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THE WHITE HOUSE

REMARKS OF THE PRESIDENT  
AND  
QUESTION AND ANSWER SESSION  
AT THE  
MID-APPALACHIA WHITE HOUSE CONFERENCE  
ON DOMESTIC AND ECONOMIC AFFAIRS

THE HYATT REGENCY HOTEL

4:00 P.M. EDT

THE PRESIDENT: Governor Blanton, Governor Carroll, Governor Waller, Governor Holshouser, Governor Rhodes, Governor Busbee, Governor Moore, Senator Brock, Senator Baker, Congressman Quillen, Congressman Duncan, Mayor Testerman, distinguished guests, ladies and gentlemen:

That concludes my speech. (Laughter) Thank you and goodnight. (Laughter)

I know you have had an interesting and stimulating program. I know from the program that the experts on all of these subjects have spoken to you about what we are seeking to do and attempting to achieve, and they, in turn, have listened and, I am sure, gathered information and suggestions from all of you.

I prefer to concentrate in the area of questions and answers, but if I can take just a minute or two, I would like to emphasize two very serious problems that we face.

I would like to summarize the proposal that I submitted to the American people last night and which is being submitted to the Congress today by the Secretary of the Treasury; namely, a two-part package that must go together.

Number one, a restraint on the growth of Federal spending and, number two, a substantial tax reduction, three-quarters of which goes to individual taxpayers and 25 percent will go to the business community.

Number one, at the end of this fiscal year, the spending for the 12-month period will be roughly \$370 million. If no new program is enacted by the Congress and no changes are made in existing law, in the next 12 months there will be a \$50 billion growth in Federal spending.

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If you look at the curve for the last 14 years, and if we focus specifically on the growth in 1970 on, you will find that there has been a tremendous acceleration in Federal spending that this country cannot tolerate and we must change.

Number two, it is my belief that the American people want a fair, sizeable, substantial tax reduction, and the net result is that we are proposing in the tax reduction bill a \$28 billion tax reduction to coincide as a part of a package with a \$28 billion reduction in projected growth of Federal spending.

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It can be done and I specifically disagree with those who say that the Congress of the United States can't do it. I think they can. It is mandatory if we are going to preserve the kind of society that we want, that the American people want.

Let me summarize very quickly the tax package: An increase in the personal exemption from \$750 to \$1000; an increase, a flat figure for a single taxpayer of the standard deduction of \$1800; a \$2500 flat standard deduction for a family and some modification of the rate structure. In the business field, a reduction from 48 percent, a permanent extension of the investment tax credit and the personal income tax reductions would be on a permanent basis.

I think it is a fair proposition to the taxpayers and the spending limitation can be achieved. I can assure you that all of us are going to maximize our effort to convince the American people so that in turn the Congress will respond.

I believe the Congress can handle the problem of a spending restraint and a tax reduction.

Now, the second point I would like to make is the need and necessity for a comprehensive energy program. Two basic points: One, we have to stimulate domestic production. Number two, we have to conserve. We have been far too long vulnerable to foreign oil control. In the last two or three years we have been literally vulnerable to decisions made overseas, primarily by the Middle Eastern countries.

Four years ago the Federal Government, meaning the United States, was paying out roughly \$3 billion a year to foreign oil producers. Last year we paid out \$25 billion. There has been roughly a four-fold increase in our payments overseas, and with a 10 percent increase announced roughly a week or ten days ago, we will pay an additional \$2 billion a year to overseas oil producers. That money ought to remain in the United States.

If it does, it means, roughly, a million more American jobs. In order to make ourselves invulnerable, we have to stimulate the production of domestic oil, we have to more affirmatively use coal, we have to get into the exotic fuels, we have to expand our research and development, and we are, and we must because the risks are great.

Push what I recommended about a week or ten days ago, the Energy Independence Authority. That proposal will go up to the Congress in draft form and with a message this week and it will be aimed at taking those energy projects that cannot because of the risk or the gamble, be financed by private enterprise and push them so we make real headway in the synthetic fuel area.

We will have to do something in the area of transportation and conservation through this mechanism, through this facility, but we can do it.

We cannot, in the future, leave the United States vulnerab to energy decisions by nations overseas. The United States, for its own security, for its own economic progress and headway, has to have more of our energy developed right here at home and we are going to do it.

So with those very limited observations, I would now be delighted to respond to the first question.

QUESTION: Mr. President, I am Tom Stone, President of the Greater Knoxville Chamber of Commerce, and I think I would be remiss if I did not tell you that we that we recognize this Conference as a very unique way to bring the White House to the people.

And I also think that I should -- I believe I am speaking for all the people in this room when I express to you our appreciation for the time and the effort that your staff has put into having these Conferences, and I would suggest to you that you have an excellent staff in the form of Mr. Bill Barody and John Shlaes and the members of his staff who have been so kind and so easy to work with, and I would hope that you would continue with them.

THE PRESIDENT: I am very proud of them and I am delighted to hear public acknowledgement of a fine job they do. They do a good job.

QUESTION: Mr. President, my question: As a representative of the business community struggling to be competitive to provide secure employment and to generate capital that is needed for growth and stability, we generally agree with your proposed tax programs. Our concern is a big if and that big if is Congressional acceptance of a \$395 billion budget ceiling. What hopes can you share with us that Congress will be favorable to your proposal?

THE PRESIDENT: As I indicated, questions have been raised by the Congress or by certain members of the Congress as to whether under their procedures such a result can be accomplished.

Since January I have heard a great deal about the reforms that have been put through the Congress of the United States to make it a better parliamentary body to meet the problems that we face. I think if they put their nose to the grindstone and show a little imagination and a little strength, it can be done. And I believe the American people want it and we are going to go out and do our utmost to sell the American people, and if they have not the mechanism to do it now, the Congress has the responsibility to do it when they get back to work, and we intend to push it.

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QUESTION: Thank you, Mr. President.

QUESTION: Jack Reese from the University of Tennessee, Knoxville.

Mr. President, I should like to thank you for your recent statement on tax reform, specifically the issue of charitable contributions to colleges and universities.

The question I have, however, deals with the severe and perennial fluctuation in Federal support for students at our institutions of higher education. Do you believe that the Federal Government can provide greater stability of funding and programs for higher education so that we can all plan more adequately for the future?

THE PRESIDENT: I am not familiar with any fluctuations from the budget point of view. It may vary or fluctuate at the institutional level but, if I recall accurately, there has been no variation of any significance in the total amount that is made available by the Federal Government to institutions of higher learning. And speaking of the student loans, student grants and all of those programs, I know that amount has been going upward at a rather steady rate and, of course, the educational benefits that go under the GI Bill have, likewise, been increasing at a substantial rate.

I am not familiar with any dip in the funding for institutions of higher learning, but if there are, we will look at it. In my recollection, it was a pretty straight progression.

QUESTION: I think I am referring more, Mr. President, to the fluctuation programs, the starting up and dropping off of various programs.

THE PRESIDENT: Well, what we would rather do, and I think it runs through the philosophy, is to emphasize the programs for the student of one kind or another and give the student the money and let him make the choice as to the institution that he intends to attend.

We will look into it, but I am not familiar with any dips and valleys, or peaks and valleys. I agree there ought to be a certain stability in many of the programs, particularly those affecting the students. It has been a progression upward rather than any decrease.

Thank you very much.

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QUESTION: Mr. President, I am Richard Wilkes, AFL-CIO Appalachian Council. Understanding your concern for the unemployed throughout our country and the job situation and job market today, and the Comprehensive Employment Training Act and the distribution of these monies to the State and local Governments for distribution for training and placement purposes, the Manpower Administration has urged National Manpower Training sponsors and local community organizations who formally sponsor training programs and placement efforts to look to see that Title 1 prime sponsors at State and local levels for continued financing. However, widespread surveys indicate little hope that these organizations will receive any help.

My question: Mr. President, in light of this, do you propose to continue the funding of these programs which have demonstrated effectiveness in the field of job training and placement?

THE PRESIDENT: It is my recollection that under the CETA program we have requested, and Congress has approved, the full funding under the Authorization Act which, for the current fiscal year, is somewhere in the magnitude of \$3,200,000,000 or \$3,500,000,000.

It is my expectation that we will fund or recommend the funding of that program, bearing in mind our current economic problems, at roughly the same level. I think it is basically a good program, it incorporates not only the training programs you are talking about, but the summer youth program, and it would be my expectation that unless there is a substantial change in the economic situation, we hope there will be some gradual improvement and we think there will be.

We will fund at a very substantial level and, hopefully, sufficiently to meet the kinds of programs you are talking about. It is my understanding that in Tennessee you have had for several years a good statewide program in this area.

QUESTION: Yes, sir.

THE PRESIDENT: And if the funding is more or less at the present level, I see no reason why those programs could not continue.

QUESTION: Thank you, sir.

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THE PRESIDENT: Yes, sir.

QUESTION: Mr. President, I am James Putnam, a farmer and President of the Tennessee Farm Bureau Federation. I have a short statement and then the question.

Farmers were asked early this year to go all out for full agricultural production in 1975 with the promise by this Administration that farmers would have access to markets at home and abroad. They have responded with record, or near record, grain crops.

In view of recent action taken by the Government concerning the sale and shipment of grain to Russia and other countries, can we, as farmers and farm organizations, have faith in this Administration to make sure these markets are available to farmers?

THE PRESIDENT: The answer is strongly yes. There has been a temporary suspension for a very good reason. The farmers did go all out. They have produced a record crop of wheat at 2,100,000,000 bushels. They have produced a record corn crop, although we don't have the final figures of about 5,800,000,000 bushels. They have done, in the area of soybeans, also, an exceptional record and a record crop.

Now, we have long-term purchase agreements with Japan and with other countries. We have had some very wide fluctuations in the purchase of grain, corn, wheat and soybeans from the Soviet Union. One year, as I recall, it was around 55 million bushels, the next year it went up to 599 million bushels, and the next year it dropped down to 75 million bushels. The peaks and valleys have caused serious disruptions in our markets in the United States.

Now, what we have done, the Soviet Union has purchased 10.3 million metric tons of grain so far. They have a serious shortage. There were rumors that they were going to come into the market at a very substantial figure. At the same time, we felt, and still feel, that a five year purchase agreement with the Soviet Union agreeing to buy a minimum figure of a substantial amount every year with an option to buy another sizeable number of tons is a better program than having these peaks and valleys and these wide fluctuations and variations.

Our negotiators are in Moscow now, they are seeking to achieve a permanent or a five-year program, as I have described it. If that is agreed to, there will be a removal of the temporary suspension of sales and I am certain that the Soviet Union will come in and buy additional grain in this crop year which will be very, very helpful and will coincide with the promise I made, and in the mean time, we will have gotten an assured market from a sizeable purchaser for the next five years. It is a negotiation which is in the best interest of the farmer and in the best interest of the American consumer, and when the announcement is made -- and I think it will come reasonably soon -- I think farmers as well as consumers will be pleased. And we might be able to combine it, if I could add as a postscript, a deal that will give us some Soviet oil as a part of the overall deal which is good insurance against Mideast oil decisions.

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QUESTION: Mr. President, I am David Switzer, President of the Tennessee Chapter of the American Public Works Association.

In my question, I would like to refer to a House bill, 5247, which was cited as a local Public Works Capital Development and Investment Act of 1975, as sponsored, I believe, by Congressman Jones of Alabama.

This bill asks for an appropriation of \$5 billion for funding 100 percent Federal grants for State and local public works projects. This bill is designed to meet not only the need for a huge backlog of badly needed public works facilities, but also to meet the national unemployment emergency and to stimulate activity in the construction field, where I understand at least one-fourth of the workers are currently unemployed.

I understand that this bill has been drastically cut in the Senate, perhaps back in committee, and I would like to ask, sir, what you would care to comment on the Administration's attitude toward this kind of measure for stimulating the economy and, at the same time, providing local public facilities which are needed for health and safety of the public?

THE PRESIDENT: First, I never make any categorical comment on whether I will veto or approve a piece of legislation until it gets down on my desk, but I am generally familiar with the proposal.

As a preface to that, I should say that under the \$395 billion ceiling that I mentioned last night -- and I reaffirm today -- it makes it almost impossible, if not virtually impossible, to add any new programs, even one such as you have described.

So, it does have a hard and difficult road if we are going to cut the growth in Federal spending because this is the new program.

Number two, we have found over the years that public works per se where you start literally from scratch, they are not the best way to get people immediately employed who are unemployed because of a slowdown in the economy.

It takes time to get these projects moving. In contrast, there is, I think, a little different situation in road building because these are projects and programs that have been underway, planned, et cetera, but I think that many of those projects can be funded out of general revenue sharing, which amounts to about \$6 billion 300 million in this current fiscal year, going one-third to the States and two-thirds to local communities.

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That is money where there are no limitations, no restrictions, and the States and the local communities can use that money for the kind of projects and programs that you mention under this other bill.

So, I would say that is a better way, a more certain way, and the other is a program that will have to come under the \$395 ceiling if we are going to show the kind of restraint that would justify the personal tax reduction that I mentioned of \$28 billion.

QUESTION: Mr. President, LeRoy Brandenburg, NAACP.

Mr. President, the unemployment rate of black Americans being twice that of white Americans, do you feel that the unemployed need some special attention and, if so, what?

THE PRESIDENT: I recognize that the statistics show precisely what you have indicated, and I think we have to approach the problem in two ways.

Number one, we have to get our economy out of the recession -- and we are on our way out of the recession -- so that there will be more job opportunities for all Americans, including minorities. I am glad to report that since March of this year, to the last report several days ago, we have increased the number of people gainfully employed by 1,650,000, so we are making headway in job opportunities in jobs themselves.

From that, we have to recognize the abnormal unemployment in the area of the minorities. Through the Comprehensive Employment Training Act, CETA, we are trying to take the minorities, give them training and get them from training into meaningful jobs.

There are, of course, other efforts that are being made in the field of education. One of the problems is making sure that minorities are adequately educated so they can handle some of the jobs where there are openings, and we are seeking to make special efforts in those areas.

I think those are basically the programs that have to be pushed in order to meet the problem, and it is a serious one in the unemployed among minority youth, particularly.

QUESTION: Thank you.

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QUESTION: Mr. President, Anne Gillenwater. I represent the Commission on the Status of Women.

First, I wish to express my appreciation for the interest and concern that has been demonstrated by our First Lady for women's issues.

THE PRESIDENT: All of the polls I have seen, she does much better than I. (Laughter)

QUESTION: My question. Since the Equal Employment Opportunity Commission is inoperable, and there has been no concerned attempt to address the serious problems of women, we want to know what attempts are going to be made by this Administration to answer our needs in employment, child care and women's future role in today's society.

THE PRESIDENT: Are you speaking of EEOC?

QUESTION: Yes.

THE PRESIDENT: We just appointed a very fine person as the new Chairman, and I just submitted the name for reappointment -- I apologize, I can't think of her name -- Mrs. Walsh. Under the new Chairman, I think you will see some very strong, affirmative action by EEOC, as I think it should, not only among minorities, but as far as women are concerned.

He is a very fine person. I know him personally. He comes from an excellent background, and it is my opinion that you will be very pleased with the new efforts by that organization under his leadership.

QUESTION: Thank you.

QUESTION: Mr. President, Jack Kaiser, the UMWA. Excuse me. I am a little excited. (Laughter) I am representing the United Mine Workers of America, Health and Retirement Fund, and I am a coal miner myself.

If the coal miners are to maintain the production of this essential energy source, we need just a few basic things. We need good education for our children. We need medical care for our families and we need safe working conditions.

My question, Mr. President, is this: What is being done to make sure that one part of the Government works with the other? When we try to get a doctor to move into our community, we hear that he won't come because of the problems of housing and education. Teachers will not come because of the problems of housing and health care.

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Who is going to help us put together the answer to these different parts of the same problem?

THE PRESIDENT: In the case of doctors, we have several programs. One of them is where the Federal Government gives a scholarship or grant or other financial assistance during their period of training in return for them to spend several years -- I don't recall the precise number -- in a rural area.

This program has been in effect three or four years, as I recall, perhaps longer. This, I believe, is a good way to get general practitioners in rural areas. It is my recollection -- I was reading, as I came down today, of a program that you have in Tennessee under the auspices of HEW, as I recall, to have sort of a circuit rider doctor that would help very tremendously in meeting the problem you are talking about.

There was a program in education -- I think it is still in effect -- that gives loans or grants to those seeking to teach, providing they spend "X" number of years in the educational field, and they would get a forgiveness for the loan or grant that was given to them.

I think that is still in effect, is it not, John or Bill?

The Teacher Corps Program, which is aimed at meeting that particular problem, I recognize fully that you need doctors and teachers, and I believe those two programs at least in part can be helpful.

QUESTION: Mr. President, I am Ed Ray, representing the Tennessee Press Association.

You look well, hale, hardy, and we are all glad you do, very vigorous.

THE PRESIDENT: Thank you.

QUESTION: That prompts what I am going to say.

Vice President Rockefeller and Treasury Secretary Simon, among others, have suggested that editors and other news media representatives downplay on their presentation to the public of an instance dealing with attempts upon your life.

The argument is that such news, and I quote, is "stimulating to the unstable." Now, those who defend detailed coverage of recent such incidents contend that for the press to do otherwise would be an abuse of the public's right to know and, in effect, would be an erosion of the free press and a free society.

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Now, Mr. President, I don't recall your having spoken out on the subject, but I would like to hear from you.

THE PRESIDENT: Let me say, Mr. Ray, I believe the press should accurately and fully report any such incidents. I think they have an obligation to do just that, and I, under no circumstances, would urge the news media to do otherwise.

QUESTION: Mr. President, my name is B. F. Reed, and I am President of the Turner Elk Horn Mining Company, with headquarters at Drift and Floyd Counties, Kentucky. We are part of Appalachia.

The coal industry, of which I am a part, has great problems in responding to your plans for development of the domestic coal industry. One of the devastating problems is implementation of the Clean Air Act, which has already stopped production of utility coal in the Appalachian region. I am told now that the Senate committee bill, Public Works Committee bill, will further increase our trouble and make impossible the goals that you have set for the development of the industry.

My question is: What further can this industry do, what plays can be called to help to resolve the problems brought about?

THE PRESIDENT: In the energy program that I submitted in January, following the State of the Union Message, I recommended certain amendments in the Clean Air Act that would modify -- not wipe out, but modify -- the existing law so there could be more flexibility, permitting energy generating plants to transfer from oil to coal.

Those amendments, as I recollected, were approved by Russ Train, who represents EPA, as well as Frank Zarb, who represents FEA.

Unfortunately, as I understand it, the Senate, instead of taking our amendments, have come forth with about a half a loaf, and the net result is it won't really solve the problem, which is greater utilization of coal and a lesser dependence on foreign oil.

You don't have to convince me. We are in agreement with you. I think what you have to do is go down there and sit on the doorstep of the United States Senate and the United States House of Representatives and tell them what the problem is and convince them that our proposal is right if we are going to be invulnerable to foreign oil cartel price decisions. That is it.

QUESTION: Thank you.

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QUESTION: Mr. President, I am Tom Green of the Tennessee River Valley Association of Nashville, Tennessee. With the Number One Army Corps project of the United States is the construction of the Tennessee Tom Bigbee Waterway. This huge project involves new job opportunity waterway development and energy conservation. What is your position on continuing the construction funding of the Tennessee Tom Bigbee Waterway connecting Mid-America with the Gulf scheduled for completion in 1981?

THE PRESIDENT: Probably the first Public Works project I ever heard about on the floor of the House was the Tennessee Tom Bigbee River Project when John Rankin was literally the only sponsor of that proposal in the House of Representatives. It was approved or authorized; it has had funding. It is a sizeable project. In the budget for fiscal 1976 we did recommend funding, I don't recall the precise amount. It is my judgment that there will be additional funding recommended in fiscal year 1977, but until I see the recommendations of the Corps of Engineers, which have not as yet come to me, I cannot give you any precise figure.

I do support the project, I think it ought to be underway from a point of view of construction, and I think we ought to set a target as to the completion. It does save -- what is it, about 1600 miles if it goes from the Tennessee River down to the Gulf of Mexico?

QUESTION: About 350 miles, I believe, Mr. President.

THE PRESIDENT: Well, it is a very sizeable saving of transportation. This Administration is for it. The best evidence is the recommendation we made for fiscal 1976 and I am certain we will make a recommendation for fiscal 1977, but until the Corps of Engineers gives me their recommendation, I am in no position to give you an exact figure. It will be included; how much is the question.

QUESTION: Thank you, Mr. President.

QUESTION: Mr. President, I am Carl Holcomb, and I represent the Appalachia Regional Conservation Commission of the Sierra Club. We want to compliment you on your interest and concern for this rich and wonderful section of our great country.

My question is this: Your nomination of Mr. James F. Hooper to fill the vacancy on the TVA Board of Directors has caused a great deal of discussion and controversy among the people of this area of the valley, in the national media and in the halls of Congress.

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We feel that this is a very important position nationally as well as locally, and in view of this we would like to have you tell us of the significant qualifications of Mr. Hooper for this very important position.

THE PRESIDENT: There are three on the Board, there are three spots on the Board. Mr. Hooper's name was submitted out of a list of about ten or twelve. It was submitted to me. The nomination is before the United States Senate, it is before the Committee that has jurisdiction. That Committee is in the process of conducting its own investigation, and the report from that Committee will be submitted shortly, I am told, with its recommendation, and if it is favorable, it will go to the floor of the Senate.

At the time that Mr. Hooper was selected, we did look into his business qualifications, into his other qualifications, and the judgment was that he was qualified for the position, but this is now a matter for the United States Senate under the confirmation process. I don't think I should go any further than that. The nomination is there, it is now a decision for the United States Senate to make.

QUESTION: Thank you, Mr. President.

QUESTION: Mr. President, I am Roy Meade representing the National Association of Manufacturers.

As you know, individual stockholders, the backbone of our free enterprise system, have left the market in droves and it is necessary for them to return before we have the viable stock market. What are your views on double taxation of dividends, graduated capital gains tax when equities are sold at a profit and a liberalized capital loss treatment when sold at a loss?

THE PRESIDENT: Well, in the response to the first question, Secretary Simon about a month ago went before the House Committee on Ways and Means and recommended the Administration's view that we should find a method of integrating taxation of corporate profits and the dividends paid to individual stockholders. Unfortunately, that recommendation was not treated too favorably by the House Committee on Ways and Means.

We submitted that proposal because I believe that if we are going to create jobs, we have to create the where-withal for investment so that the plant and the machinery can be purchased for the development of the job market.

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Now, we have a tremendous need and necessity for investment capital for job creation. Now, if the Committee didn't like what we recommended, then they ought to have, or they do have the obligation to come up with some answers of their own.

Now, in the second question, the House Committee, in its consideration of handling of the sale of the profit coming from the sale of securities last year, made some modifications. As I recall, we didn't take any particular stand on that.

And the last question, I have forgotten what the third point was.

QUESTION: Liberalized capital loss treatment when sold at a loss.

THE PRESIDENT: Well, I don't think the Administration has taken a stand on that particular issue. If we have, it is a detail that I don't recall.

QUESTION: Thank you, Mr. President.

QUESTION: Mr. President, I am Arden Miller of the American Public Health Association.

I am concerned, as I know you are, with the well-being of this country's children. By your public statements on welfare and by your veto of the Children's Nutrition Bill, you have indicated some ways in which you think it is not appropriate for Government to give assistance to families of low and marginal incomes to raise their children. Do you recognize that there is any societal responsibility to assist parents in raising their children, and, if so, what are the intentions of your Government to meet that responsibility?

THE PRESIDENT: I certainly do recognize that those who, for one reason or another, do not have adequate funds for the raising of their children or for their own sustenance or are unable to have an income, the Government does have a responsibility. Let me take, for illustrative purposes, the Child Nutrition Bill, which I vetoed several days ago.

Under the bill that came from the Congress, it lifted the ceiling for the Child Nutrition Program to a figure of over \$9,000. In other words, a family that had an income of over \$9,000, that family's children would qualify for free lunches. I think that is far too high, I don't think it can be justified.

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Now, that is from the point of view of who should get free lunches. I certainly wholeheartedly endorse free lunches across the board for those children who come from any family below the established poverty level and I think the income level there is \$5,500. There is no question that the children that come from a family of that level are deserving under the free lunch program but I just as strongly feel that the Government as such has no obligation to give free lunches to children of a family that has an income of over \$9,000.

And I must say, I was quite disappointed to find that today the House of Representatives overrode my veto by 370-something to 18. But let me assure you that aside from the humane aspects -- and I strongly support the feeding of children as I have indicated -- this will add over \$200 million to expenditures during this fiscal year and it is somewhere in the magnitude of \$600 or \$700 million over expenditures in the next fiscal year, and all of that, of course, comes out of that \$395 billion ceiling we are talking about.

Yes, sir.

QUESTION: Mr. President, my name is James Somerville and I am representing the Commission on Religion in Appalachia.

The basic stance of the Commission on Religion, which is a cooperative mission enterprise of 18 separate Christian unions, has expressed in its purpose which is that of taking a position of advocacy with respect to the people of this region in the name of Jesus Christ. To be an advocate in Jesus' name seems to us to command advocacy in that style, the style of the Nazarene. The Gospel teaches that this means giving up the prestige of rich and the powerful and taking on that condition of the disenfranchised.

In some feeble way, very feeble way, this is where we stand and intend to stand. Now, from that posture, and I feel entirely inadequate of trying to stand there, but from that posture we see that no issue in our region has come up from the grass roots more consistently and more dramatically than that of stripmining.

I know of no citizens' group anywhere in this land we call Appalachia that has said, "Let's keep on strip mining." I do know of lots of coal company interests that have seemed to say stripping is good for America.

Mr. President, you have vetoed two stripmining bills. Would you, in this moment, show us how your veto of those bills has been good for the people of the Appalachian Mountains; and if you can do that, sir, will you tell us now this Administration, your Administration, will compensate this people for the devastation of strip mining.

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THE PRESIDENT: Let me assure you, I don't condone irresponsible stripmining under any circumstances and the best evidence of that is the fact that after the veto in 1974 and after the veto of 1975 we submitted to the House and the Senate specific amendments that would make a stripmining bill acceptable. It would have been a well-balanced stripmining bill if the Congress had responded and considered and approved the amendments that we recommended, and I would hope even today that the Congress would take their bill and add to it the amendments that we believe are good.

Now, you know, the Federal Government is not the only governmental agency that can meet the problem of stripmining and I know of at least two States in Appalachia that have excellent stripmining laws. Ohio.

Is Jim Rhodes here? I think Jim would say that Ohio has a first class stripmining bill and it works extremely well. I have heard about it a number of times from one of my former colleagues, Wayne Hayes, who says that is the standard.

Well, in Appalachia the Ohio legislation in effect takes care of the problem. In the State of Pennsylvania, they have a good stripmining bill and maybe other States in the Appalachian region do have good stripmining bills. I know those two for sure.

So even if we don't get a Federal stripmining bill, there is no reason why your States can't act affirmatively as Ohio and Pennsylvania have done.

Now, let me explain two very practical reasons aside from the environmental features, and our amendments would, in my judgment, meet all or most of the environmental problems. Under the legislation that I vetoed, you would find that there would be a substantial loss of jobs, and, number two, you would find under the legislation that I vetoed we could not, under any circumstances, meet our goal of 1 billion 200 thousand (million) tons of coal in ten years.

We are presently at the rate of 600 million tons and we have to double that, and we can do it with good legislation but we could not, in my opinion, with the legislation that the Congress sent me.

Now, we are willing to negotiate with the Congress, we are willing to work with them to come up with an acceptable bill, but they want it their way or nothing and I don't think that is the way to find a solution to the problem.

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QUESTION: Mr. President, I am Mrs. Harry B. Caldwell from North Carolina. I am representing the North Carolina State Grange and the State Granges in this region.

Last fall, and last winter, you called on the farmers of America for all-out production, and you indicated that they would have the assurance that you would give them full support in receiving reasonable prices for the things that they produced.

Just recently -- I believe it was last week -- Secretary Earl Butz, in a meeting in Chicago, again called on the American farmers to go all-out in producing the food and fiber needed for our Nation and to help meet the needs of the world in 1976.

Now, farmers are born optimists. They really want to produce, but they need the assurance that they will receive costs of production, plus a reasonable profit.

My question is going to be in three parts, all of them related.

How do you propose that farmers will receive fair and reasonable prices if they produce the abundance called for by the Government?

They are related. Do you want to answer that one now?

THE PRESIDENT: I would be very glad to.

I indicated earlier that we did ask for full production, and the farmers responded in corn, wheat, soybeans. I indicated we have a temporary suspension, but only for the purpose of getting an assured market of a substantial amount over a five-year period.

I think it is fair to point out that since the suspension, which is in effect now for about five weeks, the price of wheat on the market has gone up from around \$3.75 a bushel to \$4.05 a bushel, so even with the suspension of sales to the Soviet Union, there has not been any drop in the wheat market.

I believe that is likewise true in the corn market because everybody knows that the Soviet Union is going to come back into the market this year and in addition, we will get a five-year agreement with an assured market of a substantial amount.

MORE

QUESTION: Now, what are the features of the new farm bill that we will have next year that are being proposed by the Administration?

THE PRESIDENT: I believe that the Administration feels that the existing law, which is market-oriented and permits the farmer to sell his product in the market rather than to sell it to the Government and have the Government store it is the best approach.

So, it is my feeling that this legislation is basically sound, it has resulted in full production, and we have gotten rid of the storage problem. With corn at about \$3.15 a bushel, as I recall, and wheat at about \$4.05 a bushel--I have forgotten what soybeans are, they are about \$5.00-plus a bushel, whatever it is--that we are in the right area and we have got a fairly sound program.

QUESTION: Then you feel optimistic about the future and we can go home and tell the farmers to go ahead and plant?

THE PRESIDENT: You sure can, and the more you plant, the more you will sell, and we will be in a strategic position to use our bountiful harvest for humane purposes and other purposes around the world.

The farmers are going to get, in my judgment, a fair price in an open market.

QUESTION: Mr. President, Bill Bowden of the Southern Growth Policies Board. Governor James Holshouser of North Carolina is Chairman of our Board this year.

There is a broad agreement that there is a decline in the rate of productivity growth in the United States, and I should add this is particularly true in the Southern United States. In the past several years, which has contributed to inflation and to recession, to unemployment, it has placed the Nation in a vulnerable position in trying to compete with other nations for world markets.

Senator Percy of Illinois and Senator Nunn of Georgia have been bipartisan sponsors of a bill called the National Productivity Act. It has been approved by the Senate. It appears to be headed for approval by the House.

The Productivity Act provides for a national center to review Federal legislation and agency operations for their impact, plus or minus, on the ability of this country to be productive. The bill also encourages joint labor, industry and Government efforts to improve production and work conditions.

MORE

Lastly, and perhaps most importantly, Mr. President, the bill provides for a Federal policy to approve the use of human resources for improved work quality. I might just say, as an aside, we have never had in this country a Federal policy and an apparatus for the transfer of science and technological information after private enterprise and the local Government in the same sense as we have had through cooperative extension of the Smith-Lever Act for the improvement of productivity in the rural sector and improvement of the quality of life of rural people, and so we see the seeds of this sort of thing in the National Productivity Act.

Would you comment, sir, to the extent that you can, your attitude towards such legislation?

THE PRESIDENT: I think it should be said, first, that of all segments of our society in the last 20 years that have shown the greatest degree of increase in productivity it has been in American agriculture.

They have plunged forward and produced more per man, shown the greatest increase of any segment of our society for, I think, 5 percent of the American farmers produce enough for the other 95 percent and sell substantial amounts overseas.

So, the farmers have done a superb job. We have to do better in other areas.

Now, we have had for about four years a Productivity Commission.

QUESTION: That is correct.

THE PRESIDENT: That Commission was established on the recommendation of a former Secretary of Labor, George Shultz. It is in operation now. I think the law is about to expire, and there is some criticism of it. Whether it is justified or not, I honestly can't tell you.

The criticism is primarily in the House of Representatives. I think it can be justified. The annual expenditure or appropriation is about \$1 million 500 thousand. I am for that approach. I believe that it is worth that investment. I think the problem is not convincing those of us in the Executive Branch, but convincing the House of Representatives that the existing law ought to be extended.

In effect, I would recommend that it be made permanent so that it is out there as an instrument of trying to increase productivity in our society. It is the best insurance against inflation. It is the best insurance against foreign competition.

MORE

QUESTION: Thank you, Mr. President. That is very encouraging.

THE PRESIDENT: We have got about two more, so let's go ahead. I will be the good guy and let Bill be the bad guy.

Go ahead, sir.

QUESTION: Mr. President, I am Harold McPheeters, with the Southern Regional Education Board.

I too would like to thank you and all these very impressive leaders of your Administration for coming to our region, to our questions and our discussion.

I would like to ask a question about interstate regional cooperation. We have, in this region, two, I think, successful examples of interstate regional cooperation in economic and development programs in the TVA and the Appalachian Regional Commission, both of which are largely Federal.

Yet, there are many other domestic problems which I think lend themselves to this kind of interstate regional planning and cooperation, such as the training of rare health and scientific personnel, certain environmental planning, certain specialized economic programs and so forth.

We have several interstate organizations -- some are interstate organizations of the States themselves, some are professional organizations, and associations that could work in this area.

However, the Federal Government tends to deal with the States State-by-State. Now, I realize you are President of the United States, but is it likely that the Federal Government will use more of this kind of regional interstate cooperation and planning and action?

THE PRESIDENT: I see no reason why we should not, and we do have our Federal Regional Council, which is supposed to coordinate the various departmental programs in the region under their jurisdiction.

Now, that is at the Federal level. It does not have a corresponding group, necessarily, at the State level, but in those areas where it makes sense geographically, I would hope that we would not be hidebound by arbitrary State lines, and to the extent in the areas of health and education where it makes sense, we would proceed with the establishment of regional or other geographical organizations to meet a practical problem.

I don't think we should be circumscribed by just arbitrary State lines if another approach is the better one.

MORE

QUESTION: Thank you.

QUESTION: Mr. President, I am Roger Hibbs, representing the Mid-Appalachian Chamber of Commerce.

As you are aware, sir, New York City has been suffering from fiscal irresponsibility, if not gross mismanagement, for many years. What, sir, in your opinion will be the effect of the United States economy should New York City default on its obligations, and do you plan to bail them out with Federal taxpayer dollars?

THE PRESIDENT: I have been told by a number of economic experts that if by chance New York City should default and can't borrow the money to meet its current operating expenses, that the impact of such action or of such occurrence happening could be containable, as these experts tell me. That is the phraseology they use.

I have heard enough of them say that that I believe that it is accurate. The more serious problem is if New York City can't meet its obligations, can't borrow the money, or have it from other sources, now that we have the problem of New York State having some difficulties, but I can't believe that a State with all the wealth that New York State has can't meet that problem.

The problem of New York City is a serious one. I have great sympathy for the people of New York City. I do believe there is a solution, but it has to come from the local and responsible State authorities or the local city authorities.

There is no legislation at the Federal level that would permit the Executive Branch to move in and do anything under these circumstances. The Federal Reserve Board has certain authority that can help in the financial community, but neither it nor the Federal Government per se has any authority to bail out New York City.

Most people don't recognize that in either this fiscal year or last fiscal year the Federal Government made available in various programs to the City of New York about \$3 billion 500 million, roughly 25 percent of their revenue.

So, the Federal Government has not been negligent in trying to help the City of New York over the last several years. They are in a lot of trouble, and it has not happened overnight, and so far, there has not been any viable program presented that I have seen that will get them out of their difficulty, but we will have to wait and see.

I hope they can make it, but the Federal Government, or the Executive Branch of the Federal Government, has no authority to do anything.

MORE

QUESTION: Thank you, Mr. President.

THE PRESIDENT: Out in Omaha a week or ten days ago, I asked an audience like this when the question was asked how many in the audience would recommend that the Federal Government move in and rescue New York City. I asked this very solemnly, and I asked it very seriously.

How many in this room would recommend that the Federal Government go in and take care of the financial situation the City of New York has?

It is a serious matter, but it would have a very serious impact on our structure.

QUESTION: Mr. President, thank you for coming to Tennessee, and we welcome you here.

I represent the Stop Equal Rights Amendment group in East Tennessee.

THE PRESIDENT: Excuse me. I didn't hear.

QUESTION: I am Dorothy Warnacut from Etowah, Tennessee, and I am an East Tennessee Chairman for Stop the Equal Rights Amendment. I think you have heard of that amendment. (Laughter)

You have met with pro Equal Rights Amendment representatives, and we want to know if you would please grant us our equal rights to meet with you? (Laughter)

THE PRESIDENT: I am not familiar that I have met with any group such as you describe. I was in the House of Representatives and voted for it, so my record is clear.

It is now out of the Congress, and it is in the hands of the various State legislatures or in the hands of the people in the respective States. That is a procedure that is proper under our Constitution, and individuals pro and con at the State level now have the responsibility to decide under the Constitution whether there should be a ratification of that action taken by the Congress.

I thank you very, very much. It is a pleasure and privilege to be here.

END (AT 5:14 P.M. EDT)

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

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THE WHITE HOUSE

BRIEFING BY THE PRESIDENT  
WILLIAM E. SIMON  
SECRETARY OF THE DEPARTMENT OF THE TREASURY  
ALAN GREENSPAN  
CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS  
AND  
JAMES T. LYNN  
DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET  
FOR 18 NEWSPAPER COLUMNISTS

THE ROOSEVELT ROOM

10:30 A.M. EDT

THE PRESIDENT: I just thought that before Alan and Bill had a chance to answer any questions, that I would come in and indicate for a few minutes my strong personal feeling and my personal identity with this approach that we have taken, and to give you an opportunity, if you want it, to answer some questions before either Bill or Alan respond to any other information that you might want.

Let me put at rest, at the outset, that this was not something that came out of thin air at the last minute. The whole thought really began sometime early this year and has been worked on over a period of several months in some detail.

The thought of really pinning them together, of course, was precipitated by the need to make a decision on whether we would support, or not support, or make revisions in the 1975 tax matter.

I, in a press conference -- I have forgotten where it was -- Omaha -- gave the first indication that this was an approach that we were actively considering, but the fact is that approach had been worked on for some time.

Now, there were some, obviously, fine details that had to be put together in the last 72 hours, when we got down to some of the charts and rates and so forth. But, the basic decision was made sometime before.

With that, I will be glad to answer any questions.

MORE



QUESTION: Mr. President, are you saying that you will veto any tax cut bill that comes in unless you have this \$28 billion reduction from the anticipated increase in the 1977 budget?

THE PRESIDENT: In the speech I made, I said I would not hesitate to do that. I have since indicated a harder line. I think in all likelihood that would be the net result.

QUESTION: Mr. President, both you and Mr. Greenspan have said the program was not designed to have an economic effect in the short run; it was directed more to the long run in spending. But, doesn't it nevertheless have an economic effect in the short run, and what do you anticipate that would be?

THE PRESIDENT: I have to rely on Alan's analysis and that of others who are far more expert than I in that matter, and he can probably better speak for himself. It is his judgment, as I understand it, that the economic impact will be minimal in that nine-month period.

QUESTION: Mr. President, do you find the predicates for the kind of action you are asking Congress to take now, that you have cited in your press conference last Thursday, and that Ron Nessen has cited for you--I guess going back to 1967 1968--do you find them really convincing?

THE PRESIDENT: As I recall the history of those, President Johnson wanted some action by the Congress, and Wilbur Mills said no. Finally, Wilbur came down in putting together things that came to mind. Wilbur came down and finally agreed on the basis that there would be a spending limitation implemented at the same time in both instances.

The Congress, in 1967 in December, and in June in 1968, as I recall, did take action to tie the two together, as I recall. If they could be done, then I see no reason why they can't be done at this time.

QUESTION: Mr. President, that raises the question why you did not consult with Congress at this time, as Johnson and Mills consulted with Congress in 1967 and 1968, and why you just confronted them with a fait accompli in this tax cut.

THE PRESIDENT: I think there is a little differentiation. In 1967 and 1968, a then Democratic President had a substantial majority in both the House and the Senate. In our case, we are confronted with just the opposite situation, and we did do some consulting, or informing, I should say, but there was, I think, a different factual situation.

MORE

QUESTION: Mr. President, you said in response to Bart Rowan's question, that you thought -- or Mr. Greenspan thought -- there would be a negligible impact on the economy. Suppose the reverse happens? Suppose the Congress serves up a tax bill, which you vetoed, but the Congress did nothing about your bill? What would the economic impact of that situation be?

THE PRESIDENT: You have the further assumption that the Congress would sustain my veto?

QUESTION: Yes.

THE PRESIDENT: Do you want to speak to that, Alan?

MR. GREENSPAN: Do you mean override?

QUESTION: No, I mean sustain. Nothing would happen?

THE PRESIDENT: That was my assumption.

MR. GREENSPAN: Do you mean talking about the withholding tax rates rising close to \$12 billion? I will be glad to answer that in some detail, Mr. President, after you leave. I wonder if that is acceptable, gentlemen, or do you want to go through it now?

QUESTION: Wouldn't it have a very substantial impact of a negative kind, and doesn't it suggest you are going down a death valley route?

MR. GREENSPAN: Joe, I would say the analysis, which suggests a significant negative impact, requires that you accept the rather questionable rules of thumb which we are now building into our standard econometric models, from which that type of analysis emerges.

I think there is very serious question about the validity of that approach in the sense I would argue the models that we have now built, unfortunately, abstract from reality in a manner which I think is distorting. I think it is important for us to look at the real world as to what is happening and not really automatically assume that the real world is consistent with the models that we build. That is not so.

QUESTION: Mr. President, there has been some speculation as to how you reached that \$22 billion level of this transaction --

MORE

THE PRESIDENT: \$28 billion.

QUESTION: The question is, whether it is true, as alleged in the Wall Street Journal, that you decided it in a golf course conversation with Mel Laird? (Laughter)

THE PRESIDENT: There is no validity to that latter part, that it was decided on the golf course, no truth whatsoever.

We were trying to find an area where we could believably achieve reductions and at the same time give the kind of tax relief which we believe is necessary, and the net result was we came up with, I think it is, a 7 percent increase in the growth of Federal spending, which takes us from 70 to 395 and, at the same time, gives us the kind of distribution of tax reductions which I think are long overdue to the middle-income people and, at the same time, holds the people at the other end of the spectrum -- they are held harmless.

QUESTION: When do you plan to make the proposed budget reductions public, Mr. President? There are already reports you are circulating a memorandum among the Cabinet officers with the cuts in them.

THE PRESIDENT: Jim Lynn has gone to the departments, and I can't give you precisely the -- there is Jim over there.

MR. LYNN: What we have done, Peter, is in typical OMB fashion, contacted each department with planning ceilings, which is the regular budget process, and we have also shared with them informally some of the alternatives that were identified in this process that has been going on well over two months with the President-- where it should be examined as to the ways they could be used to achieve this ceiling.

The one thing the President made clear to us in the OMB and made clear to the Cabinet officers was that these are merely suggested alternatives of some ways of doing it. What we want is each department and agency to use their own initiatives and own expertise to come up with the best and most equitable way of achieving the result we are after.

QUESTION: Mr. President, do you think the American public, let alone Congress, would be willing to accept substantial reductions in major social programs?

MORE

THE PRESIDENT: First, Allan, you have to understand they are not necessarily substantial reductions. As I said a few moments ago, it is about a 7 percent increase in the growth of Federal expenditures. In actual dollars, it is a \$25 billion increase.

Now, there will have to be some tightening up. There may have to be some caps, as we proposed in the 1976 budget. I think the American public is very disturbed about the growth of Federal spending, very disturbed. I think the mood of the Nation is that something has to be done about it.

QUESTION: Mr. President, you said the other day that you expected to propose a \$1 billion cut in the present level of about \$6 billion for spending on the food stamps in your new bill. Could you tell us how that would come about?

THE PRESIDENT: That is going to be submitted to the Congress the day they come back, and I don't think I should pre-empt it in this gathering this morning. But, we will have a legislative program that will go up to the Congress the day they return from their recess.

QUESTION: Would this be by having possibly tighter rules on eligibility? Is this the general idea?

THE PRESIDENT: There will be a number of significant recommendations.

QUESTION: Mr. President, can I come back to the question of the economic impact of the program? As you know, one of the most persistent criticisms on Capitol Hill is that the tax cuts will take effect at one time and the spending cuts will take place at a point in time nine months later.

The criticism is that you have the tax cuts feeding into the economy, and that will stimulate the economy, and therefore might be too inflationary. Can we get some further guidance on how you respond to that?

THE PRESIDENT: I have been assured by Alan and his associates that that will not take place. I don't have the details.

SECRETARY SIMON: Can I say something in addition to what Alan said before, which is a little sophisticated, Joe, I agree with you. You get to a point, when we talk about stimulus, whether or not a budget deficit of a particular size in excess of that is indeed stimulative or just the opposite.

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What are the financial implications you have heard me speak of so often -- the crowding out, that indeed has already occurred -- which is going to hurt as far as a broad base expansion if it were allowed to continue.

One can't argue, as in the case of other countries that have adopted stimulative measures in the past which did nothing but exacerbate inflation and unemployment, that indeed, at a certain level--which can't be quantified, admittedly, this is a matter of one's judgment--that in the short run it is not necessarily stimulative.

Certainly, if you begin to look, which economic policy makers should look, not at short run considerations-- we are always looking at the immediate impact of what our policies are going to produce--what it is going to be between now and the next election.

The purpose of this is once and for all, as the President said, to get the control over the growth in Federal spending to move toward a balanced budget, and it is our only hope to move toward a balanced budget before the end of this decade. We have to begin by controlling the growth.

QUESTION: Bill, aren't you nevertheless going to have to borrow more money in the first six months of the calendar 1977?

SECRETARY SIMON: Sure. You have what I call a partial -- a partial only, Bart -- Hobson's choice, and let me explain why I say it is partial. I would rather, knowing what my druthers are, finance an additional \$5 billion or \$6 billion budget deficit during the first period of 1976, calendar year 1976, during the period of obvious economic slack, than I would the very large deficit we were threatened with during 1977, when the economy will be moving back to high economic activity, we believe.

This indeed, at that point, the sustained combined deficits of many years, could then threaten to abort the recovery prematurely.

THE PRESIDENT: I would add this, too, Bart. If the Congress is concerned about this, there is no reason why they can't cooperate in a number of the authorizations and appropriation bills that they and I will be considering between now and January 1, which will have an impact on the spending in the first six months or nine months of calendar year 1976.

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As a matter of fact, we are probably going to have that struggle during that period of time anyhow, and our emphasis will be, as it has been, to hold the line on some of these spending proposals, whether it is an authorization, appropriation, or substantive legislation.

So, in effect, I will be seeking to put some lid on the second half of fiscal year 1976 spending.

MR. LYNN: If I might on that, Mr. President, on even remaining actions from your original \$17 billion proposals you made in the January budget that affected fiscal year 1975 and 1976, they still have time to take action on, I think, better than \$4 billion worth of reductions on the growth of rescissions and deferrals.

I think the other side of the statement is maybe they will look harder now at what I call the salami tactics of adding a slice here and adding a slice there in the regular appropriation and authorization process.

QUESTION: Sir, if, as you say, the American people are demanding that the Federal Government be reduced, won't Congress get that message during its vacation and other times and help you out there?

THE PRESIDENT: I think it is very opportune that they are home to get that message. We expect to get the benefits of that because it is my distinct impression that the American people are eager for this action, and I think it will be reflected on the Congress when they return.

QUESTION: Mr. President, why do you think it is the American people need this additional tax cut?

THE PRESIDENT: Why do I think?

QUESTION: Yes.

THE PRESIDENT: As we have had inflation, we have had, because of our progressive tax rates, as people have moved up the salary and wage levels, they have been hit by the progressive rates that are in effect at the present time.

I have read a number of articles that make this point very vividly, and the ones who have been hurt most are the ones who have moved into the middle-income group. Unless we do something to modify that, they are going to be hurt the most in the years ahead.

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QUESTION: Mr. President, coming back to the point of economic impact, it makes quite a difference what part of the budget, what kind of spending, you cut. Can you give us in general terms any thoughts you might have on what kind of spending needs to be cut at this point? It makes a difference in impact, as I understand it, whether you go after Social Security or military deployment or building a dam somewhere.

THE PRESIDENT: It is true that certain programs call for an immediate cash outlay and others have a delayed impact. On a long-term military contract, the big payout comes usually in the last 50 percent of the five-year program to build an aircraft carrier, just as an example, whereas some of these income supplement programs come out of the Treasury immediately.

I wouldn't want, at this point, to identify them until Jim's process gets concluded, but I have indicated -- and did in Detroit last Friday -- because we are in the process of now drafting the legislation and the preparation of the message in the area of food stamps.

Now, that is an immediate impact if the Congress acts.

I also said in Detroit that we had to get some better management out of the Defense Department and that some of the frills, as I use the word, have to be eliminated over there in the Pentagon. I repeat that.

I am not going to permit, to the extent that I can, any serious, any erosion of our weapon capability, but I think there are areas in the Defense Department where better management can produce better results.

QUESTION: Mr. President, if the Congress reacts with the same kind of stalemate it reacted on unemployment, do you see this as an important issue that will carry into the 1976 campaign?

THE PRESIDENT: I think the American people could and would make an issue, if my premise is correct, that the American people want a reduction in the growth of expenditures at the Federal level. If the Congress doesn't act affirmatively, I think the American people will make it an issue, which means in 1976 it will be in the political arena.

QUESTION: Mr. President, you used a billion dollar figure in your Detroit press conference, I think, on food stamps?

THE PRESIDENT: Right.

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QUESTION: You also spoke of medical payments. Do you have a rough ballpark figure on medical payment cuts?

MR. LYNN: I think that is very hard to do, Mr. President, until we hear from HEW as to the whole range of what they would propose to stay within their ceiling.

THE PRESIDENT: We have had a tremendous growth in medical payments by the Federal Government for the whole range of services, but the precise amount I think will have to wait until HEW comes back.

MR. LYNN: Let me add, if I might, on that, Mr. President, when we look at the cost per unit of care, in the course of recent years, particularly in the last year or two, it bears absolutely no relationship to inflation or any other indicator we can use. It looks like it is almost uncontrolled, so just as a total issue, even apart from this particular issue, when we get to the \$395 billion, it is an area HEW has to look at very carefully, and has been looking at for some time.

This effort, of course, will bring that to a head.

QUESTION: It would require major changes in the law, though, would it not?

THE PRESIDENT: In many instances, yes, it would.

QUESTION: Sir, Secretary Simon and others have mentioned from time to time that inflation depends on the kind of spending that you do: certain kinds of spending cause inflation and some do not.

Obviously, if you have a shortage of something and you spend and increase production, that does not cause inflation and if you spend for things that are in short supply, that does.

Has there been an analysis of that in your proposal so that you take this into account?

THE PRESIDENT: I would defer that to Alan.

MR. GREENSPAN: First, let me say the analyses that have been used, trying to get these different impacts, tends to show the differences are much less than a number of people have originally supposed. I think that the difference between, say, certain types of capital projects, and transfer payments, are there, unquestionably. But I think it is more important to recognize that the differences are really quite small, relative to the issue of the size of the amounts.

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In other words, it is an issue of small moment relative to the total size of the type of project in the program which the President has announced.

QUESTION: Mr. President, why did you decide to make the additional tax cut effective January 1 instead of delaying it and tying it to the tax reductions at the beginning of fiscal 1977, October 1?

THE PRESIDENT: That was a decision that I felt was -- in the first place, the American people, based on what the various Congressional leaders had indicated, were going to get a tax reduction; now a kind of a tax reduction that I didn't think was the right one.

Since I have strong views on what is a good and fair and equitable tax reduction, I felt it was the proper thing to join the issue at this time, rather than to have the probability of the wrong kind of a tax reduction going into effect January 1.

It seems to me it was better to fight for what I really believed in at this time rather than to delay it until sometime in 1976.

QUESTION: Mr. President, following that, if Congress were to extend the present reduction at the \$12 billion level and say they are willing to talk about a budget reduction of \$12 billion, what would your reaction to that be?

THE PRESIDENT: I don't think I ought to speculate on that. I feel very strongly, as I have indicated, about the kind of a tax reduction, and that is as crucial as the spending reduction. I think we have to stand firm on the combination that we have proposed.

I haven't seen any indication on their part they would do it, so I think it is too speculative to really make any judgments.

QUESTION: Mr. President, are you saying there is no room for compromise anywhere on this issue, that it has to be your program or no program?

THE PRESIDENT: We are all realistic enough to know that sometime you may have to, but our position is firm, and I think it is soundly based. To indicate that there is any major area of compromise I think just erodes our position, which is firm.

MORE

QUESTION: Mr. President, do you fear that if there is an extension on these tax cuts, as Senator Long has indicated, without any reduction in the rate of growth, that you will go back to more inflation, possibly double-digit inflation?

THE PRESIDENT: If my recollection is accurate, if we have a \$12 billion tax reduction with no limitation on spending, the deficit for fiscal 1977 will be \$70 billion. With the prospects of a deficit of fiscal 1976 somewhere between \$60 and \$70 billion, you will have back to back deficits that will total \$140 billion. I think that is an inevitable invitation to reigniting of inflation.

QUESTION: Mr. President, you have said the people who make an issue of this in 1976, so will you yield to the clamor of the public on this and take up the cudgels?  
(Laughter)

THE PRESIDENT: I also respect the judgment of the American people, and if they want to make it an issue, I will respond.

QUESTION: You won't resist it? (Laughter)

THE PRESIDENT: No.

QUESTION: I am a little confused, Mr. President, as to where these fiscal guidelines leave your welfare reform. With many sides of the Administration moving in that direction, everything you can learn from HEW, would you suggest that maybe it would cost more to go the income route?

THE PRESIDENT: The Vice President is having some hearings which will cover this area, and they will include the total spectrum of those who want to take the present law and modify it to try and tighten it up to those who want junk the present system and substitute another.

We are going to have a broad spectrum of witnesses, and when the Vice President comes back with a consensus, we will make the decision. There has been none made yet.

QUESTION: Would you like to move in January on some kind of welfare program?

THE PRESIDENT: It will depend on what the hearings produce, Charlie.

QUESTION: Mr. President, you spoke of frills at the DOD. Do you tie that also to the other departments and agencies?

MORE

THE PRESIDENT: Yes, none will be immune, Holmes.

QUESTION: Mr. President, speaking of the Vice President, could I ask a fiscally related question? (Laughter) Are you and Mr. Rockefeller now taking different positions on the possible need for some Federal assistance to New York City?

THE PRESIDENT: I would say it is minimal. I couldn't help but be disappointed in what I read this morning, that the mayor's group -- or whatever they call that group -- has come up with only a \$50 million reduction of the recommendations that they have to make to the Governor's group, and the total that the Governor's group requires is \$200 million, and this is only \$50 million out of the \$200 million.

I have no way of knowing what the reaction will be of the Governor and his group, but I can't help but raise the question that if the municipal people can't satisfy the Governor's group, it certainly is an indication that they would have a hard time satisfying the Congressional requirements for fiscal responsibility.

Of course, fiscal readjustment or fiscal restructuring or fiscal responsibility at the city level would be a prerequisite, I would think, for any Congressional action.

MR. NESSEN: Mr. President, do you want to leave Bill and Alan to finish?

THE PRESIDENT: Yes. Thank you all.

QUESTION: Thank you, Mr. President.

SECRETARY SIMON: It was interesting at one point. You know the political issue and the clamor of the people, Peter, as I said, and I think that is exactly what this is, and I have felt so for a long time.

What I have read since the President made his proposal is that it is unrealistic, and that implies -- it is quite explicit -- that Congress or anybody who is not going to come to grips with the growth in Federal spending that has occurred, and indeed will continue unless we come to grips with it.

I think the more important question to ask is what happens if we don't control the growth in Federal spending, and we see the continued growth in fiscal 1977 and many fiscal years beyond?

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I will suggest that we have seen a lot of other great nations go to the brink of fiscal collapse as a result of these type policies, and no one suggests that after what we have done for many years -- as Jim Lynn has often said -- our budget today actually has a life of its own.

It increases each year, regardless of what we do, because the number of beneficiaries increase, and so, in that regard, it is, and of course the cost of living escalators as well. It is not going to be easy to change these habits. We don't suggest it is, there is no doubt about that, but I think the most important thing -- and this gets to the politics of it, if you will, regardless of which side of this issue you happen to be on philosophically-- that is, we are at a crossroads in this country today.

You can continue down this path, with the consequences we believe history only too clearly demonstrates, and you can see this by looking at the wreckage of these nations that have gone this route or go back to the route that brought us this great prosperity we have always enjoyed.

Anybody who thinks it is an easy choice, because it does require tough decisions, and a discipline that has been absent in this country for some time --

QUESTION: Bill in that context, the President said that his proposal would actually be a 7 percent budgetary increase of \$25 billion but, in fact, would not inflation alone account for more than that. So that instead of caps on programs, there are going to have to be widespread reductions?

SECRETARY SIMON: Our inflation number is approximately the 7 percent, so it is not, as someone suggested, the 10 percent.

QUESTION: Even that will allow for no real growth?

SECRETARY SIMON: As far as real growth is concerned, that again would depend on what areas you are cutting back. You couldn't, just overall.

Alan?

MR. GREENSPAN: That is only one year. Remember, you have had significant real growth occurring in a period when the economy's real growth has been negative. I think to postulate that the real growth of Federal expenditures must be positive, or a large positive every year, will give you an automatic ratcheting effect which inevitably will create, on the average, a much larger proportion of GNP going to the Federal budget.

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So, I think while it is certainly factually true that what is being presented here is for this particular period no real growth in Federal spending, I think to take that out of the context of recent years is to give a false picture of what the actual pattern of Federal spending has been.

QUESTION: Before we get away from history, do you know any example of a country that has reversed this kind of trend without a revolution? Has that ever happened?

SECRETARY SIMON: Without a revolution?

QUESTION: Yes.

QUESTION: Or with one. (Laughter)

SECRETARY SIMON: I had a partner some years ago, Sidney Homer, who believed when chronic inflation took hold that no nation in history has proven its ability through the discipline that is required to reverse it.

We aren't there yet. That is the point. What we are trying to do is reverse this before we get there because the social, political and economic upheaval of attempting to reverse when you have gone too far, as some countries in this world. It is not up to the Secretary of State to name countries. It wouldn't be proper -- the Secretary of the Treasury. It wouldn't be proper for me to be critical of any other country in the economic or financial policies or positions they find themselves in today. That is very clear.

QUESTION: Can I come back to that question? In addition to the discipline issue, there is the issue of equity. How are you going to spread around these cuts and curtailments? I have the impression the present tax law provides special protection for people with incomes under \$4,000 a year and up to \$8,000.

My impression is that your proposals do not have that same kind of protection.

SECRETARY SIMON: Let's talk about the earnings.

QUESTION: Is that equity?

SECRETARY SIMON: You are talking about the earned income credit. Now, what we proposed, as far as the tax changes are concerned, were consistent with the changes that were made in the 1975 Tax Reduction Act, which was heavily weighted toward the lower spectrum.

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As you well remember, we went for a \$1,000 cap, and the Congress loaded it all down below. The earned income credit, as opposed to tax policy, Joe, is an expenditure item, it is a transfer payment, and does not appear in our tax proposals, nor does it appear in the Ways and Means agenda of issues.

That came up last year in the Senate Finance Committee during the last days of debate on that.

QUESTION: I don't think the question goes to the issue of how you account. The question goes to this: Don't people with earned incomes under \$8,000 deserve special protection?

SECRETARY SIMON: They have it.

QUESTION: Doesn't this bill not --

SECRETARY SIMON: Under our proposal, an income under \$5,00 is basically tax free, Joe.

MR. LYNN: Let me add to that, Joe, one of the basic problems we in the Executive Branch, and people on the Hill, see is we really do not have very good statistics and we should get better statistics on what aggregate income is at that level.

You have all seen Martha Griffith's studies on one, two, three, four, five or 11 different kinds of programs and what effect that is. I guess the first answer to your question is there are a number of programs directed at people at the poverty level or thereabouts and below.

What was done in the last tax bill was to add one more of those. Very frankly, I have to say to you, from what I can see as to how it was devised and with the quickness it was devised, it was really not with a very careful look at the totality of the various programs we have for those people.

Our approach in this regard is that the problems of people at those income levels must be addressed, absolutely. The hearings that the President referred to that the Vice President is holding around the country is addressed at that problem; in other words, that is part of the purpose of those hearings.

It seems to us the way to approach that question is as a matter of what should be done for the poor and near poor in this country, to help them with their lives. It shouldn't be done piecemeal in this manner.

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I would suppose that in the Congress, on the Senate side at least, they are going to come back up with a proposal of some kind. I would urge if they are going to do that, that, (a) I would prefer for that to be part of an overall look at welfare reform and (b) if they were to do something in that area, I would at least hope what they are going to propose, without in any way signaling how I would stand on a reaction to it, is something that wouldn't pre-empt the overall look at the welfare, which it seems to me this country has to take.

QUESTION: Mr. Secretary, you started by saying the program had been attacked as being unrealistic, and you think it is realistic. Yet, when a question is raised as to the budget cuts and how they relate to last year's spending, you fall back on the historical context of years past when the budget growth has been high and the growth of the economy has been negative.

But, isn't the perception that you are looking for, what the President was talking about, is that the people are going to think about this program this year and aren't they going to see this year, at best, a holding even or perhaps reductions? Isn't that what you have to worry about?

SECRETARY SIMON: There again, you are going back and making a judgment, and I happen to agree with the President because the Congress did get the message when they went home for the Easter recess, and they got the message after the debate that was held in the first three months of this calendar year in the Congress on budget deficits that at that time numbers were being thrown around anywhere from \$80 billion to George Mahon's \$150 billion.

The American people said "enough," and this was illustrated by the way the Congressmen came back and all of a sudden began to change their tune as far as their rhetoric, anyway, on controlling Federal spending.

Admittedly, everybody says yes, we should cut the Federal budget and then the minute they see where the cuts are, you are goring somebody's ox and there is no doubt about the fact that when we are slowing down the growth in spending, which we are trying to do, you are going to gore somebody's ox.

They are going to say to themselves, well, is that the net benefit for me, and that depends on how we are able to sell this about the long-range battle we have got and the fight against inflation and everything else you have heard me talk about.

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QUESTION: Isn't that the problem, though, Mr. Secretary, that you deal in the abstraction of large Federal spending and the Congress has to deal with specific programs which gore a lot of people's ox, and in the aggregate that is a lot more powerful pressure than any argument you might make about what --

SECRETARY SIMON: It is, Peter. It has been in the past. In a political sense, I would say that you are correct. The question is whether the level of economic literacy is indeed rising in this country as a result of the debate of the past year. I would certainly hope so.

Our educational efforts are going to be critically important, but we don't deal with the abstract completely. We do submit a budget. We have tried just about everything. We went the impoundment route and lost in the courts. We went the deferral and recession route and met that effort so far with a ho-hum on the Hill.

The vetoes are working, to a large degree, but that is an unsatisfactory method to attempt to gain control. And while all this is going on, everything just continues to grow in a near out of control way. But we are going to submit specifics of \$395 billion to the Congress, yes.

Whether they accept those specifics or decide to accept others instead, Peter, that is the debate that will ensue, and always does.

QUESTION: Mr. Secretary, you are speaking of the economic literacy rising in this country. Yet, in effect, you and Mr. Greenspan are asking the country to accept a program that you claim will have entirely contrary results from what you and Mr. Greenspan would have indicated it would have had, or have indicated, for most of this year.

In other words, it will not be stimulative where you have been telling the country a program of this sort would be too stimulative, too inflationary and crowd people out of the market, and the deficit would be dangerous and so forth.

What changed your mind?

SECRETARY SIMON: No, this isn't a contradiction. Back when we were talking of the economic stimulus that would provide a tax reduction, I mentioned on many occasions -- and I never read it anywhere really, but I said it in Congress every time I testified -- that fine, a tax reduction net will have a supportive effect to the economic recovery that is already underway.

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Everybody pooh-poohed that. They said that is not true. If you look at what happened, the tax rebates were given out in May and in June, and the statistics are going to show as we look back on it that the economic recovery was indeed underway.

As I said, Joe, what we are looking at is the longer term aspect of this entire proposal and the long run benefits of it as it relates to everything that I explained the other day.

We can debate all day -- and I want Alan to talk to that, too -- about how much deficit is required to stimulate before it begins to become counterproductive, and that is a matter of great judgment.

Alan?

MR. GREENSPAN: Actually, I think you have to distinguish between the issues of short-term deficits and longer term deficits. We, at this stage, don't really know -- and I don't think anybody knows, as Bill pointed out -- whether moving toward higher so-called fiscal stimulus is actually productive or counterproductive, in the sense that we are now in an area where it is very difficult to make a judgment as to whether expansionary policies are, in fact, counterproductive.

I wouldn't make a judgment, frankly, either way because I don't think we have the evidence. But, I think there is one important issue here which differentiates a budget deficit expansion in general and one which is created in this particular program.

Remember, there are two aspects to this. One, it is true that as proposed there is a modest increase in deficit for fiscal 1976. But, concurrently, there is a significant decrease in the prospective deficit for fiscal 1977.

Now, the major problem we have with deficits at this point is their impact upon the money markets; specifically, interest rates and eventually on inflation, which tends to be negative toward economic growth.

To the extent that the markets sense that while there is a temporary bulge in financing requirements, but a significant prospective long-term reduction, I think what we would tend to find is that the effect on interest rates will tend to be less because there is an anticipatory element in the way our money markets behave.

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So, the prospective sharp curtailments in the levy of Federal borrowing as we move to the end of 1976 and 1977 will tend to keep interest rates lower now than they would be if a prospective were \$70 billion this year, \$70 billion next year, \$70 billion the year after. You would get a tremendous anticipatory effect.

SECRETARY SIMON: What Alan is saying is that markets always anticipate future events and to a degree discounts those events. If people can look forward to progressively lower budget deficits, with the balance toward the end of this decade, that is a hell of a different expectation and inflationary expectation than looking forward to just a continuation of business as usual and spending as usual.

QUESTION: Has that analysis ever been articulated by this Administration before?

SECRETARY SIMON: Yes, I would say so. I have talked about inflationary expectations, Bart, on many occasions as being a factor as far as the interest rates that prevail, especially in the long-term and the premium that investors demand during periods where they expect inflation to stay at high levels or go even higher.

QUESTION: No, I mean the business of taking a higher deficit in the short run to achieve a lower deficit in the next fiscal year.

SECRETARY SIMON: I am sorry, I misunderstood you. No, that is --

QUESTION: I don't recall you have ever said that before.

SECRETARY SIMON: No, I was talking about the expectation that you had --

QUESTION: Sir, I assume you would rather get results than go down think being right, and it bothers me that you admit in one occasion that this is political as well as economic.

SECRETARY SIMON: No, let's clarify that. I didn't say that.

QUESTION: Well, there is a political problem involved. When you deal with Congress, you are involved with a political problem.

SECRETARY SIMON: I will agree with that. (Laughter)

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QUESTION: Well, let's not get worried about semantics. The point is, if Congress has specific problems, as it does have problems in individual cases, and you have the overall problem, are you not making a serious mistake in not getting closer to Congress and having more dealings with Congress and understanding that there is a way to deal with both sides of the question?

It seems to me in general this Administration, and a number, have stood off from Congress and Congress, in a sense, stood off from this Administration. The problem is not having each guy think he is right, but to get together.

Why can't you get more together?

SECRETARY SIMON: I will tell you, I don't know if you spend much time in Washington, but if I got any closer to Congress, I would have to move up there. I am up there constantly testifying and visits --

QUESTION: I am not talking about that.

SECRETARY SIMON: -- and we work with the budget committees and we intend to work with the budget committees on the specifics of these issues as well. Why, there has never been doubt that we thought that we could impose our will upon the Congress of the United States. That is impossible, obviously.

QUESTION: After your years in Washington -- I repeat my question -- you are not talking about the same thing I am talking about. It is all very well to go up to Congress and testify on the theory you are right, but we are talking about getting in a room and saying to this Congressman or this Senator what is your problem -- and you know what his problem is -- and this is my problem.

How do we mesh the two together in an informal way?

SECRETARY SIMON: That is exactly what we do.

QUESTION: Apparently, it has not happened. You are not getting the results you are talking about, if you are as right as you believe you are.

SECRETARY SIMON: Our President made this proposal to the Congress three days before they went home.

QUESTION: No, I am talking about --

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QUESTION: Could we end the debate and get back to the questions?

QUESTION: Jim, in this connection, there was talk at the time of the Congressional budget committees' reform of having a sort of consultation process as you drew up the budget. Have you worked out any mechanisms which might draw the committee chairman or somebody in Congress into the process of reaching this figure?

MR. LYNN: Say the last part again. Have we what?

QUESTION: It was my understanding the way it was to work was that the Congress would participate, at least as observers, in the final deliberations on the budget, so going into the final stages they would be sort of part of the process and would have a voice in how it all came out.

MR. LYNN: I think it still has to be seen, Charlie, as to how close we get in that regard. We had some initial steps taken that I think are very healthy. For example, there is constant communication between the staff of the Congressional Budget Office and the budget committees, and my own staff, with regard to definitions, techniques of estimating and so on, which was a first step, and are we both dealing with the same numbers as we put them together under existing programs.

I am being called to testify on October 21 before the Senate Budget Committee to testify again on how are we arriving at the estimates that we have been talking about here and also why have estimates floated around so much over the past years, and I think all of that is healthy.

Now, it seems to me, as we developed our own budget proposals, that there will be some give and take with the Hill as to getting their ideas, but as to how formal that will be, how detailed that will be, I think that answer will come in the next month or month and a half.

One of the things we have done this year, which I think is extremely important, is we have been meeting on a staff basis regularly -- I think it is about every week -- between our staff and the new coalition staff, getting their ideas as to how they see changes in programs, what they see as to priorities of fundings and so forth, and I think that has been very helpful.

Whether we will agree, I don't know, but I think the communication is useful. My own personal predilections are that I would love to be able to sit down with that staff on the Hill, or those staffs, and work with them on various kinds of alternatives.

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One of the problems, to put it frankly, is the minute you start doing that, some news of it goes out generally, fairly often, not the complete story, not false by any means, but only that it is one of the alternatives you are talking about, and you get a debate coming on fractionated evidence, on only parts of the evidence, rather than all of it.

I would hope there would be some way of surmounting that kind of problem. Now, a good part of this will be debated in the forums that Nelson Rockefeller is going to be holding around the country. Those are going to be public.

QUESTION: Those are going to be welfare?

MR. LYNN: Not just on that. They are on environment, they are on the economy and so on, but certainly an important ingredient of them is what to do with the social programs we have, the relative priorities, and what to do with these programs that we have for our poor people in this country.

QUESTION: Mr. Secretary, you are really working under a deadline of about 60 days, don't you think--work days between now and Christmas -- to get some kind of a tax bill through both Houses of Congress?

SECRETARY SIMON: You know, one could say we are working on an even stricter timetable than that because it takes the Treasury Department about 45 days to adjust withholding tables to reflect any tax changes that are made.

QUESTION: Don't you think there has to be some kind of -- as a practical matter, realistic matter -- some kind of compromise on perhaps two bills, maybe on the immediate bill to take care of renewing these tax cuts in your bill next year?

SECRETARY SIMON: We recognize the shortages of the time frame, and the mechanical problems involved in this. That is why we said, "Look, let's not get to the specifics. We will debate that together and try to handle that together in the normal process, and let's just go ahead and set a \$395 billion spending ceiling now and then proceed at the same time with" --

QUESTION: But you are insisting on the ceiling before you even take up what might be a quickie bill?

SECRETARY SIMON: The specifics, that is correct.

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MR. LYNN: Let me, on that, if I might, make a couple of points, one of which I have made to the Congress when I testified, and that is that I have had a great concern that Congress has been taking various kinds of action and, indeed, has been taking various kinds of inaction on the President's proposals for an expenditure moderation this year without, in my judgment, any kind of an adequate look as to where this is taking their fiscal year 1977 figures.

I think this was true on the education bill. I think it was true on other actions they have taken -- child nutrition. I could bring up a whole lot of these deferrals and rescissions and, in many cases, the 1977 impact is far greater than the 1976 impact.

In education, the 1977 effect is \$800 million in outlays, whereas the 1976 impact is \$350 million in outlays. What I would ask is how can Congress even consider whether to have any new proposal in place of a temporary 1975 cut, whether to let it drop, whether to do a simple extension or whether to do something more, which is what we propose without looking at where the 1977 numbers are going and coming to at least some tentative conclusions, whether they like that result.

So, whether or not they agree with us on \$395 billion -- and I would sincerely hope they would, because I think it is a good ceiling -- it seems to me in a rational process of decision-making somebody up there has to tote up rough numbers as to where they think they are coming out in 1977.

That is true whether you adopt our economic views of this situation or whether you are somebody who is totally in love with a computer and an econometric model and think the more the stimulus, the better for fiscal year 1977.

At least the American people, it seems to me, deserve to know what kind of assumptions they are making as to what they think is good for this country, both in 1977 and thereafter.

The second thing I wanted to say, Peter, was I hear a lot of how you can get to totals without specifics. That is precisely what Congress this year did in coming to their budget resolutions.

In their budget resolutions, the House came up with certain cuts on priorities among the functional categories. The Senate came up with a different set of priorities. They were fairly close, but they were different.

When they got to the conference report, they didn't go into the specifics, and I don't blame them. I can understand why they didn't, but all they did was come up with total numbers.

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Now, that is all we are asking that they do this time. All we are asking them to come up with is that expenditure total.

QUESTION: Would it have been more politically believable if you had come up with a \$401 billion ceiling instead of a \$395 billion one so you wouldn't have been accused of trying arbitrarily, according to the accusers, of keeping this under \$400 billion?

MR. LYNN: I have made two points to that, Peter, and one is that if you look at our midsession review and you look at the forecast -- not forecast the extrapolations out into fiscal 1977 and thereafter, based on the President's proposals, I mean all of the moderation proposals that he still had alive as of May 30 of this year -- when you look at his other proposals in the area of energy and so on, we showed for fiscal year 1977 an extrapolation base is \$497 billion.

What we are trying to do is not only affect where we are going to be in fiscal year 1977, but for once in many, many years set a path that gets us to a balanced budget within three years. You know, I read Joe Peakman's teachings, out of Brookings, when he says that on capital formation one of the most important things you could do is get to a balanced budget in the outyears get to having less involvement of the Federal Government in these markets.

I agree with Joe in this regard, and what we are trying to do is set a ceiling this year that sets a path for us to get to that balanced budget in three years. But, if you look at our midsession review, that figure was \$397 billion. My own judgment, in this connection, was it ought to be a little bit lower than that.

THE PRESS: Thank you, gentlemen.

END (AT 11:32 A.M. EDT)

*Summary*

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NEWS CONFERENCE

#386

AT THE WHITE HOUSE

WITH RON NESSEN

AT 3:27 P.M. EST

DECEMBER 8, 1975

MONDAY

MR. NESSEN: Some of you asked whether I would come down and talk to you after the Economic Policy Board so here I am.

What the President and his advisers did was to review the various legislation that is working its way through both the Senate and the House, to discuss the outlook for various piece of legislation timetables and Bill Simon is going to testify tomorrow before the Senate Finance Committee, so the real purpose of the meeting was for the President to give some instructions to Bill and the instructions to Bill were that Bill should re-emphasize in his testimony tomorrow that the President will veto any extension of a tax reduction or any tax reduction unless it has a ceiling on spending. And I know this morning we got into some times like six months, three months, four months, one year, permanent and so forth, and what the President wants understood is that he is talking about all of those categories and he will veto any of those time periods for a tax cut or extension unless they are accompanied by a spending ceiling.

Q Ron, spending ceiling does not quite define what point he is going to exercise the veto. You used to talk about balancing cuts with --

MR. NESSEN: That is the proposal, Bob. You know that is what I didn't understand this morning was all this talk about a compromise. With what? I mean the President has laid out a program, \$28 billion tax cut and a \$28 billion reduction in the growth of spending or, to put it another way, a \$25 billion growth in spending; put a ceiling at \$25 billion in growth and that is what he proposed then, that is what he is standing by now.

Q Yes, but you also said this morning that he would be -- or at least you indicated it seems to me -- that he would go along with any program.

MR. NESSEN: No, I did not.

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Q Wait a minute.

MR. NESSEN: Whether --

Q That the cutback be as much as whatever the savings, whatever the tax cuts are.

MR. NESSEN: We have been through all this every week. He believes that a \$28 billion tax cut is the size that the American people should get and that that should be balanced with a \$28 billion cut in the growth of Government spending that is where he stands then and he stands now.

Q Does he believe the veto will be sustained if the bill goes over that?

MR. NESSEN: Did you look at the House vote? Well, if you do you can see that it can be easily sustained 202 to 220, I believe.

Q 205 to 215.

MR. NESSEN: Something like that, very close.

Q Well, --

MR. NESSEN: Was it 202 or -- I think it was 202 to 220.

Q I think it was only ten votes.

Q 213 to 203.

Q Yes.

Q Did he talk to Mr. Rhodes about this bill from Peking?

MR. NESSEN: When he came back from China, yes.

Q Are you saying he will veto a smaller tax cut even if it is matched by a ceiling?

MR. NESSEN: I am saying his program is there on the table and he believes Congress should and can enact it.

Q Does that mean he will veto anything else?

MR. NESSEN: Why talk about "what if?" There is a program there and it is what he wants.

Q It is not what he wanted.

Q He is not in a position to issue any fiat, you know. He has to compromise with the Congress that is run by the other party.

MR. NESSEN: Why?

Q Well, if you don't understand, I guess he doesn't either.

Basically, the problem I have with this is you keep talking about a spending ceiling which is one thing and then you talk about a balance. Now I would like to know how you can reconcile those two.

MR. NESSEN: When I talk about a spending ceiling, I talk about the \$395 billion limit on the growth in spending.

Q I see.

MR. NESSEN: The way he would prefer to have it worded is a bill cutting taxes \$28 billion and at the same time saying Government spending in the fiscal year starting next July should be no more than \$395 billion.

Q Ron, is what you are saying then that the President--cutting through all of this malaise of what you say is repetitious the President is willing to go into an election year vetoing a tax cut because you know they are not going to put \$28 billion into it and take \$28 billion out of it. That is ridiculous. They have been through it in committee after committee session and on the floor of the House and the Senate. They are not going to do it. I don't know what they are going to finally come up with but that is one thing they are not going to do, so now you are left with this whole thing and so he is going to go into an election year and veto a tax cut just like that.

MR. NESSEN: Well, let me make two comments. One is that it is interesting to me that the President is always accused of doing things for political purposes and then you come around here and say he would not do something as dumb, politically, as veto the tax bill.

Q I will say it again.

MR. NESSEN: That is just a small side observation. We get that question about five times a day out here.

Q Exactly the opposite.

MR. NESSEN: But more seriously, the President truly believes that this is what is needed for all the reasons that he announced at the time he proposed this. The last Gallup poll, for whatever it is worth, indicated that well over a majority -- a strong majority -- of the American people favored this particular proposal.

Q When was that, Ron, recently?

MR. NESSEN: I have it on my desk.

Q You mean the \$28 billion?

MR. NESSEN: \$28 billion and \$28 billion.

Q Both.

MR. NESSEN: Yes.

Q What about energy, did they find out anything?

MR. NESSEN: No, they only come out in a most peripheral way.

Q You said he had a timetable for legislation.

MR. NESSEN: That is, the way it came up was what was going to get here first and nobody could quite decide what was going to get here.

Q Going back to the tax cut, can we say, then, assuming his veto is sustained and that we reach an impasse, let's --

MR. NESSEN: Why do you say there is an impasse? The veto will be sustained and then the next step would be for Congress to settle down and do what the President and the people apparently want which is to put a ceiling on spending and cut taxes.

Q But by vetoing the tax cut he certainly takes the chance that there will be no continuation of the tax cut. So my question is this: does the President feel that it is worth taking the chance to the economy of not having a continuation of the tax cut? Does he feel that it is so important to have this limitation on spending that he is willing to take the chance there will not be a continuation of the tax cut and thereby the repercussions on the economy which is not --

MR. NESSEN: You know, John, what we are talking about here is not what happened in the first two weeks of January or the first month of 1976; we are talking about what the President explained at the time was a historic change in the way we run our economy and run our society. That is an important issue and if it means that for a couple of weeks the tax cut expires, it is something that is much longer-range and more fundamental change in the way that we do business than just a few weeks of a tax cut.

Q So that the President is very much aware of the fact that there could be a retro-tax cut and he is not too concerned about a short passage of time into 1976 without a tax cut.

MR. NESSEN: His advisers have told him that such a passage of time would not have any material effect.

Q What specific passage, just a couple of weeks here or a month or what?

MR. NESSEN: It does not have to be any passage of time, it really depends on when Congress settles down to do what the President believes they ultimately will do.

Q But what was the advice, Ron?

MR. NESSEN: It would have no material effect on the economy.

Q For how long a period of time?

MR. NESSEN: It was not discussed in a specific period of time.

Q A short period of time?

Q How long will it take the Treasury to get its computers cranked up?

MR. NESSEN: That did not really come up. I asked afterward, and it is such a complicated subject that really the IRS is the place to talk to about how much time they need to recompute and so forth to change withholding.

Q To pin down the amount of ceiling -- I realize that you responded to this.

MR. NESSEN: \$395 billion is the ceiling. That is not hard to pin down.

Q Then, in other words, he will take nothing else but that, is that correct?

MR. NESSEN: Coupled with the tax cut is what he wants.

Q Sorry, but I just want to make sure I understand you. You are saying that he will veto a tax bill that has no spending ceiling in it?

MR. NESSEN: Right.

Q But does the spending ceiling have to be \$395 billion?

MR. NESSEN: That is the figure that he has proposed and he believes is right.

Q Why is that figure so magic?

MR. NESSEN: Well, I think we have been through all this, Helen, but I will go through it again. If you remember, there was a process of several months in which Jim Lynn and his people and the departments identified areas where the growth of spending could be held down and actually it came in after they identified over \$30 billion in reductions and they settled on \$28 billion as the practical figure.

Q One step further. Suppose the tax cut that Congress passes is less than \$28 billion. Would he then accept a different ceiling?

MR. NESSEN: Dick, you know I am not going to play "what if." He has announced the program, believes Congress can do it, believes the people want it, and Congress should get busy and pass it.

Q Ron, was there a technical discussion in this meeting of the timetable in terms of when this bill can be expected to come down and how long it takes the President to veto it and then whether the Congress will still be in session by the time it gets the veto, and whether he would then call them back from vacation? Did you talk about that?

MR. NESSEN: There was some discussion on that.

Q What was the decision? Would he call them back if necessary?

MR. NESSEN: He asked Max Friedersdorf to contact the Parliamentarian and get him the particulars that he would need if it were necessary to call them back or keep them in.

Q That means he is thinking about them? (Laughter)

Q Could you give us the context of this advice that such a passage of time would have no material effect on the economy? Were they talking about one month, six months, a year or what?

MR. NESSEN: It didn't really come up in any particular time context.

Q There must have been some. If they said such a passage of time, they must have been talking about it.

MR. NESSEN: There was no period of time, Bill, of months or weeks in which that was discussed, was there?

MR. SEIDMAN: I don't remember any, no.

Q Approximately.

Q Did they conclude it could go on forever with the tax increase or the lack of the reduction could continue indefinitely without a material effect?

MR. NESSEN: There is no feeling that it is going to end up that way.

Q Ron, what discussion was there with regard to the possibility of a plain, simple three-month extension, two-month extension?

MR. NESSEN: He said he would veto.

Q At today's session?

MR. NESSEN: Yes.

Q It did come up then?

MR. NESSEN: It absolutely did because Bill Simon had to prepare for his testimony and he expects to be asked that and wanted to know what the President's --

Q Was there discussion about any other thoughts on that?

MR. NESSEN: No. Bill said, "I am going to be asked tomorrow would you go for three months or four months or six months?" And the President said, "You tell them I will veto all of those unless they are coupled with a spending ceiling."

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Q If it means the economy can go for -- and I am filling in on the word "short" here because I think you said the first time a short period of time without a continuation of the tax cut the economy would not suffer, then why is the President asking Friedersdorf to come up with this tentative plan?

MR. NESSEN: So that people and businesses can have some assurance of what their tax rates are going to be in 1976 so they can make their plans.

Q So in other words the President has been told that not having the tax cut continued would cause the economy no harm but the President is considering keeping Congress in session trying to get some kind of tax cut through as a means of what, of convenience to businesses and --

MR. NESSEN: I think it is more than convenience. I think they need it for their planning. The request that Max get in touch with the Parliamentarian was done with the idea that this ought to be wrapped up by January 1.

Q I see a contradiction here. It seems to me that what you are saying really is it may be important to continue the tax cut on one hand and he is making preparations to keep Congress in session for that and yet you are saying that his economists have told him that the economy is not going to suffer. I don't know where the emphasis is here.

MR. NESSEN: I don't know what the contradiction is, John.

Q Well, maybe I am saying it badly.

The President was told that the economy could continue for a short period of time -- no precise figures mentioned -- without a continuation of the tax cut. Okay, they have told him that. In other words, you can go on into next year for an indeterminate amount of time without Congress introducing a tax cut and yet he is also asking Friedersdorf to come up with this proposal to see how Congress can be kept in session so that you can get some tax cut legislation through.

MR. NESSEN: By January 1.

Q So that would indicate that there is some urgency and you have just given reasons for that.

MR. NESSEN: Well, the urgency has nothing to do with its effects on the economy though. The urgency is to get it done by January 1 and get the permanent tax cut and the budget ceiling in place so that businessmen and individuals know where they stand.

Q He has not made his decision between those two yet as to whether or not he would keep Congress in session or not?

MR. NESSEN: Hopefully he would not need to keep Congress in session if they buckle down and do this.

Q But if he had to, are you prepared to say that the President would keep the Congress in session?

MR. NESSEN: The only step he has taken so far was to ask Max to contact the Parliamentarian.

Q Ron, since we all are pretty familiar with the President's reputation as an efficient compromiser, it seems to me the undertone of what you are saying is that he will demand a spending ceiling along with any tax cut but might give a little bit on the sides of both.

MR. NESSEN: I don't know why we always get questions about where will he give. Every program he ever proposes, the first question out of the box is, "Where will he compromise?" He has proposed this because he believes in it and because it is right and it is the proper figures on both sides. You know, I don't know why the first question is always, "Where will he compromise?" This is what he wants.

Q We are asking that simply because it does not make sense for him to say, "All right, we don't have any tax cut because you don't give me any ceiling in the start of an election year."

MR. NESSEN: Believe me, he says it and he means it.

Q Is he meeting with the leaders tomorrow?

MR. NESSEN: I have to look at the schedule. I believe that is right.

Q Republican or the bipartisan?

MR. NESSEN: The first meeting will be with Republicans.

Q And then bipartisan?

MR. NESSEN: I have not seen the rest of the week's schedule.

Q Did they discuss common situs picketing?

MR. NESSEN: No, it was all tax cut with the very minor reference to energy only in terms of what is the timetable for it coming in.

THE PRESS: Thank you.

END

(AT 3:43 P.M. EST)