

CONGRESSIONAL LEADERSHIP AGENDA

April 22, 1969

8:30 - 8:50 a.m.

I. Situs Picketing Testimony

Sec. of Labor

8:50 - 9:10 a.m.

II. Tax Reform Message and Legislation

*Walker
16 months
R.W. Sch.
Tax credits*

9:10 - 9:25 a.m.

III. Elementary and Secondary Education Act Amendments

9:25 - 9:45 a.m.

*\$ 600 million
loss of revenue*

IV. Postal Rates Increase Message

9:45 - 10:00 a.m.

V. Organized Crime Message

- Wednesday

- ① Obscenity
- ② Narcotics
- ④ Rights of accused

- a) 20 racketeering officers
- b) Federal & State racket squads
- c) \$25 million more (double ant)
- d) full funding of law enforcement
- e) Witness immunity
- f) Amdt against public official involvement
- g) Procedure reform
- h) anti-Frost



DIARY OF WHITE HOUSE LEADERSHIP
MEETINGS -- 91st CONGRESS

April 22, 1969

All stood as the President entered at 8:37 a.m. Shultz was asked to discuss situs picketing testimony scheduled later this morning. RMN reminded the group that Secretary Mitchell had supported such legislation and that in 1967, Ford and Goodell had introduced a bill as an alternative to the Thompson bill. RMN described his position as "gingerly." He is committed to legislation but feels strongly the need for responsible safeguards.

Shultz said that labor is split on the issue. Unions preparing prefab materials are afraid that situs picketing will exclude prefab materials from work sites. The testimony will oppose the Thompson bill but will suggest principles and safeguards which should be written into any legislation reported by the Committee. He listed 5 such safeguards. I missed the first. The second was that the federal laws should not disturb the state law with respect to sub-contractors. The third was the rise of off-site union workers should be protected. Ford asked if this was intended to reverse the Philadelphia case upholding product boycotts. The fourth authorizes the issuance of injunctions as well as damages as a remedy when the no-strike claim in a valid contract has been violated. The fifth requires a 7-day notice before picketing and limits picketing to 15 days.

Dirksen, obviously intensely emotional, described situs picketing as "immoral." He says legislation cannot be written which does not penalize independent, innocent employers. He says that he is against the Thompson bill and any variation of it.

Ford observed that some answer for the product boycott problem presented by the Philadelphia case must be found in the housing problem to which Romney makes reference is



to be solved. RMN said that he regarded Secretary Shultz's position as a responsible position and said that it would have his full support. Rhodes recalled that he introduced this legislation in the Eisenhower Administration at the request of the Administration. Since then, he says that the success the building trades unions have enjoyed is the best evidence that they did not need the legislation. Shultz said that the Davis-Bacon (prevailing wage) Law tends to inflate the wage structure and some consideration should be given to amending it to make it operative only when employment rises above 6%.

Arends expressed the hope that we would not have to deal this year with legislation which will surely divide the Republicans in the House. Javits said that "we have promised the building trades unions" Republican support. Dirksen interrupted angrily, "Who is we"? Javits hastened to say that he did not mean that all Republicans had done so, but he said that an endorsement of common situs picketing is in the Platform. He said that it is important to persuade some labor unions to support Republicans if we expect to capture control of either House of Congress. Ayres, ranking Committee member, and Quie said that they favored the Mitchell position and would be obliged to support the Thompson bill. Allott said that he would like to make 3 points: 1) Republicans as such have not promised this legislation to anyone; 2) instead of enlarging, we should be considering restricting the power of the unions; and 3) no legislation in this field can be written which avoids a burden upon the innocent, independent employers on site.

RMN complimented Shultz on the handling of his Job Corps testimony recently. Dirksen concluded by telling the President that if he is going to insist upon this legislation, he should also get us a new Supreme Court. RMN



said, "Give us time." Mrs. Smith announced that she would make a Floor speech today to the effect that the objectives of the Job Corps have been good but that the administration has been "outrageous." For that reason, she supports the President.

Turning to the next subject, Walker reviewed yesterday's message on tax reform. Anderson inquired why interest on tax exempt bonds was not included in the 50% limitation. Walker replied that the fear was that it would impair federal-state relations. RMN echoed that sentiment. Cramer asked about capital gains treatment. Walker said that it was not included in what they call LTP (limitation of tax preference) but is covered in other areas of the legislation about which he will testify later today. Morton asked if this treatment would not encourage money to flow into tax free municipals. He expressed concern about the political consequences. I asked if the 2 million householders who would be removed from the tax rolls would first be exempt from withholding. The answer was affirmative. In reply to a question, Walker said that every \$100 increase in the personal exemption (an alternative considered before the message was delivered) would cost \$1.5 billion in revenue loss. Moreover, this approach tends to favor the big taxpayer more than the little taxpayer. Taft asked if the effective date of the repeal of the 7% investment tax credit should not be adjusted in such manner as to give fair treatment to business concerns which have been contemplating capital investment. Cramer asked for details on comments in the message concerning revenue sharing and tax credit for social program incentives for corporations. The reply was that details have not been worked out. RMN indicated that the program would follow the concept of the Prouty Human Investment Act. Dirksen said that the tax program was well balanced but that he hated to see the door closed so suddenly on the 7% investment tax credit. Byrnes said that he was pleased with the press and public reaction to



the message but suggested that the Department remain flexible in order that it might adjust gracefully to demands as Committee consideration proceeds. The suggestion seemed well taken. Senator Williams said that the overall package was "good," although he did not agree in every detail.

Turning to the next subject, Finch sketched the reasons justifying the Republican amendment cutting the 5-year extension of ESEA back to 2 years. He also discussed Republican amendments for consolidation of categorical programs, the bloc-grant concept and impacted area grants. He said that Mrs. Green intends to attempt a compromise at 3 years. This, he said, is as bad as 5. Obviously, Perkins' purpose is to project the program beyond what he hopes will be a single-term Republican Administration. Ford reported a Whip check shows 165 for the Amendment; 8 against; 14 undecided and 8 absent. This means that we will need approximately 35 Democratic votes to win. Wile said that Mrs. Green plans to offer an amendment repealing a clause in the present law which requires that Title I grants obtain Community Action Program approval.

Ford said that there should be no Party position on impacted aid. Any effort to make one would splinter the forces on the other amendments. Prouty and Javits inquired if the Committee bill contains the amendment authorizing impacted aid to areas containing public housing. The answer was affirmative.

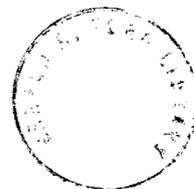
John Mitchell outlined the message on organized crime expected tomorrow. At the conclusion of his summary, the President asked me what I felt about it. I said, "I have never heard the Attorney General make any presentation which I thought anyone could improve upon." McCulloch said that he thought it was the best program that had been presented in the crime control field. Hruska agreed and expressed optimism for the legislative prospects in the Senate.



We concluded with Nixon's summary on the crime program. He emphasized that the American people are primarily interested in three things, viz, stopping crime, stopping increases in taxes and inflation; and stopping the war. He asked the leaders to emphasize that the President is backing the Attorney General; that the Attorney General has a new team; that the new team has new attitudes and new determination; that appointments to the Federal Bench already made and to be made will have the effect of changing judicial policies in the field of law enforcement (not hanging judges but strict, fair judges); and that the new program was being fully funded (the Department of Justice is the only agency that was not cut in the Nixon budget review, but rather, was increased).

The President introduced Blount to explain the postal rates increase message. I was obliged to leave at this point to attend Committee, which has Electoral College reform under consideration.

RICHARD H. POFF



APRIL 22, 1969

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE

OF

SENATOR EVERETT MCKINLEY DIRKSEN,
CONGRESSMAN GERALD R. FORD, AND
RON ZIEGLER, PRESS SECRETARY TO THE PRESIDENT

AT 11:03 A.M. EST

MR. ZIEGLER: Ladies and gentlemen, the Leadership meeting began at about 8:40 and has just concluded. Senator Dirksen and Congressman Ford are here to give you a report on that meeting.

Senator?

SENATOR DIRKSEN: It was a long and fruitful meeting. We talked about situs picketing, about education, about organized crime, about tax reform, and we had some discussion of the present status on the Korea matter.

I think with reference to the latter, I need only observe to you that, number one, our naval vessels are out there; number two, the reconnaissance flights have been ordered to continue. Whether they are actually on their way, I can't say, but they have been ordered to continue. They will be afforded fighter protection and insofar as any action on our part is concerned, probably the only thing that need be said is the traditional one: That this country only warns once. I don't think I need say anything more about it.

Jerry, suppose you say something about the crime proposals.

CONGRESSMAN FORD: The President is sending up tomorrow a message on organized crime. It will provide for more money, it will provide for more men, it will fight against organized crime, it will provide for some reorganization within the Department to make it more effective in the battle against organized crime, and it will be a very, very significant message aimed at the worst element in crime in America.

Somebody quipped in the meeting that if they had stock in the Mafia, they would sell it beginning tomorrow. Therefore, with this message, and with three or four other messages that will be following shortly on crime, I think, the President's commitments made during 1968 will be fully carried out and will lead to some substantial progress in reducing the crime rate which is of deep interest to all Americans.

MORE

(OVER)



SENATOR DIRKSEN: I need only add to what Congressman Ford has said by stating that there will be extraordinary emphasis on the fact that the ill-gotten gambling gains by the racketeers, which are estimated at as much as \$50 billion, and then go into seemingly legitimate business, will be pursued with great vigor, for in so doing, you can dry up those revenues and it should be a tremendous diminution in crime.

We had a very considerable discussion about situs picketing. The Secretary of Labor is presently testifying before the House Committee on Labor. As you doubtless know, there has always been a difference of opinion with respect to situs picketing, going back to the time when the National Labor Relations Board filed an action against the Denver Building and Trades Council. That was in 1951. That went to the Supreme Court and obviously the court sustained the position of the Labor Board.

From that day on it has been a matter of controversy, even in union circles, because the horizontal unions and the craft unions have not always been able to agree.

It was hoped, of course, that probably something might be done in this field if you develop certain protective safeguards. I am not prepared to say what those are. But I presume that they will be developed in the course of the Secretary's testimony.

Not the least of the items in this general picture, of course, is this question of productive boycott. The notable example, of course, is that Philadelphia Door case. But that, too, will be ventilated and then I presume we will have to see where we go from there in the face of this controversy.

Jerry may want to say something about the educational picture, because that is very much before the House.

CONGRESSMAN FORD: It certainly is, Senator.

The House will begin today the actual reading of the bill for amendments in the area of elementary and secondary education, including the impacted area legislation.



The Republicans in the House, and I think with substantial Democratic support, will seek to reduce the term from five to two years. We believe very strongly that we shouldn't enact legislation which would pre-empt the new Administration from making constructive recommendations for revision of the Elementary and Secondary Education Act.

If you have it for a five-year term, as the Majority Party proposes through their committee action, you have essentially eliminated the opportunity for this Administration to make constructive recommendations for changes in the area of elementary and secondary education.

We also hope to approve a consolidation of various education programs, NDEA programs and several others, in the Elementary and Secondary Education Act, so that you have a step forward in trying to have block grants to give to local educators the opportunity to decide for themselves within these four areas where they want to put the emphasis with Federal dollars.

I am optimistic that the House will make these several changes so that the new Administration will have an opportunity to move forward, I think, constructively.

SENATOR DIRKSFN: We discussed at some length the President's Message on Tax Reform. You have heard it said, I think from time to time, that there is a danger of a tax rebellion in the country. It won't be necessary, because the President has already demonstrated now, by this message, and other reforms to follow, that he is the leader of the tax crusade in the country so as to do justice and treat all taxpayers fairly and get rid of the tragic business of having people pay income taxes who are in the low poverty brackets.

As you know from his message, it is anticipated that about two million will be taken from the tax rolls. Generally speaking, this tax package is in excellent balance. One item that received a good deal of discussion, of course, was the seven percent investment credit, and for a very good reason. There probably are situations where that seven percent credit was something of a lifesaver.

Now, this is not exactly a case in point because that was authorized by the Transportation Department to the Mass Transit Organization in South Chicago for the benefit of the Illinois Central Railroad, but if it had been a taxpayer, it would have been a case in point. But there you had something where you do have over more than 200 railroad cars that are more than 43 years old, that are lobbying about 30,000 commuter passengers from the outskirts and the suburbs into Chicago and back.

That involves health and safety and there you might have a very justifiable case for an investment tax credit. But we will have to see how this works out. But in any event, this is a good start in the whole field of tax reform and I think it is, in the main, a very well balanced program.

So the President deserves credit for becoming the leader in this tax crusade for equity and fairness to all classes of taxpayers.

CONGRESSMAN FORD: There was one other matter that was discussed, and it will be in a message that will come up either Thursday or Friday. It is the President's proposal for an increase in various rates for the Post Office Department, first class, second class and third class.

MOPE

(OVER)



This is pretty technical, but it will be reflected in a message on either Thursday or Friday.

SENATOR DIRKSEN: Questions?

Q Senator Dirksen, you indicated that you think the tax package is balanced, but you have also indicated some reservations about the seven percent investment credit tax. If you take that out, the package is no longer in balance is it?

SENATOR DIRKSEN: That doesn't mean that you can't keep essentially your whole tax package. But the question is are there some exceptions where special situations are involved?

I don't believe anybody would want to jeopardize the lives of a lot of people, as in the case of the Illinois Central, with these rather archaic railroad cars. Suppose they don't have any money in the till with which to get cars, then what? Fortunately, that was worked out in a different fashion. I haven't seen it mentioned too much, but you see that loan didn't go to the Illinois Central Railroad. It went to this Mass Transit Organization in South Chicago.

Q Is the Administration prepared, as you understand it, to make exemptions and exceptions to the seven percent?

SENATOR DIRKSEN: Definitely not. I am only thinking in terms always of what can happen in either branch of Congress, and I don't believe in surprises. No lawyer does. Therefore, you always anticipate and at least you discuss them.

Q Are you going to propose some exceptions?

SENATOR DIRKSEN: I haven't the slightest idea and I can't tell you off the top of my head. Maybe yes, maybe no.

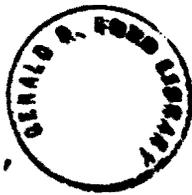
Q Senator, do you think Congress this year will make a start on the President's high priority program you mentioned of sharing some of the Federal tax revenues with States and cities?

SENATOR DIRKSEN: That was discussed very briefly, because it is still in a fragmentary stage and the Treasury has not completed its research on it.

Q Senator, what do you mean that we only warn once?

SENATOR DIRKSEN: Exactly that. The note of protest has been filed and I think it was crystal clear. I don't think anybody can misjudge the temper of that note. We have our vessels out there for whatever purpose they may have to be there for. We are giving protection to these reconnaissance flights.

Incidentally, there have been 190 of those flights since the first of the year. So there it is.



Q Senator, are you saying that we are going to protect those flights which is obvious, from what the President has said, or are you hinting that there might be retaliatory strikes against North Korea?

SENATOR DIRKSEN: I didn't say a word about retaliatory. I only said that the President said, where all the world could hear, that these reconnaissance flights would be afforded protection; period.

Q Senator, have the reconnaissance flights, indeed, resumed?

SENATOR DIRKSEN: I don't know. They have been ordered resumed.

Q Senator, what would you say would be the proper and necessary way in which the North Koreans must respond to our protests?

SENATOR DIRKSEN: I don't speculate on that for a moment.

Q What if there is no response?

SENATOR DIRKSEN: I don't quite know the temper of the North Korean mind.

Q Senator, the President described the resumption of the flights as an interim response. Was there any discussion this morning of what might be the ultimate response?

SENATOR DIRKSEN: No, sir.

MORE



(OVER)

Q Congressman, could you tell us about the reaction of the tax reform proposals in the House and whether you think the Democratic tax reform is going to be satisfied or push forward with reforms now?

CONGRESSMAN FORD: Because the President grabbed the ball and came up with certain specific recommendations -- let me point out again this is the first President in my 20-plus years who has really advocated specific tax reforms.

I think the public as well as the House will respond. This doesn't mean that in the area of details that the Committee and the Congress will be in total agreement. But the format has been laid out for a well-balanced tax reform message.

Incidentally, on the investment tax credit, it was included simply because in the area of investment for plant and equipment, there has been a tremendous upsurge of some 14 percent.

If you are going to really carry out a balanced effort to try and reduce the cost of living, you have to take some action in this broad area.

We had nearly a 5 percent increase in the cost of living in 1968. It hasn't slowed down because the momentum was generated in 1968. There has to be some firm, effective action in this area, along with other areas, if we are going to dampen the thirst of inflation and this is a necessary ingredient in any tax reform message.

Q Are you prepared to entertain some exceptions to the 7 percent repeal?

CONGRESSMAN FORD: Speaking for myself, I think the President's request, as it came up, for it to be effective as of yesterday, with no exceptions is the right approach. But I would not preempt the action of the Committee on Ways and Means or the House as a whole or the Senate in this particular area.

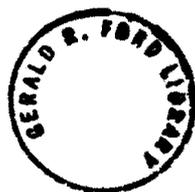
I think under the circumstances, the across-the-board approach was the only equitable way it could be done.

Q Beyond the Organized Crime and the Postal Message, what other messages can we anticipate in the next few days?

CONGRESSMAN FORD: I would say in the area of crime, you are going to have one on obscenity, you are going to have a message involving the narcotics traffic area, and you will probably have one on the rights of the accused. These will be coming along within a relatively short period of time.

Q Is that in addition to a general crime message?

CONGRESSMAN FORD: No, the four are the crime package, but they will come up individually with the Organized Crime one coming tomorrow.



Q There is some indication in the last few days that if a vote were taken now in the Senate that the ABM Safeguard proposal would not be approved.

Is that the way your votes count?

SENATOR DIRKSEN: No, sir.

THE PRESS: Thank you.

END

(AT 11:20 A.M. EST)



HOUSE ACTION

PERIOD April 14 through 21, 1969

Wednesday, April 16, 1969 - Mail Service for Mrs. Eisenhower

The House by voice vote passed H.R. 10158, to provide mail service for the widow of former President Dwight D. Eisenhower.

Water Pollution Control Act

The House passed by roll call vote of 392 yeas to 1 nay H. R. 4148, amending the Federal Water Pollution Control Act. The House agreed by voice vote to three committee amendments.

SUSPENSIONS

Monday, April 21, 1969

The House passed by voice vote under suspension of rules, the following Bills:

1. H. R. 8794, to extend for 1 year the National Council on Marine Resources and Engineering Development.
2. H. R. 8434, to provide additional free letter mail and air transportation mailing privileges for certain members of the U. S. Armed Forces.

The House adopted H. Res. 366, the rule providing 4 hours debate under open rule, H. R. 514, Elementary and Secondary Education Act of 1969. The rule waived points of order against lines 10 through 15 on page 13, and lines 6 through 16 on page 20.

Tuesday and Balance of Week

Complete consideration of H. R. 514



SUGGESTED REMARKS: SENATOR DIRKSEN, CONGRESSMAN FORE

ORGANIZED CRIME

Gentlemen, the last ten years have been the salad days for organized crime in this country. The "take" from illegal gambling alone is estimated at something like \$50,000,000,000 a year. Well, if the legislation the President was talking about passes, the salad days of organized crime are over. He is proposing the most far-reaching comprehensive program against organized crime I have ever seen. It raised the elimination of organized crime to the level of a national goal. It will give the Justice Department jurisdiction to strike at every gambling enterprise of organized crime -- anywhere in the country. The President is going to ask for new men, new money, new laws and a new determination on the part of government and the American people to root this poisonous seed out of American society. After hearing an outline of the President's proposals; if I had any stock in the Mafia, I'd sell it.

Buchanan



NORTH KOREA

The President has acted as the President of the World's Greatest Power should act when his nation was affronted in this manner by the regime currently ruling North Korea.

First, he has moved to guarantee the security of the more than 50,000 American troops in Korea by re-instituting the surveillance flights on which their security depends. Secondly, he has ordered them protected. Third, he has issued an unmistakable message to the North Koreans; fourth, he has spoken softly and moved a big stick into the Sea of Japan.

The crime committed here was nothing short of deliberate murder by the regime that governs North Korea. A slow-moving, unarmed and unprotected aircraft was shot down. There is a temptation to strike back and strike hard at the North Koreans themselves, but the result of this could well have been more lost Americans; it could well have been to give North Korea the excuse it was looking for to broaden hostilities, and would not likely have injured at all the handful of outlaws responsible for the crime.

The President has acted with prudence and restraint; he has also acted to reinforce America's rights in the Sea of Japan. North Korea and its allies can have no illusions now as to the implications of any repetition of this outrage.

Buchanan



TAX REFORM

These historic tax reform proposals place the President at the forefront of a taxpayers' crusade to make the Federal tax system fair and responsive to the needs of the next decade.

Many of the basic changes it suggests will be controversial; many interest groups will have plenty to say about it.

But by and large, the American people will applaud this courageous, long-overdue step toward genuine equity in our tax system.

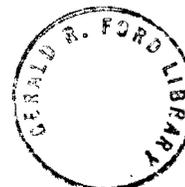
Never in the course of recent American history have so many been getting away with so much -- now that's going to end, and the taxpayers who can well afford to bear their share of the burden will do so.

At the same time, the hypocrisy of forcing those in poverty to pay Federal taxes is going to end, too -- and its about time.

Tax policy is essentially a matter of setting national priorities. The President weighed the investment tax credit in the balance with the need for general across-the-board tax relief -- and tax relief had the priority.

These proposals, balanced as they are in their revenue impact, are dramatic proof that the American taxpayer, at long last, has a friend in the White House.

Safire



APRIL 21, 1969

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

Reform of our Federal income tax system is long overdue. Special preferences in the law permit far too many Americans to pay less than their fair share of taxes. Too many other Americans bear too much of the tax burden.

This Administration, working with the Congress, is determined to bring equity to the Federal tax system. Our goal is to take important first steps in tax reform legislation during this session of the Congress.

The economic overheating which has brought inflation into its fourth year keeps us from moving immediately to reduce Federal tax revenues at this time. Inflation is itself a tax -- a cruel and unjust tax that hits hardest those who can least afford it. In order to "repeal" the tax of inflation, we are cutting budget spending and have requested an extension of the income tax surcharge.

Although we must maintain total Federal revenues, there is no reason why we cannot lighten the burden on those who pay too much, and increase the taxes of those who pay too little. Treasury officials will present the Administration's initial group of tax reform proposals to the Congress this week. Additional recommendations will be made later in this session. The overall program will be equitable and essentially neutral in its revenue impact. There will be no substantial gain or loss in Federal revenue, but the American taxpayer who carries more than his share of the burden will gain some relief.

Much concern has been expressed because some citizens with incomes of more than \$200,000 pay no Federal income taxes. These people are neither tax dodgers nor tax cheats. Many of them pay no taxes because they make large donations to worthy causes, donations which every taxpayer is authorized by existing law to deduct from his income in figuring his tax bill.

But where we can prevent it by law, we must not permit our wealthiest citizens to be 100% successful at tax avoidance. Nor should the Government limit its tax reform only to apply to these relatively few extreme cases. Preferences built into the law in the past -- some of which have either outlived their usefulness or were never appropriate -- permit many thousands of individuals and corporate taxpayers to avoid their fair share of Federal taxation.

A number of present tax preferences will be scaled down in the Administration's proposals to be submitted this week. Utilizing the revenue gained from our present proposals, we suggest tax reductions for lower-income taxpayers. Further study will be necessary before we can propose changes in other preferences and as these are developed we will recommend them to the Congress.

MORE



Specifically, the Administration will recommend:

- Enactment of what is in effect a "minimum income tax" for citizens with substantial incomes by setting a 50% limitation on the use of the principal tax preferences which are subject to change by law.

This limit on tax preferences would be a major step toward assuring that all Americans bear their fair share of the Federal tax burden.

- Enactment of a "low income allowance," which will remove more than 2,000,000 of our low income families from the Federal tax rolls and assure that persons or families in poverty pay no Federal income taxes.

This provision will also benefit students and other young people. For example, the person who works in the summer or throughout the year and earns \$1,700 in taxable income -- and now pays \$117 in Federal income taxes -- would pay nothing.

The married couple -- college students or otherwise -- with an income of \$2,300 and current taxes of \$100 would pay nothing.

A family of four would pay no tax on income below \$3,500 -- the cut-off now is \$3,000.

The "low income allowance," if enacted by the Congress, will offer genuine tax relief to the young, the elderly, the disadvantaged and the handicapped.

Other tax reform proposals would also help workers who change jobs by liberalizing deductions for moving expenses and would reduce specific preferences in a number of areas:

- taxpayers who have certain nontaxable income or other preferences would have their non-business deductions reduced proportionately.
- certain mineral transactions (so-called "carved out" mineral production payments and "ABC" transactions) would be treated in a way that would stop artificial creation of net operating losses in these industries.
- exempt organizations, including private foundations, would come under much stricter surveillance.
- the rules affecting charitable deductions would be tightened -- but only to screen out the unreasonable and not stop those which help legitimate charities and therefore the nation.
- the practice of using multiple subsidiaries and affiliated corporations to take undue advantage of the lower tax rate on the first \$25,000 of corporate income would be curbed.
- farm losses, to be included in the "limitation on tax preferences," would be subject to certain other restrictions in order to curb abuses in this area.



I also recommend that the Congress repeal the 7% investment tax credit effective today.

This subsidy to business investment no longer has priority over other pressing national needs.

In the early 60's, America's productive capacity needed prompt modernization to enable it to compete with industry abroad. Accordingly, Government gave high priority to providing tax incentives for this modernization.

Since that time, American business has invested close to \$400 billion in new plant and equipment, bringing the American economy to new levels of productivity and efficiency. While a vigorous pace of capital formation will certainly continue to be needed, national priorities now require that we give attention to the need for general tax relief.

Repeal of the investment tax credit will permit relief to every taxpayer through relaxation of the surcharge earlier than I had contemplated.

The revenue effect of the repeal of the investment tax credit will begin to be significant during calendar year 1970. Therefore, I recommend that investment tax credit repeal be accompanied by extension of the full surcharge only to January 1, 1970, with a reduction to 5% on January 1. This is a reappraisal of my earlier recommendation for continuance of the surcharge until June 30, 1970 at a 10% rate. If economic and fiscal conditions permit, we can look forward to elimination of the remaining surtax on June 30, 1970.

I am convinced, however, that reduction of the surtax without repeal of the investment tax credit would be imprudent.

The gradual increase in Federal revenues resulting from repeal of the investment tax credit and the growth of the economy will also facilitate a start during fiscal 1971 in funding two high-priority programs to which this Administration is committed:

- Revenue sharing with State and local governments.
- Tax credits to encourage investment in poverty areas and hiring and training of the hard-core unemployed.



These proposals, now in preparation, will be transmitted to the Congress in the near future.

The tax reform measures outlined earlier in this message will be recommended to the House Ways and Means Committee by Treasury officials this week. This is a broad and necessary program for tax reform. I urge its prompt enactment.

But these measures, sweeping as they are, will not by themselves transform the U. S. tax system into one adequate to the long-range future. Much of the current tax system was devised in depression and shaped further in war. Fairness calls for tax reform now; beyond that, the American people need and deserve a simplified Federal tax system, and one that is attuned to the 1970's.

We must reform our tax structure to make it more equitable and efficient; we must redirect our tax policy to make it more conducive to stable economic growth and responsive to urgent social needs.

That is a large order. Therefore, I am directing the Secretary of the Treasury to thoroughly review the entire Federal tax system and present to me recommendations for basic changes, along with a full analysis of the impact of those changes, no later than November 30, 1969.

Since taxation affects so many wallets and pocketbooks, reform proposals are bound to be controversial. In the debate to come on reform, and in the even greater debate on redirection, the nation would best be served by an avoidance of stereotyped reactions. One man's "loophole" is another man's "incentive." Tax policy should not seek to "soak" any group or give a "break" to any other -- it should aim to serve the nation as a whole.

Tax dollars the Government deliberately waives should be viewed as a form of expenditure, and weighed against the priority of other expenditures. When the preference device provides more social benefit than Government collection and spending, that "incentive" should be expanded; when the preference is inefficient or subject to abuse, it should be ended.

Taxes, often bewailed as inevitable as death, actually give life to the people's purpose in having a Government: to provide protection, service and stimulus to progress.

We shall never make taxation popular, but we can make taxation fair.

RICHARD NIXON

THE WHITE HOUSE,

April 21, 1969.

#



Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

Today, organized crime has deeply penetrated broad segments of American life. In our great cities, it is operating prosperous criminal cartels. In our suburban areas and smaller cities, it is expanding its corrosive influence. Its economic base is principally derived from its virtual monopoly of illegal gambling, the numbers racket, and the importation of narcotics. To a large degree, it underwrites the loan sharking business in the United States and actively participates in fraudulent bankruptcies. It encourages street crime by inducing narcotic addicts to mug and rob. It encourages housebreaking and burglary by providing efficient disposal methods for stolen goods. It quietly continues to infiltrate and corrupt organized labor. It is increasing its enormous holdings and influence in the world of legitimate business. To achieve his end, the organized criminal relies on physical terror and psychological intimidation, on economic retaliation and political bribery, on citizen indifference and governmental acquiescence. He corrupts our governing institutions and subverts our democratic processes. For him, the moral and legal subversion of our society is a life-long and lucrative profession.

Many decent Americans contribute regularly, voluntarily and unwittingly to the coffers of organized crime -- the suburban housewife and the city slum dweller who place a twenty-five cent numbers bet; the bricklayer and college student who buy a football card; the businessman and the secretary who bet illegally on a horse.

Estimates of the "take" from illegal gambling alone in the United States run anywhere from \$20 billion, which is over 2% of the nation's gross national product, to \$50 billion, a figure larger than the entire federal administrative budget for fiscal year 1951. This wealth is but one yardstick of the economic and political power held by the leaders of organized crime who operate with little limitation or restriction within our society.

Organized crime's victims range all across the social spectrum -- the middle-class businessman enticed into paying usurious loan rates; the small merchant required to pay protection money; the white suburbanite and the black city dweller destroying themselves with drugs; the elderly pensioner and the young married couple forced to pay higher prices for goods. The most tragic victims, of course, are the poor whose lack of financial resources, education and acceptable living standards frequently breed the kind of resentment and hopelessness that make illegal gambling and drugs an attractive escape from the bleakness of ghetto life.

BACKGROUND

For two decades now, since the Attorney General's Conference on Organized Crime in 1950, the Federal effort has slowly increased. Many

more



of the nation's most notorious racketeers have been imprisoned or deported and many local organized crime business operations have been eliminated. But these successes have not substantially impeded the growth and power of organized criminal syndicates. Not a single one of the 24 Cosa Nostra families has been destroyed. They are more firmly entrenched and more secure than ever before.

It is vitally important that Americans see this alien organization for what it really is -- a totalitarian and closed society operating within an open and democratic one. It has succeeded so far because an apathetic public is not aware of the threat it poses to American life. This public apathy has permitted most organized criminals to escape prosecution by corrupting officials, by intimidating witnesses and by terrorizing victims into silence.

As a matter of national "public policy," I must warn our citizens that the threat of organized crime cannot be ignored or tolerated any longer. It will not be eliminated by loud voices and good intentions. It will be eliminated by carefully conceived, well-funded and well-executed action plans. Furthermore, our action plans against organized crime must be established on a long-term basis in order to relentlessly pursue the criminal syndicate. This goal will not be easily attained. Over many decades, organized crime has extended its roots deep into American society and they will not be easily extracted. Our success will first depend on the support of our citizens who must be informed of the dangers that organized crime poses. Success also will require the help of Congress and of the State and local governments.

This Administration is urgently aware of the need for extraordinary action and I have already taken several significant steps aimed at combating organized crime. I have pledged an unstinting commitment, with an unprecedented amount of money, manpower and other resources to back up my promise to attack organized crime. For example -- I have authorized the Attorney General to engage in wiretapping of organized racketeers. I have authorized the Attorney General to establish 20 Federal racketeering field offices all across the nation. I have authorized the Attorney General to establish a unique Federal-State Racket Squad in New York City. I have asked all Federal agencies to cooperate with the Department of Justice in this effort and to give priority to the organized crime drive. I have asked the Congress to increase the fiscal 1970 budget by \$25 million, which will roughly double present expenditures for the organized crime effort.

In addition, I have asked the Congress to approve a \$300 million appropriation in the 1970 budget for the Law Enforcement Assistance Administration. Most of these funds will go in block grants to help State and local law enforcement programs and a substantial portion of this assistance money will be utilized to fight organized crime. I have had discussions with the State Attorneys General and I have authorized the Attorney General to cooperate fully with the States and local communities in this national effort, and to extend help to them with every means at his disposal. Finally, I have directed the Attorney General to mount our Federal anti-organized crime offensive and to coordinate the Federal effort with State and local efforts where possible.

ASSISTANCE TO STATES AND LOCAL GOVERNMENTS

Through the Law Enforcement Assistance Administration, and other units of the Department of Justice, the Attorney General has already taken some initial steps:

more



1) A program is being established so that State and local law enforcement people can exchange recent knowledge on the most effective tactics to use against organized crime at the local level.

2) The Justice Department is furnishing technical assistance and financial help in the training of investigators, prosecutors, intelligence analysts, accountants, statisticians -- the professional people needed to combat a sophisticated form of criminal activity.

3) The Justice Department is encouraging municipalities and States to reexamine their own laws in the organized crime area. We are also encouraging and assisting in the formation of State-wide organized crime investigating and prosecuting units.

4) A computerized organized crime intelligence system is being developed to house detailed information on the personalities and activities of organized crime nationally. This system will also serve as a model for State computer intelligence systems which will be partially funded by the Federal Government.

5) We are fostering cooperation and coordination between States and between communities to avoid a costly duplication of effort and expense.

6) We are providing Federal aid for both State and local public information programs designed to alert the people to the nature and scope of organized crime activity in their communities.

These actions are being taken now. But the current level of Federal activity must be dramatically increased, if we expect progress. More men and money, new administrative actions, and new legal authority are needed.

EXPANDED BUDGET

There is no old law or new law that will be useful without the necessary manpower for enforcement. I am therefore, as stated, asking Congress to increase the Fiscal Year 1970 budget for dealing with organized crime by \$25 million. This will roughly double the amount spent in the fight against organized crime during Fiscal Year 1969, and will bring the total Federal expenditures for the campaign against organized crime to the unprecedented total of \$61 million. I urge Congress to approve our request for these vital funds.

REORGANIZATION OF THE CRIME EFFORT

I have directed the newly appointed Advisory Council on Executive Organization to examine the effectiveness of the Executive Branch in combating crime -- in particular organized crime.

Because many departments and agencies of the Executive Branch are involved in the organized crime effort, I believe we can make lasting improvement only if we view this matter in the full context of executive operations.

more



FEDERAL RACKETEERING FIELD OFFICES

The focal center of the Federal effort against organized crime is the Department of Justice. It coordinates the efforts of all of the Federal agencies. To combine in one cohesive unit a cadre of experienced Federal investigators and prosecutors, to maintain a Federal presence in organized crime problem areas throughout the nation on a continuing basis, and to institutionalize and utilize the valuable experience that has been gained by the "Strike Forces" under the direction of the Department of Justice, the Attorney General has now established Federal Racketeering Field Offices in Boston, Brooklyn, Buffalo, Chicago, Detroit, Miami, Newark, and Philadelphia. These offices bring together, in cohesive single units, experienced prosecutors from the Justice Department, Special Agents of the FBI, investigators of the Bureau of Narcotics and Dangerous Drugs, the finest staff personnel from the Bureau of Customs, the Securities and Exchange Commission, the Internal Revenue Service, the Post Office, the Secret Service and other Federal offices with expertise in diverse areas of organized crime.

The Racketeering Field Offices will be able to throw a tight net of Federal law around an organized crime concentration and through large scale target investigations, we believe we can obtain the prosecutions that will imprison the leaders, paralyze the administrators, frighten the street workers and, eventually, paralyze the whole organized crime syndicate in any one particular city. The Attorney General plans to set up at least a dozen additional field offices within the next two years.

FEDERAL-STATE RACKET SQUAD

Investigations of the national crime syndicate, La Cosa Nostra, show its membership at some 5,000, divided into 24 "families" around the nation. In most cities organized crime activity is dominated by a single "family"; in New York City, however, the lucrative franchise is divided among five such "families."

To deal with this heavy concentration of criminal elements in the nation's largest city, a new Federal-State Racket Squad is being established in the Southern District of New York. It will include attorneys and investigators from the Justice Department as well as from New York State and city. This squad will be directed by the Department of Justice, in conjunction with a supervisory council of officials from State and local participating agencies, who will formulate policy, devise strategy and oversee tactical operations. Building on the experience of this special Federal-State Racket Squad, the Attorney General will be working with State and local authorities in other major problem areas to determine whether this concept of governmental partnership should be expanded to those areas through the formation of additional squads.

NEW LEGISLATION

From his studies in recent weeks, the Attorney General has concluded that new weapons and tools are needed to enable the Federal government to

more



strike both at the Cosa Nostra hierarchy and the sources of revenue that feed the coffers of organized crime. Accordingly the Attorney General will ask Congress for new laws, and I urge Congress to act swiftly and favorably on the Attorney General's request.

Witness Immunity

First, we need a new broad general witness immunity law to cover all cases involving the violation of a Federal statute. I commend to the Congress for its consideration the recommendations of the National Commission on Reform of Federal Criminal Laws. Under the Commission's proposal, a witness could not be prosecuted on the basis of anything he said while testifying, but he would not be immune from prosecution based on other evidence of his offense. Furthermore, once the government has granted the witness such immunity, a refusal then to testify would bring a prison sentence for contempt. With this new law, government should be better able to gather evidence to strike at the leadership of organized crime and not just the rank and file. The Attorney General has also advised me that the Federal Government will make special provisions for protecting witnesses who fear to testify due to intimidation.

Wagering Tax Amendments

We shall ask for swift enactment of S. 1624 or its companion bill H.R. 322, sponsored by Senator Roman Hruska of Nebraska and Congressman Richard Poff of Virginia respectively. These measures would amend the wagering tax laws and enable the Internal Revenue Service to play a more active and effective role in collecting the revenues owed on wagers; the bills would also increase the Federal operator's tax on gamblers from \$50 annually to \$1000.

Corruption

For most large scale illegal gambling enterprises to continue operations over any extended period of time, the cooperation of corrupt police or local officials is necessary. This bribery and corruption of government closest to the people is a deprivation of one of a citizen's most basic rights. We shall seek legislation to make this form of systematic corruption of community political leadership and law enforcement a federal crime. This law would enable the Federal Government to prosecute both the corruptor and the corrupted.

Illegal Gambling Businesses

We also shall request new legislation making it a Federal crime to engage in an illicit gambling operation, from which five or more persons derive income, which has been in operation more than thirty days, or from which the daily "take" exceeds \$2000. The purpose of this legislation is to bring under Federal jurisdiction all large-scale illegal gambling operations which involve or affect inter-state commerce. The effect of the law will be to give the Attorney General broad latitude to assist local and state government in cracking down on illegal gambling, the wellspring of organized crime's financial reservoir.

more



This Administration has concluded that the major thrust of its concerted anti-organized crime effort should be directed against gambling activities. While gambling may seem to most Americans to be the least reprehensible of all the activities of organized crime, it is gambling which provides the bulk of the revenues that eventually go into usurious loans, bribes of police and local officials, "campaign contributions" to politicians, the wholesale narcotics traffic, the infiltration of legitimate businesses, and to pay for the large stables of lawyers and accountants and assorted professional men who are in the hire of organized crime.

Gambling income is the life line of organized crime. If we can cut it or constrict it, we will be striking close to its heart.

Procedural Laws

With regard to improving the procedural aspects of the criminal law as it relates to the prosecution of organized crime, the Attorney General has been working with the Senate Subcommittee on Criminal Laws and Procedures to develop and perfect S. 30, the "Organized Crime Control Act of 1969." As Attorney General Mitchell indicated in his testimony on that bill, we support its objectives. It is designed to improve the investigation and prosecution of organized crime cases, and to provide appropriate sentencing for convicted offenders. I feel confident that it will be a useful new tool.

Development of New Laws

Finally, I want to mention an area where we are examining the need for new laws: the infiltration of organized crime into fields of legitimate business. The syndicate-owned business, financed by illegal revenues and operated outside the rules of fair competition of the American marketplace, cannot be tolerated in a system of free enterprise. Accordingly, the Attorney General is examining the potential application of the theories underlying our anti-trust laws as a potential new weapon.

The injunction with its powers of contempt and seizure, monetary fines and treble damage actions, and the powers of a forfeiture proceeding, suggest a new panoply of weapons to attack the property of organized crime -- rather than the unimportant persons (the fronts) who technically head up syndicate-controlled businesses. The arrest, conviction and imprisonment of a Mafia lieutenant can curtail operations, but does not put the syndicate out of business. As long as the property of organized crime remains, new leaders will step forward to take the place of those we jail. However, if we can levy fines on their real estate corporations, if we can seek treble damages against their trucking firms and banks, if we can seize the liquor in their warehouses, I think we can strike a critical blow at the organized crime conspiracy.

Clearly, the success or failure of any ambitious program such as I have outlined in this Message depends on many factors. I am confident the Congress will supply the funds and the requested legislation, the States and communities across the country will take advantage of the Federal capability and desire to assist and participate with them, and the Federal personnel responsible for programs and actions will vigorously carry out their mission.

RICHARD NIXON

THE WHITE HOUSE,

April 23, 1969

#



April 24, 1969

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:



The Post Office Department faces a record deficit in Fiscal Year 1970, one which will reach nearly \$1.2 billion. This unhappy fact compels me to recommend to the Congress that it increase postal rates for first, second, and third class mail.

The increases that I am proposing will reduce the postal deficit in Fiscal Year 1970 by over \$600 million. If rates were not raised, that sum would have to be added to the already considerable burdens of our taxpayers. But if these recommendations are adopted, the costs of postal service will be borne more adequately by those who use the service most.

That is the way it should be if the Post Office is to become an example of sound business practices. That is also what the law requires. The Postal Policy Act stipulates that postal rates should produce revenue which is approximately equal to the cost of operating the postal establishment -- after the costs of such special public services as the Congress may designate are deducted. It is in accordance with both general principle and specific law, then, that I make the following recommendations:

1. First class mail -- I propose that the rates for letters and postcards be increased one cent, to seven and six cents respectively, on July 1, 1969. Air mail postage rates would remain unchanged.
2. Second class mail -- The rates for newspapers and magazines which circulate outside the county in which they are published would go up by 12 percent on July 1, 1970. This increase would constitute an addition to the 8 percent increase for second class mail which is already scheduled to take effect on January 1 of next year.
3. Third class mail -- Bulk rates are already scheduled for increase on July 1, 1969. I suggest that there be a further increase on January 1, 1970, so that the overall level at that time would be some 16 percent above present levels. Further, I recommend that the minimum single piece third class rate be increased by one cent on July 1, 1969.

I regret the need to raise postal rates. I can suggest, however, that these increases can help our country achieve two important goals. First, the proposal can help in our efforts to control inflation by bringing federal revenues and expenditures into better balance. Secondly, rate increases will make it easier for the Postmaster General and his associates to provide better postal service. After carefully reviewing the fiscal 1970 Post Office budget submitted by the previous administration, we have been able to achieve reductions of net outlays equal to \$140 million. A comprehensive review of all postal operations is now underway; modern management techniques are being introduced and efficiency is being increased.

Further improvements will take time -- and during that time it is essential that financial pressures should not impair or reduce available services.

more

I would add one further comment: this Administration is determined that the cycle of greater and greater postal deficits and more and more rate increases will be broken. The only way to break that cycle is through effective, long-range reforms in the way the postal system operates. Some of these reforms can be implemented by the Postmaster General; others will require Congressional action. We will be submitting specific proposals for such reform to the Congress within the next forty-five days.

Postal reform will not be achieved easily; there are always many obstacles to even the most necessary change. But we remain confident that we can, with your cooperation, move boldly toward our three goals: better postal service, improved working conditions for all employees, and a reduction of the recent pressure for frequent increases in postal rates.

Proposed legislation to effect the revenue increases which I have recommended here will be sent to the Congress shortly.

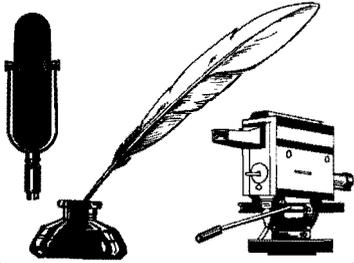
RICHARD NIXON

THE WHITE HOUSE,

April 24, 1969.

#





CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

**NEWS
RELEASE**

--FOR RELEASE AT 12 NOON MONDAY--
April 21, 1969

A statement by Rep. Gerald R. Ford, R-Mich., Republican Leader, U.S. House of Reps.

President Nixon is proposing bold steps in response to urgent needs -- the need to give the American people income tax relief at the earliest possible moment consonant with sound policy and to eliminate the 7 per cent investment tax credit as a fuel currently too rich for the American economic engine.

The President's proposal to extend the surtax at 10 per cent only until Jan. 1, 1970, and then to reduce it to 5 per cent is clear recognition that income taxes are too high. We all recognize that. We know the burden should be reduced as soon as circumstances permit.

The proposal to reduce the surtax to 5 per cent as of Jan. 1, 1970, is -- as the President stated -- tied tightly to the proposal to eliminate the 7 per cent investment tax credit.

The revenue loss from the surtax reduction must be largely offset by revenue gain from elimination of the tax credit.

Elimination of the normal 7 per cent investment tax credit will serve several purposes.

It will tend to slow down the overheated American economy and thus help curb inflation.

It will bring an estimated \$3 billion additional revenue into the U.S. Treasury.

It will create conditions under which business and industry will have greater incentive to use the special tax credits Mr. Nixon is proposing for investment in poverty areas in fiscal 1971.

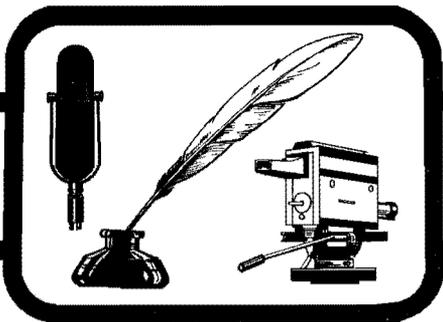
The need for elimination of the normal 7 per cent investment tax credit became apparent when all of the other fiscal and monetary tightening actions taken by the Nixon Administration and the Federal Reserve Board failed to slow down the economy sufficiently to assure success in the fight against inflation.

The "big news" in the President's tax reform message should not obscure other highly meaningful proposals -- elimination of income taxes for Americans at poverty level, the imposition of what in effect is a minimum income tax for a small group of high-income individuals, and the closing of a number of income tax loopholes.

The President's proposals will move America toward a common sense and fair tax structure.

#





CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

**NEWS
RELEASE**

--FOR RELEASE ON RECEIPT--
April 24, 1969

Remarks by Rep. Gerald R. Ford, R-Mich., Republican Leader, U.S. House of Reps.,
Placed in the Body of the Congressional Record of Thursday, April 24, 1969.

Mr. Speaker, I ask unanimous consent to proceed for one minute and to revise and extend my remarks.

Mr. Speaker, on April 21 the President of the United States sent the Congress a message urging repeal of the 7 per cent investment tax credit effective as of that date.

On that same day I endorsed President Nixon's call for repeal of the investment tax credit for several reasons but primarily because I believe such action is necessary to curb inflation and thus shield the American people from the repeated blows of price escalation.

Yesterday I was shocked to learn that the cost of living had jumped eight-tenths of one per cent during March, a rate of price rise which runs to nearly 10 per cent on an annual basis.

Mr. Speaker, as the proverb in the greatest book ever written so wisely warned: "As ye sow, so shall ye reap." We are today continuing to suffer from the inflationary policies of the past three years and the failure of the Johnson Administration to take timely action against inflationary pressures that surfaced as early as late 1965. Now the battle against inflation is infinitely more difficult to win.

Mr. Speaker, the sharp cost of living jump in March strengthens my earlier judgment that the Congress should respond as quickly as possible to President Nixon's call for repeal of the investment tax credit.

Although it is possible to read too much into one month's cost-of-living index figures, the warning signal in the March data is unmistakable.

To me it says that the fiscal and monetary measures already taken by the Administration and by the Federal Reserve Board to slow down the economy and bring inflation under control are inadequate for the task.

There is always risk involved in actions taken to dampen down the economy. But we must take such risks, carefully and judiciously, if we are to bring inflation under control.

The impact of investment tax credit repeal will not be felt in the economy immediately. When it does register, cutting the income tax surcharge in half next Jan. 1 as proposed by President Nixon will probably be needed as a stimulus to the economy.

We must win the fight against inflation, for it weighs most heavily upon the poor. And runaway inflation would inevitably be followed by a deep recession and heavy unemployment.

I hope the members of this House will support the President in his efforts to repeal the investment tax credit.

#

