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THE WHITE HOUSE

WASHINGTON

October 6, 1975

THE PRESIDENT'S BRIEFING BOOK

Key Questions

For: Appalachian Regional White House

Conference, October 7, 1975

TAB A	SPECIAL FOR APPALACHIA
TAB B	GENERAL DOMESTIC
TAB C	INTERNATIONAL
TAB D	THE TAX PROPOSAL

APPALACHIAN ECONOMIC DEVELOPMENT

Q. During the Kennedy Administration, more than a decade ago, the federal government was pledged to help the economic development of Appalachia. Since then there has been little measurable progress. What is your administration doing to produce industry and jobs in this chronically depressed area?

(The question is of interest to the AFL-CIO Appalachian Council.)

A. No one should kid himself: there is still a long way to go so that Appalachia "catches up" economically with the rest of the country. However, I can't agree that there has been no measurable progress in the region.

In the area of employment between 1965 and 1972 the region added 744,500 jobs.

In per capita income, the region as a whole has seen an increase of 23.7 percent between 1969 and 1972 -- the last year for which we have comparable figures.

In the matter of poverty, the number of those in poverty was 31% in 1960 in Appalachia, but by 1970 it had dropped to 18%. (The 1970 National average was 14%).

Now, as to what we are doing about it: The Appalachian Regional Commission was set up to add to the efforts of HUD, HEW, etc. Since its founding in March 1964 the Commission has spent \$1.593 billion on non-highway projects and \$1.350 billion on highway projects (as of February of this year).

And the government intends to continue this effort. I have asked for a four-year extension of the Appalachian Commission -- a request now under consideration in Congress. In the Budget I asked for appropriations of \$295 million for fiscal 1976 -- the same as in fiscal 1975.

October 6, 1975

NATIONAL TRANSPORTATION POLICY (IMPACT ON APPALACHIA)

- Q. What are you doing to encourage a national transportation policy, especially one that would strongly emphasize access to Appalachia to encourage industry?
- A. I believe that an efficient, competitive and comprehensive transportation system is vital to the economic well-being of this country. In support of this belief, I have taken several legislative and administration actions that will help to revitalize and in some cases restructure our current transportation network. I worked hard to develop and pass the National Mass Transportation Assistance Act of 1974 to provide \$11.8 billion to public mass transit. I have signed into law two separate packages of assistance to AMTRAK and have submitted additional legislation providing two billion dollars in loans to help refurbish facilities and equipment and removing unnecessary and restrictive regulations that have prevented improvements in rail service. I have submitted legislation to remove unnecessary restrictions from the airline industry and to restructure Federal support for airport development. I have also submitted legislation to introduce further flexibility and program consolidation into the Federal highway program. Taken together these actions and others represent a strong Federal commitment to ensuring a viable and efficient transportation system.

The impact of these actions on West Virginia has been significant: numerous highway projects have upgraded existing roadways; special airport and aviation grants have improved the airport system; AMTRAK has continued to serve West Virginia; special rural demonstration programs have been financed to help foster effective public transportation in sparsely populated areas; and 11.2 million dollars will be available over a six year period to provide capital and operating assistance to public transit.

ENVIRONMENT vs ECONOMICS

Q. Strip mining, the use of heavy trucks to haul coal, and water pollution due to the mining have turned parts of Appalachia, once one of the most beautiful areas of the United States, into one of the most damaged. Your veto of the Strip Mining bill last spring seemed to indicate you put economic concerns over environmental concerns. How do you believe we can reconcile the two factors of ecological concerns and economic needs?

(A matter of concern to many groups scheduled to attend the conference.)

A. You will recall that the House sustained that veto.

I do not put one concern over the other. What we must try to accomplish is the establishment of the proper balance when considering all the relevant factors.

In my veto message, I stated my position in trying to seek this balance. "I favor action to protect the environment, to prevent abuses that have accompanied surface mining of coal, and to reclaim land disturbed by surface mining. I believe that we can achieve those goals without imposing unreasonable restraints on our ability to achieve energy independence, without adding unnecessary costs, without creating more unemployment and without precluding the use of vital domestic energy resources."

Recently proposed Department of the Interior regulations should, in my opinion, allow us to continue to approach our economic and energy goals while still maintaining the essential safeguards against environmental degradation.

GWH/10-6-75

REDIRECTION OF FEDERAL RESOURCES

TO THE COMMUNITY

- Q. Will there be a redirection of Federal resources to assist local governments become an effective force in eliminating blight and making communities a better place to live.
- A. In addition to general revenue sharing, Federal financial assistance is available to local governments to improve neighborhoods, construct community facilities, improve streets, sewers, and meet other needs under the Housing and Community Development Act of 1974. In the State of West Virginia, for example, communities competed for \$5.5 million in FY 75, while eleven communities were granted funds based on past participation in HUD programs. By 1980 the West Virginia fund for discretionary balances is projected to increase to \$12.8 million as a result of the "needs" formula legislated into the program. Past participant communities under 50,000 population will be phased out of the guaranteed funding category beginning in FY 78.

The major thrust of this program is to redirect Federal resources based on need rather than "grantsmanship" but a transition period of a total of five years is involved to soften the impact on those communities receiving funds under the old HUD program such as Urban Renewal and Modern Cities to enable the communities to reaccess their priorities and seek alternate means of financing in some cases.

BACKGROUND

Of those communities seeking community development funds from the Discretionary Funds, HUD was able in FY 75 to fund approximately ten percent of those which applied. Consequently, criticism is being felt especially in the most rural areas.

TRH 10/6/75

VOCATIONAL JOB TRAINING

- Q. The need exists in the Appalachian region to upgrade the skills of people who are untrained for jobs. What is being done to expand and upgrade present job programs so that they reach more people and can be more effective?
- A. Vocational job training is tremendously important. The Federal government supports job training in many ways, including more than \$3.2 billion in our present budget for Comprehensive Employment and Training Act programs and vocational education.

In this (the Appalachian) area, the Department of Labor has a \$1.3 million contract with the Appalachian AFL-CIO Council over 1100 individuals had been placed as of August 1975. Of those 373 were under-employed and over 700 were new entries to the labor market; 357 were Vietnam-era veterans; 311 were minorities and 236 were women. At this point a retention rate of 90 percent has been maintained for these recently placed individuals.

Under seven previous contracts with AFL-CIO Appalachian Council more than \$7.8 million was awarded to assist 15,900 disadvantaged persons in this same manner.

Federal agencies also support specialized training in health, environmental protection, public safety and a host of other occupational areas.

One of my chief concerns, however, is that Federal support of vocational education raises false hopes. The statute authorizing our principal programs for the training and retraining the unemployed says, no person shall be referred for training unless there is reasonable expectation of employment in the occupational area he is being trained for. To do that we need to create more jobs in the private sector, a goal I soon plan to ask Congress to help us achieve.

JBS/DHL/10-6-75

HOUSING

- Q. Since the cost of new housing has risen much faster than spendable personal incomes in the past few years, only upper-income families can afford new houses these days. Almost all new home construction is in the suburbs. Federal programs which encourage home buyers with tax credits and subsidized lower interest rates result in encouraging upper-income groups (1) to leave the racially impacted central city school districts and (2) to live out where they will have to use additional gasoline for commuting. Has your administration considered these effects of Federal programs upon the central cities, and are you developing any changes in policy to halt or reverse the trend?
- A. In order to keep and attract upper- and middle-income families, the central city must be able to offer them good housing in good neighborhoods. This does not mean newly-built housing: it means housing--new or old--with the kind of amenities that appeal to these families. In cities across the Nation, acceptable alternatives to suburban living have been created by upgrading existing neighborhoods. The Georgetown and Capitol Hill areas of Washington, D. C., are good examples of rejuvenated areas that have attracted middle- and upper-income families.

This Administration is supporting the preservation and improvement of central city areas in a number of ways:

- Through Community Development Block Grants, which I signed into law last year, and which is providing development funds to cities at an unprecedented level.
- Through General Revenue Sharing which is underwriting improvements in public facilities so essential to the quality of urban life.
- Through the new Section 223 (f) program which provides refinancing for existing multifamily housing projects.

In addition, the Administration has taken several actions to facilitate housing construction which are particularly important to central cities with their relatively high land costs:

- Last year, I signed into law a bill which makes it easier for builders to obtain financing for multifamily housing developments -- both rental and ownership--by increasing the size of mortgages eligible for FHA insurance.

-- Earlier this year, I signed into law a bill making mortgages on certain multifamily housing projects eligible for special mortgage purchase programs.

Finally, it is important to put the trend in new home prices in perspective. While it is true that the price of new homes has risen more rapidly than income during the last several years, the reverse has been true historically. For example, between 1953 and 1972, per capita disposable income rose 141% while the cost of homeownership rose only 87%. This accounts in large measure for the enormous improvement in the quality of the Nation's housing stock during this period. As we reduce the rate of inflation and increase the economy's real growth rate, we are hopeful the historical relationship between income and housing costs will be reestablished.

TRH
10/2/75

EXPANDING HOUSING STOCK:

RURAL AREAS

- Q. Will there be any special emphasis by your Administration to encourage the building of housing, including elderly housing, in rural areas?
- A. We are making a special effort to improve and expand the housing stock in rural areas, small communities and other non-metropolitan areas. This, of course, includes housing for the elderly.

Small towns have been encouraged to form regional or country housing authorities and take part in the Section 8 program. HUD area and insuring office directors have been directed to provide information on the use of FHA programs to potential users in rural areas. At the headquarters level, HUD has been working together with the Farmers Home Administration, the Veterans Administration and the Federal Home Loan Bank Board to insure cooperation in the rural housing effort. HUD's field offices are working with the offices of these agencies in their area to effect the same cooperation.

HOUSING FOR POOR PEOPLE

- Q. The current cost of housing prices homes above the income levels of a great many people in Appalachia. Do you see any way to provide safe, adequate housing for people with low incomes?
- A. We are exploring this area. The Housing and Community Development Act of 1974 created a more flexible approach through the Section 8 program for low and moderate income housing. Section 8 provides direct rental assistance to the tenant. This permits extensive use of existing as well as new housing. The 1974 Act also provides special discretionary funds earmarked for rural communities on an annual basis. Under Section 8, program priority is given to low vacancy areas.

Background

Direct cash assistance was identified as the most promising approach for meeting the housing needs of lower income families. Congress was asked for, and the Act contains authority to, expand experimental housing allowance programs and to put into place appropriate measuring mechanisms.

The 1974 Act established a new Section 8 program of housing assistance for lower income families which authorizes the Federal government to pay, with respect to over 400,000 units of existing, substantially rehabilitated or new housing, the difference between (i) the fair market rent and (ii) a portion of such rent -- between 15% and 25% of his gross income -- affordable by the tenant. The Section 8 program has the principal advantage over the old subsidized programs in that while costs can be better controlled, the lowest income families can be reached since the formula will always pay the difference between what the family can afford and what it costs to rent the unit. Emphasis is placed on the use of existing dwelling units.

RURAL MEDICAL CARE

- Q. Rural areas, such as Appalachia, lack medical facilities and personnel. What are you doing to develop national policy that would insure all Americans receive adequate health care?
- A. My Administration is striving to assure adequate health care for all Americans, especially those in rural areas.

For example, earlier this year, we set up a Rural Health Initiative Coordinating Committee in HEW to examine initiatives in the provision of health care services to the rural areas. HEW is leading this effort in coordination with DOT, HUD, and Agriculture. The concept is to focus health resources and services on a single delivery point in the rural community. This is carried out through Community Health Service grants furnished to 47 rural areas with critical needs, using \$7.3 million in HEW funds. Another 70 such systems will be established. In addition, under the National Health Service Corps, HEW funds the placement of physicians and nurses in areas with critical manpower shortages for two-year tours of duty.

In the State of Tennessee, a unique partnership approach has been taken. A series of 14 rural health units, utilizing Federal, State and local funding and resources, have been set up to provide health care. A unique feature of the Tennessee project is a "circuit-riding" doctor who periodically visits remote areas to give medical care.

SCM/10-6-75

HELP FOR MINORITIES

Q. What, specifically, is your Administration doing to provide better housing, jobs, education, and services for minority people?

(A matter of concern to the Knoxville NAACP.)

A. We are greatly concerned that all Americans be brought into the mainstream of American life, that everyone have equal opportunities for education, jobs, adequate housing.

In aiding Blacks, we currently are spending more than \$9 billion - and that does not include Federal food aid, welfare and other programs to aid low income persons.

And we are making progress. But we would be kidding ourselves if we thought the problems of Blacks could be solved overnight.

We must continue effective programs, and all work together to eliminate poverty and injustice - which incidentally effect all of us.

JBS/10-6-75

HIGHLIGHTS OF ADMINISTRATION INITIATIVES
IN CIVIL RIGHTS AND RELATED SOCIAL PROGRAMS

(NOTE: All years without months refer to fiscal years)

A. Civil Rights

1. Total outlays for civil rights activities have risen from \$1.1 billion in 1970 to \$3.1 billion in 1976.
2. Outlays for civil rights enforcement have risen from \$75 million in 1969 to \$395 million in 1976.
3. In 1976, outlays for equal opportunity in the military services, including the U.S. Coast Guard, will increase to \$43 million. An additional \$17.1 million will be expended for contract compliance, fair housing and title VI activities.

B. Equal Employment Opportunity

1. As of November 30, 1973, 20.9 percent of Federal employees were from minority groups as opposed to 19.3 percent as of November 30, 1969.
2. Between November 1969 and November 1973, the number of minorities in the GS 16-18 group increased 107 percent (from 97 to 201 supergrades).
3. The budget of the Equal Employment Opportunity Commission has increased from \$11 million in 1970 to \$60.3 million in 1976.
4. Executive Order 11246, as amended, prohibits the practice of discrimination in Federal contracts, subcontracts, and on federally assisted construction projects. In 1976, Federal agencies responsible for implementing this order will spend \$39.3 million compared to \$13.3 million in 1971. Approximately 500,000 new hires and promotions will be effected by such affirmative action goals.

C. Minority Enterprise

1. Federal funds for minority businesses have increased from \$200 million in 1969 to \$1.1 billion in 1976.
2. Small Business Administration loans and guarantees to minority enterprise has increased from \$1.3 million in 1968 to \$351 million in 1976.

3. The Office of Minority Business Enterprise will spend \$49.6 million in 1976.
4. Special efforts to procure goods and services from minorities will total more than \$501 million. In the aggregate, these efforts to assist minority business development will expand 280% between 1970 and 1976.
5. Under the 8(a) program of SBA, sole source contract awards to minority firms have risen from \$9 million in 1969 to an estimated \$275 million in 1976.
6. Since 1970, sixty-nine Minority Enterprise Small Business Investment Corporations (MESBIC's) are currently in operation; with Federal matching funds they can produce a total of more than \$68 million in capital for the minority business effort.
7. A combined private sector/Government program has resulted in a substantial increase in the deposits of the Nation's 57 minority-owned banks. These deposits totalled \$1.16 billion as of June 30, 1974, compared with \$396 million in 31 minority-owned banks at the start of the program, September 30, 1970.

D. Educational Opportunities

1. Under the emergency school aid program, Federal aid will be continued to help overcome the effects of minority group isolation in school systems. In 1976, this program is proposed for operation on a fully discretionary basis at a requested level of \$75 million.
2. About 1.3 million needy college students will receive \$1.05 billion in basic education opportunity grants. By the 1976 school year, every eligible disadvantaged student will receive up to \$1400.
3. In 1976, \$110 million will be obligated to support improvement of developing institutions, including Black colleges.
4. In 1976, \$1.7 billion will be spent for disadvantaged students at the elementary and secondary levels.

5. Office of Child Development activities -- primarily in the Head Start program have increased from \$189 million in 1972 to \$434 million in 1976.

E. Housing

1. Expenditures for the enforcement of laws against discrimination in housing will increase 11% in 1976 to \$17.6 million.
2. An experimental program will be continued to test the effectiveness of direct cash assistance programs as a means of dealing more effectively with the fundamental problem -- inadequate income -- in achieving the goal of a decent home for all Americans.
3. A new lower income housing assistance program has been initiated to provide a more flexible form of housing assistance. In 1976, support will be provided for 400,000 units.

F. Drug Problem and Other Health Care Services

1. The national effort against drug abuse--made up of Federal, State, local and private efforts--has resulted in the development of treatment capacity for heroin addicts seeking treatment.
2. Nationally, there are an estimated 265,000 drug abuse treatment slots that can provide care to over 450,000 drug abusers. Approximately 50% of these treatment slots are supported by States and localities.
3. Federal outlays for drug abuse prevention and treatment will be \$466 million in 1976 compared to \$403 million in 1974.
4. Medicare and medicaid expenditures will increase from \$17 billion in 1974 to over \$22 billion in 1976, expanding coverage from 43 million to 45 million aged, disabled and low income Americans.
5. In the above total, medicaid outlays of over \$7 billion will help to pay for medical care for almost 26 million low-income Americans. This represents a 40% increase in beneficiaries and a 113% increase in funding since 1971.

G. Anti-Poverty and Other Social Programs

1. Federal outlays for benefits to low-income persons will increase 104% from \$13.6 billion in 1974 to an estimated \$27.8 billion in 1976.
2. Federal food aid increased nearly five times from \$1.3 billion in 1969 to \$5.8 billion in 1976.
3. Recent legislation established the Community Services Administration and provided for a declining Federal share of funding for Community Action.
4. Community Economic Development Activities will be moved from OEO to Commerce and funded at \$39 million in 1976.
5. Under the Work Incentive (WIN) program, 140,000 welfare recipients will be placed in unsubsidized jobs.
6. Some 636,000 training and employment opportunities will be funded under the Comprehensive Employment and Training Act in 1976.

REGULATORY REFORM

Q. You have frequently stated your desire to reform the numerous governmental regulations affecting business and industry. What specifically do you have in mind?

A. First, let me make it clear that I am not proposing that we eliminate all government regulation. Much of what the government does in this area is essential and beneficial.

What I am proposing is to scrape off the costly barnacles which are dragging down the operation of our economy. However, well intentioned it is, much of the regulation now in effect is contradictory and expensive.

I mentioned one example at the White House Conference in Omaha last week. Let me give you another one, which will show how regulation affects consumer prices. The CAB regulates interstate air fares. It does not regulate fares on flights that originate and terminate within the same state.

The difference in the cost of that regulation can be seen in the fare between Los Angeles and San Francisco, a distance of 337 air miles, and the fare between Chicago and Minneapolis, a distance of 334 miles. If you go between those two cities in California, you can take an intra-state carrier, and the fare is only \$22.50. Yet to fly from Chicago to Minneapolis, crossing a state line, your fare would be \$44.37 to fly three miles less.

The additional \$21.87 is the effect of regulation by the CAB.

Regulation also raises prices by removing the incentives for competition and by adding to paperwork, and it unnecessarily influences business decisions that ought to be made on the basis of sound economics, not on the basis of what a government regulator in Washington says.

And I am looking at other regulatory areas to see where they can be improved. We also have a commission studying ways to cut down on the paperwork required by the Federal Government.

JBS/9/29/75

REVENUE SHARING

Q. Although the concept that revenue sharing allows local citizens more control over how federally collected money is spent seems sound, in practice it seems to mean that minority and disadvantaged groups, which need help the most, are slighted. Do you see any way the concept of revenue sharing can be preserved, while at the same time helping the poor and disadvantaged?

A. I am deeply concerned about the plight of minority and disadvantaged groups. And I believe the non-discrimination provisions of revenue sharing insure that no one will be kept out of programs because of race, sex, religion, or age.

Let me explain why I believe revenue sharing is the best way to solve many national problems. The United States is a large country. It is made up of greatly varying regions. No two areas are exactly alike.

I do not believe that any one solution is right for all those regions. But if every community, benefitting from the availability of additional money, is able to tackle its problem in its own way, creating and adjusting programs to meet its own specific local problems, we may begin to eliminate some of the ills that now plague us.

There are other benefits. If local communities take on this responsibility, we will begin to restore that sense of local initiative and self-confidence that helped build the United States. And as people realize that the solution to their problems lies not in Washington but right in their own city halls or state legislatures, we will begin to strengthen the two-party system at the grass roots. If a program isn't working, people don't need to go all the way to Washington to correct it.

I am confident that within a few years, we all will recognize that many exciting and innovative solutions have emerged from communities all over the United States because of revenue sharing.

BREAKING UP MAJOR OIL COMPANIES

Q. Recently Senators Abourezk, Hart, and Nelson introduced a bill that would break up the big oil companies, because they felt their monopoly power had contributed to the current energy crisis and high cost of petroleum. Do you support that bill? And if not, why not?

A. I must admit the public reputation of the oil companies is poor. We live in a period of skepticism and it is understandable why many people should demand that all of our institutions justify their existence.

But we should not let our skepticism lead us into the trap of blaming all our troubles on the oil companies, or into believing that some simple and quick solution will solve all our problems.

We ought to look at the major reasons for our problems:

1. OPEC is setting the price for oil, and they are continually raising it.
2. We continue to import too much oil.
3. Until Congress acts on an energy program, there is nothing we can do about these increases, and about our continued dependence on foreign suppliers. That is why I hope that Congress will face up to the hard, tough decision needed to restore America's energy independence, reinvigorate America's economy and save American jobs before it is too late.

Then, if Congress should find that the oil companies are contributing to our problems, we should take whatever action is appropriate.

RUSSIAN GRAIN PURCHASES

Q. What is the status of U.S. agricultural exports to the USSR?

A. Since the beginning of fiscal year 1976, U.S. export firms have sold the Soviet Union 9.8 million metric tons of grain: 4.5 million tons of corn, 1.1 million tons of barley, and 4.2 million tons of wheat.

Further sales to the Soviet Union have been suspended until mid-October. We are continuing to negotiate for a long term grain sales agreement with the Soviet Union. Such an agreement could help moderate uneven buying patterns which have had a destabilizing effect on world markets.

PCL/9/27/75

STATUS OF LOANS FOR 1972-1973 SOVIET GRAIN DEAL

Question:

Is the Soviet Union making payments on the grain loans it got from the U.S.?

Answer:

Yes. As of August 28, 1975 they had paid \$344.0 million on principal and \$54.3 million on interest.

Background:

The Soviet Union was granted a \$750 million line of Commodity Credit Corporation (CCC) credit in July 1972 under regular terms of the CCC credit program. It provides 3-year credit at rates in line with going commercial rates. (Current CCC rate is 8 percent on letters of credit confirmed or issued by U.S. banks and 9 percent for foreign bank obligations.)

The credit agreement provided that no more than \$500 million in credit could be outstanding at one time.

\$550 million worth of corn and wheat were financed for export to the USSR under the program over a 2-year period.

The Soviets used \$460 million of the credit in fiscal year 1973 and \$89 million in fiscal 1974 (figures don't add due to rounding). The USSR has made all payments promptly when due.

MUNICIPAL BOND INSURANCE

- Q. Would you consider some form of Government insurance, such as the Federal Deposit Insurance Corporation provides individual bank depositors, for municipal bonds.
- A. No. It is one thing to insure the deposits in commercial banks which are licensed and closely regulated by the Federal Government. It is quite another thing to ask the taxpayers all over the country to promise municipal bond holders that they will assume all the risks for the possible mismanagement of a local government's affairs.

I also am opposed to such a plan because it would distort the federal system. For with such a program would come the necessity for tight regulation. (Just ask any contractor who has built a house to be eligible for an FHA loan how tight that regulation can be.) And such tight regulation would mean the federal government stepping in on what should be local decisions.

CAPITAL FORMATION

- Q. You have said that the best way to combat unemployment is to restore the health of the economy and then to cut to create jobs. This sounds like the trickle-down theory of economics, which many people believe does not work as effectively as would stimulation of individual spending. Why do you favor such tax relief for businesses?
- A. I believe we should not let slogans or catch phrases blind us to a major national need. That need is jobs, jobs, and more jobs.

Let me cite some figures:

Between now and 1980, in addition to overcoming the decline in employment from the past recession we must create jobs for 1.6 million people each year if we are to achieve a high level of employment. Such a goal will require a healthy steadily growing economy. Capital intensive industries produce the building blocks for most other production. They are therefore at the base of economic activity and must be able to operate at a pace that will contribute to the job creation our economy requires. And, I might add, that each modern industrial job requires a capital investment of \$40,000 before the worker can ever begin to work.

Although capacity is adequate in virtually all our industries for present levels of activity, we must be sure that productive capacity is adequate for the higher levels of economic activity consistent with higher levels of employment. If, during the present economic expansion, we hit capacity bottlenecks in key industries, there is a danger of creating severe inflation and choking off future economic expansion in advance of high employment for the economy as a whole. To put the matter simply, more capital investment is essential to insure that labor has the tools with which to work.

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PANAMA

Q: Secretary Kissinger recently said that the United States must maintain the right, unilaterally, to defend the Panama Canal for an indefinite period. Given the Panamanian reaction to this statement and the action of the House in insisting on its Amendment to deny funds to continue the negotiations, do you plan to continue the negotiations? What are the prospects of concluding a treaty this year for submission to the Congress?

A: Discussions with Panama relating to the Canal have been conducted during the last three Administrations. The goal of these negotiations is to reach an agreement which would accommodate the interests of both nations while protecting our basic interests in defense and operation of the Canal. We believe this should be possible, and we are now in the process of discussing with Panama the possibility of arriving at such an agreement. There are a number of difficult questions remaining to be resolved and the negotiations are continuing. At this stage it simply would not be useful or possible to predict when agreement on a treaty might be reached.

It is my hope that in considering any amendment to the State, Justice and Commerce appropriations bill the Congress will be mindful of the importance of maintaining our commitment to complete these negotiations so that any agreement can be considered on its merits.

I have no intention of proposing to the Congress any agreement with Panama, or with anyone else, that would not protect our vital interests.

Naturally, any treaty we reach will be submitted to the full

constitutional process, including Senate approval, and we will be

consulting closely with Congress as the discussions continue.

(If asked)

Q: But are we seeking agreement to enable the U.S. to defend the Canal for an indefinite period?

A: We are talking about an arrangement which would protect U.S. defense interests in the Canal for many decades and maintain our operating interest as well for several decades, but this subject is still under discussion with the Panamanians.

CUBA

Q: The U.S. has announced that it would lift the restrictions it placed against nations which trade with Cuba. Do you now expect to move toward normalization of relations with Cuba, or will the Cuban-hosted conference on Puerto-Rican independence affect this process?

A: Last July the OAS, by a two-thirds majority, passed a resolution freeing each government to determine in accordance with its own particular policies whether to maintain relations with Cuba. In order to be consistent with this, we decided to begin modifying those aspects of our Cuban denial policy which penalize other countries that trade with Cuba. The lifting of those restrictions, however, does not affect our bilateral policy and prohibition against bilateral trade with Cuba, which continues in force.

It has already been said on a number of occasions that we see no advantage in permanent antagonism between ourselves and Cuba but that change in our bilateral policies toward Cuba will depend on Cuban attitudes and policies towards us. There are a number of outstanding and complex issues between us, and I wouldn't want to speculate on when or whether it might prove possible to begin to work out these issues.

As to the meeting in Havana, I can only say that Americans in this country and in Puerto Rico feel just as strongly as others about interference in their internal affairs. The Puerto Ricans have expressed themselves strongly on their relationship with the United States in free elections. We consider the Cuban action an unfriendly act and an unwarranted interference in our domestic affairs.

October 3, 1975

RESUMPTION OF MILITARY ASSISTANCE TO TURKEY

Q: Mr. President, you mentioned rebuilding our security relationship with Turkey. What initiatives do you have in mind and will we be able to resume normal operations at the joint defense installations in Turkey?

A: As I said, the partial lifting of the embargo is an important first step in restoring the proper balance in our relations with Turkey. We have been in continuing touch with the Turkish government concerning the future of our security relationship. That relationship, as you have mentioned, includes a number of very important bilateral and NATO defense installations. Activity, at present, has been suspended at some of these installations, and we are looking forward to returning such facilities to active status at the earliest possible date in our common defense interests and those of the Alliance.

Q: Mr. President, what is the current status of the Cyprus negotiations?

A: As you know, the intercommunal talks held in New York in early September adjourned without making further progress toward a Cyprus settlement. We believe that the partial lifting of the embargo will better enable us to work with the parties involved -- Greece, Cyprus and Turkey -- to resume meaningful and productive negotiations on the Cyprus issue. Progress in the intercommunal talks, of course, is essential to satisfactory resolution of the Cyprus crisis.

Q: Mr. President, concerning the Cyprus refugees, what humanitarian assistance has been given to date and what additional help is planned?

A: In fiscal year 1974, the United States provided \$25 million for refugee assistance on Cyprus. These funds were channelled through the U. N. High Commissioner for Refugees and the International Red Cross. A program of similar scope is planned for fiscal year 1976. Resettlement of the refugees is an agenda item in the talks between the two Cypriot communities.

Q: Mr. President, what are we planning in the way of economic and security assistance for Greece?

A: We have, of course, been in touch with Greece on the matter of U. S. assistance since early this year. These consultations are continuing and our objective is to meet Greek needs for assistance which will help them in meeting their economic and security problems. There is, of course, specific language on this subject in the legislation just passed and I will soon be making reports to the Congress.

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

[Turkish Aid]

I welcome the passage by the Congress of S. 2230, which provides for a partial lifting of the embargo on U.S. arms for Turkey. This action is an essential first step in the process of rebuilding a relationship of trust and friendship with valued friends and allies in the Eastern Mediterranean.

The Congressional vote reflects a cooperative effort with the Senate and House of Representatives on the difficult question of Cyprus and the vital task of restoring stability and security along NATO's strategically important southern flank.

With the partial lifting of the embargo, I intend to take action in four broad areas in the weeks ahead.

First, we will seek to rebuild our security relationship with Turkey to underscore that Turkey's membership in the Western alliance and partnership with the United States serve the very important interest of both nations.

Second, we will make a major effort to encourage resumption of the Cyprus negotiations and to facilitate progress by the parties involved -- Greece, Turkey and Cyprus -- toward a peaceful and equitable settlement of this dispute. In this connection, we will fulfill whatever role the parties themselves want us to play in achieving a settlement acceptable to all. In accordance with S. 2230, I will submit to the Congress within 60 days of enactment a report on progress made in reaching a solution to the Cyprus problem.

Third, the Administration will intensify cooperation with appropriate international humanitarian agencies to find ways to alleviate the suffering of the many people displaced as a result of the 1974 hostilities. The plight of these unfortunate people makes progress towards solution of the Cyprus problem all the more important.

Finally, the Administration intends to provide support to the democratic government of Greece. In that regard, we will pursue efforts to help that country overcome its current economic and security problems. Also, in compliance with S. 2230, I will submit within 60 days my recommendations for assistance to Greece for fiscal year 1976.

(MORE)

Our goals in the Eastern Mediterranean in the months ahead -- to help the parties involved achieve a Cyprus settlement, to rebuild a relationship of trust and friendship with both Greece and Turkey, to alleviate the suffering on Cyprus and to meet Greece's needs for assistance -- are objectives on which we all can agree. Let us now join in working together to achieve them.

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BILATERAL UNDERSTANDINGS WITH ISRAEL --

What Kinds of Agreements are These?

Q: Do our private memos of understanding with Israel constitute a formal treaty requiring Congressional approval? Why has the US refused to formally sign the memo of understanding with Israel until Congress acts on the proposal for technicians?

A: The various understandings related to the Middle East agreement have been provided to the pertinent committees and members of the Congress; there are no treaty relationships involved. We have requested Congressional approval of the proposal for the Early Warning System in view of the importance of any proposal involving commitment of US personnel.

US ARMS FOR ISRAEL

Q: What are the facts on US arms for Israel? It is true that the US will try to give positive consideration to the sale of such sophisticated equipment as the F-16 and the PERSHING missile? How could you sell the PERSHING knowing that it is outfitted for a nuclear-warhead? Would you do so on the basis of Israeli assurances no nuclear warheads would be used?

A: We have committed to nothing more than to study Israel's requests for military equipment. Our policy is to help Israel meet its legitimate security needs, to develop our relations with the moderate Arab states and generally to promote peace in the Middle East. Any arms decisions will be made with these objectives in mind. While I am not going to get into a detailed discussion of our on-going military supply relationship with Israel or with any country, I would add that my views on the proliferation of nuclear weapons are clearly on record.

US TECHNICIANS -- ANOTHER VIETNAM?

Q: In a post-Vietnam period how can the Administration expect the American public and Congress to welcome a US presence in the volatile Middle East?

A: There are several very important factors to be kept in mind:

-- First, the US role would be a civilian one -- very limited numbers of technicians to help with the warning systems and only few in number -- no more than 200. They have no military role whatever. We are simply offering our technological expertise at the request of the parties.

-- Second, Congress is being asked to approve the provision of US technicians as requested by the two Parties.

-- Third, we have been invited by both Parties to provide these technicians. This is not a case of military advisors assisting one side against the other side.

September 26, 1975

MIDDLE EAST -- WHO WILL THE TECHNICIANS BE?

Q: What kind of people will be recruited as the US technicians? Are intelligence or military personnel likely to be selected? Will these Americans be sponsored privately or by the government and to whom will they report?

A: We are presently studying all of these questions on an urgent basis. Naturally people will have to be found who meet the technical requirements for the job but I would expect they would be recruited from civilian life. The personnel will not be under the Defense Department, because they have no military function to perform. The personnel will report to both sides and to the UN as well as the United States Government.

When the study now underway is completed we will have a clearer idea of how to proceed on these detailed aspects.

MIDDLE EAST-SOVIET ROLE

Q: If your policy is to help ease tensions between the US and USSR in areas of potential conflict and in areas where both the US and USSR have interests, don't you regard leaving the Soviets out of the negotiations for any interim Sinai agreement and also injecting US technicians -- excluding the Soviets -- as provocative to the Soviets

A: We believe that any developments which reduce the prospects of war-- and therefore the prospects for superpower confrontation--in the Middle East are in the mutual interests of the United States and the Soviet Union.

The role we have played was requested by the two parties. We do not regard the most recent agreement between Egypt and Israel as either detrimental to Soviet interests or giving unilateral advantage to the US. We have always recognized that a Soviet role is important to a final settlement in the area. Both the Secretary and I have had full discussions on the Middle East with Soviet Foreign Minister Gromyko.

September 26, 1975

SADAT, RABIN VISITS

Q: When is President Sadat due in Washington? The Egyptians have talked about October 28. Can you confirm Sadat is definitely coming or will he cancel if the Congress does not act on the proposal for technicians and puts the whole Agreement in jeopardy? What about a Rabin visit?

A: I invited both President Sadat and Prime Minister Rabin to visit Washington when I talked to them by phone on September 1, following the initialling of the Sinai accord. When specific arrangements have been made we will announce them.

[FYI: As soon as all of the final details related to the Sadat visit beginning in Washington October 27 are firmed up, we will be making a formal White House announcement.]

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

THE PRESIDENT'S PROPOSAL FOR TAX CUTS AND FEDERAL SPENDING RESTRAINT

President Ford is proposing that permanent large tax cuts be made possible for American taxpayers by Congress joining with him in limiting the growth of federal expenditures. The tax reductions proposed by the President total about \$28 billion compared to 1974 law. This proposal is linked to the adoption by the Congress now of a spending ceiling of \$395 billion for FY 1977. This represents a reduction of about \$28 billion from projected levels for that year unless action to limit federal spending is taken.

The proposed tax cuts are divided approximately 75 percent for individuals and 25 percent for business. A family of four earning \$14,000 a year would receive a reduction in their tax liability of \$412 or 27 percent.

I. SUMMARY OF THE TAX CUT PROPOSAL

A. The individual tax reductions will be accomplished by:

- . \$8 billion in cuts to replace the temporary 1975 tax reductions.
- . \$4 billion in additional cuts required to keep personal withholding rates constant. (The 1975 cut was reflected in withholding over an eight-month period and, therefore, a \$4 billion extra cut is provided to keep withholding constant.)
- . \$8.7 billion in further tax relief distributed throughout all income ranges.

B. The business tax reductions will continue the tax relief for small business provided by the 1975 Act, will make permanent the higher investment credit rate of 10 percent as an incentive for investment in equipment needed to increase productivity and to provide new jobs, will reduce the marginal rate on business income as a first step toward eliminating the existing tax bias against capital formation, and will provide special relief to utilities needed to reduce dependence on foreign energy sources.

C. The recommended changes in the individual and business income tax structure, and their costs, as compared to 1974 law, are as follows:

	<u>Individual Tax Cuts</u>
Increase personal exemption from \$750 to \$1,000.	\$10.1 billion
Replace \$1,300 low income allowance and \$2,000 maximum standard deduction with flat amount standard deduction of \$2,500 for married couples (\$1,800 for a single person)	\$ 4.0 billion
Reduce tax rates	<u>\$ 6.6 billion</u>
TOTAL INDIVIDUAL TAX CUTS	\$20.7 billion
	<u>Business Tax Cuts</u>
Extension of 1975 corporate rate and surtax exemption changes	\$ 1.7 billion
Permanent extension of investment credit increase (from 7-10; 4-10 for utilities)	\$ 2.5 billion
2% corporate rate reduction (48-46%)	\$ 2.2 billion
Utilities tax relief previously proposed (see Annex C)	<u>\$ 0.6 billion</u>
TOTAL BUSINESS TAX CUTS	\$ 7.0 billion
TOTAL TAX CUTS	<u>\$27.7 billion</u>

The effects on individual taxpayers of the President's tax proposals are shown in the following tables:

Tax Liabilities for Family with 2 Dependents,
 Filing Joint with Itemized Deductions of
 16 Percent of Adjusted Gross Income
 (If standard deduction exceeds itemized
 deduction, family uses standard deduction.)

Adjusted gross income	Tax Liability			Reduction from	
	1972-74 law	: 1975 law	: Proposed 1976 law	1972-74 law	: 1975 law
\$ 5,000	98	0	0	98	0
7,000	402	186	60	342	126
10,000	886	709	485	401	224
15,000	1,732	1,612	1,325	407	287
20,000	2,710	2,590	2,280	430	310
25,000	3,820	3,700	3,370	450	330
30,000	5,084	4,964	4,648	436	316
40,000	8,114	7,994	7,664	450	330
50,000	11,690	11,570	11,180	510	390

Office of the Secretary of the Treasury
 Office of Tax Analysis

Tax Liabilities for Single Person with Itemized
 Deductions of 16 Percent of Adjusted Gross Income
 (If standard deduction exceeds itemized deduction,
 individual uses standard deduction.)

Adjusted gross income	Tax Liability			Reduction from	
	1972-74 law	: 1975 law	: Proposed 1976 law	1972-74 law	: 1975 law
\$ 5,000	\$ 490	\$ 404	\$ 307	\$ 183	\$ 97
7,000	889	796	641	248	155
10,000	1,506	1,476	1,227	279	249
15,000	2,589	2,559	2,307	282	252
20,000	3,847	3,817	3,553	294	264
25,000	5,325	5,295	5,015	310	280
30,000	6,970	6,940	6,655	315	285
40,000	10,715	10,685	10,375	340	310
50,000	15,078	15,048	14,725	353	323

Office of the Secretary of the Treasury
Office of Tax Analysis

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II. FULLER DESCRIPTION OF PROPOSED TAX CUTS

A. Individual Tax Cuts

The proposed permanent restructuring would replace the temporary increased standard deduction and the \$30 per taxpayer exemption credit provided by the 1975 Act. The changes assure that withholding will not be increased and that, in fact, there will be further tax reductions for the great majority of taxpayers. As compared to 1974 law, the President's proposal would:

- Increase the personal exemption from \$750 to \$1,000.
- Replace the present minimum standard deduction (low income allowance) of \$1,300 and maximum standard deduction of \$2,000 by a single standard deduction in a flat amount of \$1,800 for a single taxpayer and \$2,500 for a married couple (\$1,250 for married person filing separately). This compares with the average standard deduction claimed in 1974 of \$1,625 by married couples and \$1,400 by single persons. (The 1975 Act made temporary changes in the standard deduction, which are described in Annex D.)
- Provide rate reductions as shown in the tax rate schedules attached at Annexes A & B.

B. Business Tax Cuts

The President also proposes to:

- Reduce the maximum corporate tax rate from 48 percent to 46 percent.
- Continue the 1975 Act increase in the surtax exemption (which determines the amount taxable at rates below 48 percent) from \$25,000 to \$50,000 of taxable income.
- Continue the 1975 Act reduction in the rate on the first \$25,000 of taxable income from 22 percent to 20 percent (the second \$25,000 of taxable income will be taxable at a 22 percent rate, with the balance of income taxed at a 46 percent rate).
- Make permanent the 1975 Act increase in the investment credit from 7 percent (4 percent in the case of public utilities) to 10 percent.
- Enact a six-point program to provide tax relief to electric utilities and to reduce dependency on foreign energy sources (see Annex C for full description).

more

III. BACKGROUND ON FEDERAL SPENDING

A. Unless action is taken to restrain federal outlays in FY 1977, spending can be expected to increase by around \$53 billion in a single year. Budget outlays are approaching \$370 billion in FY 1976. Without specific legislative action to limit spending, outlays in FY 1977 will reach \$423 billion or more. The main elements of an increase of \$53 billion are as follows:

(Billions)

Interest on the public debt will rise as the size of the debt grows. If current interest rates are maintained, the increase will approach	+9
Civilian and military salaries increase automatically unless the President and Congress agree on an alternative plan. Would add more than	+6
Retirement benefits for retired federal military and civilian personnel also rise automatically with the cost-of-living . .	+3
Social security and railroad retirement payments increase automatically based upon the cost-of-living index	+12
Medicare and Medicaid payments rise as costs increase and the number of eligible recipients go up	+5
Public assistance, food stamps, housing subsidies and related programs are tied to the formulae set in law or in existing contracts	+2
Major construction of wastewater treatment plants now underway will add nearly .	+2
Essential procurement and research and development of military hardware and maintenance of necessary military facilities will add over	+3
Increases for energy research and development and transportation programs and inclusion of Export-Import Bank in budget.	+4
Other likely net changes including effect of Congressional inaction on budget reduction proposals heretofore proposed by the President and the effect of probable Congressional initiatives	+7
TOTAL	53

B. Decisions have not yet been made on which programs will be restrained or curtailed.

-- Specific decisions will be made in the budget review process leading up to the President's January Budget Message to Congress.

-- All departments and agencies will be called upon to moderate program growth, expenditures, and Federal personnel levels.

C. The President has called upon Congress to join with him in making the tax reductions possible by placing a limit of \$395 billion on FY 1977 expenditures now.

-- A \$395 billion ceiling is \$25 billion above the currently estimated spending level this fiscal year and \$28 billion below the level now projected for FY 1977.

D. Based upon current estimates that FY 1976 spending may approach \$370 billion, the FY 1976 budget deficit would be about \$70 billion. With the President's proposals, the FY 1977 deficit is estimated in the range of \$40-44 billion.

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