congressional veto, to modify procedures, eligibility requirements, benefit levels and administration of programs on which the government spends \$25 billion.

Ford also called for what he described as "long overdue reform of the scandal-ridden food stamp program." A major change would limit benefits to those whose net income is below the poverty level, currently \$5,050 for a family of four.

Overall, Ford proposed "to consolidate some 50 separate federal programs and provide flexible federal dollar grants to help states, cities and local agencies in such important areas as education, child nutrition and social services."

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He said temporary extensions of special unemployment benefits will continue in 1976 and that he will ask for continued job training funds in 1977.

He renewed his call for a five-year extension of federal revenue-sharing with states and localities.

Ford advanced two plans he said would stimulate needed business investment.

One would provide fast depreciation of productive facilities, aimed especially at areas of high unemployment - which under present circumstances would cover much of the country.

Another would be designed to encourage persons of moderate income to buy stock in U.S. firms. The purchase price for such long-term investments could be deducted for tax purposes, with the proceeds to be subject to tax only if cashed in later.

To make it easier for heirs to retain family farms and businesses, Ford said the estate tax on such inheritances should be postponed and stretched out.

He also said he will propose programs to help lower-income persons rent and buy homes through subsidies affecting 500,000 dwelling units, at the same time helping the lagging housing industry.

Additionally, he promised plans to reduce the regulation of various industries, freeing the economy from "the petty tyranny of massive government regulation," and at the same time enforcing antitrust laws.

Saying the country needs a strong defense posture to strengthen its hand in international negotiations and keep its alliances vigorous, he said he will submit an increased defense budget.

Warning against "the crippling of our foreign intelligence services," which have been under critical study by congressional committees, Ford said, "I will take actions to reform and strengthen our intelligence community. I ask for your positive cooperation. It is time to go beyond sensationalism. . . ."

The House intelligence committee is expected to avoid calling for drastic changes in U.S. intelligence agencies but to emphasize better opportunities for Congress to supervise the agencies.

In the field of energy, Ford made no new proposals but called in Congress to go beyond the limited bill it passed last year and carry out the rest of his proposals for conservation and stimulation of production and research.

Ford once again came out against proposals to ban the possession of handguns, calling instead for mandatory sentences for crimes in which a gun is used and restrictions on cheap guns often used for criminal purposes. He said also his budget will provide for 500 more federal agents in 11 high crime areas to help stop criminals from selling and using handguns.

Summing up the course of national affairs during his past year in office, Ford said the result "shows that we are not only headed in the new direction I proposed 12 months ago, but that it turned out to be the right direction. . . ."

"Last January most things were rapidly getting worse. This January most things are slowly but surely getting better."

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GENERAL DAY LD

BY MIKE FEINSILBER

WASHINGTON (UPI) -- PRESIDENT FORD HAS CALLED ON AN ELECTION-YEAR CONGRESS TO BOTH RAISE AND CUT TAXES, CURTAIL GOVERNMENT AND FOREGO THE ATTEMPT TO SEEK MIRACLE CURES FOR LINGERING ECONOMIC TROUBLES.

IN A STATE OF THE UNION ADDRESS THAT CAN SERVE AS HIS PLATFORM IN REPUBLICAN PRIMARY BATTLES AGAINST RONALD REAGAN, FORD SAID THE NATIONAL STATE AFTER 17 MONTHS OF HIS STEWARDSHIP WAS "IN MANY WAYS A LOT BETTER -- BUT STILL NOT GOOD ENOUGH."

HE ADVOCATED "A NEW REALISM" WHOSE THEME WAS THAT GOVERNMENT MUST DO LESS IN THE HOPE THAT CITIZENS THEN CAN DO MORE FOR THEMSELVES.

HE PROPOSED EXPANDING AND MAKING PERMANENT THE CURRENT INCOME TAX CUT, BY INCREASING THE \$750 PERSONAL EXEMPTION TO \$875 NEXT YEAR AND MAKING OTHER LIBERALIZATIONS, BUT HE ALSO ASKED FOR HEAVIER PAYROLL TAXES TO MEET A WORRISOME SOCIAL SECURITY DEFICIT.

HE PROPOSED AN INCREASE IN MEDICARE COVERAGE FOR THE ELDERLY, BUT NO NATIONAL HEALTH INSURANCE; MORE JUDGES, JAILS AND PROSECUTORS TO FIGHT CRIME, BUT NO NEW GUN CONTROL MEASURES; HOUSING SUBSIDIES FOR 400,000 TENANTS AND 100,000 HOME BUYERS; AND THE CREATION OF A PLAN TO GIVE TAX BENEFITS TO LOW- AND MIDDLE-INCOME FAMILIES WHO INVEST IN SECURITIES.

HE ALSO PROPOSED CONSOLIDATING \$10 BILLION IN HEALTH PROGRAMS; TAX INCENTIVES FOR BUSINESS FIRMS WHICH INCREASE JOBS; ENACTMENT OF HIS 1975 ENERGY PROGRAM, INCLUDING REMOVAL OF PRICE CONTROLS ON NATURAL GAS; EASING TAXES ON INHERITED FARMS; AN INCREASE IN DEFENSE SPENDING; AND A FREE HAND TO "HELP OUR FRIENDS, SUCH AS IN ANGOLA."

IN REACTION, REPUBLICAN SEN. BARRY M. GOLDWATER CALLED FORD COURAGEOUS FOR ADVOCATING RESTRAINT. HOUSE SPEAKER CARL ALBERT SAID THE SPEECH LACKED VISION. SEN. EDMUND S. MUSKIE WILL GIVE THE FORMAL DEMOCRATIC REPLY ON TELEVISION AT 9 P.M. EST WEDNESDAY.

STRIKING HIS THEME, FORD SAID: "WE TRIED TO BE A POLICEMAN ABROAD AND AN INDULGENT PARENT HERE AT HOME...WE MUST BE MORE HONEST WITH THE AMERICAN PEOPLE, PROMISING THEM NO MORE THAN WE CAN DELIVER, AND DELIVERING ALL THAT WE PROMISE."

HE SAID HE BELIEVED IN A JOB FOR EVERYONE WHO WANTS TO WORK, BUT HE SPECIFICALLY REJECTED A "FULL EMPLOYMENT" BILL, WHICH HAS BEEN ENDORSED BY MOST OF THE 11 DECLARED DEMOCRATIC PRESIDENTIAL CANDIDATES, TO PROVIDE A GOVERNMENT JOB FOR EVERY WORKER WHO CANNOT FIND PRIVATE EMPLOYMENT. HE SAID PRIVATE BUSINESS IS WHERE TO LOOK FOR "REAL, REWARDING, PERMANENT JOBS."

FORD SPOKE IN THE HOUSE CHAMBER FOR 47 MINUTES, BEFORE CONGRESS (THOUGH MANY MEMBERS WERE ABSENT, THEIR SEATS FILLED BY CONGRESSIONAL AIDES), THE CABINET, THE SUPREME COURT, THE DIPLOMATIC CORPS AND THE TELEVISION CAMERAS. HIS TEXT, WITH NUMEROUS HANDWRITTEN CHANGES, WAS TYPED IN BIG TYPE, FOUR LINES TO A PAGE. APPLAUSE WAS PERFUNCTORY.

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HERE IS A SUMMARY OF FORD'S MAJOR PROPOSALS:

TAXES: FORD SAID THE EXISTING TAX CUT, CARRIED OVER FOR THE FIRST SIX MONTHS OF THIS YEAR FROM 1975, WOULD SAVE AMERICANS \$18 BILLION. HE PROPOSED EXTENDING AND MAKING PERMANENT THE CUT, TO ADD \$10 BILLION TO THE SAVING, GIVING AN ADDITIONAL \$227 A YEAR SAVING TO A FAMILY OF FOUR EARNING \$15,000 A YEAR. THE PERSONAL EXEMPTION WOULD RISE TO \$875 THIS YEAR AND TO \$1,000 IN 1977. THE CORPORATE TAX RATE WOULD BE REDUCED \$3.2 BILLION. FORD IMPLIED HE WANTED SPENDING CUTS TO MATCH THE TAX CUTS. CONGRESS IS CERTAIN TO GO ALONG WITH THE TAX CUT IDEA, BUT PROBABLY WILL CHANGE DETAILS OF HOW CUTS ARE TO BE MADE.

SOCIAL SECURITY: FORD PROPOSED INCREASING THE CURRENT TAX OF 5.85 PER CENT OF THE FIRST \$15,300 OF INCOME, TO 6.15 PER CENT OF A MAXIMUM OF \$16,500. THE TAX IS PAID BY BOTH EMPLOYERS AND EMPLOYEES. THE MAXIMUM PAID WOULD GO FROM THIS YEAR'S \$895.05 TO \$1,014.75 IN 1977. HOUSE WAYS AND MEANS CHAIRMAN AL ULLMAN HAS ENDORSED AN INCREASE IN THE TAX.

HEALTH: PERSONS OVER AGE 65 WOULD HAVE TO PAY NO MORE THAN \$500 FOR HOSPITAL CARE AND \$250 FOR PHYSICIANS' SERVICES UNDER AN EXTENSION OF MEDICARE TO COVER "CATASTROPHIC" ILLNESSES. MEDICARE FEES WOULD RISE TO PAY FOR THE ADDITIONAL COVERAGE. THE PLAN WILL BE CALLED INADEQUATE BY DEMOCRATS PROPOSING NATIONAL HEALTH INSURANCE, WHICH IS UNLIKELY TO PASS THIS YEAR. FORD ALSO PROPOSED CONSOLIDATING MEDICAID, FOR THE POOR, AND 15 OTHER HEALTH PROGRAMS INTO ONE \$10 BILLION BLOCK GRANT PROGRAM TO STATES.

CRIME: FORD CALLED FOR A 9 PER CENT INCREASE IN THE NUMBER OF FEDERAL PROSECUTORS, 51 ADDITIONAL FEDERAL JUDGESHIPS, CONSTRUCTION OF FOUR NEW FEDERAL CORRECTIONAL INSTITUTIONS AND MANDATORY IMPRISONMENT OF PERSONS CONVICTING OF CARRYING A HANDGUN WHILE COMMITTING A FEDERAL CRIME.

HOUSING: STARTING OCT. 1, FORD PROPOSES TO REACTIVATE OLD HOUSING PROGRAMS TO PROVIDE RENTAL SUBSIDIES FOR 400,000 POOR FAMILIES, SPURRING THE CONSTRUCTION OR REHABILITATION OF 125,000 UNITS, AND HOME MORTGAGE SUBSIDIES FOR BUYERS OF 100,000 NEW OR REHABILITATED HOUSES. DEMOCRATS WILL WELCOME THIS ECONOMIC STIMULANT.

JOBS: FORD PROPOSED PERMITTING VERY RAPID DEPRECIATION FOR FIRMS WHICH CONSTRUCT NEW PLANTS, EXPAND OR PURCHASE EQUIPMENT IN AREAS WHERE UNEMPLOYMENT EXCEEDS 7 PER CENT.

STOCKS: FORD WOULD ENCOURAGE LOW- AND MIDDLE-INCOME FAMILIES TO BUY COMMON STOCKS BY DEFERRING TAXES ON FUNDS INVESTED AND LEFT IN STOCKS OR MUTUAL FUNDS FOR SEVEN YEARS. EARNINGS INVESTED IN STOCKS WOULD NOT BE TAXED UNTIL THE STOCKS WERE SOLD AND THE MONEY WITHDRAWN.

FARMS: FORD PROPOSED STETCHING OUT OVER 20 YEARS THE PAYMENT OF FEDERAL ESTATE TAXES ON INHERITED FARMS SO YOUNG FARMERS WILL NOT HAVE TO SELL PROPERTY TO RAISE MONEY TO PAY TAXES. THIS IDEA DREW MUCH APPLAUSE.

REVENUE SHARING: FORD REITERATED HIS PROPOSAL TO EXTEND THIS PROGRAM SO AS TO SEND \$40 BILLION TO 38,000 STATE AND LOCAL GOVERNMENTS BY SEPTEMBER, 1982. BOTH PARTIES ARE DIVIDED ON THE MERITS OF REVENUE SHARING, BUT SOME SORT OF EXTENSION APPEARS CERTAIN UNDER PRESSURE FROM MAYORS WHOSE BUDGETS HAVE BECOME DEPENDENT ON THE MONEY.

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Ford-Politics 430, 2 takes 980

By WALTER R. WEARS

AP Special Correspondent

WASHINGTON AP - President Ford has sounded the keynote of his campaign for the Republican presidential nomination, calling for curtailed federal spending and another 1976 tax cut - while scoffing at Ronald Reagan's budget-slicing proposals.

Those are themes the President is expected to stress when he begins his personal hunt for votes in the presidential primary elections.

While not mentioning his GOP challenger, Ford used his State of the Union platform Monday night to declare that Reagan's budget proposals go too far, saying at one point that the federal government cannot dump welfare onto the states.

Ford's address offered what seemed a multiple choice of possible campaign slogans: "A New Realism," "Common Sense," "The Right Direction."

And it also provided his most direct retort so far to the proposals of Reagan, who has advocated the phased elimination of more than \$90 billion in federal social programs, with the states to be responsible for continuing them if they choose.

What Ford wants to do is hold the increase in federal spending to about 5 per cent in the new budget.

Democratic candidates for the White House chorused criticism of the President, saying he doesn't want to do enough to revive the economy and spur employment.

But Ford's first order of political business was Reagan, not the Democrats. Thus his defense of social programs, which he said "reflect our generosity as a people," even as he criticized inequities and abuses.

"Complex welfare programs cannot be reformed overnight," he said.

"Surely we cannot simply dump welfare into the laps of the 50 states, their local taxpayers or private charities, and just walk away from it.

"Nor is it the right time for massive and sweeping changes while we are still recovering from a recession."

Reagan said in Chicago on Sept. 26 that he wants to transfer authority and revenue resources for \$90 billion worth of federal programs to the states, to run them or drop them.

Among his targets: more than \$22 billion in welfare and other income security programs.

Reagan has been emphasizing that he wants a phased and systematic transfer of authority, not an immediate slash of federal social programs. But his budget plan has become the major target of Ford's campaign advocates.

And the President outlined his own formula for handling these programs, pointedly covering many of the same areas involved in the Reagan plan.

For example, Ford recommended consolidation of 16 health programs, including Medicaid, into a single system of federal grants totaling \$10 billion.

The Reagan plan envisions an end to those programs at the federal level.

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Ford-Reagan 440

By WALTER R. WEARS

AP Special Correspondent

WASHINGTON AP - President Ford's State of the Union proposals include plans for dealing with a series of programs listed by Republican presidential challenger Ronald Reagan as targets for elimination at the federal level.

Reagan proposes to transfer these programs to states and cities, with continuation at their option. He also advocates the transfer of tax sources to pay for them.

Among Ford's major rebuttal points:

- Welfare: The President said, "We cannot simply dump welfare into the laps" of states, their taxpayers or private charities. He said this is not the right time for massive or sweeping changes anyhow. Ford advocated reform and plans to ask Congress for authority to change benefit levels, eligibility requirements and rules for \$23 billion in federal income support programs.

- Unemployment: Ford would continue \$14.6 billion in unemployment insurance for an estimated 8.9 million Americans expected to receive benefits at some time during the new budget year.

- Health and education: Ford wants to consolidate 59 federal programs, which represent more than \$10 billion of his proposed budget. Among them are federal aid to education, child nutrition and social services, Medicaid and health care subsidies, all of which Reagan thinks should become state responsibilities.

- Revenue-sharing: Ford would extend it through September 1982, to send nearly \$40 billion in federal revenues back to state and local governments. Reagan would end it, arguing the states and cities would be better off to tax the money directly, instead of sending it to Washington and paying what he calls a carrying charge to get it back.

- Law enforcement: Ford made a point of his advocacy of continued state and local aid through the law enforcement assistance program, saying he wants \$5.8 billion made available through 1981. Reagan's plan would drop that program at the federal level.

Ford's recommendation on health care grants pointed out one central difference between the two approaches. He said the \$10 billion that would be available in a consolidated program of federal aid would be apportioned among the states under a formula providing more money to states that have the largest share of low-income families.

Such formulas enable the federal government to concentrate aid on states deemed to have the greatest need. Under Reagan's plan, there could be no such formulas. The states would raise the money themselves and, if they chose, spend it within their boundaries.

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So, too, with revenue-sharing. Ford urged its extension, to continue lump-sum grants to the cities and states. Reagan would end it, saying the money should stay at the local or state level in the first place. Ford said he favors increasing local and state responsibility and freedom. Reagan has said he does, too.

The difference boils down to Ford proposals that would maintain federal aid programs while streamlining them and giving state governments more leeway in use of the money.

He advocated that approach to 50 programs that account for more than \$19 billion of his new budget. Among them would be federal aid to education, child nutrition and social services.

Virtually all those programs are on Reagan's list of items to be taken over by states or dropped at their option. He says tax sources should be given to the states along with program responsibilities.

In the Reagan camp, a top strategist said he assumed Ford would gain ground in the Republican rivalry because of his nationally televised appearance before the Democratic Congress. But he also said the political benefits would be temporary.

Ford men contended the appearance, and the \$394.2-billion budget the President submits Wednesday, show their man doing his job, which they say is the best politics and the way to win.

The day that counts is five weeks off, Feb. 24, when New Hampshire holds the year's first presidential primary. After that it will be Ford against Reagan once a week in primary tests for the following month.

Ford revived a long argument with the Democratic Congress, reinstating proposals he made before. Congress rejected his demand for a \$295-billion spending ceiling; he proposed a \$394.2-billion budget. Sen. Hubert H. Humphrey of Minnesota, who says he isn't a candidate for the Democratic presidential nomination but would run if the convention turned to him, said the budget "is a political figure and not a realistic figure. It is not even honest."

Ford proposed a \$10-billion income tax cut effective July 1, to go with the \$18-billion reduction already on the books.

He also recommended a \$4.2-billion increase in Social Security taxes, to keep the system solvent and pay benefit increases to keep pensioners abreast of the cost of living.

"His tax relief is offset by his new Social Security taxes and energy costs, hitting poor people with more cost than relief," said Democratic presidential candidate Terry Sanford.

"He may be going left and right at the same time," added Gov. Milton J. Shapp of Pennsylvania, another of the Democratic campaigners.

Sen. Henry M. Jackson of Washington said the Social Security tax could have a serious impact on spending power in an economy

"struggling to find a base of recovery."

Sen. Birch Bayh of Indiana, another campaigning Democrat, accused Ford of "political hypocrisy at its worst. This year, when he is running for election, he talks about full employment, health care, housing, better treatment of older Americans. But just within the past year he vetoed important legislation in every one of those areas."

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Ford Reaction 450. 2 takes 950

By LAWRENCE L. KNUTSON

Associated Press Writer

WASHINGTON AP - President Ford's pledge to hold the federal budget to \$295 billion is drawing criticism from congressional Democrats who say it will slow recovery and cost hundreds of thousands of jobs. Republicans praised what they called the realistic tone of Ford's State of the Union address Monday night and singled out for favorable comment his proposal to use tax incentives to persuade industry to locate factories in areas of highest unemployment.

The senior Democrats who head the Senate and House committees which must deal with Ford's new budget and economic proposals say he likely will find a Social Security tax increase difficult to achieve.

Many members of both parties said large portions of Ford's address to Congress were really aimed at the voters and at former California Gov. Ronald Reagan, Ford's principal challenger in the approaching GOP presidential primary elections.

The candidates for the Democratic presidential nomination were predictable in their criticism, and one of them, Sen. Birch Bayh, D-Ind., called the speech, "political hypocrisy at its worst." Ford drew other criticism for chiding Congress for cutting off U.S. aid to two of three factions in the civil war in Angola.

"For a nation born in here, President Ford offered a very restrictive Bicentennial vision," said Sen. John Tunney, D-Calif., who said the Angolan section of the speech contradicted the President's assertion earlier that the United States no longer can be the world's policeman.

House Speaker Carl Albert of Oklahoma said Ford's spending lid is "unworkable," and said the speech contained "popular platitudes followed by a transparent lack of vision." House Democratic Leader Thomas P. O'Neill said it would cost 200,000 workers their jobs.

House Banking Committee Chairman Henry Reuss, D-Wis., said the \$295-billion spending ceiling means cuts of \$28 billion in current federal programs, "primarily those benefiting poor and middle-income people.

Reuss said this would mean cutting back Medicaid, raising the payroll tax which he said hits moderate income workers the hardest, ending public service employment and doing nothing to end income tax loopholes which benefit the wealthy.

"If Congress were so foolish as to follow Mr. Ford's austerity program, next year would see the biggest budget deficit in history because the resulting business slump would cause a shortfall in tax revenues and an increase in welfare costs as it caused unemployment to rise," Reuss said. "The Democratic Congress will do its best to save Mr. Ford from his own folly."

Chairman Brock Adams, D-Wash., of the House budget Committee - which with its Senate counterpart will set out Congress' own federal budget - said Ford can't do the things he said he would with a budget limited to \$295 billion.

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Sen. Russell B. Long, D-La., chairman of the tax-writing Senate Finance Committee, said he believes the Democratic-controlled Congress might well decide to use some of the funds involved in a \$10-billion income tax cut in other ways.

Some of the money might be used to provide all Americans protection against catastrophic illness, not just the elderly as Ford recommended, Long said. And he said some of it could be used to put the SOCIAL Security system on a sound basis.

Chairman John L. McClellan, D-Ark., of the Senate Appropriations Committee said people find it hard to understand why the Social Security system is in trouble after so many years and that this lack of understanding will make an increase difficult to achieve.

"If the President is able to get this small increase, I think it will be the last one in quite a long while," McClellan said.

Sen. Edmund Muskie, D-Maine, chairman of the Senate Budget Committee, who will give the response Wednesday night of congressional Democrats to the President's speech, declined to give reporters his reaction.

"You can't expect me to tip my hand now," he said.

Here are other comments on Ford's State of the Union address:

- House Republican Leader John Rhodes: "Politically and every other way it was a very good speech. It was conciliatory toward Congress, forward looking, taking in the basic problems facing the nation."

- Rep. John S. Anderson, R-Ill., chairman of the House Republican Conference: "I feel the President's most imaginative suggestion was the use of tax incentives to bring about economic recovery in hard hit areas."

- Sen. Jacob Javits, R-N.Y.: "The speech was sober, pragmatic, nonsensational and centrist. But I think it was inadequate in such areas as unemployment."

- Rep. Philip Burton, D-Calif., chairman of the House Democratic Caucus: "His message was distinguished not by what it recommended but by what it ignored: Unemployment, tax reform, health insurance, consumer protection."

- Sen. J. Glenn Beall, R-Md.: "I think the President in his message indicated that the nation must move towards a government of performance rather than one of promise."

- Sen. Dick Clark, D-Iowa: "he appeared to be critical of congressional investigations of the Central Intelligence Agency but not of the wrongdoing by the CIA which those investigations have uncovered."

- Sen. Harrison A. Williams, D-N.J.: "It was often difficult to see whether it was aimed at our entire nation or just addressed to Mr. Ford's political opposition within his own party."

- Rep. Herb Harris, D-Va.: "Although Mr. Ford quoted Thomas Paine, he proposed nothing revolutionary to give Americans independence from spiraling inflation and continued high unemployment."

- Sen. Charles Mathias, R-Md.: "I share his vision of a greater America. But I hope the rosy glow doesn't turn into a red light when we see his budget on Wednesday."

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REACTION 1-20
WITH FORD

BY STEVE GERSTEL

WASHINGTON (UPI) -- CONGRESSIONAL REACTION TO PRESIDENT FORD'S STATE OF THE UNION ADDRESS SHOWS THERE WILL BE SOME BATTLES WHEN THE DEMOCRATIC MAJORITY IN THE HOUSE AND SENATE ACTS ON HIS REPUBLICAN PROGRAM IN A PRESIDENTIAL ELECTION YEAR.

REPUBLICANS GENERALLY APPLAUDED THE SPEECH, BUT MOST DEMOCRATS DISMISSED IT AS ELECTION-YEAR RHETORIC SIGNALING A RETREAT INTO THE PAST. CONGRESSIONAL CONSERVATIVES RESPONDED FAVORABLY WHILE GOP LIBERALS TEMPERED THEIR PRAISE.

SEN. BARRY GOLDWATER, R-ARIZ., SAID, "IF THIS COUNTRY IS TO BE SAVED FROM DISASTER, IT WILL REQUIRE PRESIDENTS WITH THE COURAGE AND FORESIGHT OF MR. FORD. HIS STRONG EFFORTS TO REDUCE THE OVERBURDENING POWER OF THE FEDERAL GOVERNMENT SHOULD BE APPLAUDED BY EVERY TAXPAYING AMERICAN."

BUT REP. JOHN BRADENAS, D-ILL., FOUND THE PROGRAM "ABOUT AS FORWARD-LOOKING AS THE ONE GEORGE III HAD FOR THE COLONIES 200 YEARS AGO."

ASSISTANT SENATE DEMOCRATIC LEADER ROBERT C. BYRD SAID: "FORD'S RHETORIC IS REAGANISH. IT FAILS TO BE REALISTIC."

AND HOUSE MAJORITY LEADER THOMAS P. O'NEILL JR. PREDICTED THE DEMOCRATS "WILL NOT STAND FOR THE STATUS QUO OR CUTBACKS IN PROGRAMS THAT HELP THE PEOPLE."

SPEAKER CARL ALBERT, HOARSE FROM FLU AND DAUBING AT HIS NOSE WITH A TISSUE, SAID FORD'S SPEECH "WAS A TYPICAL REPUBLICAN STATE OF THE UNION MESSAGE IN AN ELECTION YEAR ... NOT REALLY ANYTHING NEW."

SENATE REPUBLICAN LEADER HUGH SCOTT PRAISED FORD'S PROPOSAL TO CREATE JOBS; FOR SUGGESTING A PLAN TO PROMOTE INVESTMENT IN STOCKS AND FOR PROPOSING A CONSOLIDATION OF GRANT PROGRAMS.

SEN. HUBERT HUMPHREY, D-MINN., SAID HE THOUGHT THE PRESIDENT'S SPEECH WAS "UPBEAT" BUT FAILED TO OFFER A SUBSTANTIVE PROGRAM.

REP. AL ULLMAN, D-ORE., CHAIRMAN OF THE TAX-WRITING WAYS & MEANS COMMITTEE, CALLED FORD'S PROPOSALS "FRAGMENTARY" AND SAID, "WE NEED SOMETHING LONG RANGE TO MEET THE INFLATION THREAT AND LONG RANGE TO MEET THE SOCIAL SECURITY PROBLEM."

SEN. JACOB JAVITS, R-N.Y., CALLED FORD'S ADDRESS "NONSENSATIONAL AND CENTRIST," AND SAID: "A LOT OF IT I LIKED. SOME OF IT I DIDN'T LIKE. I THOUGHT THE RECOMMENDATIONS ON REVENUE SHARING AND REGULATORY REFORM AND THE INTELLIGENCE COMMUNITY WERE GOOD. I THOUGHT HIS REFERENCES TO UNEMPLOYMENT AND THE METHODS OF TREATING IT WERE INADEQUATE."

SEN. JOHN MCCLELLAN, D-ARK., CHAIRMAN OF THE APPROPRIATIONS COMMITTEE, WAS NOT HAPPY ABOUT THE RECOMMENDATION FOR INCREASING SOCIAL SECURITY TAXES.

"I THINK PEOPLE THINK THEIR TAXES ARE AS HIGH AS THEY CAN BE RIGHT NOW," MCCLELLAN SAID.

UPI 01-20 05:11 AES

AO37

R B

HEALTH 1-20

WITH FORD

WASHINGTON (UPI) -- PRESIDENT FORD PROPOSES REVISING THE MEDICARE PROGRAM TO ASSURE NO AMERICAN 65 OR OLDER WOULD PAY MORE THAN \$500 A YEAR FOR HOSPITAL CARE OR \$250 IN DOCTOR BILLS.

IN HIS STATE OF THE UNION MESSAGE MONDAY NIGHT, THE PRESIDENT REJECTED AS TOO EXPENSIVE THE IDEA OF FEDERALLY SPONSORED NATIONAL HEALTH INSURANCE FOR EVERYBODY. BUT HE SAID:

"THE BURDEN OF A CATASTROPHIC ILLNESS CAN BE BORNE BY VERY FEW IN OUR SOCIETY. WE MUST ELIMINATE THIS FEAR FROM EVERY FAMILY.

"I PROPOSE CATASTROPHIC HEALTH INSURANCE FOR EVERYBODY COVERED BY MEDICARE. TO FINANCE THIS ADDED PROTECTION, FEES FOR SHORT-TERM CARE WILL GO UP SOMEWHAT, BUT NOBODY AFTER REACHING AGE 65 WILL HAVE TO PAY MORE THAN \$500 A YEAR FOR COVERED HOSPITAL OR NURSING HOME CARE NOR MORE THAN \$250 FOR ONE YEAR'S DOCTORS' BILLS."

HE SAID UNDER THE RESOURCES NOW AVAILABLE, FEDERAL HEALTH PROGRAMS SHOULD BE DEVOTED TO HELPING THOSE WHO REALLY NEED MORE PROTECTION -- THE AGED AND THE POOR.

"TO HELP STATES AND LOCAL GOVERNMENTS GIVE BETTER HEALTH CARE TO THE POOR I PROPOSE THAT WE COMBINE 16 EXISTING FEDERAL PROGRAMS INCLUDING MEDICAID INTO A SINGLE \$10 BILLION FEDERAL GRANT, FORD SAID.

"FUNDS WOULD BE DIVIDED AMONG THE STATES UNDER A NEW FORMULA WHICH PROVIDES A LARGER SHARE OF FEDERAL MONEY TO THOSE STATES THAT HAVE A LARGER SHARE OF LOW INCOME FAMILIES."

REGARDING THE PROPOSED MAJOR CHANGE IN MEDICARE, AN ADMINISTRATION SPOKESMAN SAID THE GOVERNMENT WOULD REALIZE A NET SAVING OF \$2.2 BILLION ON THE PROGRAM.

WHERE MEDICARE PATIENTS NOW PAY NOTHING FOR THE SECOND THROUGH THE 60TH DAY OF HOSPITALIZATION, AND 50 PER CENT BEYOND THAT POINT, UNDER THE NEW PLAN THEY WOULD PAY 10 PER CENT OF ALL COSTS UP TO THE \$500 MAXIMUM.

UPI 01-20 03:57 AES

AD40

R B

INTELLIGENCE 1-20

(PICTURE)

WITH FORD

WASHINGTON (UPI) -- THE NATION WOULD BE "BLINDFOLDED AND HOBbled" WITHOUT EFFECTIVE INTELLIGENCE, SAYS PRESIDENT FORD, WHO IN HIS STATE OF THE UNION MESSAGE MONDAY PROMISED TO REFORM THE U.S. SPY SERVICES.

HE ASKED FOR CONGRESSIONAL COOPERATION WITH THE SET OF REFORMS PREPARED FOR HIM IN A THREE-INCH-THICK NOTEBOOK WHOSE VERY TITLE IS A SECRET.

WHITE HOUSE SOURCES WHO HAVE SEEN THE DOCUMENT SAY IT WILL PUT ALL SPYING OPERATIONS UNDER THE DIRECT CONTROL OF THE WHITE HOUSE AND THAT CONGRESS MAY EVEN BE TOLD ABOUT CURRENT SECRET OPERATIONS.

ON CAPITOL HILL TODAY, THE SENATE INTELLIGENCE COMMITTEE WAS TO DEBATE TODAY WHETHER TO CALL FRANK SINATRA AS A WITNESS TO TESTIFY ON THE RELATIONSHIP BETWEEN JOHN F. KENNEDY, JUDITH CAMPBELL EKNER AND MOBSTER SAM GIANCANA.

A COMMITTEE SPOKESMAN SAID MONDAY CHANCES THE PANEL WOULD VOTE TO CALL SINATRA WERE "HIGHLY REMOTE." MRS. EKNER HAS DETAILED IN A 10-PAGE OUTLINE FOR A FORTHCOMING BOOK THAT SHE AND KENNEDY HAD AN AFFAIR IN THE EARLY 1960S AFTER THEY WERE INTRODUCED BY SINATRA.

"AS CONFLICT AND RIVALRIES PERSIST IN THE WORLD, OUR UNITED STATES INTELLIGENCE CAPABILITIES MUST BE THE BEST IN THE WORLD," FORD SAID.

"THE CRIPPLING OF OUR FOREIGN INTELLIGENCE SERVICES INCREASES THE DANGER OF AMERICAN INVOLVEMENT IN DIRECT ARMED CONFLICT. OUR ADVERSARIES ARE ENCOURAGED TO ATTEMPT NEW ADVENTURES, WHILE OUR OWN ABILITY TO MONITOR EVENTS, AND TO INFLUENCE EVENTS SHORT OF MILITARY ACTION, IS UNDERMINED.

"WITHOUT EFFECTIVE INTELLIGENCE CAPABILITY, THE UNITED STATES STANDS BLINDFOLDED AND HOBbled.

"IT IS TIME TO GO BEYOND SENSATIONALISM AND ENSURE AN EFFECTIVE, RESPONSIBLE AND RESPONSIVE INTELLIGENCE CAPABILITY," HE SAID.

UPI 01-20 04:15 AES

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IOWA 1-20
(PICTURE)
DAY LD

BY NORMAN D. SANDLER

DES MOINES, IOWA (UPI) -- FORMER GEORGIA GOV. JIMMY CARTER GRABBED A SOLID MAJORITY OF DELEGATES MONDAY NIGHT IN IOWA DEMOCRATIC PRECINCT CAUCUSES -- THE FIRST TEST OF CANDIDATE STRENGTH FOR THE 1976 PRESIDENTIAL PRIMARIES.

PRESIDENT FORD EDGED OUT CHALLENGER RONALD REAGAN IN A STRAW POLL OF THE STATE'S REPUBLICAN CAUCUSES.

CARTER, WHO ENTERED THE RACE A RELATIVE UNKNOWN, CAME UP WITH A BETTER PERFORMANCE THAN HE HAD HOPED FOR.

"WE'RE ECSTATIC RIGHT NOW," SAID CARTER'S SON, CHIP, WHO WAITED OUT LATE RETURNS AT THE DEMOCRATS' COMMAND POST AS HIS FATHER ROLLED UP A STRONG LEAD, TAKING 30 PER CENT OF THE PROJECTED VOTES. "WE CAME IN HERE LOOKING FOR 20 PER CENT AND THIS IS ABSOLUTELY GREAT."

CARTER WAS FOLLOWED BY INDIANA SEN. BIRCH BAYH, A LATECOMER IN THE CROWDED RACE, WITH 13.3 PER CENT. FORMER SEN. FRED HARRIS OF OKLAHOMA WAS THIRD WITH 10.1 PER CENT, FOLLOWED BY ARIZONA REP. NORRIS UDALL WITH 5.9 PER CENT AND R. SARGENT SHRIVER WITH 3.4 PER CENT.

PARTY OFFICIALS SAID WHEN THE STATISTICAL FORMULA WAS APPLIED TO THE CAUCUS RESULTS, DEMOCRATIC VOTE WATCHERS COULD PREDICT WITH "REASONABLE CONFIDENCE" WHAT PERCENTAGE OF THE STATE'S 47 NATIONAL CONVENTION DELEGATES EACH CANDIDATE MIGHT CONTROL.

HARRIS AND UDALL DID SLIGHTLY BETTER THAN EITHER HAD EXPECTED AND HARRIS WAS ENTHUSIASTIC ABOUT HIS SHOWING.

BUT 37 PER CENT OF THE DELEGATES CHOSEN IN THE PRECINCT CAUCUSES WERE UNCOMMITTED. STATE PARTY CHAIRMAN TOM WHITNEY HAD WARNED THAT IF THE NUMBER OF UNCOMMITTED DELEGATES REACHED 30 TO 50 PER CENT, THE NATIONAL CONVENTION COULD BE THROWN INTO LIMBO.

IOWANS TURNED OUT IN NEAR RECORD NUMBERS AT THE PRECINCT LEVEL TO BEGIN THE PROCESS OF SELECTING DELEGATES FOR THE TWO NATIONAL CONVENTIONS.

REAGAN'S FOLLOWING WAS EVIDENCED IN A POLL OF 2 PER CENT OF THE REPUBLICAN CAUCUSES, WHICH SHOWED THE FORMER CALIFORNIA GOVERNOR RUNNING LESS THAN 3 PER CENT BEHIND PRESIDENT FORD. THE RESULTS OF THE 62 CAUCUSES SURVEYED SHOWED REAGAN WITH 42.5 PER CENT OF THE PREFERENCE, FORD WITH 45.2 PER CENT AND 10.6 PER CENT UNCOMMITTED.

CAMPAIGN DIRECTORS FOR BOTH FORD AND REAGAN CLAIMED VICTORY IN THE STRAW POLL, ALTHOUGH IT WAS CLEAR REAGAN HAD MADE DEEP INROADS INTO STATE CONTROLLED BY FORD ALLIES, SUCH AS GOV. ROBERT D. RAY AND GOP NATIONAL CHAIRPERSON MARY LOUISE SMITH.

RALPH MCCARTNEY, FORD'S IOWA CAMPAIGN DIRECTOR, CRITICIZED THE METHODS USED IN TAKING THE POLL AND SAID REGARDLESS OF THE UNDERLYING ASSUMPTIONS, FORD WAS STILL ON TOP.

RAY HAGIE, REAGAN'S IOWA CAMPAIGN DIRECTOR, SAID THERE WAS MORE TO THE STORY THAN WAS TOLD BY THE POLL.

"I THINK IT'S A VERY STRONG SHOWING ON THE PART OF MR. REAGAN, IN VIEW OF THE EFFORTS OF GOV. RAY TO INFLUENCE THE VOTE RECENTLY," HE TOLD UPI. "BUT WE HAD OUR OWN PRECINCT POLL THAT SHOWED GOV. REAGAN IN MUCH BETTER SHAPE THAN THAT POLL."

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URGENT

Iowa Caucus Bjt A5150 3rd NL 240

Als IN

By WILLIAM L. EBERLINE

Associated Press Writer

DES MOINES, Iowa AP - Former Georgia Gov. Jimmy Carter led all candidates for the Democratic presidential nomination in Iowa's grassroots caucuses Monday night, but even more of the delegates were not committed to any of the hopefuls.

With 574 of the 2,520 Democratic precincts reporting, 32 per cent of the delegates elected to county conventions were uncommitted. Carter continued to run strong with 20 per cent of the delegates, far ahead of Sen. Birch Bayh of Indiana, who had 14 per cent.

President Ford and former California Gov. Ronald Reagan were in a virtual tie in a sampling of support in selected Republican caucuses.

With reports in from 59 of the 62 precincts the GOP planned to sample, Ford had 250 votes to Reagan's 242 with 55 undecided. Vice President Nelson Rockefeller had seven, Gov. Robert Ray of Iowa one and Elliot Richardson one.

Among the Democrats, former Sen. Fred Harris of Oklahoma was in third place with 11 per cent, ahead of Rep. Morris Udall of Arizona, who had 7 per cent.

Sargent Shriver, the party's 1972 vice presidential nominee, and Sen. Henry M. Jackson of Washington, who also campaigned extensively in Iowa, trailed with 3 per cent and 2 per cent, respectively.

Sen. Hubert Humphrey of Minnesota, a perennial favorite in Iowa but an unannounced candidate, received the support of 1 per cent.

The totals in the Democratic precincts were compiled by the party's state central committee.

Democratic: 9th graf

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URGENT

Iowa Caucuses 2009 4th NL 290

AMS In

by WILLIAM L. EBERLINE

Associated Press Writer

DES MOINES, Iowa AP - Former Georgia Gov. Jimmy Carter, the first to campaign in Iowa, ran far ahead of the field Monday night in the nation's first grassroots test of presidential candidates.

Carter won 30 per cent of the Democratic county convention delegates selected with 62 per cent of the returns counted. Carter's total was just 2 per cent behind the number of uncommitted delegates chosen. "We're not surprised," said Richard Sykes, the Iowa campaign coordinator for Sen. Birch Bayh of Indiana. "Carter ran a damned good campaign here. He was the first in the field to get going."

"As the last to get organized, we are happy to run second." With 1,577 of the 2,530 Democratic precincts reporting, Bayh trailed Carter with 14 per cent of the delegates picked.

"We feel very good," said Tim Kraft, Carter's national campaign coordinator. "We think it is a smashing success."

The Bayh organization had predicted that Carter would need 22 per cent of the delegates to win.

"We thought the uncommitted vote would be quite a little higher," Sykes said. "We thought it would run at least 40 per cent."

Carter began his quest for Iowa precinct support last February and spent \$20,000 during the 17 days he stumped the state.

Bayh was challenged for second place in the six-candidate field by former Sen. Fred Harris of Oklahoma, who held 11 per cent. Arizona Rep. Morris Udall had 7 per cent and Sargent Shriver 3 per cent.

A Republican spot poll of 62 selected precincts gave President Ford a 264 to 248 edge over former California Gov. Ronald Reagan in their first national faceoff.

There were 62 uncommitted GOP votes, seven for Vice President Nelson Rockefeller and 1 each for Elliot Richardson and Gov. Robert Ray of Iowa, chairman of the National Governors Conference.

Democratic State: 9th graf

0320aES 01-20

R B

COLOR 1-19

WITH FORD

BY MIKE FEINSILBER

WASHINGTON (UPI) -- A YEAR AGO THE NEW PRESIDENT, GERALD R. FORD, STOOD BEFORE CONGRESS TALKING ABOUT HOW PROUD HE WAS TO BE BACK IN "THE PEOPLE'S HOUSE."

THEY LOVED IT -- THE CONGRESSMEN AND SENATORS WHO KNEW HIM AS "JERRY" OR EVEN "GOOD OL' JERRY." THEY CHEERED AND WAVED, AND SLAPPED HIS BACK AND EACH OTHER'S BACKS. MEMBERS OF THE HOUSE WERE NOT ACCUSTOMED TO SEEING OTHER MEMBERS OF THE CLUB REACH SUCH ELEVATION. IN HIS GLORY, THEY GLORIED TOO.

THAT COMRADELY MOOD SEEMED TO BE MISSING MONDAY NIGHT WHEN FORD DELIVERED HIS SECOND STATE OF THE UNION ADDRESS.

A YEAR AGO HIS MESSAGE WAS THAT THE LONG NATIONAL NIGHTMARE OF WATERGATE WAS OVER. HIS NEW MESSAGE, LESS WELCOME, WAS THAT GOVERNMENT HAS ITS LIMITATIONS.

"WE MUST HOLD DOWN THE COST OF GOVERNMENT," HE SAID. "WE CANNOT REALISTICALLY AFFORD ... NOR IS IT THE RIGHT TIME FOR MASSIVE AND SWEEPING CHANGES ... IT IS UNREALISTIC AND MISLEADING TO HOLD OUT THE HOPE..."

HE QUOTED THOMAS PAINE BUT THERE WAS NOTHING REVOLUTIONARY IN HIS SMORGASBORD OF FAMILIAR PROBLEMS -- OIL, HEROIN, TAXES AND MISSILES. THE MOST APPLAUSE FOLLOWED A PROMISE TO DO SOMETHING ABOUT ESTATE TAXES ON FAMILY FARMS.

IT WAS A WORKADAY SPEECH ABOUT WORKADAY PROBLEMS, RECEIVED IN A WORKADAY WAY.

HALF THE SENATE WAS ABSENT. TO FILL EMPTY SEATS, CONGRESSIONAL AIDES WERE BROUGHT IN.

REP. RAY MADDEN, D-IND., SAT WITH A NEWSPAPER FOLDED OVER HIS STOMACH. REP. JOHN DINGELL, D-MICH., CHEWED GUM. A HATLESS BELLA ABZUG, D-N. Y., GAVE A WHISPERED COMMENTARY TO HER SEAT PARTNER, CLAUDE PEPPER, D-FLA.

MEMBERS OF THE DIPLOMATIC CORPS -- THE ONLY BODY OF MEN IN WASHINGTON WHO STILL WEAR WHITE HANDKERCHIEFS IN THEIR BREAST POCKETS -- SAT DUTIFULLY TO FORD'S LEFT.

HENRY KISSINGER, WHO HAD A PLANE TO CATCH FOR EUROPE, KEPT LOOKING AT HIS WATCH. REP. JOHN LAFALCE, D-N.Y., AND SOME OTHER FRESHMEN TOOK NOTES.

MOST OF THE DEMOCRATS WHO WANT THE PRESIDENCY WERE ELSEWHERE. THEY WERE MORE INTERESTED IN THE NEWS FROM IOWA, WHERE THE FIRST OF CONVENTION DELEGATES WERE BEING PICKED.

MANFULLY, IN 47 MINUTES, FORD PLOWED THROUGH HIS SPEECH. THE TEXT WAS TYPED IN EXTRA LARGE TYPE, THREE OR FOUR LINES TO THE PAGE. FOR THE UNELECTED PRESIDENT, CHALLENGED FROM WITHIN HIS PARTY AND BY THE MAJORITY OPPOSITION, IT WAS AN IMPORTANT SPEECH.

UPI 01-20 05:02 AES

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CAMPAIGN 1-20
WITH FORD
ANALYSIS

BY ARNOLD SAWISLAK

WASHINGTON (UPI) -- PRESIDENT FORD APPEARS TO HAVE FOUND A WAY TO CAMPAIGN AGAINST BOTH REPUBLICAN RONALD REAGAN AND THE DEMOCRATS. HE IS RUNNING FOR "COMMON SENSE" AND AGAINST "INSTANT BUT USELESS CURES" FOR NATIONAL PROBLEMS.

THE PRESIDENT'S SECOND STATE OF THE UNION SPEECH -- HIS LAST UNLESS HE BEATS BOTH THE FORMER CALIFORNIA GOVERNOR FOR THE GOP NOMINATION AND WHATEVER DEMOCRAT WINS THAT PARTY'S NOMINATION THIS YEAR -- IS A PROFOUNDLY POLITICAL DOCUMENT.

IT TELLS REAGAN, THE DEMOCRATS AND ANYONE WHO WANTS TO LOOK JUST HOW FORD PROPOSES TO WIN ELECTION THIS FALL TO THE PRESIDENCY HE INHERITED 16 MONTHS AGO. IT IS HIS BID FOR THE MIDDLE OF THE ROAD THAT POLITICIANS BELIEVE LEADS TO ELECTION VICTORIES.

"THE TIME HAS NOW COME FOR A FUNDAMENTALLY DIFFERENT APPROACH -- FOR A NEW REALISM," THE PRESIDENT SAID. THIS PHRASE, SMACKING OF A POLITICAL SLOGAN, IS TEAMED WITH THE WORDS "COMMON SENSE" THROUGHOUT THE PRESIDENT'S ADDRESS, AND PROVIDE THE TELL-TALE CLUE TO THE 1976 FORD CAMPAIGN APPEAL.

THE PRESIDENT, SEEKING TO MAKE AN ASSET OUT OF THE PLAIN-POTATO, PLODDING, NICE-GUY IMAGE HE HAS PROJECTED SINCE COMING TO THE WHITE HOUSE, IS RUNNING AGAINST POLITICIANS OF ALL PERSUASIONS WHO ARE SELLING GET-WELL-QUICK CURES TO NATIONAL PROBLEMS.

"COMPLEX WELFARE PROGRAMS CANNOT BE REFORMED OVERNIGHT. SURELY WE CANNOT SIMPLY DUMP WELFARE INTO THE LAPS OF THE 50 STATES, THEIR LOCAL TAXPAYERS OR PRIVATE CHARITIES AND JUST WALK AWAY FROM IT." THAT PLAINLY IS A REPLY TO REAGAN AND HIS \$90 BILLION BUDGET CUT PROPOSAL.

BUT THE SPEECH IS HARDLY A LIBERAL MANIFESTO. HE HEWS TO THE ORTHODOX CONSERVATIVE LINE THAT THE GOVERNMENT CANNOT GUARANTEE THE HEALTH -- PHYSICAL OR ECONOMIC -- OF EVERYONE, HE KNOCKS WELFARE AND FOOD STAMP CHEATING AND HE STANDS FAST AGAINST UNIVERSAL GUN CONTROL.

THE WORDS: "WE THOUGHT WE COULD TRANSFORM THE COUNTRY THROUGH MASSIVE NATIONAL PROGRAMS ... (THAT) DID NOT WORK; TOO OFTEN THEY ONLY MADE THINGS WORSE" WERE AIMED DEAD AT THE DEMOCRATS, WHO ARE THE LEAST OF FORD'S CURRENT POLITICAL PROBLEMS BUT WHOM HE HOPES TO TAKE ON IN DETAIL LATER THIS YEAR.

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ENERGY 1-20
WITH FORD

WASHINGTON (UPI) -- PRESIDENT FORD BELIEVES AN ASSURED ENERGY SUPPLY IS VITAL TO ACHIEVING HIS ECONOMIC AND EMPLOYMENT GOALS, AND SAYS CONGRESS HAS TAKEN A TARDY FIRST STEP TOWARD SOLVING THE NATION'S ENERGY PROBLEMS.

IN HIS STATE OF THE UNION SPEECH MONDAY NIGHT, FORD SAID THE ENERGY LAW HE SIGNED IN DECEMBER AFTER A YEAR-LONG FIGHT WITH CONGRESS PUT THE UNITED STATES ON THE TRACK TOWARD ENERGY INDEPENDENCE.

ADMINISTRATION OFFICIALS SAY THE ACTIONS ALREADY TAKEN COULD ACHIEVE 80 PER CENT OF THAT GOAL. BUT THE PRESIDENT SAID MORE NEEDS TO BE DONE -- AND QUICKLY.

"THERE CAN BE NEITHER SUSTAINED GROWTH NOR MORE JOBS UNLESS WE CONTINUE TO HAVE AN ASSURED SUPPLY OF ENERGY TO RUN OUR ECONOMY," HE SAID.

UNLIKE HIS 1975 STATE OF THE UNION MESSAGE, WHICH OUTLINED THE ADMINISTRATION'S BASIC PLAN FOR ENDING U.S. RELIANCE ON FOREIGN OIL BY 1985, FORD THIS YEAR PROPOSED NO NEW ENERGY INITIATIVES.

IT REVIEWED INSTEAD PROPOSALS SENT TO CONGRESS IN 1975 -- BUT NOT YET ENACTED -- TO BOOST U.S. ENERGY PRODUCTION FROM OIL, COAL, NUCLEAR PLANTS, THE SUN AND THE EARTH.

FORD SAID DOMESTIC OIL AND GAS PRODUCTION CONTINUE TO DECLINE. THE NATION DEPENDS TOO MUCH ON FOREIGN OIL, HE SAID, "DRAINING JOBS AND DOLLARS AWAY FROM OUR OWN ECONOMY AT THE RATE OF \$125 PER YEAR FOR EVERY AMERICAN."

THE LEGISLATION FORD URGED CONGRESS TO PASS WOULD END FEDERAL CONTROLS ON THE PRICE OF NEW NATURAL GAS, CREATE A \$100 BILLION GOVERNMENT AGENCY TO FUND THE DEVELOPMENT OF NEW ENERGY INDUSTRIES, SPEED UP NUCLEAR PLANT CONSTRUCTION, INCREASE THE USE OF COAL AND SEARCH FOR NEW SOLAR AND GEOTHERMAL ENERGY USES.

UPI 01-20 04:47 AES

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Ford-Economic 490, 2 takes 970

By JOE HALL

Associated Press Writer

WASHINGTON AP - President Ford's economic proposals combine tax cuts with tax increases, more benefits for Medicare patients combined with increased costs to the elderly and a tight lid on federal spending that he says will lead to a balanced budget by 1979.

By the time Ford finished outlining his economic proposal in Monday night's State of the Union address, Democrats already were calling it unworkable and unrealistic, charging that it "would throw 200,000 more Americans out of work."

Ford proposed:

- A \$10-billion individual tax cut that the White House said would increase take-home pay on July 1. For a family of four earning \$15,000 a year, this would translate into an additional \$227 a year in take home pay.

- An increase in Social Security taxes that would mean an additional \$119 tax bite out of the paychecks of workers earning \$16,500 or more beginning in 1977. Social Security recipients would receive a cost of living increase.

- Catastrophic health insurance for those covered by Medicare, but recipients would be required to pay up to \$500 a year for Medicare-covered hospital or nursing home care and up to \$250 for doctor bills.

- A 1977 budget of \$294.2 billion, involving "significant spending restraint," designed to lead to a balanced federal budget by 1979.

- Four new programs to promote business investment and to create new jobs in the private sector.

A White House statement issued as the President delivered his address said the Ford program was designed to keep the economy on a path toward the objectives of "sustained economic growth without inflation," and "jobs for all who seek work."

In connection with Ford's proposed tax cuts, the White House fact sheet said the President's plan also would include an increase from \$750 to \$1,000 in the personal income tax exemption, a permanent 10 per cent investment tax credit for businesses, a reduction in the maximum corporate tax rate from 48 to 46 per cent, substitution of a single standard deduction - \$2,500 for married couples filing jointly and \$1,800 for single taxpayers - for the existing low income allowance and percentage standard deduction.

The fact sheet said Ford's over-all tax cuts would total \$28 billion, including the \$18-billion extension of temporary tax cuts approved last month.

In regard to his budget figures, the White House said Ford's spending proposal was "a reduction of nearly \$29 billion in the projected growth of federal government spending. As a result of this spending restraint, the federal deficit would be reduced from an estimated \$76 billion in fiscal year 1976 to \$43 billion in fiscal year 1977. By continuing to check the growth in federal spending, the budget can be balanced in fiscal year 1979."

Ford proposed four programs that the White House said would promote additional investment in American business while creating new jobs.

More

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Ford-Economic take 2 480

WASHINGTON Ford-Economic ADD: jobs.

In addition to the permanent reductions in individual and corporate taxes, Ford suggested accelerated depreciation for construction of company plants and equipment in areas with unemployment rates in excess of 7 per cent. Construction of such facilities would have to begin within one year to become eligible.

The White House statement said this program would "immediately benefit the construction industry - one of the most depressed industries in the economy - and would create productive, permanent, well-paying jobs in the private sector."

Ford also proposed tax incentives to encourage the middle class to invest in the stock market. The program would provide for employees to contribute to stock purchasing plans through their employers, with investments in the stock market deductible from their taxes and income earned from the stocks not counted as income until withdrawn. Such stocks would have to be held for seven years.

Ford also proposed an estate plan to stretch out payment of estate taxes so that family farms and businesses would not have to be sold to pay off taxes. No estate taxes would be due for five years and payments could be stretched out for 20 years at an interest rate of 4 per cent.

He also proposed federal housing programs to provide additional housing aid to 500,000 families.

Democrats charged that economic stimulation from the proposed tax cut would be nullified by Ford's \$394.2-billion budget.

House Speaker Carl Albert called the budget figure unworkable. Rep. Thomas P. O'Neill, the House Democratic leader, said such a level of federal spending "would throw 200,000 more Americans out of work."

Sen. Hubert H. Humphrey, D-Minn., chairman of the Senate House Economic Committee, said it was "a political figure and not a realistic figure. It is not even honest." He said Ford failed "to come to grips with the problems of unemployment and the sluggishness of our economy. He offered nothing to the Congress in the way of practical programs to deal with these."

Sen. Russell B. Long, D-La., suggested the Democratic-controlled Congress may have other uses for the \$10 billion Ford proposed for additional tax cuts. Long, chairman of the tax-writing Finance Committee, said the Democrats might prefer to use some of the \$10 billion to put general revenues into the Social Security system to avoid Ford's suggested payroll tax hike or they might like to use some of it to provide catastrophic illness protection for the elderly rather than paying for such a program by raising Medicare fees as Ford suggested. Long said some of the money could even be allocated to pay for catastrophic insurance for all Americans.

Sen. Charles McMathias, R-Md., a liberal Republican, also voiced misgivings about the budget.

"I share his vision of a greater America, but I hope the rosy glow doesn't turn into a red light when we see his budget on Wednesday," he said.

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Ford-Energy 490

by TOM RASM.

Associated Press Writer

WASHINGTON AP - Democratic congressional leaders say they see no new initiatives on energy in President Ford's State of the Union address and that he just rehashed ideas pending before Congress for some time.

Sen. Hubert H. Humphrey, D-Minn., called the President's energy proposals "nothing more than a report of everything he said before, a report card on his own earlier recommendations."

House Speaker Carl Albert promised that "there will be energy legislation in this session of Congress," but, he added, "it will be slow going on some of the long-range things, such as developing geothermal and solar energy."

Albert also told a reporter he expects action soon on the controversial measure to deregulate prices for natural gas shipped in interstate pipelines - a proposal aimed at encouraging producers to do more exploration and thus ease severe shortages of natural gas.

Ford told a joint session of Congress Monday night, "I again urge the Congress to move ahead immediately on the remainder of my energy proposals to make America invulnerable to the foreign oil cartel."

In these proposals, Ford included natural gas deregulation, permitting production from national petroleum reserves, more stringent conservation measures, encouraging the production of cleaner synthetic fuels from coal, creation of a new national Energy Independence Authority and accelerating the use of solar and geothermal energy.

In December, Congress passed - and the President signed - a compromise energy act which, among other things, cut the average price of oil from \$8.75 to \$7.65 a barrel and set a 40-month phase-out of controls.

Ford noted that the bill "enacts a part of my comprehensive energy independence program." He called it not the complete answer "but still a start in the right direction."

A fact sheet provided by the White House to accompany Ford's address claims this bill plus administrative actions taken by the President achieve more than 80 per cent of the near-term 1975 to 1977 goal for reducing vulnerability to another embargo like the one of 1973.

Rep. Philip Burton, D-Calif, chairman of the Democratic Caucus, said, "We'll undoubtedly be acting on some of the measures the President mentioned. We need to take a good look at exactly where we are on energy policy."

But Burton echoed other House leaders in contending that the President's energy ideas contain nothing that hadn't been thrashed out in congressional debate in 1975.

One of Ford's proposals is a \$5-billion loan guarantee program for companies to build plants to convert coal into liquid or gaseous fuels.

The house rejected the proposal late last session. The man who led the opposition in the house, Rep. Ken Hechler, D-W.Va., said the measure seems destined to be brought up again by Republicans.

"The battle on this and other energy bills will be whether our national energy policy is going to benefit the consumer or whether there should be a big influx of government money going to the huge oil companies," Hechler said.

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 Ford-Economists 44C

NEW YORK AP - Two economists who have advised both Republican and Democratic presidents described President Ford's State of the Union message as "kind of a stand-pat, marking-time program," with few surprises or as "a lot of truisms, a great deal of flag-waving and damn few critical facts."

The first description came from Prof. Walter Heller, of the University of Minnesota, who headed the Council of Economic Advisers in the Kennedy and Johnson administrations; the second from Pierre Rinfret, economic adviser to former President Nixon in his 1968 and 1972 campaigns.

Rinfret, who said he also had unofficially advised the late Presidents John Kennedy and Lyndon Johnson, called Ford's speech "a case study in contradictions."

"The President called for less government, then proceeded to expand on the need for more government in almost every vital section," he said. "Second of all, it was extremely noticeable for the omission of a very key fact, namely the size of the deficit for 1977."

"Third of all, the desire to see the private sector expand, particularly via incentives, may be laudatory but, I think, totally impossible of being passed by Congress."

Heller said Ford "showed very little consciousness . . . of the fact that there are effectively between nine and 10 million unemployed, including about 900,000 who are discouraged workers and three million part-time workers who want to work full time . . . or of the fact that about \$150 to \$175 billion of human capacity is going to waste each year. . . ."

He also said the only surprises in the speech were the tax breaks proposed for common stockholders and businessmen who invest in high-unemployment areas.

"It was the old trickle-down approach," said Heller. "Except for one passing reference, nothing about public service jobs or pinpointed help to state and local governments to create jobs. Manpower programs - that was all missing."

Heller called Ford's proposal of a \$294.2-billion federal budget "totally unrealistic," saying Congress had already shown great restraint in spending but "when the dust settles and the smoke clears at the end of the session we'll be closer to \$415 billion."

Rinfret said that as a political document the speech was "damn disappointing, and I say that as a man who's worked for Republican presidents."

"It was a Republican speech addressed to a Republican constituency, designed to get a Republican renominated in '75," he said. "If that's the centerpost of his 1976 political campaign, he should not hold his breath and sure as hell we Americans shouldn't either."

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Ford-Scene 470

By HARRY F. ROSENTHAL

Associated Press Writer

WASHINGTON AP - Maybe it had something to do with equal time for his own party, but in his State of the Union message President Ford finally got around to quoting a Republican president other than Lincoln.

Dwight D. Eisenhower got the nod.

Ford has a habit of singling out in every congressional address some past presidential speech or call to action. In the past he's usually quoted Democrats.

Ford has been scarcely able to hide his admiration for Harry S. Truman, who made no bones about being a partisan Democrat. And he's pointed to Franklin D. Roosevelt as a shining example of a president able to rouse Congress to a quick response when disaster beckoned.

But Monday night, Ford said he'd heard many inspiring presidential speeches but that the words he remembers best were Ike's: "America is not good because it is great; America is great because it is good." Then came a triple presidential parlay that Ford called "magic memories."

"His simple words echoed President Lincoln's eloquent testament that right makes might," Ford said. "And Lincoln in turn evoked the silent image of George Washington kneeling in prayer at Valley Forge."

The Eisenhower quotation got Ford bipartisan applause, something that eluded him throughout most of the 48-minute speech.

The address was interrupted 31 times by applause that never got as enthusiastic as the standing ovation he got when he walked into the House chamber.

In fact, most of the time only the Republican senators and representatives at the President's left applauded. The Democrats on the right side joined in only a few times.

Once was when he said "I am proud of America and proud to be an American."

Another was when he said he would propose estate tax changes so that family businesses and family farms could be handed down from generation to generation "without having to be sold to pay taxes."

And another was when he proposed keeping a convicted criminal "in prison so he cannot harm more law abiding citizens."

Roosevelt called for a New Deal, Truman opted for the Fair Deal. John F. Kennedy envisioned a New Frontier; Lyndon Johnson, a Great Society. And Richard M. Nixon plugged a new Federalism.

On Monday night Ford tried out a catchphrase of his own.

What the country needs in Bicentennial year 1976, he said, is "A New Realism."

0400aES 01-20

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POLITICS 1-19

(PICTURE)

DAY LD

BY IRA R. ALLEN

UNITED PRESS INTERNATIONAL

JIMMY CARTER EASILY OUTRAN SEVERAL WELL-KNOWN NATIONAL AND MIDWEST DEMOCRATIC FIGURES IN THE FIRST RESULTS OF IOWA'S DEMOCRATIC DELEGATE SELECTION CAUCUSES. PRESIDENT FORD EDGED RONALD REAGAN IN A STRAW VOTE OF THE STATE'S REPUBLICANS.

INCOMPLETE RESULTS EARLY TODAY SHOWED CARTER WITH ABOUT A THIRD OF THE DELEGATE SUPPORT, WITH ANOTHER THIRD OF THE CAUCUS PARTICIPANTS UNCOMMITTED.

SEN. BIRCH BAYH OF INDIANA, A LATE ENTRY INTO THE PRESIDENTIAL RACE, RAN A POOR SECOND, FOLLOWED BY FORMER OKLAHOMA SEN. FRED HARRIS, ARIZONA REP. MORRIS UDALL AND R. SARGENT SHRIVER.

THE IOWA GOP, WHICH POLLED THE RESULTS FROM ONLY 2 PER CENT OF ITS 2,600 CAUCUSES, SAID THAT 264 PERSONS SUPPORTED FORD, 248 BACKED REAGAN.

SIXTY-TWO WERE UNDECIDED, SEVEN SUPPORTED VICE PRESIDENT NELSON ROCKEFELLER AND ONE EACH DECLARED FOR IOWA GOV. ROBERT D. RAY AND COMMERCE SECRETARY ELLIOT RICHARDSON.

IN HIS STATE OF THE UNION SPEECH, FORD PROPOSED A TAX CUT THIS YEAR BUT SAID HE WOULD OFFER NO DRAMATIC NEW SOCIAL OR ECONOMIC PROGRAMS. IN AN OBVIOUS REFERENCE TO REAGAN'S PROPOSAL TO CUT \$90 BILLION FROM THE FEDERAL BUDGET AND LETTING THE STATES TAKE OVER A NUMBER OF SOCIAL PROGRAMS NOW FINANCED BY THE FEDERAL GOVERNMENT, FORD SAID:

"WE CANNOT SIMPLY DUMP WELFARE INTO THE LAPS OF THE 50 STATES, THEIR LOCAL TAXPAYERS OR PRIVATE CHARITIES AND JUST WALK AWAY FROM IT. WE MUST TAKE CARE OF OUR NEIGHBORS WHO CANNOT TAKE CARE OF THEMSELVES"

DEMOCRATIC PRESIDENTIAL CANDIDATES WERE QUICK TO JUMP ON FORD'S TAX PROPOSALS.

SARGENT SHRIVER, CAMPAIGNING IN VERMONT, SAID FORD'S PROPOSED SOCIAL SECURITY TAX INCREASE IS "ANOTHER SOAK-THE-WORKING-MAN REPUBLICAN TAX INCREASE." FRED HARRIS, IN A STATEMENT FROM WASHINGTON, SAID, "THE TAX CUT FOR MOST PEOPLE OUGHT TO BE COUPLED WITH A TAX INCREASE FOR THE SUPER-RICH AND THE GIANT CORPORATIONS."

EARLIER, PENNSYLVANIA GOV. MILTON SHAPP, CAMPAIGNING IN FLORIDA, SAID IT WAS "ANOTHER SLAP IN THE FACE OF THE WORKING MEN AND WOMEN OF THE NATION."

ASSISTANT SENATE MAJORITY LEADER ROBERT BYRD SAID FORD'S SPEECH "IS A RETURN TO DEATH VALLEY DAYS," A REFERENCE TO THE TELEVISION SHOW THAT MADE REAGAN A HOUSEHOLD WORD. "FORD'S RHETORIC IS REAGANISH," BYRD SAID. "IT FAILS TO BE REALISTIC."

WITH IOWA OUT OF THE WAY FOR NOW, THE DEMOCRATS SHIFTED ATTENTION TO THE FIRST BATCH OF THREE NEW ENGLAND PRIMARIES IN LATE FEBRUARY AND EARLY MARCH, CONTESTS IN NEW HAMPSHIRE, VERMONT AND MASSACHUSETTS THAT SHOULD BE MORE CONCLUSIVE THAN THE PRECINCT CAUCUSES.

UPI 01-20 04:23 AES

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U.N. - Middle East Dept 480

By SERGE SCHAEEMANN

Associated Press Writer

UNITED NATIONS, N.Y.

AP - After a week of dispute, the Arabs have agreed on new guidelines they want the Security Council to lay down for an Arab-Israeli peace settlement. The United States appears certain to veto them.

Arab sources said the delegates from Arab nations and from the Palestine Liberation Organization agreed that any resolution voted at the end of the current council debate on the Arab-Israeli dispute must call for:

- Exercise by the Palestinian people of their inalienable national rights, including repatriation, self-determination and the right to establish an independent state.
- Withdrawal of Israel from all occupied Arab territories.
- Appropriate guarantees for a just and lasting peace.
- These points to be the basis for all international efforts and conferences organized within the framework of the United Nations.

The Arab statement appeared to be a compromise between earlier Syrian and Egyptian positions. Syria's call for a timetable on Israeli withdrawal was abandoned, and Egypt appeared to have won an indirect endorsement of the Geneva peace conference.

But Ambassador Daniel Patrick Moynihan, speaking in the council debate Monday, affirmed U.S. adherence to council resolutions 242 and 228, the present foundation for Arab-Israeli negotiations. He warned that they could not be changed without Israel's agreement.

"We cannot escape the reality of the situation that when all parties have agreed to a framework, all of them must agree to changes in that framework," he said. "Changes imposed on the parties and unacceptable to any one of them, however great the good will, will not work."

The earlier resolutions make no mention of Palestinian rights, calling instead for a "just settlement of the refugee problem." Moynihan conceded that a peace agreement must take into account "the legitimate interests of all the peoples in the area, including the Palestinian people." But his use of the word "interests" was a clear indication that the United States would not agree to a resolution expressing support for Palestinian "rights."

Outside the council chamber, attention turned increasingly to the deteriorating situation in Lebanon. Secretary-General Kurt Waldheim met with the Lebanese and Syrian ambassadors and an Arab League envoy. The secretary general said Sunday the Lebanese conflict has "obvious potential danger to international peace." Observers felt this meant he was considering bringing the matter before the Security Council.

Lebanon's Christian interior minister, Camille Chamoun, charged Monday night that Syrian army troops had invaded Lebanon from the north and east and said he had instructed Lebanon's U.N. delegate to inform the council. But there was no confirmation of Chamoun's claim and the delegate, Edouard Ghorra, said he had not been informed of the situation.

A028

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ANGOLA 1-20

DAY LD

BY ERIK VAN EES

JOHANNESBURG, SOUTH AFRICA (UPI) -- ONE OF THE PRO-WESTERN ARMIES IN SOUTHERN ANGOLA SAYS IT IS FLYING TROOPS TO ITS BELEAGUERED ALLY IN THE NORTH TO HELP RECOVER TERRITORY LOST TO MARXIST RIVALS.

JORGE SANGUMBA, OFFICIAL SPOKESMAN FOR THE NATIONAL UNION FOR THE TOTAL INDEPENDENCE OF ANGOLA, SAID MONDAY IN A TELEPHONE INTERVIEW FROM LUSAKA, ZAMBIA, THAT HIS FORCES WERE FLYING "A FEW BATTALIONS" OF SOLDIERS NORTH TO BOLSTER THE SCATTERED FORCES OF THE NATIONAL FRONT FOR THE LIBERATION OF ANGOLA.

IN THE PAST TWO WEEKS, THE CUBAN-BACKED TROOPS OF THE MARXIST POPULAR MOVEMENT FOR THE LIBERATION OF ANGOLA HAVE OVERRUN NATIONAL FRONT STRONGHOLDS IN THE NORTH, DRIVING THE DEFENDERS TOWARD THE ZAIRE BORDER.

SANGUMBA SAID ZAIRE SUPPLIED ARMS TO THE NATIONAL FRONT, WHICH WAS HITTING BACK WITH GUERRILLA STRIKES "ON VARIOUS NORTHERN FRONTS."

"THE (NATIONAL FRONT) WILL MAKE A COMEBACK THERE AND WE ARE SENDING THEM HELP TO RECOVER," HE SAID.

HE SAID ANGOLANS IN THE NORTH SUPPORT THE NATIONAL FRONT AND PRO-SOVIET TROOPS "CANNOT HOPE TO HOLD THE AREA FOR VERY LONG."

THE SOUTHERN FRONT, HELD BY NATIONAL UNION FORCES, APPEARS TO BE WITHSTANDING HEAVY ATTACKS FROM THE POPULAR MOVEMENT, DESPITE THE SUPERIOR FIRE POWER OF THE MARXISTS.

SANGUMBA SAID NATIONAL UNION TROOPS REPULSED A POPULAR MOVEMENT ATTACK SUNDAY NEAR CELA, ABOUT 250 MILES SOUTHEAST OF THE MARXIST-HELD CAPITAL OF LUANDA, AND CAPTURED FOUR CUBAN SOLDIERS.

"THE FORCE CONSISTED OF 3,000 CUBANS," HE SAID. "THERE WERE NO BLACK (POPULAR MOVEMENT) FACES THERE," HE SAID.

THE SPOKESMAN SAID NATIONAL UNION FORCES, WHICH ARE SUPPORTED BY SOUTH AFRICAN TROOPS AND ARMAMENTS ALONG THE SOUTHERN FRONT, CAPTURED POSITIONS SUNDAY NORTH OF LUSO AND SEIZED ABOUT 40 TONS OF SORELY NEEDED EQUIPMENT. THE TOWN LIES ALONG THE EAST-TO-WEST ROUTE OF THE BENGUELA RAILROAD, WHICH CROSSES THE WAR-RAVAGED NATION.

UPI 01-20 02:29 AES

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 U.S.-Angola Sjt 480, 2 takes 780
 By DAVID C. MARTIN
 Associated Press Writer

WASHINGTON AP - The draft report by the house intelligence committee staff says the U.S. government seriously undervalued large quantities of weapons supplied to anti-Soviet factions in Angola, according to authoritative sources.

The committee was to meet today to begin considering the draft report, which said the system of accounting enabled the CIA to transfer much larger quantities of weapons than would seem possible under the \$25 million price tag which has been publicly attached to the Angolan operation, the sources said.

The draft cites as examples a .45 caliber pistol valued at \$5 and a .30 caliber carbine valued at \$7.50, according to the sources.

One source, who confirmed the accuracy of the figures, said the draft report makes no mention of a provision in law which allows surplus weapons to be transferred to foreign countries at one-third their original cost.

"When you read it, the impression that you get is that it was an underhanded method," when in fact the procedure could be in compliance with the law, the source said.

This source said, however, that the prices cited for the pistol and carbine seem to be even lower than one-third and thus were "grounds for suspicion."

As explained by this source, the military assistance program allows weapons declared excess by the Defense Department to be transferred to the CIA at one-third cost. The CIA could then ship the weapons secretly to a foreign country at the same cost, the source said.

The staff study of the accounting procedure was performed in conjunction with members of the General Accounting Office, another source said.

President Ford has declared that the committee's planned publication of separate reports on CIA covert operations in Angola and Italy would be harmful to the national interest. The committee now appears ready to include details of the operations in its final report.

The draft report, which is now circulating among committee members, is a 340-page version of the final report, one source said.

The draft report also includes details on the use of Navy submarines to gather intelligence, apparently referring to Operation Holystone, which had U.S. submarines off the Soviet coast to monitor missile firings. In some instances, the submarines collided with Soviet ships according to published reports.

Proposed recommendations accompanying the report include one that a permanent House intelligence committee be created with power to publicly release any government secrets by a simple majority vote of committee members.

The draft also recommends that Congress enact specific prohibitions against future improprieties such as the plotting of assassinations. It also recommends not only that the total U.S. intelligence cost be made public each year, but that the figure be broken down into costs for each intelligence agency.

MORE

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Another recommendation would give the CIA director Cabinet rank as the President's coordinator of all intelligence, but would remove him from directing the CIA. That job would be given to someone else.

The report also recommends that the practice of approving covert operations by taking a telephone survey of 40 Committee members be halted.

The panel was told by former National Security Council officials that Secretary of State Henry A. Kissinger had the 40 Committee act on such operations by telephone when he headed the council.

The draft proposal would also recommend reconstitution of the NSC's 40 Committee as the Foreign Intelligence Committee and would require each member to submit a separate report to the President for or against each specific proposal for a covert intelligence operation.

Meanwhile, the New York Times said the report indicates that State Department and CIA officials may have intentionally permitted Greek militants to engineer the coup d'etat against Archbishop Makarios on Cyprus.

And the Washington Post reported that intelligence sources indicated that U.S. intelligence officials learned the identity of the right-wing assassins who killed U.S. ambassador to Cyprus Roger P. Davies within an hour after he was shot on Aug. 19, 1974.

The Post said the killers still are serving in the Cypriot government security forces although their identity was made known to Cypriot officials.

Some members of the intelligence panel want to know why the U.S. government did not press for the punishment of the killers, the Post said. The newspaper said the committee's report makes an allusion to the Davies episode in a footnote.

Davies was shot to death during an anti-American demonstration staged primarily by leftist Greek Cypriots.

0253 aES 01-20

A023

R B

KISSINGER 1-20

EDITORS: KISSINGER ARRIVES IN COPENHAGEN ABOUT 6:30AM EST
DAY LD

BY NICHOLAS DANILOFF

WASHINGTON (UPI) -- SECRETARY OF STATE HENRY A. KISSINGER IS ON HIS WAY TO MOSCOW FOR TALKS ON NUCLEAR ARMS, DETENTE AND THE CONFLICT IN ANGOLA.

KISSINGER, WHO WAS MAKING A FOUR-HOUR STOPOVER IN COPENHAGEN FOR TALKS TODAY WITH DANISH PRIME MINISTER ANKER JORGENSEN, REPORTEDLY HOPED HIS TWO DAYS OF TALKS WITH SOVIET LEADERS IN MOSCOW WEDNESDAY AND THURSDAY WOULD HELP BRING AN END TO THE ANGOLA CRISIS IN A MONTH'S TIME.

AMOS M. DANBE, AMBASSADOR TO THE UNITED STATES FROM THE REPUBLIC OF BOTSWANA, TOLD UPI MONDAY KISSINGER HAS EXPRESSED HOPE THE ANGOLA SITUATION WOULD BE "UNDER CONTROL IN A MONTH."

DANBE SAID HE AND OTHER AFRICAN AMBASSADORS MET WITH KISSINGER AT THE END OF LAST WEEK. HE SAID KISSINGER "LEFT DETAILS UNEXPLAINED" BUT SAID HE EXPECTED TO NEGOTIATE THE ANGOLA QUESTION WITH SOVIET LEADERS IN MOSCOW.

DANBE SAID HE HOPED THE UNITED STATES WOULD CONTINUE TO SUPPORT TWO ANGOLAN FACTIONS -- THE NATIONAL FRONT FOR THE LIBERATION OF ANGOLA AND THE UNION FOR THE TOTAL LIBERATION OF ANGOLA.

PRESIDENT FORD APPEALED TO CONGRESS IN HIS STATE OF THE UNION SPEECH MONDAY NIGHT NOT TO TIE THE ADMINISTRATION'S HAND IN SITUATIONS SUCH AS ANGOLA. "WE MUST NOT FACE A FUTURE IN WHICH WE CAN NO LONGER HELP OUR FRIENDS, SUCH AS IN ANGOLA -- EVEN IN LIMITED AND CAREFULLY CONTROLLED WAYS," HE SAID.

THE SENATE HAS VOTED TO BLOCK COVERT U.S. MILITARY AID IN ANGOLA. THE HOUSE HAS YET TO VOTE ON THE ISSUE.

IN HIS TALKS WITH SOVIET LEADER LEONID I. BREZHNEV AND OTHER KREMLIN OFFICIALS, KISSINGER WILL SEEK A BREAKTHROUGH IN LONG-DEADLOCKED U.S.-SOVIET STRATEGIC ARMS LIMITATION TALKS. NEGOTIATIONS HAVE BEEN STALLED IN DISPUTES OVER HOW A NEW SALT AGREEMENT SHOULD DEAL WITH SOVIET BACKFIRE BOMBERS AND WITH A U.S. "CRUISE" MISSILE.

THE STATE DEPARTMENT MONDAY RAISED ITS OFFICIAL ESTIMATE OF THE NUMBER OF CUBAN VOLUNTEERS IN ANGOLA FROM 7,500 TO 8,000 AND SAID THE UNITED STATES HAS MADE "STRONG REPRESENTATIONS" TO PORTUGAL FOR LETTING CUBAN PLANES REFUEL IN THE AZORES.

UPI 01-20 02:10 AES

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SOVIET 1-20

DAY LD

BY HOWARD A. TYNER

MOSCOW (UPI) -- KREMLIN LEADERS PREPARED TO WELCOME SECRETARY OF STATE HENRY KISSINGER TODAY WITH AN EYE ON NEXT MONTH'S CRUCIAL CONGRESS OF THE SOVIET UNION'S COMMUNIST PARTY.

THE PUBLIC RECEPTION PLANNED FOR KISSINGER APPEARED TO BE LOW KEY. ON THE EVE OF HIS ARRIVAL, NEITHER THE PARTY DAILY, PRAVDA, NOR THE GOVERNMENT NEWSPAPER, IZVESTIA, CARRIED A WORD ABOUT HIM OR HIS MISSION TO MOSCOW.

BUT WHILE THIS UNDERLINED THE CURRENT STRAIN BETWEEN THE TWO COUNTRIES, SOVIET LEADERS ALREADY HAVE STRESSED THE IMPORTANCE THEY PLACE ON REACHING A NEW ARMS LIMITATION AGREEMENT WITH WASHINGTON.

THE ONLY COMMENTARY ON THE TRIP TO APPEAR IN THE SOVIET PRESS WAS CARRIED SUNDAY BY PRAVDA, WHICH EMPHASIZED THE NECESSITY FOR SOLVING DIFFERENCES ON STRATEGIC ARMS.

MORE MORE

UPI 01-20 02:13 AE

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R I

SOVIET 1-20

1ST ADD DAY LD SOVIET MOSCOW A024 XXX STRATEGIC ARMS.

EAST-WEST DETENTE ITSELF WAS AT STAKE, IT SAID.

"IF FAVORABLE STEPS ARE NOT CONSISTENTLY TAKEN IN THIS DIRECTION," PRAVDA SAID, "ALL OTHER ADVANCES IN SOVIET-AMERICAN RELATIONS MAY LOSE MEANING."

THE NEWSPAPER ADDED THAT MOSCOW WOULD "DO ALL IT CAN" TO REACH AGREEMENT WITH WASHINGTON ON HALTING THE ARMS RACE.

WESTERN DIPLOMATS SAID ACCORD ON A NEW SALT PACT WAS ESPECIALLY VITAL TO COMMUNIST PARTY GENERAL SECRETARY LEONID BREZHNEV, THE MAN KISSINGER IS TRAVELING TO MOSCOW TO SEE.

THE BREZHNEV LEADERSHIP CRAFTED THE POLICY OF LESSENING TENSIONS WITH THE WEST -- KNOWN AS DETENTE -- AND HAS STAKED ITS REPUTATION ON THAT POLICY.

THE SIGNING OF A NEW AGREEMENT, THE DIPLOMATS SAID, COULD GIVE BREZHNEV AND HIS DETENTE PROGRAM A CONSIDERABLE BOOST IN PRESTIGE, ESPECIALLY IF IT WERE TO BE ANNOUNCED AT NEXT MONTH'S PARTY CONGRESS -- A ONCE-EVERY-FIVE-YEARS GATHERING OF THE NATION'S TOP COMMUNISTS TO CHOOSE THEIR LEADERS AND SET THE TONE OF NATIONAL POLICY FOR THE NEXT FIVE YEARS.

SUCH A BOOST WAS ESPECIALLY IMPORTANT IN LIGHT OF SOME OF THE GRIMMER TOPICS EXPECTED, SUCH AS THE DISASTROUS GRAIN HARVEST OF 1975.

A FURTHER HIGH NOTE FOR BREZHNEV COULD BE THE ANNOUNCEMENT, PERHAPS AT THE CONGRESS, OF HIS LONG-DELAYED VISIT TO THE UNITED STATES, THE DIPLOMATS SAID.

UPI 01-20 02:21 AES

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Soviets-Kissinger Bjt 450

By DAVID MASON

Associated Press Writer

MOSCOW AP - Foreign observers in Moscow expect Secretary of State Henry A. Kissinger's visit to produce significant advances toward a nuclear arms treaty but no agreement on the Angolan crisis.

The arms negotiations have been deadlocked over whether the new Soviet Backfire bomber and the new U.S. cruise missile should be included in the quota of 2,400 long-range or offensive missiles and bombers for each country agreed on by President Ford and Soviet Communist party chief Leonid I. Brezhnev at Vladivostok in November 1974.

New U.S. proposals were given to the Soviets last Wednesday, and Kissinger said he received a "clear signal of a significant modification" of the Soviet position that the U.S. missiles should be included in the quota but the Soviet bombers should not.

One compromise might be to restrict the range of both weapons and classify them as short-range or tactical weapons not subject to the quota restriction. The Soviets would station the medium-range bombers only at bases from which they could not reach the U.S. mainland.

America would limit the range of its cruise missiles, a jet-powered drone with a highly accurate guidance system, to about 275 miles.

If a compromise is reached, it still might be two or three months before a treaty could be put into final form so that Brezhnev could come to Washington to sign it. But observers in Moscow believe Brezhnev would not have invited Kissinger unless recent exchanges indicated progress toward an agreement was in the offing.

Pravda, the Soviet Communist party newspaper, said Sunday the Soviet Union is resolved to do all it can to reach a new nuclear arms accord with the United States, and it linked a new agreement with continued advances in Soviet-American relations.

But Pravda did not indicate that Moscow was prepared to back down on its massive aid program to the Popular Movement for the Liberation of Angola, the MPLA.

Kissinger warned last week that "Soviet actions in Angola, if continued, are bound to affect the general relationship with the United States."

The Soviets take the position that American and South African support of the other two Angolan factions, the National Front FNLA and the National Union UNITA is inadmissible intervention, while long-standing Soviet support of the MPLA is acceptable support of "liberation" forces.

But while Brezhnev is not expected to give any public signal of reduced support for the MPLA, that faction's recent defeat of the FNLA in northern Angola could permit a quiet tapering off of the Soviet aid.

"The Soviets may already consider they have victory in hand in Angola and can afford to appear conciliatory for the future," one diplomat said.

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Kissinger Sjt 410

Wirephoto WAS

By BARRY SCHWEID

Associated Press Writer

WASHINGTON AP - Secretary of State Henry A. Kissinger is heading for Moscow with hopes of breaking the deadlock in negotiations for a new treaty limiting offensive nuclear weapons.

Kissinger scheduled a stop in Copenhagen today for talks with Danish Prime Minister Anker Jorgensen and Foreign Minister K.B. Andersen. He was due in the Soviet capital tonight and was to leave there Friday.

Kissinger, who left Washington late Monday night, is flying to the Soviet capital on the strength of "a clear promise" that he will be given a significant modification in the last Russian position on a 10-year pact.

The Soviets have insisted on exempting their swing-wing Backfire bomber from a tentative ceiling of 2,400 nuclear weapons to be allowed both countries. The Soviets also have insisted that the United States include its pilotless, low-flying cruise missile in the American total.

Kissinger presumably will get his first detailed look at the revised Soviet position when he meets with Leonid I. Brezhnev. Meanwhile, he has turned over to Soviet Ambassador Anatoly F. Dobrynin an outline for a compromise that would exempt the Backfire bombers provided they were positioned beyond striking distance of the United States. It also would exempt cruise missiles with ranges under 375 miles.

Kissinger went over final details of the U.S. position Monday with the National Security Council. The Pentagon has been wary of restrictions on the cruise missiles, which have the capacity to penetrate Soviet air defenses.

On the way home, Kissinger will brief NATO officials in Brussels on Friday, then go on Saturday to Madrid, where a new agreement for keeping four major U.S. military bases on Spanish soil may be ready for his signature.

In his Kremlin talks, Kissinger will also try to persuade the Russians to back a withdrawal of all foreign forces from Angola and to promote further Middle East peace negotiations.

Both President Ford and Kissinger have stressed that the policy of accommodation between the superpowers could be imperiled by continued Soviet weapons shipments to a pro-Marxist faction that, aided by a Cuban expeditionary force, appears to be gaining the upper hand in the Angolan civil war.

As for the Middle East, he intends to sound out Brezhnev on prospects for resumption of the stalled Geneva peace conference, which initially, at least, would skirt the Palestinian issue since the Palestine Liberation Organization is not a participant.

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TAXES 1-20

DAY LD

BY DON PHILLIPS

WASHINGTON (UPI) -- PRESIDENT FORD HAS COUPLED A PROPOSAL FOR GREATER CUTS IN INDIVIDUAL INCOME TAXES WITH AN INCREASE IN THE SOCIAL SECURITY PAYROLL TAX -- THE TAX THAT CUTS DEEPEST INTO LOW- AND MODERATE-INCOME WORKERS' PAYCHECKS.

IN HIS STATE OF THE UNION MESSAGE MONDAY NIGHT HE ALSO INCLUDED TAX AND INVESTMENT PROPOSALS TO STIMULATE ECONOMIC ACTIVITY AND ENABLE THE AVERAGE TAXPAYER TO BECOME A STOCKHOLDER.

UNDER FORD'S TAX CUT PROPOSAL, THE CURRENT LOWER RATES WHICH EXPIRE JULY 1 WOULD BE EXPANDED AND MADE PERMANENT. FORD FIGURES CURRENT TAX CUTS WILL SAVE AMERICANS \$18 BILLION THIS YEAR, AND THAT HIS EXPANDED CUTS WOULD ADD \$10 BILLION MORE TO U.S. POCKETBOOKS.

HOWEVER, A FACT SHEET ACCOMPANYING THE PRESIDENT'S SPEECH APPEARS TO INDICATE THE ACTUAL EXTRA CUT HE PROPOSES IN 1976 IS \$4.2 BILLION. THIS IS PARTLY BECAUSE THE \$10 BILLION FIGURE IS AN ANNUAL RATE WHILE THE CUT WILL BE IN EFFECT ONLY SIX MONTHS OF 1976 UNLESS EXTENDED.

THE \$28 BILLION FIGURE IS OVERSTATED ANYWAY BECAUSE BOTH FORD AND CONGRESS COMPARE THE 1976 CUTS WITH 1974 TAX LAW -- BEFORE THE TAX CUTS OF 1975. FOR THIS REASON, IT IS ALMOST IMPOSSIBLE TO PINPOINT THE SIZE OF THE PROPOSED CUT.

"MY BROADER TAX REDUCTION WOULD MEAN THAT FOR A FAMILY OF FOUR MAKING \$15,000 A YEAR THERE WILL BE \$227 MORE IN TAKE HOME PAY ANNUALLY," FORD SAID. "HARD WORKING AMERICANS CAUGHT IN THE MIDDLE CAN REALLY USE THAT KIND OF EXTRA CASH."

BUT FORD SAID A SOCIAL SECURITY PAYROLL TAX INCREASE OF UP TO \$119.70 WOULD BE NECESSARY IN 1977.

"SIMPLE ARITHMETIC WARNS US THAT THE SOCIAL SECURITY TRUST FUND IS HEADED FOR TROUBLE," HE SAID. "UNLESS WE ACT SOON TO MAKE SURE THE FUND TAKES IN AS MUCH AS IT PAYS OUT, THERE WILL BE NO SECURITY FOR YOUNG OR OLD."

FORD PROPOSED INCREASING THE TAX -- 5.85 PER CENT ON BOTH EMPLOYER AND EMPLOYEE ON A MAXIMUM \$15,300 OF INCOME -- TO 6.15 PER CENT OF A MAXIMUM \$16,500. THE MAXIMUM TAX, THEREFORE, WOULD RISE FROM \$895.05 TO \$1,014.75.

IN THE PAST FEW YEARS, PAYROLL TAX INCREASES HAVE HIT ONLY THE UPPER END OF THE INCOME SCALE BY INCREASING THE MAXIMUM INCOME ON WHICH THE TAX IS COLLECTED. FORD'S PROPOSAL, HOWEVER, WOULD HIT EVERYONE BY INCREASING THE TAX RATE AS WELL.

THIS WOULD MEAN A TAX INCREASE FOR LOW- AND MODERATE-INCOME WORKERS WHO PAY LITTLE OR NO INCOME TAX BUT WHO MUST PAY SOCIAL SECURITY TAXES ON EVERY DOLLAR THEY EARN. FOR MANY AMERICANS THE SOCIAL SECURITY TAX IS THE LARGEST FEDERAL TAX THEY PAY, AND PERHAPS THE ONLY FEDERAL TAX.

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USERY 1-19
(PICTURE)
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BY SARA FRITZ

WASHINGTON (UPI) -- PRESIDENT FORD HAS ASKED CHIEF FEDERAL MEDIATOR W.J. USERY JR. TO BECOME SECRETARY OF LABOR, FILLING A VACANCY LEFT BY THE RESIGNATION OF JOHN T. DUNLOP, ACORDING TO WHITE HOUSE SOURCES.

THESE SOURCES PREDICTED USERY WOULD ACCEPT THE OFFER, PROMPTING AN ANNOUNCEMENT BEFORE THE END OF THE WEEK. THE APPOINTMENT COULD STIR OPPOSITION AMONG CONSERVATIVE REPUBLICANS.

FORD AND USERY MET AT THE WHITE HOUSE LAST FRIDAY. SOURCES INDICATED USERY WAS OFFERED THE JOB AFTER THAT MEETING, APPARENTLY SOMETIME MONDAY.

USERY'S AIDES DECLINED TO CONFIRM THE WHITE HOUSE REPORT. THEY NONETHELESS NOTED THAT USERY WAS SITTING WITH FORD'S FAMILY IN THE HOUSE CHAMBER MONDAY NIGHT WHEN THE PRESIDENT DELIVERED HIS STATE OF THE UNION SPEECH.

A STRAPPING GEORGIAN, USERY, 52, HAS SERVED AS CHIEF OF THE FEDERAL MEDIATION AND CONCILIATION SERVICE SINCE 1973 AND AS A SPECIAL PRESIDENTIAL ASSISTANT SINCE 1974. HE IS GENERALLY ACKNOWLEDGED TO BE THE NATION'S TOP MEDIATOR.

DUNLOP, AN ECONOMIST WHO INTENDS TO RETURN TO HIS HARVARD TEACHING JOB FEB. 1, RESIGNED LAST WEEK IN RESPONSE TO FORD'S VETO OF A CONTROVERSIAL LABOR-BACKED CONSTRUCTION INDUSTRY BILL THAT THE SECRETARY HAD SUPPORTED. USERY ALSO SUPPORTED IT. FORD RENEGED ON A PROMISE TO SIGN THE BILL UNDER STRONG PRESSURE FROM CONSERVATIVE REPUBLICANS, SOME OF WHOM HAVE INDICATED THEY OPPOSE USERY BECAUSE OF HIS PAST TIES WITH LABOR.

USERY, WHOSE GIVEN NAME IS WILLIE JULIAN, BEGAN HIS CAREER AS A WELDER IN THE INTERNATIONAL ASSOCIATION OF MACHINISTS AND TOOK HIS PRESENT JOB AFTER FOUR YEARS AS AN ASSISTANT LABOR SECRETARY. OVER THE YEARS, HE HAS TURNED DOWN A NUMBER OF LUCRATIVE PRIVATE INDUSTRY JOBS, MAKING IT KNOWN THAT HE SOMEDAY WANTED TO BE SECRETARY OF LABOR.

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Usery Bjt 480
By ROBERT A. LOSKIN
AP Labor Writer

WASHINGTON AP - President Ford will name chief federal mediator W.J. Usery Jr. to be secretary of labor, a job for which he has waited nearly three years, according to White House sources.

These sources confirmed Usery's selection and said a formal announcement of the nomination was expected today.

Usery, 52, was Ford's invited guest for the President's State of the Union address Monday night, and was given a front-row seat in the executive gallery of the House of Representatives.

Ford offered Usery the job during a private White House meeting last Friday. If confirmed by the Senate, he will succeed John T. Dunlop, who resigned, effective Feb. 1, because of the President's veto of the "common site" picketing bill.

Usery, a big, back-slapping former welder from Georgia, has built an reputation as a top labor mediator. He has served as director of the Federal Mediation and Conciliation Service since 1973 and as the chief White House labor troubleshooter.

He was twice passed over for the Labor Department post, first when President Richard M. Nixon named New York building trade union leader Peter J. Brennan to the job in 1973 and last March when Ford appointed Dunlop.

Dunlop, a Harvard economist and longtime arbitrator in construction disputes, quit with the explanation that the veto destroyed his effectiveness with organized labor. The veto also enraged union leaders, who charged that Ford double-crossed them after first promising to sign the legislation which would have broadened union picketing rights at construction sites.

Although Usery, a former official with the machinists union, has the respect of top labor leaders, he is unlikely to find the trade union movement receptive to restoring links with the administration.

However, the White House will be counting on him to use his persuasive powers to help maintain labor peace through this year's heavy calendar of labor negotiations.

Usery will lack the clout Dunlop had in the administration's economic policy-making processes. The Harvard professor also was a member of the White House Economic Policy Board, which made daily decisions on key economic questions.

A Democrat, Usery was appointed by Nixon as an assistant secretary of labor in 1969, a post which led to his involvement in settling complicated railroad and airline disputes.

Those who know Usery attribute his success to a natural ability for remaining neutral - and his stamina. He often wears down the parties in disputes by keeping them at the bargaining table around the clock. He favors colorful clothes, monogrammed shirts and big cigars, with which he waves around to make points during negotiations.

A native of Hardwick, Ga., he was born Willie Julian Usery Jr., but he uses only the initials W.J., and everybody calls him Bill. His wife and son live in Macon, Ga., and he maintains a one-bedroom apartment here near the Watergate complex.

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