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THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: THE WHITE HOUSE SENIOR STAFF

FROM: WILLIAM J. BAROODY, JR. *B*

SUBJECT: OHIO RIVER VALLEY WHITE HOUSE  
CONFERENCE ON DOMESTIC AND  
ECONOMIC AFFAIRS

The White House Office of Public Liaison is continuing to hold all-day conferences around the country on domestic and economic affairs. These meetings, such as the San Diego Conference which was aired April 17 and 18 for your viewing, are co-sponsored by local organizations who invite the attendees to the conference. Thus far, we have had eight such conferences, five of which have been held this year.

The proceedings of our most recent meeting in Cincinnati will be shown in its entirety Wednesday, August 6 and Thursday, August 7 on Channel 6. A schedule of speakers and interviews along with a transcript of the conference is attached.

I hope this will be useful to you. If you have any further questions concerning these conferences, please give my office a call.

WEDNESDAY, AUGUST 6, 1975

10:00 A.M.      TAPE ONE

:00 minutes      Interview with William J. Baroody, Jr., Assistant  
to the President and Program Moderator

:10                Reporter dialogue

:22                Introductory remarks by Mayor Barrett

:33                Opening remarks by Mr. Baroody

:42                Remarks by Caspar Weinberger, Secretary  
Health, Education and Welfare

11:00 A.M.      TAPE TWO

:00 minutes      Secretary Weinberger remarks continued

:07                Secretary Weinberger, Question and Answer

:47                T.V. interview with Secretary Weinberger

12:00 P.M.      TAPE THREE

:00 minutes      Remarks by L. William Seidman, Assistant  
to the President

:19                Mr. Seidman, Question and Answer

:49                T.V. interview with Mr. Seidman

1:00 P.M.      TAPE FOUR

:00 minutes      Mr. Seidman interview continued

:05                Commercial announcement

:09                Roving interviews  
:15 William J. Baroody, Jr.  
:18 Jeffrey Eves, Director White House Conferences

:27                T.V. interview of attendees

:35                T.V. interview with Frank Zarb, Administrator  
Federal Energy Administration

WEDNESDAY, AUGUST 6, 1975 (Cont.)

1:00 P.M. TAPE FOUR

:46 minutes T. V. interview with William Morrill, Assistant Secretary, Health, Education and Welfare

:53 T. V. interview with Virginia Knauer, Special Assistant to the President for Consumer Affairs

2:00 P.M. TAPE FIVE

:00 minutes Mrs. Knauer interview continued

:01 T. V. interview with Stan Scott, Special Assistant to the President for Minority Affairs

:06 Reporter dialogue and luncheon

:18 Remarks by John Dunlop, Secretary of Labor

:37 Secretary Dunlop, Question and Answer

THURSDAY, AUGUST 7, 1975

10:00 A.M. TAPE SIX

:00 minutes Commercial announcement

:04 T. V. interview with Secretary Dunlop

:14 William J. Baroody, Jr.

:17 Remarks by James Lynn, Director, Office of Management and Budget

:31 Remarks by Mr. Scott

:42 Remarks by Mr. Morrill

:49 Remarks by Mrs. Knauer



THURSDAY, AUGUST 7, 1975 (Cont.)

11:00 A. M.      TAPE SEVEN

:00 minutes      Mrs. Knauer remarks continued

:06                A "Domestic Panel" Question and Answer

:30                T. V. interview with Mr. Lynn

:38                Remarks by Mr. Zarb

:48                Remarks by Russell Train, Administrator,  
Environmental Protection Agency

12:00 P. M.      TAPE EIGHT

:00 minutes      Mr. Train remarks continued

:01                Mr. Zarb and Mr. Train Question and  
Answer

:40                Reporters discourse

:53                Introduction of President Gerald R. Ford

1:00 P. M.      TAPE NINE

:00 minutes      Introduction and address of President  
Gerald R. Ford

:39                Conclusion of Conference and reporters  
discussion

OFFICE OF PUBLIC LIAISON

THE WHITE HOUSE

JULY 3, 1975

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OHIO RIVER VALLEY  
WHITE HOUSE CONFERENCE  
ON  
DOMESTIC AND ECONOMIC AFFAIRS

CINCINNATI, OHIO  
JULY 3, 1975

SPONSORED BY THE  
WHITE HOUSE OFFICE OF PUBLIC LIAISON  
AND THE FOLLOWING CO-SPONSORING ORGANIZATIONS:

The Greater Cincinnati Chamber of Commerce

Ohio AFL-CIO

Cincinnati AFL-CIO

Ohio Manufacturers Association

Associated Industries of Kentucky

Community Chest (and Council of the Cincinnati Area, Inc.)

Urban League of Greater Cincinnati

National Association for the Advancement of Colored People

The Ohio Newspaper Association

Ohio-Kentucky-Indiana Regional Council of Governments

Greater Cincinnati Consortium of Colleges and Universities

Ohio Federation of Women's Clubs

Zonta Club of Cincinnati

Ohio Association of Broadcasters

MR. LIGGETT:

Good morning, ladies and gentlemen. My name is William N. Liggett. I'm Chairman of the Board of First National Bank of Cincinnati, and I currently serve as president of the Greater Cincinnati Chamber of Commerce.

My role this morning is simple and therefore brief. As spokesman for the 14 local and regional sponsoring organizations, in their behalf I bring to you greetings and thank you for your splendid response to our joint invitations to take part in this Ohio River Valley White House Conference on Domestic and Economic Affairs.

You're in for a real treat in the next several hours. You'll be taking part in a most unusual experience, a two-way dialogue with several key administration officials on matters selected by your representatives as most vital to our community and the Ohio River Valley at this time, energy, employment, the economy, education and human services.

Of course, it cannot be overstated that we are all especially excited and pleased that President Gerald R. Ford will address us later in the day.

It is not often that citizens have the opportunity to share views directly with those who shape national policy. Obviously, there are far too many of us present for each of us to be able to express his individual concerns. But the message this impressive gathering conveys to our visitors in the White House is that we have a vital interest in the major issues of the day and in the response which America's leadership is providing. That message alone makes your involvement in this conference worthwhile. And if you have prepared well and are able to offer verbal statements and file written commentary, significant additional impact can be gained from the analysis of what will be recorded here today.

I urge you to be ready with your response as soon as each speaker is finished with his prepared remarks. Conveniently placed microphones are available for use by the audience. We have more than 800 persons in the room right now. Everyone is not going to have a chance to speak, but so that as many as possible can do so, please limit yourself to comments and questions, not to statements. Please file your statements with the staff, and I assure you they will be read carefully at the conclusion of the conference. This is your chance to communicate with some very important people, so do take advantage of this opportunity.

Cincinnati is one of America's great cities. It is appropriate that our views be sought by those who function in positions of power in our federal government system.

Representatives of the sponsoring organizations have worked hard to secure approval of this city as a site for a White House Conference. We know you have much to share in the way of experience and opinion, and we are grateful that this meeting is being held here today.

To properly welcome our guests and all those who have given their support by their presence here this morning, here is the Mayor of the City of Cincinnati, the Honorable Theodore M. Berry.

(Applause.)

MAYOR BERRY:

Mr. Liggett, members of the cabinet of the President, members of the Federal Executive Board, ladies and gentlemen, this is a rare opportunity for Cincinnati. It is an extraordinary move on the part of the executive branch to bring the administration of our government closer to the people. You do it in a community that has historically been sensitive to the economic progress of our nation and is currently actively involved with many of the issues and concerns of the citizens of this nation.

We've only recently been the host to an international entrepreneurship conference, bringing to our city representatives of many nations, both in Latin America and in Europe, as well as Asia, discussing the role in the future of the small businessman.

We are honored, indeed, to have the representatives of key functions of the government dealing with problems that are perplexing and challenging all citizens, business and labor, alike.

Those of you who have been actively arranging this conference with the cooperation of the sponsors have experienced the evidence of the range and versatility of our chamber of commerce in assisting you with the arrangements for this conference.

We have a viable economic research committee of the council of the commerce, chamber of commerce, which is working in close cooperation with government in meeting the economic as well as the human resource problems confronting our urban centers.

And so, for the near two million or more citizens within the radius of this conference, the executive branch of the government has a wonderful opportunity to tell it like it is. And I hope that the citizens who are represented by those who are attending here will ask the questions and hopefully search and receive the answers which will enable us to move rapidly, assuredly and with greater success than we have experienced in the past two years, as we wrestle with the problems of inflation, that we will move to the high ground of a greater America, under the guidance of an administration that is and will show its sensitivity to the concerns of business, industry and the human needs of our great nation.

Thank you for selecting Cincinnati, and you're welcome, and I regret that the pressure of the agenda will not afford you an opportunity to enjoy the cultural and pleasant atmosphere, but certainly you will feel the warmth of our hospitality. Thank you very much.

(Applause.)

MR. LIGGETT:

Thank you, Mayor Berry.

A few days ago it was my privilege to meet William J. Baroody, Jr., the man who in just a few minutes will take charge of this conference as its chairman. I was quickly impressed with Bill Baroody's friendly take-charge style as I watched him conduct a news conference in which he announced several important details of today's program, including the official confirmation of President Ford's appearance.

Mr. Baroody is Assistant to President Ford and Director of the Office of Public Liaison. As he describes himself, he is the prime contact at the White House for anyone in the private sector of the nation. The White House Conferences are his responsibility.

An example of Mr. Baroody's skill in handling public meetings for the President, the Vice-President and cabinet members is the smoothness and efficiency with which this major White House Conference has been organized. Jeff Eves, Director of White House Conferences, and John Shlaes, his deputy, have orchestrated dozens of people and thousands of details without a noticeable hitch. They and their associates are to be complimented for a most professional approach. It's been a pleasure to work with them, and I do mean work.

Mr. Baroody's staff is thorough and dedicated, and I'm sure those qualities reflect his personal influence and leadership.

Mr. Baroody has been Assistant to the President since September 1974. He was Special Assistant to the President from February 1973 to January 1974 and then Special Consultant to the President. He also served as Deputy to Counselor to the President for Domestic Affairs, Melvin R. Laird.

Prior to joining the White House staff, Mr. Baroody served in the Department of Defense, from 1969 to 1973, and in the staff capacity in the Congress from 1961 to 1969. He received the highest civilian award that can be given by the Secretary of Defense in January of 1973.

Bill Baroody is a native of New Hampshire, a graduate of Holy Cross College, and pursued graduate work at Georgetown University.

I again welcome you to Cincinnati, Bill, and express our deep appreciation for the outstanding program which you have organized and for the cooperative and efficient staff you have provided to carry it out.

Ladies and gentlemen, your Chairman, William J. Baroody, Jr.

(Applause.)

MR. BAROODY:

Thank you very, very much, Mr. Liggett. It's a real pleasure for me to stand here before you. Mr. Mayor, I want to

thank you for the very kind welcoming remarks to all the government participants from the great city of Cincinnati.

We had a breakfast this morning, an informal breakfast, with the leaders of your 14 organizations and made the point to them that it's been a sheer delight for us, for the members of my staff who have been here for the last week or 10 days working with the citizens of Cincinnati and the Ohio River Valley area, because of the great cooperation we've had from all of you in putting this on.

This is your meeting as much as it is ours, and I'm delighted to be here. I'm delighted to welcome you, also, on behalf of the President of the United States and on behalf of the other government participants who will appear before you during the course of the day.

This, as has been indicated, is one of a series of conferences that we have been holding around the country, discharging the charter that President Ford gave to me and to the Office of Public Liaison when he created it last September. It's a rather unique office and a unique undertaking because President Ford really is the first president that's making a systematic attempt to give the public equal status with the press and the Congress by creating such a major office, the third major office in the White House, Public Liaison, to deal with the private sector, with business, labor, veterans, farm, academics, professionals, senior citizens, women, youth, religious groups, ethnic groups and so on, to deal with them in the same fashion as the press office deals with the media and the congressional office deals with the House and Senate of the United States.

And when the President created the office, he said, "What I want, I have two objectives in mind. I want to really institutionalize the process that will be an extension of my own personal ability to meet on a face-to-face basis with the 213 million persons that make up this great country. I want to institutionalize the process that will get my top advisors and me before the people of America in a way that I can learn, that they can learn better what's on the minds of the American people so that we can develop better public policies as we move down in the months and years ahead."

The second purpose is that he is convinced that over the past several years there has been a growing or deepening crisis, if you will, in this country, having to do with confidence, having to do with the skepticism about the institutions of our great society, not just government but business, labor and other groups in our society. And so he said, "When you come up with mechanisms to do this job, try to do it in a way that will also contribute to a restoration of confidence." And it is really that, that is an underlying reason that we've tried in these field conferences, in what people now describe as kind of presidential town hall meetings, why we put together and invite such a diverse group of cosponsors, because we want not just a government-private sector dialogue, we want that, we want to increase that communication, but we also want to be part of a process that has the private sector individuals and groups talking to each other, because that's really, in this great

of ours, the only way we are going to make progress in solving the problems that we face.

Now, it was, oh, probably about two months ago, Bill, that we first started talking to your leaders about the possibility of such a conference. And we've had a couple of cosponsors' meetings and organizations. Let me just take a minute to describe for you how this conference was put together, because we did consult back in Washington, we did consult with some people we knew in this Ohio River Valley Area to come up with a group of organizations that would in fact represent a cross-section of this area. And I think we've accomplished that. I think we got a good cross-section representing labor, representing business, representing minority groups, women's groups, representing the college and university community, representing the council of governments in the area and so on.

And while I mention the council of governments, let me digress for one minute, because the dialogue that we start today is not a one-shot affair; we hope to conduct this around the country. But in your area, in each of the areas there is what is called a Federal Executive Board. And not only did we work with the private cosponsoring organizations in putting this together, but Jeff Eves and John Shlaes are the only two members of my full-time staff; in order to do this, we have to borrow help on site from the agencies, the federal agencies in the area. And what we do generally is go to the Federal Executive Board, and we've got such boards in 25 major areas of the country, with a chairperson elected from among the board members, and these are the heads of the federal agencies within that area.

And the two major missions of these Federal Executive Boards are improving general management practices of the federal government in the area, in the region, and participating as a unified federal force in providing community metropolitan services. So what I want to say to you is at the end of today, when you had your dialogue with the cabinet secretaries and so on, who are the heads in Washington of these executive agencies here in the field, you've also got and we have put in the packets that were handed out to you people on site here, starting with the chairperson in the Federal Executive Board and the other members. And at this time I would like to first introduce and to have stand up the chairman of your Federal Executive Board in this area, Anthony C. Celeste. Mr. Celeste.

(Applause.)

And then quickly I would like to read, and as I read your names please stand. And hold the applause. Other members of the Executive Board that I believe are here and sitting, yes, all in the front row, William E. Claypool, the Vice Chairman, not here; Brigadier-General W. S. Nichols, Vice Chairman; Donald M. Burke; Charles Collins, Director of the HUD office; C. L. Karl, Area Representative Energy Research and Development Administration; Robert M. Martin, District Manager, Social Security Administration; Patrick J. Ruttle, Director, Cincinnati Service Center, IRS, not here; Joseph J. Scanlon, Postal Service; James C. Taylor, Representative, U.S. Civil service commission.

We have in your packets a list of the agencies and the way you can contact them in the weeks ahead for any particular questions or problems you may have in this area of the federal government policies.

Let me finally again return to the nature of the conference and simply say that the problems that our country has and the issues we face are everyone's problems and everyone's issues. In a democracy we seek to find answers in the interest of all the people. Because of the diverse nature of the delegates to this White House Conference, I hope that this will be a learning experience for all of us. Understanding the other person's point of view is crucial to the solution of all of the public policy problems that we face in America today.

At this time, before we move into the formal part of the program, I would like to thank again Mr. Liggett and Mayor Berry for participating in the opening portion of this conference. Thank you.

(Applause.)

MR. BAROODY:

Now, if I may, we're ready to begin. We are on a very tight schedule, as I'm sure a glance at the program will indicate. We're working against a specific time frame when the President will join us later, and then, of course, he's got another engagement: he has to leave for, so we're going to be on a kind of split-second timing. So I apologize in advance if I have to cut off a portion, a section of the program before all of you who want to ask questions or make comments or recommendations have an opportunity to do so.

Let me point out that we do have microphones throughout the audience, that each of the government participants as we move through the day will come before you and make some opening remarks, hopefully brief, and then we'll devote most of the time to responding to your questions, comments and criticisms.

At this time, the first part of the program, I want to congratulate our first speaker for getting up very early this morning and getting on an airplane, about 5:30, I think, in order to join us, and it was touch and go, but he did arrive about 10 minutes ago, right on time. And that is, of course, the Secretary of the Department of Health, Education, and Welfare, Caspar W. Weinberger.

We realize, of course, that residents in this area are aware of the need for top quality education at all levels. There are several universities here as well as an impressive number of four-year colleges and excellent two-year technical institutes. At the elementary, secondary school levels, programs are being developed for specialized or alternative schools, to make the most of unique talents and interests of the local students.

Caspar Weinberger first took office as Secretary of Health, Education, and Welfare in February of 1973. Mr. Weinberger came to HEW from an extremely successful



assignment as the Director of the Office of Management and Budget. His successor is going to appear later in the program. That assignment at OMB, as we call it in Washington, was preceded by a term as Chairman of the Federal Trade Commission.

Mr. Weinberger was elected to Phi Beta Kappa at Harvard College in 1938, received his Bachelor of Laws degree from Harvard School in 1941. After college he served in the Pacific Theatre and was a member of General Douglas MacArthur's staff, receiving a discharge in 1945.

In 1952, while practicing law in California, Mr. Weinberger was elected to the California State Assembly for the 21st District in San Francisco and won reelection in 1954 and 1956. From 1959 to 1968 Mr. Weinberger was involved in careers as a lawyer, writer, and broadcaster, as well as being a partner in a San Francisco law firm. He was also State Director of Finance in '68 and '69.

As you can see, he comes to his present job, which we're all sorry to see that he is going to be leaving for a personal reason in the near future, with a great wealth of experience. He's been a great secretary. It's been a great privilege for me to work with him. And it's a great pleasure for me now to present to you the Honorable Caspar W. Weinberger.

(Applause.)

MR. WEINBERGER:

I'm delighted to be here. I've had the privilege of participating in two or three of these programs in other parts of the country, I think maybe four, and I've found them extraordinarily useful for me. They've given me a much better idea of the kinds of things that people are interested in in various parts of the country, and that's one of the hardest things for us to acquire in Washington, is a real knowledge of what the real world is like, because Washington is a very special, isolated kind of place. And I'm always delighted to have a chance to get out and to find out exactly what the people are thinking and what people want and what people expect of their government. So I think these meetings are particularly useful, and I'm delighted to have a chance to be here.

One of the differences between Washington and the rest of the country, I am told, is that Washington is the only city where sound travels faster than light, and I think -- (laughter) -- and I think that is exemplified almost every day.

Well, tomorrow, as you know, we will be celebrating the 199th year of our independence. And we've been nurtured, of course, by very strong traditions, and one of the strongest has been our belief in education. One of the very first things that the Congress addressed is education, and it is always a major item of both executive and legislative and more recently the judicial branches, and it's something that we have been working on really ever since 1785, when the Northwest Ordinance was passed. And that was directed primarily at the states in this whole region and, of course, as you know, required that

one square mile out of every 36 in each township be set aside for public education.

And that kind of priority that was assigned education from the very beginning of our country is exemplified all the way through. I know in California we had a priority on the funding. Education funds had first call on everything in the state treasury, and this was a provision that was little known except to people immediately connected with education. It always reminded me of it when I was finance director. And we've had all kinds of examples of that sort of priority throughout the history of our country. Schools and the means of education, they said in that ordinance, should forever be encouraged. And it certainly has been encouraged and that goal realized in this region.

There are some 19,000 schools in the states of Ohio and Indiana and Illinois, Michigan, Minnesota and Wisconsin, and there are 920 colleges and universities. As a matter of fact, I think you have the greatest concentration of educational facilities; certainly more higher education dollars are concentrated here than in any other region of the country. And some 21 percent of the nation's school-age population and about a quarter of its college students attend school in this region.

There are a lot more statistics, but the general idea is that you have been one of the leaders of the entire nation in this region in your realization and appreciation of the need for education. And we've invested a very substantial amount nationally in it, now about eight percent of our gross national product. And I think it pays off enormously well, been an average of much more income per individual over his lifetime for those who had the benefits of education all the way through, higher education. And for the disadvantaged it's been a major force in trying to provide an equal opportunity to participate in the American dream. And, of course, for the nation at large it has been one of the principal factors in the leadership of the world, which America has had for many years.

So more than ever I think now our complex and serious problems clearly demand an educated community and an educated citizenry, and that's another of the very good reasons for keeping it at the very high priority that it has. It's been a primary responsibility of the states and localities ever since the country was founded, and that's the way it has remained; that's the way we think it should be.

Eighty-six percent of the very large amount, 108 billion this year, that we invest in education is generated and managed by state and local governments, and we encourage that. The federal role is limited, as it should be. It is, however, focused in very particular and necessary directions. It's to support and stimulate and to lead in new directions and to help with particular things that states and localities have not found possible to do themselves.

Just one example, something that probably you've heard a great deal about, particularly on the sports pages of the papers, that is the Federal Title 9 Regulations, which we were directed as our department by the Congress to adopt and which

are designed to prohibit any discrimination based on sex in the whole field of education. When the Congress enacted Title 9, it became a federal responsibility to see to it that boys and girls have equal access to education in all of its forms, including athletics. But, of course, we stop short of some of the proposals some of the more vigorous proponents of some of these matters suggested. And one of the things we stopped short at by my personal direction was the idea of federal officials examining school textbooks to be used in schools all over the country to see if there were any sex stereotyping and presumably to censor it out if there were. And this wouldn't have stopped with books. It would have been all curriculum, all materials of that kind. I think that would have been federal interference and censorship. I don't think the statute required it. I'm glad it didn't because I think it would be unconstitutional if it had been. But there are a lot of people who wanted that.

But that is a clear example of where the federal role should stop. We have no business as a federal government examining the textbooks for any purpose that are used in the school systems of this country. And that is a principle that I feel very strongly about. I think if there is any problem in those textbooks, they should be adjusted and taken care of by local officials reporting to local groups, school boards and others. So that is an example of where the federal role starts, to do everything it can to prevent discrimination, to do everything it can to open up access and opportunity, but not to do any censorship, not to get in the day-to-day operation, management, examination of the schools.

Well, for the fiscal year 1976 we've asked the budget of 6.1 billion for our own educational programs. That means that we're running somewhere around seven, eight, nine percent of the total amount required being supplied by the federal government. Overall, federal spending for education through all departments and all aspects will be about 16.2 billion. This is a little less, about 200 million less than last year, but it's 2.2 billion more than two years ago, and that's well in line with the President's basic policy of trying to trim sail this year, trying to hold relatively even, to avoid laying the groundwork for another resurgent wave of inflation.

There are people who are very unhappy when their particular form of interest, education, health, anything else doesn't go up by 10, 20, 30 percent each year, and they regard that as sort of a loss of commitment to the idea. Quite the contrary, it represents a difficult, courageous decision to avoid inflationary factors which hurt people of low income and people we're trying to help with education perhaps more than any other group in the community.

And so it is necessary to be reminded again that inflation is damaging in itself and that it is an economic condition that is the precursor really of recession. So it is necessary to be very worried about inflation, as the President quite properly is. Imprudent federal spending will set that process in motion. It meets the approval of some for a short time.

There are a lot of people who measure everything by

whether we put more dollars into it and measure our whole commitment and our whole worth by putting more and more dollars into it, and if we don't do that we are supposed to lack a commitment and not be interested in the future of our children. But what is not realized is that each activity in which the federal government participates has that kind of pressure behind it. And if we yield to each of those pressures, then we have a highly inflationary situation which hurts everybody. So you have to look at the long run, and you have to look at the overall picture, and that's a very difficult thing for a lot of people to do. People who are understandably interested primarily in education, in health, in public assistance, in any one of these fields want only concentration on their particular interest without any regard for the overall picture. The President has to be concerned with the overall picture, and so when he doesn't allocate as much as some people would like, it's not because he's against education, it's because he's more concerned, as somebody has to be, since the Congress is not, somebody has to be -- (laughter) -- with the overall picture, with the entire condition of the country, with the whole budget.

It's much easier to sit on a committee of education and say I want more for education because I am dedicated to education and I know how important it is. But when you do that and you forget all about the rest of the budget or how big the deficit is or how much inflation is going to be caused or how much poor people are going to be hurt by inflation, then you aren't helping anything, education or anything else. But that is the basic problem the President, who represents all the people, has to be concerned with, and that is one of the things that he has been and is concerned with. Presidents don't have the luxury of supporting just short-term, single-purpose interests, even as important as education.

So I think our education budget has to be balanced. It has to balance the need to continue supporting the federal role in education, leadership, stimulative research role, research which is much too expensive for any individual school district or state to do, and we do do that and we are doing that, and we also have to be concerned with the need to hold down overall federal spending, as I mentioned.

While recently the House passed and sent to the Senate our education budget, broken out in a separate bill from the rest of our appropriations, it was 1.2 billion over the President's request. We hoped for better things from the Senate. That hope was not well placed. The Senate tacked 350 million more. So now the bill has gone to conference to be considered and discussed and sent to the President for education, is over 1.5 billion more than he has asked for education. And he asked an amount that was almost the same as we had last year. If those figures remain after the House conference is completed, I will, of course, recommend a veto to the President, because I think that that is not a bill that will help education, not a bill that will help the people, but a bill that will foster far more inflation, particularly when you look at the component parts of it, because one of the biggest parts of it is a continuation of impacted aid. And impacted aid, the way it is administered, is a program that

measures federal aid not by need, not by quality, not by anything except whether the parents of the children work for the federal government. And that's the impacted aid program. And the counties that it benefits most are the three richest counties in the United States, surrounding Washington, D.C., where almost everybody works for the federal government. So they get a great deal more money through the impacted aid program. And it's inequitable, it is not necessary, it is inflationary, and that is one of the things that we have tried to abolish ever since this President was President and for many years before that. But it is a program that has substantial influence in the Congress, and thus far the attempts to abolish it or modify it have not succeeded. So that will be one of the principal reasons why that bill should be vetoed if it passes finally in the form in which it is.

The President's proposed that all impacted school districts get some aid but that they absorb a reduction of federal assistance up to about five percent of their total school budgets, which would spread the reduction over the entire system without causing a very substantial harm to any single school district, and that would save the government almost \$400 million in this inequitable, unnecessary, basic program.

So our program is, our goal is to try to put the money where the problems are, not base your need on some historical thing or some factor that has more political support behind it than any other, but put it where the need is and try to get your funds used for such things as more teachers in disadvantaged areas and better text materials and things of that kind.

So these are the things that we try to do. And the reason and the way in which we try to implement is to recognize that the school districts, the states, the cities and the counties; people here know an awful lot more about their priorities than we do in Washington. And that's a very hard thing for people in Washington to accept, but it is true. This is a very diverse country. It's a country with a number of different kinds of problems, and the people who know most about their local problems are the people locally. The people who know most about the schools are the people closest to them, who send their children to those schools. And that's what we want to do, we want to try to give the federal funds that we are giving free of these narrow, categorical boundaries.

And we've tried repeatedly to get Congress to eliminate some of the 60 separate categorical programs that require separate applications and careful review, and that being the nature of the beast, rejection, adverse at times, until it's rewritten and all the rest. I've seen some grants that the cost of preparing them cost more than the grant, itself. And what we would like to do is give much more freedom to states and local school districts, to take the federal money and use it for their highest priorities. And that again is a problem which we've had with the Congress. But we have made some slight progress in the act, Education Amendment of 1974, which the President signed last fall. And I would hope we'd make a

great deal more progress with it.

There are other experiments. I mentioned the financing of research. That is one thing the federal government can do and should do. And in a couple of states, New Hampshire, California, we are sponsoring voucher experiments under which the parents would be given cash vouchers and be free to spend them in any school of their choice. They could enroll their children in any school, because they would be given the cash that is required to educate the children, by giving it, and under the traditional methods simply to the school system; that's a very interesting experiment. It brings into play much more the marketplace idea, the idea that some competition will be required between schools to attract parents to send their children to those particular schools. And I don't think competition is a bad thing at all.

So that is the kind of experiment that we are funding, and that's the kind of thing the federal government can do, to try that in two or three different parts of the country, disseminate the results of it all around and then have funds freely available so that if other parts of the country want to try it, they would be able to do so.

That's not been an easy experiment to try, as you can well appreciate. A lot of the people primarily concerned with the establishment and maintenance of traditional educational methods are not very happy with it, but it's an important experiment to try. I don't know if it will work or not. I think it will, but we don't know. That's the purpose of the experiment, and that's the kind of thing that we're trying to do.

Now you're doing a lot in the region, too. In Indiana some 16 counties have joined together in a career education program that extends from kindergarten to postsecondary education with both parochial and public schools involved. In Ohio, both Cleveland and Toledo have introduced the career education into every school level, with the active support and involvement of business and labor and industry, and that involvement is essential if this kind of career education encouragement is to succeed.

And this year we're talking about the possibility of amending the Vocational Education Act, the federal act which expires this year and will have to be reenacted. And we proposed new legislation which would shift the federal aid emphasis to research and to innovation and eliminate federal aid categories that essentially rob states of flexibility in the use of their vocational education funds. I think that would be very welcome in this region where you've engaged in a great deal of innovation in vocational educational matters.

In higher education we have our federal aid strategy which primarily is designed to give students more opportunity to go to college than they would otherwise have. We have three big objectives here that we work towards. One is access. We want students, regardless of their income or their economic circumstances, to be able to get a postsecondary education if that is indeed what they want. And the second is choice. We



would not only like to have access, but we would like to have every person seeking education beyond high school to be able to find the school or college that suits his or her needs and to be able to use the government assistance funds to go to that college regardless of where it is or who may run it or whatever. And third is this illusive element that we call quality that so many people seem to forget about when we talk about all the other things. Once students have found their way to a college of their choice, that education should inspire them to in the future pursue the knowledge, not only for its own sake but to help them fulfill their personal goals. So access, choice and quality are the things that we are working towards as we try to administer the very large student aid programs. The existing general financial support we are trying to shift away from the traditional pattern which is to fund the institution and then let the institution benefit by whatever students come there. That has its merits. It is of help to a great many students. A substantial amount of that funding doesn't go directly to help students. It goes into administration and salaries, and various overhead costs. There is nothing wrong with that but you're not getting the maximum potential out of those funds for student aid, and so we have tried to move more and more away from institutional funding to direct student funding, the same ideas as the voucher experiment. Let the person to be benefited have the cash, let him make the choice, let that student, man or woman, decide where they would be most likely to fulfill their personal goals, let them have all of the counseling and everything else that may be necessary, but to have the freedom to use those funds in the institution of their choice.

So we would like to replace these very narrow categorical programs, not only at the secondary school level I mentioned a moment ago in the elementary school, but also in the higher education institution, so again the choice is the individual's or the choice is the local school district's, and the choice is not Washington's.

That is the basic principle that is run through all of the things we have tried to do, and we have now made a start with the Congress in persuading them to start funding this basic educational opportunity grant program which essentially is a federal scholarship program. That will be able to, with the funding we have now, we will be able to give up to \$1400 per student for the first three years, and we hope to assist about 950,000 students with those grants this year. That will be 350,000 more than the year just closed. We hope that over a million will be able to be taken care of very shortly. We have over a million three applications, which is a very substantial number, and that is in already, and that is nearly the exact number we had for all last year. So I think this concept is taking hold.

We also want assistance from the states. When I was in the California legislature, we passed bills which established a state scholarship program very similar to this, and we would like to join with the states, and those states that haven't such programs, we would like them to consider joining us and helping to finance the basic educational opportunity program, and that, I think, is something that would be of advantage to

both governmental units because it could expand the reach of this program and bring more and more students into it and enable them to go into more and more colleges of their choice.

We have done a number of things, such as guaranteeing student loans, and I mentioned the Title 9 Regulations designed to open up access and opportunities to everyone. In the course of doing all this, in the course of administering the laws the Congress has passed, we necessarily run into some difficult problems, and one of them, the so-called affirmative action programs in the colleges, where by congressional direction we are required to have the colleges make active searches for people of all groups, particularly groups that have been discriminated against in the past, women, blacks, and others, and to make sure that in the hiring process that they are not discriminated against any longer, that there is indeed equality of opportunity.

This very fine goal which we support fully is frequently translated into something much narrower, something that can produce active inverse discrimination, the idea that you must discriminate in favor of groups that have been discriminated against in the past. And then you get into a very tricky, very dangerous area because I don't believe you are ever going to cure discrimination by practicing it in inverse form. So we have to administer these laws that are on the books in ways to try to avoid that particular kind of problem which is recurring more and more, and it is a very necessary and very important thing to do to open up the doors, to open up access, to make it free, make the opportunity to participate free and open to everyone.

It is also very, very important that we continue to put the emphasis on quality of people hired and that we not practice inverse discrimination in our attempts to cure discrimination. We have a very deep feeling for the importance of education and of the necessity for improving higher education, particularly, and we have asked for increases in these areas where we have research programs going to improve the postsecondary education. We have asked for an increase from 12 to 18 million, but oddly enough this is one of the areas where the Congress felt they gave us a billion and a half more than we wanted in other areas, decided to cut back. And so this again is one of the problems involved in the separation of powers that we work with every day of the year.

The other thing that we are most concerned with right now is to try to produce some change in education, particularly with respect to qualifying people at the elementary, secondary, at the postsecondary level to be more equipped to deal with life as it is. We have had a feeling, and the President expressed this very well in a speech he made very shortly after he took office, at Ohio State University. We have had the feeling that the world of education is moving in a kind of a separate, closed corridor down one path; the world of business and industry and labor are doing the same thing over here, and that it is very essential that the students we train through this enormous and large and expensive and very excellent educational plan at all levels, that that be done, all of the educational activities be done



with the idea that there is a real world out there and it is the world in which the students will spend a great bulk of their time, and it is a world for which it is proper to prepare and it is proper to prepare with some knowledge of what the conditions actually will be like in that world. If we don't do that, we run the risk of having education become irrelevant and undersupported by a public who would feel it is useless, and that would be a very dangerous and a very tragic thing.

So it is very necessary to build bridges between these worlds and not let them become separate, narrow corridors where no one looks aside or sees what is happening on either side. It applies equally in education and in business and in labor, and that is the President's goal in trying to bring about a greater relevance in education. A lot of people worry about this in the educational field because they think it is anti-humanistic and it means that all you are going to take is leg work and machine shop and you aren't going to have any of the real values, as they put it, in educational curricula, and that is not true at all, and it needn't be. This is not anything that excludes any pursuit of the humanities or anything of the kind, and that should certainly continue to be done. But it is a goal of trying to make the schools more aware of what else is out there in the real world and what are the kinds of things that students will be spending a great bulk of their time within their later lives and equip them better to do that, and you don't do that by ignoring the humanities, but you do do it by adding other things to the curricula so it is not an exclusionary process, but it is an addition, which I think is enormously important and one of the things that demonstrates the sensitivity and the awareness of the President to the real needs of education today.

Those are a few of the things we are trying to do at the federal level.

I've talked much longer than I wanted to, because I want to have as much time as I possibly can for your questions. Let me just conclude by saying how much I appreciate all of you being here and how much I appreciate the opportunity that we have to learn from programs of this kind.

Thank you very much.

MR. BAROODY:

Thank you very much, Mr. Secretary.

We are now ready to move into the question and answer part of the program. And I'd ask you, at the mikes, the microphones over here and in this aisle over here, to stand up and not one at a time, those who do have questions, if you stand two or three so we can keep the program moving, and we'll alternate.

Yes, sir. Over here.

MR. REESE:

My name is Steve Reese. And the microphone's not

working, but this is a question that I wanted to address to the President, but he's not here today. What is administration's policy on the question of busing? We'd like to get a clear-cut, specific answer to that question.

MR. WEINBERGER:

Well, I would be glad to essay an attempt at that. Busing is one of the means that is used and has to be used to bring about the degree of integration in the classrooms of the United States that the Supreme Court requires and that simple justice mandates. It is a necessary and one of the tools to produce that result. If we use busing simply to produce some kind of meaningless statistical result so that we can end up with 19 percent black and 22 percent Chicano and 33 percent women in each classroom because that mirrors the community, and we forget all about what those students are going to learn when they're in a classroom, then I don't think we accomplished very much of anything. And there are too many people, it seems to me, who approach busing in that kind of statistical numbers, mechanistic sort of approach.

What we believe the law requires and what we fully support is that there be integrated classrooms.

I had the privilege of integrated education from kindergarten then through law school, and I think it is a very valuable and necessary part of the educational experience. I don't think that we have to be concerned or that we should be concerned with busing to the exclusion of everything else, specifically including quality. And yet a lot of people talk about it as if as soon as you achieve the statistical results which mirror the community, you're finished and you can walk away and forget all about the school or what happens in the classroom. I think there are other ways of breaking segregated patterns beside mixing up students by means of busing. I also think that it may well be necessary to use it for part of the program.

I think we ought to look at housing patterns. We ought to look at patterns of trying to achieve excellence in all of our schools and not just some, and which is one of the reasons why there are segregated schools, because some schools get reputations for excellence, deservedly so, and they act as a magnet, and they can draw as many people as possible, and you don't get a fully integrated system as a whole.

I think we also have to bear in mind some other facts, and that is that you don't learn very much and it's not much of an educational experience to spend two hours a day in the morning and two hours a day in the afternoon going back and forth just so you can achieve that statistical, mathematical result. So I come out with all of this by saying that we do believe in integrated education. It is the law of the land, in any event, and we support the law; but we support it for more reasons than just that it is the law, because it is a valuable and necessary part of the educational experience. There are a number of ways to achieve it, busing is one of them and can be used and should be used where it can be done

in a way that achieves that result without undue disruption, because the other thing we have to bear in mind is that there is a tremendously important role that the parents and the citizens play in the operation of our school system. And if we put in shape or put into effect a system that denies or makes it impossible for parents to participate in the schools' activities where their children go by being many, many miles away from their home, then we've lost something very valuable in the American public school system. And that's been ignored too much, too.

We have to blend all of these factors together, and we have to approach it in a spirit of goodwill that starts out with the idea that we do want integrated education, integrated classrooms. We want quality education. We want parent participation, and we want the students to spend the maximum amount of time in the classroom on the very reasonable assumption that that's where they're going to learn the most. These are the factors that I have in mind when I approach various plans for integrating classes.

Unfortunately, we have in many courts the same kind of mechanistic approach and the same kind of ignoring in court decisions of these other factors, such as parent participation and citizen participation in the school where their children attend. And I don't think we can ignore any of those factors.

It's not an easy subject, and it's not a thing that fits easily into the headlines, and it's not whether you're for busing or against busing; it's whether you're for quality education for all with equal access to all and with an integrated education recognized as a valuable part of the educational experience. And if you approach that complex problem as many school districts have in the deep South, with goodwill and the basic desire to work it out, you can achieve some very good results. And if you approach it with a stiff-necked approach that says in effect my child is not going to go in an integrated classroom or, on the other hand, I don't care what anything else happens, I want precisely the numbers that are in the community in that classroom, and anything short of that is red-neck racism, then we're not going to get very far. And it's been that kind of polarization, particularly in Boston, that has caused so many problems lately.

I think we have to look at it from all of these factors that I've mentioned, never forgetting quality or parent participation and never forgetting that integration is a vital part of the educational process; and if you do that, I think you could make the kind of progress they have made in the South.

(Applause.)

MR. REESE:

I would like to ask you one other point. I think you need to talk about economics, too, in terms of the distribution of funds to various school districts in various neighborhoods, because the whole question that we need to

look at, the reason why, the root of the problem, why you got to talk about bussing and I would like for you to give some thought to that. I think you need to --

MR. WEINBERGER:

I don't argue with you a bit on that. And when I was in California, I keep going back to that again, we used to have demands for more and more money in the school system, and I would ask what for. And it turned out that about 90 percent of those funds would go into teacher-administrator salaries. I asked, "Are they hiring more teachers?" And the answer usually was no. So I said, "Well then, this great thing that you are asking, that's going to improve the quality of the schools, is to pay more money to the existing teachers and administrators." And essentially the answer was yes. And I said I'm perfectly willing to put more money in if we will hire more teachers for inner-city areas, more teachers for school systems where there are serious desegregation problems where more help is needed and focus it where the need is; and that's why I'm against this impacted aid, because what it benefits, the three richest counties in the United States, and it isn't looking at the need.

So I agree with you, we do have to look at the needs and the special requirements.

MR. REESE:

My last questions is, a group of citizens or young people have asked me to raise the old question about student aid. On my way down here I got a call that the college students are saying they're not able to get student aid in Cincinnati -- in Ohio. And we'd like for you to come into Ohio and review student aid as it relates to minorities, because we have a problem in the State of Ohio.

MR. WEINBERGER:

I'll certainly be glad to examine it. I'm not aware of any specific problem here, but I am aware of the fact that the basic educational opportunity grants, the federal scholarships are based on need, and need is one of the qualifying factors, and we have had a very large proportion of minority successful applicants with those programs.

MR. CROWELL:

My name is George Crowell.

In furtherance of your and the President's realization that there is a real world beyond the educational system, would it be possible as one of HEW's ongoing activities to conduct market studies of the future needs in all the occupational categories and to actively disseminate this information to guide youngsters into those careers for which there will be a demand in the future when they reach the job market, all aimed at avoiding surpluses such as we have now in the schoolteachers and Ph.D.'s and also to

avoid the many, many shortages of qualified people that we have in some categories of educational need; would it be possible to do market studies on an ongoing basis in this area?

MR. WEINBERGER:

Well, as they say, that's an odd coincidence, because the Secretary of Labor and Secretary of Commerce and the President and I were discussing this yesterday in the Cabinet Room as part of a continuing series of meetings on this, what we call the Ohio State initiative that he proposed in that speech, and that is to do that, among other things, to try to improve the counseling in the school system, to improve it on the basis of some knowledge of what is needed and where are the shortages and to try to get away from this problem that I mentioned earlier in a different context, and that is the refusal of the Congress ever to be willing to stop anything once it starts. And we have had some very serious and worrisome examples of that, and one of them is precisely the point you mention, is the continuing subsidy of the training of teachers.

We now have something like 200,000 people who are trained and qualified to be schoolteachers in this country. They will not be able to be placed, not because of any economic condition, but because the demographic patterns of the country have changed, and we don't have the children to fill the classrooms anymore. And we should have recognized that and turned off that subsidy, but we kept it going because it was an ongoing program. We did the same thing with space scientists. We're in danger of doing the same thing in two or three other professions. And whenever you try to move to curtail these continued government subsidies, why, you are either unhumane or uncompassionate or unwarm or something of that kind. But no one is looking through to see what are the real needs in the future. So the answer to your question is yes on both counts. We are very much aware of the need to bring home to the school system and the federal government can sponsor a lot of this research in these market studies, and to bring home to the school system not only those facts but the need for improved counseling that takes into account things of this kind, because you will still find counselors encouraging students to go into teaching. And that's fine; we will need some teachers. But we have to have an awareness of the fact that we have a huge surplus now that can never be placed. We have a huge surplus of Ph.D.'s. And the colleges now are gradually shifting their programs to try to accommodate those changed conditions. But we have to do it in time, and this is very much part of what the President has talked about and that kind of initiative.

MR. CROWELL:

Thank you. And I would hope that you don't just give it to the school systems but make it available to the public at large, also, so the school systems don't hide

things they don't want the public to know (laughter).

MR. BAROODY:

May I request that each of you state your name and the organization you are affiliated with. The reason for that is we do have a court transcriber here, and we will make a transcript of the entire proceeding and make them available to you after we've returned.

Over here.

MR. CONDIT:

Mr. Secretary, my name is James Condit, with Ohio Citizens for Educational Freedom.

And I would have to observe that you are particularly burdened with coping with the Supreme Court's decision to on the one hand deprive church-oriented schools of tax sharing and on the other hand directing public funds for abortion services. And my question is, how are you responding to what has to be a large segment of society who feel that government has ceased to respond to them completely in these areas and who are at a point of frustration?

We know, for instance, that there are meaningful movements to start slowdown on payment of taxes. And these people won't take to the streets, but the religious oriented believe that's an integral part of our society and must respond to the Supreme Court's positions.

MR. WEINBERGER:

Well, I take it you are referring specifically to abortion and to the Supreme Court's decisions that in effect say, really not in effect at all, say that every woman has a right to an abortion at any point without regard to whether it's a therapeutically necessary one or not. And there are a great many people, as you indicate, in the country who are very unhappy and dissatisfied with that basic decision and also the decisions of the Congress with respect to the funding requirements under the Medicaid programs for the low income, which are state administered and which under various subsequent court decisions we are required to fund, and the states, themselves, are in fact forbidden, if they include general health services of certain kinds, they are forbidden not to include abortion among those.

So we do respond to these Court decisions, as indeed we have to, and to the statutes as they are enacted by the Congress. I think that with this, as with so many other matters, it's simply going to have to be a question of whether enough people become sufficiently concerned about this and sufficiently vocal so that their representatives in the Congress can hear them and can enact statutes in response to these requests.

There are other people on the other side, obviously, and that's what the whole democratic process is all about. But I don't think it's appreciated fully enough, as you indicated that you understand, but I don't know it's fully appreciated that the Department

of Health, Education, and Welfare, the executive branch, indeed, make no law at all and do have to respond and do have to enforce the laws that are on the books. And certainly the Supreme Court's decision with respect to abortion constituted a landmark and a substantial, if not change, at least announcement or discovery of a new principle in the law. And we have no option but to carry it out. The change of that could come about through the legislative process or through the process of constitutional amendment. In one way or another, it has to come about if the people want it to, a sufficient number of the people.

And I can only counsel that people who feel strongly about these matters really must participate, that there is no substitution and no, no way to achieve results unless you participate. The only way you can buy the right to criticize is to participate. And so I would hope there would be the broadest possible participation.

That's what I like about these meetings, because they offer us a very good chance to find out what people are thinking.

So essentially the answer to your question is that those concerns that you've identified have to be brought to the people who are able to make changes in the existing policy and existing policy in this case announced practically speaking by the courts.

MR. HERMAN:

Edward Herman, University of Cincinnati.

In your remarks you mentioned the danger of inverse discrimination. At the university we are very firmly committed to affirmative action. However, one hears stories from all over the country that on campuses inverse discrimination is taking place.

What steps is your department taking to prevent this sort of thing from happening?

MR. WEINBERGER:

Well, inverse discrimination is the situation that results when, in order to correct the obvious discriminations that have taken place over the last hundred years and more, efforts are made to favor a previously discriminated against group. And when you have such things as limited admissions, such as you have in medical school or in law school or in some universities, and you say that regardless of whether you're qualified or not we won't admit you because you aren't part of the group that used to be discriminated against, and therefore we will ignore you and favor someone else to make up for that discrimination of the past hundred years, it raises all kinds of very difficult, complex social problems.

My own feeling is that you do not cure and that you are not required by the law to cure discrimination in the past by practicing more discrimination in the future against other groups. I go back to the idea that equality of opportunity and equality of access are the ultimate goals. We do have and I have made special efforts in a number of ways to overcome the discrimination that



was practiced in the past. And we try to do this, not by hurting anybody else, but by adding to the opportunities of people who have had discrimination practiced upon them.

The definitive answer to it at the college level, where you get into limited access because of medical school and law school limitations and other professional school limitations, the ultimate answer will have to come from the Supreme Court.

There was a case, as you know, that reached the court, but the court didn't decide it. They didn't decide it because of the rather shameful factor of American justice, and that's the delay. This was brought by a man named Defunus, who was white and who was denied admission to the University of Washington Law School. Though he had a very substantial academic record, he was denied so that others who have been discriminated against could be admitted. He brought suit. Somewhere shortly after that the University of Washington Law School changed its mind and admitted him, and by the time his case was argued in the Supreme Court in Washington, he was not really able to be there because he was graduating from law school that week.

(Laughter.)

The court quite properly held that it was therefore moot, and they didn't decide it. But there will be a case. There are cases working their way up now that will require decisions on that point, and we will follow those. But we are doing everything we can in the administration of these laws, putting out interpretations, the importance of basing your choice on quality after you've made broad searches and all the rest, to avoid the impact of inverse discrimination.

MR. ORTNER:

My name is Robert Ortner. I'm with the Cincinnati Chamber of Commerce and Associated Industries of Kentucky.

Many people believe that economic education is one area that has been neglected in our educational system. How can we get the subject material put into the courses taught in all secondary schools?

MR. WEINBERGER:

Well, this again is one of the items that we were talking about in the meeting I mentioned in the Cabinet Room yesterday with the President, because very much a part of his initiative for trying to bring the worlds of work and education together is the field of economic education. And it's quite apparent from all the events of the last few years a great many people need it. But it is a typical subject.

(Laughter.)

And obviously a great deal depends on the way in which it is taught and who teaches it. It is very essential that it be taught and that we understand the basic economic forces at work, the problems of inflation and of unemployment and the role of government and all the other matters that go into it.



It's necessary in many cases to develop curricula that is not now in effect. In other places very good economic education courses are there. And this is one of the areas where a combination of the real world and the world of education could be brought very much closer together by having a number of different people, labor union leaders, bankers, chamber of commerce people, industries, small business, housewives and others participate in not only the learning but the teaching process so that the facts of economic life would be before many more students than are now the case.

But I agree with you and I am sure the President agrees with you that additional economic education is a very essential thing. And what we will be doing is funding a number of research projects to try to develop better kinds of curriculum, better means of assuring neutrality of presentation and at the same time stimulating and exciting presentation, and then not say to the school systems, you have to use these, but here they are, here's what we found, and we think it would be a very good thing if you wanted to use them.

MR. ORTNER:

How can you say you must use them? That's part --

MR. WEINBERGER:

Well, when you say that, then the next stage is that we don't like your teacher, and you must have that teacher, and we don't like your textbook, and you must have that textbook. And frankly I don't think I know enough, frankly I don't know anyone in Washington who has enough intelligence to make that kind of decision for everybody throughout the country.

(Applause.)

MR. FULLER:

Mr. Secretary, my name is Dewey Fuller, from the Urban League of Greater Cincinnati.

My question addresses this matter of inverse discrimination again. And I'm a little concerned about the concern that everyone seems to have about something you have not yet done as opposed to doing something about something that you have done for a long time. You have discriminated for a long time. There has not been significant examples of inverse discrimination as yet.

(Applause.)

Let me ask, let me ask a question, try to put this in proper perspective. If a parent has two children and discriminates and gives all the advantages to one to the disadvantage of the other, and through some process this is brought to the parent's attention, any corrective action that is taken to bring about parity, would this be considered inverse discrimination?

MR. WEINBERGER:

Well, you are in a very important and very essential field.

Let me say that I think that if the action that is taken to bring about parity does not hurt someone else, it does not deny him opportunities, it is not discriminatory, and parity is what we want to achieve, we don't want to achieve parity by doing to someone else what was done to people who were clearly discriminated against for the last hundred, hundred fifty years, so I think you can achieve that parity by approaching it from the point of view of equality of opportunity and equality of access. And that is the kind of thing that I think we should do. And when you have your limited-access school, law school and medical school, one of the reasons that you have the kind of inverse discrimination that I mentioned in that Defunus case is that there is not a large enough pool at this time of people generally to choose from to go to the law schools, and, as a result, some have tried this idea of trying to increase the number in the law schools by denying spaces to others equally or to perhaps, frankly, more qualified. And that, I think, we have to avoid, and I think the way we avoid it is by increasing the degree of integration and the degree and the quality of education, starting at the elementary level. I don't think we'll have that problem in about 15 years, maybe, maybe a little more. But I know that the problem is that nobody wants to wait during that period, and what do you do in the meantime?

MR. FULLER:

I think I would like to suggest that we don't have, we shouldn't have the problem now if we acted in good faith, attempted to select the previous -- select on the same basis, not throwing out your qualifications, not throwing out standards, not being unfair to the previously privileged group. But you see, if you look at this whole thing in proper perspective, any selectivity discriminates against some individual.

MR. WEINBERGER:

If you're in a situation where you have a limited number of spaces, but you can try to avoid that. And I just want to say one thing to you, which stems only from my pursuit of the English history as a hobby, and it's not meant either to be rude or to argue with anything you're saying, but it's designed to respond to your example that you gave about a parent with two children, and the case you gave is, of course, primogeniture, which is exactly what is practiced in England up to this day. And there are a great many English historians which think the practice of primogeniture and favoring the eldest son is what originally built the British Empire, because it fired the younger son with so much ambition that he had to go out and get new colonies to help him realize it.

(Applause.)

MR. CARSEY:

Mr. Secretary, my name is Eugene Carsey, and I would like to ask this as a private citizen, not as a representative of any governmental agency or and so forth. Let us bring this down to the City of Cincinnati.

It's my understanding that we're having a great deal of

trouble with our local university here, whose personnel is about, or rather enrollment is about 38,000 or something like that. It's jointly sponsored by the city of Cincinnati and the state of Ohio. And they're having a great deal of unsatisfactory discussion about this rather peculiar joint sponsorship. My question to you is, if worse comes to worse, can HEW step in and give us some money or give --

(Laughter.)

MR. WEINBERGER:

Well, as I frequently tell Congress, you have come to the wrong department.

(Laughter.)

We have \$118 billion in our budget, and that would seem like a substantial amount to enable us to do a lot of the very necessary things that crop up unexpectedly; 95 percent of that budget is uncontrollable in the sense that it can only be used for certain specific things unless there are changes in the law or something of that kind.

However, I don't want to give a completely negative answer. A few months ago I had the privilege of dedicating a new hospital, a teaching hospital, at the University of Cincinnati, and that was, as I recall it, roughly \$40 million of federal funds. And we are planning to do and will do substantial contributions to the university. I have great respect for it. I think it's a fine college. And I have great respect for the president, Mr. Bennis.

If your question was to the point would we come in and run it or would we come in and fund it, or would we come in and take it over, then the answer clearly is no, because at least as long as I have anything to do with it, because what I am most concerned with is getting the federal government out of the actual direct delivery of a lot of services and moving it back into a role of support, encouragement, sponsorship of research, dissemination of that research and dealing with certain nationwide priority problems, but not running individual universities. So if that was the purport of your question, I guess the answer clearly is no. If the question is will we continue to help the University of Cincinnati as we have in the past, the answer to that is I would certainly hope so and whenever worthy projects come along such as the hospital clearly was.

MR. CARSEY:

Sir, Dr. Bennis, if my memory serves correctly, has used the word "bankruptcy" twice in the local press.

MR. WEINBERGER:

Well, that would be a most unfortunate thing for the citizens of the state and the nation and the city. But there are other institutions that are in that perilous spot. And I don't think that there's any solution for them, their future

or the future of the cause of education in this country if the federal government comes in and takes them over. Because one of the things I have tried to do throughout the entire tenure of my federal service is to prevent the federal government getting into the situation that New York City finds itself in today.

MR. CARSEY:

Thank you.

MR. BAROODY:

We're technically out of time for this session, but since the Secretary did take a few more minutes in describing the program, I will extend the question period for a few more minutes. We may be able to get two or three more questions in if they are relatively brief and if the answers are relatively brief.

(Laughter.)

MR. WEINBERGER:

I was going to say that's really the whole trouble here, and it's also an extremely courteous way of saying I talked much too long in my opening remarks.

(Laughter.)

Yes, sir.

MR. THOMPSON:

I'm George Thompson. I'm Chairman of the Citizen's Participation Committee of OKI, and I am a trustee of OKI, and I am an employee of the General Electric Company.

My question is complicated, and I hope there is a simple answer. I would like to know why parents who are requesting student aid have to repeatedly, and I don't mean yearly, I mean within biyearly, triyearly, quadyearly, submit applications for student aid to the same agency, knowing full well that once they have been refused that they will be refused every time after that. And I'd like to know why student aid is based on need only. You're disallowing the scholars in this country, the kids who have really worked hard to gain a position of prominence in getting their education and are truly scholars, and you are determining all the student aid on purely need.

MR. WEINBERGER:

Well, let me give you as short an answer as I can. It's based on purely need because that's what the statutes say we have to administer. We have recommended and are recommending that these broader ideas of access and choice and quality also underlie the allocation of student aid, and we are taking up recommendations for those specific kinds of changes. And I think it's very important to do that because while I think need is an extremely essential part of the equation, I agree with you that we should also encourage students of other families, and I also agree that traditional means of measuring need when you are

faced with the cost of higher education today do not bring you out with a very realistic result. If family planning has been such that there are three or four children all going to college at the same time, then you have even with a very substantial income a very real difficulty of assisting your children to get through college. And you should not have that kind of difficulty.

So we are trying to broaden the program, not by hurting the needy, but by broadening it's reach so that it will take into account these other matters.

On the other side of your question, the first one which is somewhat more detailed and easily understood aggravation, basically the reason why so many different applications for student aid are needed from time to time is because we are still fortunately a highly upward, mobile society, and people's income at the time they fill out an application is the important factor. And consequently your income becomes important at each time the application is filled out, to see if there's any change in that that either qualifies you or disqualifies you or your son, your children, for student aid.

But if we can broaden the program like we would like to do and get these other factors into it, then, while we might require a constant reexamination of your income, which is an irritation, I know, we might be able to have a better result in having more people eligible.

MR. THOMPSON:

Well, most of the requirements for a need were established 10 or 15 or maybe 20 years ago, and they haven't been updated as the progress of the economy changed.

MR. WEINBERGER:

That's exactly right.

MR. THOMPSON:

And that's my most significant point.

Thank you very much, Mr. Secretary.

MR. SHOEMAKER:

Mr. Secretary, I'm sure others would join with me in our compliments to you and to the President for establishing this type of a meeting, the chance for a person like myself and others to make comments. I appreciate it.

MR. WEINBERGER:

It's very helpful for us, too.

MR. SHOEMAKER:

Well, you mentioned earlier, and I, coming from Columbus, I got in a little bit late, my name is Byrl Shoemaker; I'm director of vocational education in the State of Ohio and perhaps the most fortunate state director in the nation. Because you made the point you are in an area of innovation in

vocational education, and it essentially applies to the whole state. You made a point of the importance of relevance in education. You made a point in terms of the interest of education, relating to industry and business. It is clear, also, that only about 10 out of 100 jobs in this nation require a professional degree. Only about five out of a hundred are for the unskilled. This points up clearly that any evidence -- effort towards relevance will have to take into consideration a very broad effort in vocational and technical education. Within two years there will be 40 percent of the high school youths enrolled in job training, vocational education throughout the state. In a city such as Cincinnati, and the superintendent is here, there will be over 50 percent.

My question, now, sir, I have read information about your meeting on education and work task force; I've read some of the preliminary materials coming from that task force; I read the President's speech at Ohio State. All of them, the speech at Ohio State and the need for relevance speak to the area of preparation for work, whether that be at vocational, technical or professional levels, in the initial materials coming out, you know, just roughly. And my point is these are initial materials of your discussions on the education work task force. I find little in the initial materials which deal with the issue of preparation for work, not learning -- and you know in Ohio we believe in the area of career education, of education for choice. But my plea or question is, is adequate attention being given by this policy group that you're speaking of relative to the importance of a thrust at the high school and post-high school level in areas of vocational and technical education?

MR. WEINBERGER:

Yes, I think it is. I think it is a very important part of the whole process. And it's easy to be, not misled, but to get an incomplete impression when you rely only on incomplete or preliminary staff recommendations and not on the full, final product. I think what you saw were things that were addressing other parts of the problem.

But one of the things I also mentioned in the talk a few moments ago was our desire to amend the Vocational Education Act, which expires this year, and which gives us an opportunity to put some changes in it. And one of the amendments that we're most interested in is an amendment which would free the program from many of its categorical boundary lines and give funds to states, such as Ohio, which knows what it wants to do and is doing it very well, to have federal funding that enables it to do that without regard to filling out forms and complying with federal requirements for narrow boundary lines. And that will require an amendment of the law. And the Congress is notably reluctant to change any of the existing categories or categorical boundaries, but certainly preparation for work and to my mind even more important, allowing states to have the funding and the ability to develop programs that they think are important. And obviously Ohio thinks this one is important, is the proper role for the federal government.

And so far one of the principal frustrations we have is our inability to persuade the Congress that they should do away with

some of these programs that were started, as the gentleman here said a moment ago, 10 or 15 or 20 years ago, with different conditions, and let the states and the school districts pursue their own very well developed sense of priorities. It's a matter of trusting the state and local governments, which we want very much to do. It's a matter of trusting the people when we speak about putting the decision process in the hands of the student and letting him or her pick the college of their choice as opposed to the idea that's very prevalent in Washington a few years ago and unfortunately still is, that the seat of all wisdom is on the Potomac, and that's where all the decisions should be made because nobody else really is capable of deciding. So that's what we're trying to fight, is that kind of a trend. But we will come out at the point where you want us to if we can succeed with that.

MR. SHOEMAKER:

If I could ask one second question --

MR. BAROODY:

If I could interrupt, could you submit that one and all those others. We are totally out of time. I would like to give one more question to one other individual. And all of you who are standing, left at the mikes, we have sheets in the kits, and we would welcome you to state your question in writing, and we will get back to you directly with answers. And I apologize for this.

Let's take one final question over here.

MS. LAZARUS:

My name is Irma Lazarus. I'm Chairman of the Ohio Art Council.

It is my dedicated belief that probably there is no greater way of breaking down cultural barriers than by a strong appreciation of the arts, particularly at the young level. Is your department considering anything to increase greater understanding of the arts among young people in the school systems?

MR. WEINBERGER:

Indeed we are. And I can answer that question very briefly, which I know Bill wants me to, by just saying yes.

We have particularly a program that is of great interest to me, because I happen also to be a trustee of the Kennedy Center, is a program called the Appreciation of Arts in Education. And it is designed to encourage the development in each state, and we have 50-state participation now, of courses in the arts and art appreciation throughout the schools of the nation. And I agree with you fully. It is a critically important part of the educational process. And that's why I'm so anxious that when we talk about career education and vocational education people do not believe that all we're talking about is training for specific occupations, that we are also training for these higher values, these cultural, artistic

values which you start learning only in school, and if you learn them properly can give you and everybody else enormous pleasure for the rest of your generation.

MS..LAZARUS:

Thank you.

MR. WEINBERG:

Thank you.

(Applause.)

MR. KINNEY:

Could I ask your consideration, due to the fact I have already filled out my sheet, and it was directed towards something else; I just have one question to ask of --

MR. BARODY:

Could I have you meet with him right after? He's got to go. We're running 10 minutes behind, and we're not going to get through the rest of the program --

MR. KINNEY:

It's very brief and short.

MR. BARODY:

State it.

MR. KINNEY:

Okay. My name is Sherman Kinney. I work for the City of Cincinnati, Manpower Services. I'm the father of eight children, so it's not about abortion.

(Laughter.)

MR. KINNEY:

I want to know what is your consideration of assistance to parochial school aid in the area of assistance in textbooks and audio-visual equipment and things of this nature.

MR. BARODY:

You want to take 30 seconds?

MR. WEINBERGER:

Thirty seconds is all I'm allowed.

Quickly, the answer is I wish we could do a lot more than the courts allow us to do, because I think we should have a very broadly based, diverse educational system. The court rules are rigid and getting more and more rigid, and they are giving their



interpretation as they see it of the constitution. But I would like to be able to assist in ways in which we assist other educational establishments, all educational institutions, obviously not to foster any particular religion, but to provide a diversity of education for our thousands of children. And if we don't do it through those systems, we're going to have to do a lot more funding and a lot more intervention in the public school system. So what we do is what we can do. We're limited by the court decisions.

MR. BAROODY:

Thank you very much, Cap.

(Applause.)

MR. BAROODY:

As I indicated before, I'm going to be a lot tougher than I have been in the last 10 minutes as we move through the program, because we do have a deadline at the other end. We are now running about 11 minutes late.

I would like to declare a seven or eight-minute break. I would like to reconvene and be underway in about 10 minutes, which would be about 10:20, 10:22, when Bill Seidman will join us and discuss the economy.

Thank you very much.

(INTERMISSION)

MR. BAROODY:

Will you take your seats? Please take your seats, ladies and gentlemen. We're ready to begin the second session of this morning's conference.

Before presenting our next speaker let me point out to you that right next to the registration desks in the lobby is a bulletin board and we are posting messages that some of you are receiving. There are quite a number up there, so I suggest at the next intermission you may want to wander by the bulletin board, which is next to the registration desks.

We know, of course, and we found out in discussing potential agenda with the cosponsoring organizations at earlier meetings, that there is a great deal of interest here in the Ohio River Valley area, as well as throughout the country, on the state of the economy. We also know that there is great concern about future growth of the business sector.

We have with us today to discuss these issues and to take your questions, Mr. L. William Seidman, Assistant to the President of the United States for Economic Affairs. Mr. Seidman has occupied his present position, as well as that of Executive Director of the President's Economic Policy Board, and is also a member of the Energy Resources council since September 28, 1974. Prior to these appointments, Mr. Seidman was Assistant to the Vice-President for administration in the office of then Vice-President, Gerald R. Ford.

Before entering government service, he was national managing partner of Seidman & Seidman, Certified Public Accountants in Grand Rapids, Michigan. From 1963 to 1968 he was Special Assistant on Financial Affairs to the Governor of Michigan, and also a member of the Federal Reserve Bank of Chicago, Detroit Branch, and its chairman in 1970.

Mr. Seidman was born in 1921 in Grand Rapids, Michigan. He received his undergraduate degree from Dartmouth, and his law degree in 1948 from Harvard Law School. He received an M.B.A. degree from the University of Michigan in 1949. He served in the United States Naval Reserve as a lieutenant from 1942 to 1946.

It is a great pleasure for me now to present to you the Assistant to the President, Bill Seidman.

(Applause.)

MR. SEIDMAN:

Thank you very much. It is a pleasure to be here today, and I would like to abbreviate my remarks so that we can have time for an exchange, which hopefully I can answer your questions and also hear some of your views.

I would like to start by just running through some of the economic statistics, which we present to the President every week to give him a rundown on where the economy is. I must say that at this point I'm much more pleased to be able to discuss those with you than I would have been back about February. At that time things were so bad, actually, that we slipped into the President's list a little note to the effect that things were so tough in New Jersey that the Mafia had to lay off six judges.

(Laughter.)

MR. SEIDMAN:

He caught that. He suggested that New Jersey voted and I had better withdraw that, so I will. Actually, all of the economic statistics are better.

Going right down the line, I think perhaps the best way to look at it for just a short look-in is to go back to the summit conference that we had in October of 1974, when over 800 of the nation's best in the economic field came together to talk about the great problems we had at that time, which was inflation, and that included academic economists, business people, labor people, the consumer groups, and others. And while they were sitting there discussing the economy, underneath their chairs were building up the greatest inventory accumulation in the history of the United States, and with all of the information and all of the computers and all of the brains that we had there, no one really put their finger on what was happening and the extent to which it was happening, and that was a fantastic inventory increase caused pretty much by inflation. Inflation makes it better to buy now rather than later because the price will be higher later, so business was full length at trying

to accumulate inventories before the price went up and to get by the many shortages that the overheated economy brought in. And so we had a scramble by businessmen. My father used to tell me that you could never tell what the businessmen will do in this country, but you can almost be sure that they will try to do it all at once, and that is exactly what was taking place.

Now, on the other side, however, the consumer, and I suppose I don't need to tell any of you that, was being rapidly squeezed out of the market by the inflation, which was simply reducing his ability to buy. So on one hand we had the producers piling up, and on the other hand the consumer backing away. About December it became very clear that we had a huge inventory accumulation, and then to get rid of that, you can't cut back production to what people are buying, you have to cut way below in order to be able to use up that inventory, and that is what took place during the first part of this year, and caused the sharpest recession since the 1930's.

And I think it is clear now that this inventory liquidation is coming to an end, although it is not totally completed, and it is certainly clear that the inflation rate from the rate well over 12 percent is now under 6 percent, and these are the basic encouraging signs.

Now, all is not well. We know that unemployment is far too high and there will be a new unemployment figure, actually it's out right now, and I think Secretary Dunlop will be talking about that at lunch. But even though it is far too high, the important thing is to start turning it around and going in the other direction, and while that is the last indicator to move, we hope that even there we will see some improvement in the not too distant future.

There are many other kinds of statistics I can give you which come off the sheet. Housing starts are up 14 percent in April. You may have seen this morning automobile sales are up 8 percent, and durable goods are up, and those are one of the key things. In fact, it's pretty hard to look around among any of the indicators now, and rather than go over them all, they aren't saying, yes, we are at the bottom and we are going to turn back up.

That question then becomes, well, two things: What if it doesn't turn up, supposing your indicators are wrong, and since you had the clouded crystal ball with you at that convention in October, you know one thing that really did for us, that meeting, and that was that there isn't a single major economist in the country that can say, "I told you so," because we got them all on the record and they were all wrong. And therefore, at least --

(Laughter.)

MR. SEIDMAN:

So in any economic prediction, we do not, we don't, no one can guarantee it, and we have to look at the economy as the President looks at the economy and makes his decision based on

these facts as they come in to him on a daily basis. And he has said that if in fact the economy has not turned and moved away, it's pretty uniformly been predicted that then we will have to take action to stimulate the economy, and it will be up to what actually happens to determine what the course should be. But the great likelihood is that the economy will move up and that it will move up at a good pace. And the question and the problem becomes how do we bring ourselves out of this kind of an economic difficulty we've had in a way that we can have a longer term, prosperous economy rather than the roller coaster that we've been on in recent years. And I would just like to give you for a few moments the kind of five key areas that we think are important to have an economic recovery with real growth and without inflation and another session of what we've just been through.

I think Lord Keynes is often blamed for all of our economic troubles these days. But shortly before he passed away, he made the following statement, having observed how some of the theories were being used. He said about inflation, "There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency." That's really English, isn't it; I like that. "The process engages all of the hidden forces of economic law on the side of destruction, and it does it in a manner which not one man in a million is able to diagnose."

So there is probably the key economist of the last century, and putting his finger on the fact that inflation is the great peril to our economic system.

We believe that recovery depends on five things:

And the first is the steady-as-you-go economic policy.

The second is fiscal restraint in government spending.

The third is increased job creation through additional capital investment.

The fourth is reforming our regulatory policies, which are tying up our ability to produce.

And the fifth is the implementation of a program for long-range energy independence.

Those are the five key fundamentals that we believe will be necessary to bring us a steady improvement in our economic well-being. Now those kinds of words, moderation, restraint, jobs, implementation of an energy program, they are not new, great discoveries. As a matter of fact, most of them are the kinds of things that you might call old virtues, you know, steady-as-you-go instead of a wild, stop-and-go process and so forth. And as we go through, we talk just a little bit about each of them, I think you will see that there is no mystery concerned with them. It's a question of whether we have within our system the ability to get done what we really know ought to be done.

One of the most difficult things, I think, for us as Americans is to accept a moderate approach. We want action now and often without regard to long-term effects. And this

stop-and-go economic activity at the government level has been one of the great problems in trying to have sustained recovery.

After moderation we get the fiscal restraint in spending. I'm sure you will hear a great deal more about that from Jim Lynn, who has the battle on his hands as Director of the Office of Management and Budget. But it is obviously key to coming out of the current economic difficulties without another inflation, and somehow or other in the political world, we cannot, we have great difficulty in finding a way to restrain ourselves from trying to give ourselves more than we really have.

It really reminds me of one of the tales around Washington of the politician who had a speech writer and the speech writer thought that he was pretty good and he asked for a raise, and the politician said, "We don't have any raises around here, we're fighting inflation."

So when he started on his next speech, he went down and the speech said that they were going to increase Social Security payments, they were going to exempt all income under \$10,000, they were going to increase food stamps, and they were going to do all of this with a balanced budget. And he turned the page and there was nothing on it except a little note from his friend which said, "Now, you S.O.B., you're on your own."

(Laughter.)

MR. SEIDMAN:

Well, that is funny in a way, but it has a ring of truth to it, unfortunately, in terms of the political process.

I would like to quote to you I think a sobering thought that was written exactly 200 years ago by a British historian, Alexander Tyler. He said, "A democracy cannot exist as a permanent form of government. It can only exist until the voters discover that they can vote themselves largest from the public treasury. From that moment on the majority always votes for the candidates promising the most benefits from the public treasury, with the result that a democracy always collapses over loose fiscal policy, always followed by a dictatorship. The average age of the world's greatest civilizations has been 200 years." We shall have to prove that the good professor was wrong.

And I think you will hear a great deal more from Jim Lynn with regard to how the battle for control of our finances must be achieved. I would only say that when you borrow money, when the government borrows money, it has to handle that debt some way. It can repudiate it, it can raise taxes to pay for it, or it can cover it by inflation. Obviously, increasing debt brings with it the great danger of inflation.

Now, the third important basic to economic recovery is the accumulation of capital. To have jobs, business has to have money to create places for people to work and machines for them to work with. We estimate that we will need to create almost 10 million new jobs by 1980 in order to have people at work. And to do that the current cost is something around \$40,000 per job, so there is a tremendously important need for

business to be prosperous, for profits, because profits are the largest source of our capital accumulation.

And another part of that is to find a way to broaden the ownership of capital, to make more people in our country capitalists and more people interested in seeing that our system does provide the jobs through the capitalistic system. And we will be hearing more from the administration in both of those areas.

But the third important step to be taken is to find a way to increase capital. At the present time our capital accumulation is the lowest of all of the free nations, and obviously we need to change that trend and change that direction if we are going to have the jobs that we want.

The fourth area is regulation. We have over the years accumulated huge amounts of government regulation at all levels. And it's basically of two types. One is to provide a way to set the price when there is no competition, and the other is to protect safety, health, welfare, environment, or some other social good. And it's very clear that we have not in many cases really weighed on the competitive side whether we could have more competition and less regulation, and on the safety, wealth, health and welfare side, we have in many cases not evaluated what the cost was to society of the kind of regulation that we are putting in. We saw the benefit, and there obviously could be a benefit, but what was the cost? We need to take a whole new look at that area, because if there's anything clear now, it is that many types of regulation are costing us jobs and lots of jobs. So I think that a review of the whole regulatory area is essential to a sound economic recovery.

And finally I would just mention the energy situation. For years we have been, for the last seven or eight years, we have been losing our energy independence and becoming more and more dependent on foreign oil. And at this point some 65 percent of the oil import is coming from OPEC nations, and that source is uncertain, both as to its availability and to its price. And energy is not only a national security issue, it's an economic issue. Until this country knows what its basic source of energy is and how it's going to be priced, it has a great contingency and question mark in its economic recovery. And Frank Zarb will be with you today, and I'm sure that he will talk with you about the energy program. But from my point of view, I only want to emphasize that energy is in fact a key economic issue, as well as being a national security issue.

So, if I can review for just a moment, it seems clear to us that the indicators show that the economy is at the bottom, that the recession has hit its bottom, and now we look for it to turn back up and for us to be growing at a six to seven percent rate by the end of this year. That we want to have that growth in a way that we can have a long-term, real prosperity, and that depends on really, we think, five things, a steady-as-you-go economic policy, a fiscal policy which restrains spending to that that we can pay for, the accumulation of capital to provide new jobs, the reform of the regulatory

agency, and a long-term program for energy independence.

Now it's sometimes said that we come to these meetings to sell you on something. That really isn't the purpose. We are not in the hard sell. But I remember the story of the guy who had a clothing store, and he got a new clerk and he wanted to try him out. And he said, "I'm going out to lunch, and that suit that's been on the rack for four years, with all of the dust on the top, I want that sold by the time I come back."

When he came back, sure enough the suit was gone. The salesman didn't look too good, and he said, "Well, gee, congratulations. Did the customer give you any trouble on that?"

And he said, "No, but his seeing eye dog gave me hell."

(Laughter.)

Well, in any event, I'm not trying to sell you this. I'm merely trying to tell you our thinking, and I welcome having a chance to discuss it with you.

Thank you very much.

MR. BAROODY:

Thank you very much, Bill.

I would ask you now to go to the microphones, and remind you that we would appreciate it if you would state your name and the organization you are affiliated with. We will go to the left here, sir.

MS. POWELL:

My name is Levata Powell, and I am a private citizen.

Mr. Seidman, you carefully described some of the, what I consider more classical approaches to economic recovery, and I don't quarrel with these. But with unemployment soaring more than nine percent, many common folks see the economy recovering when they can find work again, and they will not feel that it has recovered until they do find jobs.

My question is that since the President vetoed a public employment bill, how do you rationalize this, and what reasons, I mean substantial reasons, that you can give that such a bill could be vetoed with unemployment so high and these people who are presently unemployed are really in the middle of the depression.

MR. SEIDMAN:

First, I agree with you, and we will not have recovery until people are, those people who want to work are back to work, and I don't think we have said that, and we certainly wouldn't want anybody to think that. The question is, how do we get the most people back to work in the best way so that we don't end up with another recession that's even worse than this one?



Now, the real way to do that, we believe, is to have the private sector hiring rather than the government, rather than to make work for them. Now, we believe in income support, and we have extended unemployment insurance and done a lot of other things, and we know, unfortunately, that an economic recession of the type we had hits some people a lot harder than others. It isn't fair, but that is in fact the way it is, and no one has suggested how it's not tougher on the person who's unemployed than the one who is employed.

Now, to get specifically to that bill, the bill contains public service jobs and summer jobs, which the President asked for. It also contains about \$3 billion worth of asking every department in government what they would like to spend some money on if they had some money to spend, and they all lumped that all in one bunch and stuck it on with the necessary summer jobs. The veto was sustained, the bill came back with the real jobs that were really needed, and it was passed, and those jobs are now being given out.

Now, why fight for the budget? Because to the extent that the deficit becomes unmanageable in the private markets, it will take away money from the capital that we need to create the real jobs, which is our real objective.

So, believe me, we agree with you, that we have to correct unemployment, and we have to help the people who are unemployed. The question is what's the best method, and we think that that veto and the fact that the bill came back with a reasonable provision and something was accomplished is, under these circumstances, the way we ought to perform to protect the long-range good of the economy.

(Applause.)

MR. WESTMORELAND:

I'm Carl Westmoreland and I'm here as a private citizen.

And I'm echoing the same concern that Mr. Powell had, and I heard your answer. The problem is that in my neighborhood 40 percent of the young men are unemployed, according to the statistics that the government maintains. In a society where work is God and where we've been raised to believe that, and in a society where we're more and more concerned about law and order, I find it very inconsistent, and I'm having trouble understanding the concern about a balanced budget when we have men who cannot earn a living being men. And I would want you to not only to respond to that, but to pass on to the powers that be that we can't have law and order, we can't have people who will not depend on welfare, we can't have men who will be men if we don't give them the opportunity, sir.

MR. SEIDMAN:

Well, I'd like to respond to that by saying first the President is aware of the kind of problem that you describe and the kind of hardship that it brings and that we need to do something about it. And there are a number of things, as you know, being done in the CETA program, in the CETA training



program, in the summer jobs program. I think you would not want to give the impression that the government is not doing anything in that area.

But what do those people really want? I think they really want good jobs in private industry, and that is what we're trying to create for them. And to do that government, too, has its limits, and so maybe there should be some other things done there. We'd be glad to have your suggestions in that regard.

But one thing we know for sure, if we do the kinds of things that keep private industry from hiring people, in the long run it will be bad for your people.

MR. VAN KIRK:

Mr. Seidman, I'm John Van Kirk. I'd like to speak in behalf of the Cincinnati Institute for Small Enterprise.

I'd like to relate specifically to point three, and that is the increase in jobs through capital formation.

During a recent trip to Washington, discussing that problem with congressional people, recent chat with Mr. Tom Kleppe, head of the SBA, recent chat with Mr. Kindness, who sits on the Small Business Committee, everybody seems to agree that small business provides 52 percent of the jobs in the United States. Everybody seems to agree that what takes \$40,000 to create a job, as you indicated, for big business, it only takes \$4,000 to create a job in a small business; it's axiomatic that small businesses are labor intensive and big businesses are capital intensive.

The frustration is that Mr. Ullman and his committee, the Small Business Committee, and all of the other committees, seem to be unresponsive to providing that capital for small business. The equity markets are not there. As a CPA you know they're the source of retained earnings. They won't support that growth. The other, the forced debts, then, in the case of most small business people is a 90-day note. Banks are not in the long-term capital markets. They don't want to be there, and they probably don't belong there.

I guess my question is, what sort of institutional changes do you see that might be made to provide the source of capital needs that small businesses need to grow and provide the sort of employment that's needed in this country today?

MR. SEIDMAN:

I think you raise a very important point, and it is one that we have heard a lot about from your contemporaries and others, and it certainly will be a part of the total job creation program.

Now, there are a great many ways that that can be done. The tax system, obviously, is one, where tax changes can be made that will provide both increased incentives to invest and increased dollars after tax for investment by the corporations.

The broadening of ownership and finding more investors is another. We would be pleased to have any and all of the

suggestions that you have on specifics, but we certainly have that in mind, and when the everall program in that area is presented, I'm sure that it will consider small businesses as a part of the total picture.

MR. BAROODY:

Yes, sir.

MR. RHODES:

W. Emerson Rhodes, Board of Trustees, Delhi Township, Hamilton County.

Two weeks ago on Meet the Press, the noted economist, Frederick von Hayek, said that the only way to preserve the capitalistic system, and he's speaking from the vantage point of Great Britain, where he now lives, is to turn off the printing presses.

I'd like you to amplify your remarks a little bit. You're talking about coming out of a recession, and yet given the magnitude of the debt that's projected for this year alone, I don't see how you can possibly turn off the printing presses, and I don't see how you can possibly stop the continued deterioration of the dollar, not only on the international market but the value of the dollar to the people who have to live on fixed income. How do you propose to stop the inflationary spiral?

MR. SEIDMAN:

The principal basis for stopping the inflationary spiral is to get the government back into a position where it has a balanced budget or a budget in surplus. That is, as your friend Mr. von Hayek said, is the answer.

Now, we have to live with the world as it is. The deficit that the President proposed at 60 billion, about 50 of that was the cost of the economic recession. In other words, just roughly half of it was lost taxes because of economic slowdowns, and the other 25 or so was increased cost for unemployment payments, welfare, and the like.

So if we move back to an economy that is operating at the level that it should be, we will be then with normal growth in a position where we can get to that balanced budget. Now, we haven't had a balanced budget but twice in the last 15 years, and that moves it over into the political problem. That's where I think everybody in this country might read Professor Tyler's comment and keep it in mind as we look towards the next hundred years of our country.

MR. LINKOUS:

My name is Donald Linkous. I'm a trustee of OKI, and from Parma Township, Butler County, and I have a question.

It would appear to many of us that really the federal bureaucracy is strangling state and local government and the

private sector and interfering in many of our lives by unnecessary red tape and unrealistic regulations. What is the administration's position on this?

MR. SEIDMAN:

Well, I think the basic position of your statement would be amen. I mean, we think, just as you think, that there are tremendous areas where regulation has become a real deterrent, not only to economic activity, but to personal freedom, and to free enterprise.

I want to make it clear that there are, we all know that there have to be regulations. There are areas that can only be handled by regulation and some that can only be handled at the federal level. But the President put in, right after the economic summit conference, what we called an Inflation Impact Statement for the part that he can control, the executive branch, which requires those people who put out new regulations to evaluate what the benefit is and what the cost is, and before there is a judgment on that total picture, the regulation cannot be put in force. And that is just being fully implemented now, but I think that would be at least a step to meet the kind of problem you're talking about.

MR. LINKOUS:

As just one small example, which is on record, in Butler County, there's been a safety problem on the road, and it's taken over 10 years to try to get through the red tape, and every time they meet all the qualifications, some kind of a new regulation would pop up and we'd have to start all over again, and I refer you to the Butler County Engineer. He's lived through this.

MR. SEIDMAN:

I'm sure it's true. The president of my good college, Dartmouth, came to see me the other day because the IRS had been in and told him that he was going to lose his tax exemption unless he kept the records of all of the people that were turned down for admission, and HEW had been on the campus at the same time saying he had to destroy those records in order not to keep personal records or he couldn't get any federal grants, and he wanted to know whether or not we could get those two fellows together.

(Laughter.)

UNIDENTIFIED PARTY:

Mr. Seidman, I have a question. Right now I think the federal government mandates the level of unemployment compensation.

MR. BAROODY:

Could you identify yourself, please?

MR. HUFFORD:

Yes. Donald Hufford, General Clay Products Corporation, a small business.

They also have public jobs, and in addition to that, the small businessman also pays the normal state taxes, franchise taxes, real estate taxes, and numerous taxes.

On the spending side, we have Social Security payments going up. We have all of the other side that comes along with that.

Additionally, the federal government in 1974 passed a law whereby all of the, any estimated taxes, in other words, any income that was made in 1974, year 1975 taxes, which had to be prepaid, were based on that, at a time when we need to have those dollars available for capital expenditure.

Now, is the federal government going to continue to try to solve the problem in terms of giving cash benefits to people, or are we going to get some help for business so we can create jobs?

(Applause.)

MR. SEIDMAN:

I was up in Boston, you know, the other day where they fought that famous battle because they were being taxed without representation, and they made the remark, "Look at what we've got with representation."

(Laughter.)

MR. SEIDMAN:

That's where that battle's going to be fought, right there on congressional hill. Certainly the tax reform program with which the administration will be presented within the next month will address itself to that point.

I think, again, however, you have to realize in the urbanized type of society that we have, the government has has great obligations and there will be taxes. The important thing is to hold them to the absolute minimum and to have them act in a way that will in fact create growth and productivity and jobs.

MR. HUFFORD:

I would like you to relate to them, then, that small business and individuals that are in need would contribute to that capital cannot continue for very much longer to pay the number of taxes they're paying and create jobs for people who supposedly want to work. The unemployment level in this state right now, we had a man apply to our plant, and he was getting \$119 a month tax free. And he wanted -- I'm sorry, a week, you're correct, one week, and he wanted to make sure that we could at least do better than that. He didn't come to work for us because of the level of unemployment compensation. So when

we talk about it, I think you should look at the full picture. Thank you.

MR. SEIDMAN:

I couldn't agree with you more.

(Applause.)

MR. BAROODY:

We just have a few minutes left of questions. May I ask, because of the tightness of the schedule, and in fairness to everyone who wants to ask a question, that you keep the questions as brief as possible and one question per customer.

MRS. STEVENS:

Mrs. Herbert Stevens, Ohio Federation of Women's Clubs.

Many states, including Ohio and Colorado, which you know is close to the President's heart, have large areas at which the economy of that particular area is based on recreation. We have the lake areas and state parks in Ohio, and, of course, the ski resort areas in the mountain states.

In the light of increased cost of fuel, both for transportation and heating, and possible rationing of such fuel, what has been planned to help the economy of these areas and of the people who own and operate the recreational facilities?

MR. SEIDMAN:

First I'd like to make the point the President is from Michigan.

MRS. STEVENS:

I know that. I am also from Michigan.

MR. SEIDMAN:

So am I, but I had to make that point.

Well then, clearly the costs which are hurting the recreation industry are energy costs, which are basically what OPEC oil has done for us. Until we get an energy program which will address itself to that problem and develop our own energy resources, we are going to suffer from high costs in getting to vacationland.

One of the things, however, it seems to me, in our reports is that by and large most of those places have been doing very well recently.

UNIDENTIFIED PARTY:

Mr. Seidman, first of all I'd just like to say that on my own behalf that I think you and the administration are showing a tremendous amount of guts during a time that's really fraught with political disaster.

(Applause.)

MR. BAROODY:

Would you identify yourself?

MR. LANG:

Yes, my name is Bob Lang, and I represent Cantina Corporation in the State of Ohio. And I'd like to know specifically what indicators do you have that would indicate that Congress and the Senate in fact will exercise physical restraint and that regulatory excesses will in fact be responsibly handled?

MR. SEIDMAN:

Well, as far as -- I think you probably meant fiscal restraint, I guess, didn't you?

MR. LANG:

Yes.

MR. SEIDMAN:

Because we sometimes think that physical restraint might be the only way to handle it.

(Laughter.)

MR. SEIDMAN:

Or physical presence outside of Washington, one way or another.

But, well, we just, the first thing, what Congress does is determined by what you good people tell your congressmen you want them to do. I think that there are --

UNIDENTIFIED PARTY:

Not really so.

MR. SEIDMAN:

Well, it ought to be. I mean you'd be surprised, maybe.

In any event, it has to, we believe that we see an increasing realization and interest among people in all areas and at all levels in fiscally sound policies, and I would just point out that over this period, the President has had the courage to veto bills with nice names like housing and jobs and

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farm and veterans and railroad retirement. And that should be a list for political suicide. But as a matter of fact, I don't believe it is, and I think it does show a responsiveness. I think people really feel that we can in fact go broke like New York City did. So there is hope and it's a matter of battling it out for what we think is the right position.

MR. BAROODY:

Yes, ma'am.

MS. MALLOTT:

Mrs. Jane Mallott. I'm associated with the Ohio Federation of Women's Clubs, and my question is, I would like to know why supply and demand control prices leveled on perishable food, especially meat. Having had stable meat prices this past year, why was the new policy of grading meat publicized so early that the cattle feeders gave the cattle feeders a chance to hold back livestock to raise the prices on choice cattle that were ready for market six to eight weeks ago, causing losses to the consumer because of extra fat and trimming off?

MR. SEIDMAN:

Well, that's a tough thing to answer within the time we have, and I would really like to have kind of a debate with you on that because the question revolves around the new grading standards for beef. And what was done there was to lower the amount of fat that had to be on meat in order to have it graded. They lowered all the classes down, which in essence meant that instead of fattening cattle to the extent that they can't stand up, and shipping them to you to clog your veins with cholesterol and have you cut off the fat and throw it away, we feel a little less wasteful and maybe sell that grain to Europe. And surprisingly enough, the consumers groups, of all people, went through the roof on this because they believed, and I think wrongly, that you would still pay the same price even though the animal had been fed less corn. But if everybody fed to that level, it was our belief that the meat would be less expensive because it would cost less, and that's a very competitive market, and therefore you would have healthier food at a lower price. And despite our good intentions and despite the fact that we expected to be embraced by all the consumers and ladies' groups, it hasn't turned out that way.

MS. MALLOTT:

Thank you.

(Applause.)

MR. CRAYCRAFT:

My name's Joe Craycraft, from the University of Cincinnati.

You have quoted something about printing presses with respect to inflation. You talk in terms of your policy statements concerning fiscal restraint, balanced budget. In

response to some questions you also reiterated that point.

What about the monetary side? What do you hear from Arthur these days? What can we expect in terms of monetary policy for the next year?

MR. SEIDMAN:

Well, Arthur has made two very important -- that's Arthur Burns, in case anybody in the United States doesn't know who Arthur is, and he's the Chairman of the Federal Reserve Bank, and he has made out the Federal Reserve policy as a growth rate of five to seven and a half percent over the next year, which we believe is sound. He has also said that they have a long-standing policy of insuring that there are no financial crunches which the Fed can act to prevent. And really his policy is very much a part of the initial policy that I suggested, which was that instead of a stop-and-go, big money growth, no money growth, and the same way, we need a steady-as-you-go type of thing and have a sound recovery, and monetary policy is important to that.

MR. BAROODY:

Yes, sir.

MR. GRAHAM:

Tecumseh Graham, clergyman.

I noticed in the five points you covered, in terms of long-range planning, you did not mention the expenditure for military needs of our government, which is a large part of a balanced budget. Would you address yourself to that, please, sir?

MR. SEIDMAN:

Yes. We believe that the greatest force for peace in the world is a strong military establishment. Over the last 10 years, the military has gone from about 50 percent of our budget down to 25 percent, and transfer payments have gone from about 20 percent up to 50 percent. So the basic growth in federal budget has been in social payments, transfer payments, however you want to put them. And the basic shrinkage has been in the military area. And we believe that the prime duty of this government is to protect us in the international field, if that takes a strong military force.

(Applause.)

MR. KRAL:

Mr. Seidman, I'm George Kral, consulting engineer with KZF here in Cincinnati.

Is it really possible to have a sound economy if we restrain, hamper, or even stop the builders of the country, those who produce goods, and the creative people, and instead continue to increase the paper shufflers, the bureaucrats, the subsidized unemployed, the do-gooders and the spoilers? Is it really possible? Haven't we about come to the point where we cannot

maintain a balanced economy with the kind of division that we now have in that regard?

MR. SEIDMAN:

I think it's possible to win the battle. The kinds of things you talk about are certainly problems. I think the President has taken the lead in almost every one of those areas, to start moving in the right direction. He said in his State of the Union Speech, he enumerated a number of things, just like you did, where we're going in the wrong direction, and he said the important thing in this year for our administration is to change the direction, and he started to do that in a great number of those areas.

MR. BAROODY:

This will be the final question.

MR. REESE:

Mr. Secretary, my name is Steve Reese.

It has been noted in the press, in order to cool inflation, that the administration has deliberately set a so-called acceptable level of unemployment. Assuming that this is true, what is the administration's acceptable level of unemployment and what percentage of the acceptable level does the poor people of this country have to play?

MR. SEIDMAN:

We have not set an acceptable level of unemployment except to set the goal that people who want jobs can find jobs. What we have said is that our best prediction of where we'll be over the next two years shows that unemployment will be higher than we want it. But neither we nor anyone else in the economic field that I know has made a prediction that unemployment, let's say, can be under seven percent by the end of this year. There just is no way. So what we have done is to try, and the President has directed us to tell it like it is. That doesn't mean we like it, but we would be raising expectations that could not be achieved if we put out the kinds of numbers that we would like to see and that other people would like to see.

Thank you very much.

(Applause.)

MR. BAROODY:

Thank you very much, Bill Seidman.

This concludes the morning part of the program. I do have a couple of important announcements with respect to the lunch hour. At 11:40, it is now approaching 11:15, at 11:40 we will start serving lunch in the South Hall, which is across the entrance foyer where you came in, directly opposite this room, and adjacent to where we will be having the reception preceding lunch. Each individual attending the luncheon will need a luncheon ticket, which was in your registration packet, attached

to your official pass. You should give your luncheon ticket to the waiter at your table during lunch.

I understand also that arrangements have been made to provide cash bars for the preluncheon reception in the south foyer outside the room.

Immediately after the reception we will begin lunch. The Secretary of Labor, John Dunlop, will be our featured speaker and will also answer your questions during the luncheon hour.

Thank you very much.

(Applause.)

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## LUNCHEON SESSION

July 3, 1975,  
11:35 A.M.

MR. MILAN MARSH:

You know there is a tight schedule, and we'd like everybody to take their seats, and at this time, I'd like to call Father Thomas A. Duesing, Vicar of the Laity, for the invocation.

Father.

FATHER THOMAS A. DUESING:

Ladies and gentlemen, let us pray.

Almighty God, you have told us in your sacred writings if we go up to the heavens, you are there, when we sing to the netherworld, you are there. If we take the wing of the dove as we settle at the farthest limits of the sea, even there you shall guide us in your right hand.

Hold us fast today, as we pause in our daily work. We ask you to continue to bless us with the guidance of your hand. We thank you, our God, for the blessings you have bestowed upon our country in these 200 years, we thank you for the resources we have found here that have enabled us to begin an economy to begin to support the school systems and to begin to found communities of neighbors. We are short of the ideal, but with your help and blessings, we can attain these goals.

As we deliberate, free us from selfish interest so that this work will benefit all.

Almighty God, bless our land with the healthy economy marked by full employment, so that our countrymen and our fellow statesmen of the world will prosper and experience a degree of happiness amid the hardships of life. We hope and pray that your devine help, linked with our humble efforts, will build for all men the beautiful land you describe in your songs, a land where kindness and truth shall meet, where justice and peace shall kiss, where truth shall spring out of the earth, and justice shall look down from heaven,

Amen.

MR. MARSH:

May I have your attention, please.

My name is Milan Marsh. I'm the President of the Ohio AFL-CIO, privileged to represent approximately one million trade unions in the State of Ohio.

Recognizing that brevity would be proper by virtue of the fact of the discussions and the talks this morning, it's been indicated that, I think, it's far more important for the audience to participate in the question and answer period, as

they have, because I think it will give those that came here to this conference an opportunity to really understand the problems as the people see them.

I appreciate the opportunity to be selected as the master of ceremonies for the White House Conference on Domestic and Economic Affairs, it's a tribute to me, as president, and also I feel more a tribute to my organization, that I'm privileged to represent.

We have a very important man here with us today, a gentleman that I've known for many years, because he's grabbed the construction industry by the ears every once in a while; I represented the construction industry for many years, that's why I got to know John Dunlop.

But before I introduce our main speaker, I'd like to take this opportunity, that would probably be rare with such a distinguished group as we have here, a broad section of labor, a broad section of industry, a broad section of the community, and just make an observation of my own. I didn't come with any prepared text because of the brevity of what I have to say. But I think, after listening to some of the questions and answers this morning, I think we have all a genuine interest in what's happening to our country. This country belongs to all of us, whether it's labor, whether it's management, whether it's blacks, whether it's whites, because I think we see no colors when we see human misery. And I would only urge all of you, those of you that represent management, to really recognize and not treat lightly the matter of unemployment in this country, because history only shows in those areas where we ignored the unemployed, that those countries, for whatever reason, go by the wayside. We have too great of a country; I think we have the resources, we have the ability, we have the knowledge to make sure that we can put the unemployed back to work.

Unless, and unless we put dollars in people's hands so they can become a part of this economy, and they can spend those dollars so the employer then can make his product, and we can turn this wheel that way, I think that's the answer to all of this.

And I would also like to say that the people from management, I always say this to my people with the union hall, if the guy that you're working for can't make a buck, it's darn tough for me to go over and ask him for anything for you. And we recognize that the profits are important, profits are not a dirty word as far as we're concerned in organized labor, and I think that we should work and cooperate together, because too many times I sit on my side of the fence, you sit on your side of the fence, and only do we get together, we have to pull each other's hair out once in a while at the collective bargaining table.

I think we have a common interest in this country. It's our country, all of our country, and we want the employers to be successful, and in return we want all the people to be successful, because if the answer to law and order, the answer to unemployment or crime in the streets is give a guy an

opportunity to make a dollar, a decent dollar, and I'm sure he won't go down the corner to stick up a gas station; I firmly believe that. And I only urge, I think this conference is good, I'm happy to see the talented people that are here from Washington, and I hope that this conference brings fruit in the future for our great nation.

Ladies and gentlemen, it is an honor for me to introduce the next speaker. For the past 25 years Dr. John Dunlop has been associated in one way or another with the labor movement in this great nation. When the Taft-Hartley law was passed back in 1947, it became necessary for the building trade unions and the contractors to establish a board to settle jurisdictional disputes. Dr. Dunlop emerged as the man who best carried out this function.

In carrying out his assignment, Dr. Dunlop earned the respect, admiration and confidence of our unions as a man who had a no-nonsense attitude about helping solve our problems with evenhanded justice. Dr. Dunlop has been a member of Harvard University's economics faculty since 1938, and he was chairman of the Harvard Economics Department from 1961 until 1966. He later served as dean of Harvard's faculty of arts and sciences.

In 1971 Dr. Dunlop was appointed to the Construction Industry Stabilization Committee and was director of the Cost of Living Council in 1973 and 1974. He was nominated to be Secretary of Labor on February 18th of this year and was sworn into office exactly one month later.

In addition to his duties as Secretary of Labor, Dr. Dunlop is a member of the executive committee of the President's Economic Policy Board. He continues to serve as coordinator of the President's Labor Management Committee and also serves on 29 other boards, commissions and committees.

Ladies and gentlemen, I present to you the United States Secretary of Labor, Dr. John T. Dunlop.

(Applause.)

DR. DUNLOP:

Thank you very kindly, Milan. Distinguished guests, ladies and gentlemen, I appreciate this opportunity to say a few words to you at lunch, and to then engage in the give and take of discussion, which I personally very much prefer.

It is good to be back in Cincinnati where I have been many times in the past in my former incarnations, dealing with labor and management problems. Milan's union, the carp home union, the carpenters, is an organization with which I have had more than my fair share of business in the past (laughter) and with his employers and with the jurisdictional problems with his brothers and other organizations, and I do welcome this opportunity to talk to you briefly.

My first suggestion to you today is that it would be very helpful, as we all think about our economic problems, to put

the years 1973 and 1974 in the kind of historical perspective which they deserve. They in history, I am sure, will be regarded as some of the most unusual periods of the last hundred years. Never in peacetime did we have the rate of inflation of 1973 and, moreover, it was totally and completely unexpected, and never derived, I may say, in part from unusual harvests around the world, and then the fourfold rise in oil prices at the end of the year.

In 1974 we had the precipitant drop in employment, again totally unexpected. I had the privilege, as a number of you did, in sitting in with my economic colleagues at the economic summit on September the 28th, 1974, and you can go back and read that record if you wish, and you will find that my learned colleagues, one and all, hadn't the slightest idea of the rate of drop that was then in process or which reached very great proportions in the first quarter of this year. And so we must put our present situation in that kind of historical perspective.

Now, just a word about where we are now. Perhaps it is clear to most people that the economy is beginning to turn around. I have chosen to emphasize, however, in my discussions of this matter, that there is no single economic equinox at which at 12:08 on some mythical day the economy turns. Each community, as I travel around the country, is in a different economic status than any other, each business, each household, each group in our community is in a little different situation, and we should be very careful about uniforming and generalizing about it.

Now, today in the Bureau of Labor Statistics at 10:00 o'clock this morning released the unemployment numbers for the month of June, and in case you had not heard them, that record is as follows, and I do wish to say a word of explanation about them since we have been warning for three weeks now, at least, of the possibility of people misinterpreting the June figure. As you will recall, the seasonally adjusted figure for May was 9.2 percent unemployed on the average. The figure released today in Washington, seasonally adjusted, was 8.6 percent. But one should be careful not to interpret that as a significant change in the economy for in fact what it is is simply a continuation of about the same rate when one takes into account the unusual seasonal adjustments that we had this month because of the problems of students entering the labor force or seeking work or spending their summer out of the labor force. Those adjustments are very difficult to make statistically. And so really we are about where we were last month, a little better.

Perhaps I can make that point in numbers to you by suggesting that for the heads of households, which, whether they be men or women, in April the unemployment rate was 6.0, in last month and May, it was 6.3, the figure released this morning was 6.1, down a little. The married men category was 5.6 percent in April, 5.8 in May, and the figure released this morning, again down a slight bit, 5.7.

The unemployment picture is about what it has been, perhaps a slight bit of improvement. Employment, particularly



in nonagricultural fields, continues up at a modest rate. The other figure released this morning in Washington was the wholesale price index, and that figure, released at 10:00 o'clock, showed a seasonally adjusted decline of one tenth of one percent point. That suggests to us, I believe, a continued moderation in the rate of inflation, which has been one of our principal sources of concern over the last several years.

And so we are embarked on the twin objectives of bringing down the rate of inflation and now expanding the economy.

Now, what are the tools that are available to us to do this, what is the outlook? Well, it's clear, I think that in the year ahead employment and output and profits will rise, and the critical question, as your chairman earlier has rightly put, in my mind, what, however, is to be the pattern of unemployment?

In economic recovery periods, unemployment lags, if you like, continues to remain high for two essential reasons, first, because our labor force continues to grow; youth enter the labor market, and married women and other women are expanding their participation rates in our labor force in recent years at an appreciable rate. The other reason unemployment lags is that in the early stages of our economic recovery, productivity tends to increase more rapidly than at later stages in the expansion, and an increase in productivity means that employment will not increase as fast as does output and profits and other measures of economic activity.

And so, whether you like it or not, we are confronted with the fact that unemployment over the course of the next year will lag the economic recovery.

Now, what to do about that situation. Well, first of all, the present administration's view, I think, is that we needed to adopt policies to take care of those who are laid off. And the country has been fortunate indeed in having an unemployment insurance system; it needs to be improved, of course. The President signed on Monday of this week a statute which we urged on the Congress to extend further the unemployment insurance durations, both the extended benefits under federal funds and the supplemental benefits for those people, primarily in agriculture, in state and local governments, and in domestic servant classifications, which, who had previous employment records but who had not previously been covered under the state laws. And happily, from my point of view, the Congress passed that legislation, the President signed it, and we now have those benefit durations at 65 weeks and at 39 weeks, respectively. To take care at a minimum level of those people is the first plan.

It seems to me the second element of our economic policy here, other than those you talked about this morning, is to follow a stimulus of the economy by putting more funds in the hands of households and businesses through tax cuts. I remind you that, happily, that it was our Labor Management

Committee which unanimously recommended to the President on December the 30th of last year that there be a significant business cut, tax cut, and a significant personal income tax cut that was eventually, somewhat belatedly, and in some ways undesirably passed, but on the whole, the President signed it, and it has served and is now serving as a significant stimulus to the economy.

I, myself, would emphasize much more the reductions in the withholdings, putting more money in people's paychecks each week rather than the rebate checks whose impact may be delayed for some months.

The next plank in this program was to provide certain emergency jobs, public service jobs, and to take care of our significant fraction of our youth during the summer. And happily again, from my perspective, the Congress enacted those legislations. We now have funds, we trust, that will provide 320,000 public service jobs through the fiscal year 1976, and we have out there funds now for about a million nine in aggregate youth for the current summer.

Another element in this program, in my point of view, in some sense it is more important, is the view that it is time to seek to stimulate the economy in particular areas. And when one looks at where our problems are, it seems to me that there are several areas that need special attention. One of them clearly, and one which, again, our Labor Management Committee happily recommended, was the need to stimulate the expansion of utility construction and operations, electric utilities, because it is that capacity, it is that activity which we need for our energy program, which we need to assure the capacity of the economy a year or two from now to restrain inflation, and it is the capacity which we need to create now good jobs in the construction and operations of those utilities.

The President yesterday signed a statute which seeks to zero in on another of the special areas of our economy where jobs are particularly needed, and that is in the housing area and where the expansion of the housing industry is essential to any recovery.

Let me take just a few moments to say a word about longer term measures, because one of the concerns which I have is that always in our country we get so preoccupied with today's problems, important and vital as they are, that we do not see what happens six months from now or a year from now. And in that framework it is important that we now address ourselves to the improvement of our unemployment insurance system. We all have learned something about what we've been through. We need to concentrate our efforts, I think, on developing our local manpower programs so that in each community, Cincinnati, Ohio, and throughout, we have a capacity to bring together for job training, for skill development, the schools, labor people, management people, to bring technical people who can help us with our planning and forecasting of local manpower needs. This country must in the next five to ten years develop a genuine capacity to do that at these local communities if we are to have the kind of long-run, skill development, manpower training that we need. And we also need, as the President said

in his speech in Ohio sometime last year, in August, we need to bring together work and education, manpower policies and educational policies so they are not so isolated they feed on each other.

Finally, in closing, a word about our general labor management picture, to which your chairman also referred. I happen to think that the country's labor-management relations are in good shape. The general climate of opinion has been good for the last four or five years, we have a first-rate mediator in Mr. Usrey, all we need to do is look around the rest of the world and see how fortunate we are to have an industrial relations arrangement where management and labor can sit down and talk together as they do here or as they do in the President's committee, which meets with him every six weeks or so to talk over broad economic policies. I would hope, in conclusion, that in the State of Ohio and in this community there could be a more systematic and continuing relationship by groups such as represented here to deal with your community problems, be they how to make the employment service more fruitful, how to be sure that it lists the jobs that are available, that it develops the proper jobs, whether it be in CETA, working the manpower planning of this community, whether it be in the outreach programs where the minority communities and our various management and labor people should be working together to eradicate discrimination and to develop skills, or whether it be in relating work and education.

It seems to me the bringing together of these groups on a continuing, systematic basis should be an objective of all of us.

Thank you all for inviting me here today. I appreciate it very much, and I'll now be happy to try to answer some of your questions.

(Applause.)

Milan, do you want to call on the people?

MR. MARSH:

Those that have questions, please step to the mike and give your name.

MR. GERINGER:

My name is Carl Geringer of the Cincinnati Time Recorder Company.

MR. DUNLOP:

What?

MR. GERINGER:

Of the Cincinnati Time Recorder Company. I was just wondering, in controlling inflation, what there is to look forward to when we all have the theory of entitlements, in which we feel we're entitled to more next year than we've had this year. We already have contracts which run about one percent a month in cost, and how can we look forward to reduced costs with this continued climate occurring not only in labor but in management, business, so forth? Would you address yourself to that?

DR. DUNLOP:

That's a fair question. Economics professors will tell you that if costs rise more than productivity over any extended period of time, then inevitably prices will rise, and I think that is a truth that I should not try to controvert (laughter), and then so it is a simple fact that if over extended periods of time productivity does not match the rise in costs, then prices will rise.

I guess I might say only one thing. I think a great deal of difference does depend upon the rate of rise. There is a world of difference between a rate of rise in the course of the year of several percent and double-digit inflation. Also, in thinking of our economy as a part of the world economy, we need to pay attention to the rate of domestic inflation as compared to the rate of inflation in our trading partners, because those comparative rates of inflation will significantly affect jobs and employment in export industries.

MR. MANICK:

I'm Dan Manick, Jones & Laughlin Steel Corporation.

DR. DUNLOP:

Yes, sir.

MR. MANICK:

Recognizing that we have to do something with our unemployment situation and the rates, and recognizing that the unemployment compensation is in effect a major tax on employers, and realizing that the unemployment tax, because of experience ratings, will not be paid until next year, we can expect, I think that most of us will increase our costs based on the entire basis by millions and millions of dollars next year, when the economy should be recovering. With these increased benefits that have now been passed and the increased costs that we can foresee in this area, what effect do you think that will have on next year's possible upturn in the economy?

DR. DUNLOP:

Well, let's distinguish between some of the costs of unemployment insurance, which are paid out of, as you say, taxes, paid for by enterprises under, and in some states by workers, in our unemployment insurance system, and some portion of these benefits, extended benefits, are paid directly out of the federal government treasury after 39 weeks. And so one would have to distinguish the effects of these two.

If you are trying to make the relatively simple point that higher costs are, unless recouped in prices, are an impediment to employment, again, as a simple-minded fellow, I have not any difficulty in agreeing with that. If you are saying that that is a significant number in its impact on employment, I think I have, for most situations, some doubt about it because the relative competitive position among

enterprises in these matters is often more important than the actual level.

The unemployment system, just to give you a number, has had an enormous effect in buoying up our purchasing power this year. In 1974 only about \$5 billion was spent on unemployment insurance in the country. In 1975, this year, that number will run about \$19 billion. So it has been built in as a stabilizer to buoy up purchasing power and to do it in an automatic way, without a new government bureaucracy and go specifically to the people who had previous job attachments and who are now unemployed.

MR. MOBLEY:

My name is James Mobley. I'm the mayor of Lincoln Heights, an all-black community.

Now, you spoke of your nine percent unemployment rate. I'm sure you're speaking of the more affluent society. The lesser affluent society I speak of is in a range of about 30 percent or more. The CETA program which has been put out, we got about 25 jobs to match our 33 percent unemployment, the Emergency Employment Act for the state level was cut out this year because the federal government did not back it, the county program was -- the same program was cut out. Now you speak of 1976. What should we in the small communities do about 1975 and a very hot summer? We have youth who are coming to our communities where there are no jobs, and the CETA program has not proved out to be the job-finding factor for us. Now, this nine percent to us is very unrealistic; we're speaking of 33 percent, and there are no jobs for nobody. Could you address yourself to that, sir?

DR. DUNLOP:

Yes, sir. The number for the country corresponding to the nine -- the 8.6 figure I gave you for negro and other races, released this morning, is 13.7. I have no doubt that in individual communities it is from the 30 percent figure that you refer to. In my view, the federal government has placed before the governors and the states and the mayors and prime sponsors, we have 433 prime sponsors, local communities around the United States who will receive federal funds this year coming up, fiscal year '76, to be used for disadvantaged persons to provide job training, income maintenance and the like, under the manpower programs of the Labor Department. That approach was designed to place in the hands of the mayors and the local cities, the organization of those programs, the monitoring of those programs, the federal government has the responsibility to see that they are not abused, but those funds are put out there, the 320,000 public jobs, the million nine, as I say, youth, are placed in the hands of the governors, the states, the cities, and these 433 local sponsors for the purpose that they should distribute them rather than we in Washington taking the responsibility. And it seems to me that I'm sure one can always say it isn't enough, but it seems to me the responsibilities for those allocations are to be made in local communities.

MR. MOBLEY:

That's good for '76. What about '75?

DR. DUNLOP:

The fiscal year '75 is over, it was over on June 30th.

MR. MOBLEY:

But this is still the year of '75, and we don't have the jobs for this summer, sir.

DR. DUNLOP:

Well, just let me comment. That there are not enough jobs, I agree with you fully.

Insofar as you were talking about the youth, the federal government is financing about 1,900,000 jobs for youth, disadvantaged youth, for this summer, scattered throughout the United States.

MR. MARSH:

We'll take the next question.

MR. LUEBBERS:

Mr. Secretary, I'm Tom Luebbbers, City of Cincinnati. On the subject of labor management relations, as you may know, the State of Ohio is considering a collective bargaining bill for public employees, and the Congress is considering the same thing, and I wonder if we could have the administration's comments on the need for federal, as opposed to state, regulations of public sector collective bargaining.

DR. DUNLOP:

May I be clear? You are talking about legislation with respect -- federal legislation with respect to state and local employees, rather than federal legislation with respect to federal employees, I take it.

MR. LUEBBERS:

Yes, sir. I understand that that may depend on the outcome of a lawsuit in which you are currently involved.

DR. DUNLOP:

Well, thank you for making a point for me that I intended to make. (laughter.)

Two quick comments. First, you know we are engaged in the United States in a vast variety of experiments among different states. I happen to have been involved in helping to formulate the recommendations that set up the arrangements in New York State to establish collective bargaining there for public employees, on nomination of then Governor Rockefeller, some

seven years ago or eight years ago. But if you'll take our country as a whole, you have a lot of very interesting experiments going on; Hawaii's doing one thing, Pennsylvania's doing another. Each state is doing something a little different.

My own view is that it is premature for there to be federal legislation at this time in that area. I think we need -- there are advantages of the federal system. We need to see how these kinds of experiences work out in the states before the federal government seeks to decree a collective bargaining statute applicable to all state and local employees.

Secondly, I think, as you, yourself, say, until the League of Cities case is clear, we haven't the slightest idea, for sure, what powers the federal government has in the area, anyway.

MR. FULLER:

Dewey Fuller, from the Urban League.

DR. DUNLOP:

Yes, sir.

MR. FULLER:

Mr. Secretary, I would like to raise a question about the tendency to confuse and make very complicated two different problems by lumping them together.

First of all, the matter of a stable economy, the matter of stimulating more jobs in the private sector, and this type of thing is one kind of problem, and it is the lack of a stable economy that creates unemployment. Okay. Specific programs addressed to that should be dealt with, simply and specifically addressed to that.

Now, of course, there is an interfacing, as I just stated, but I think all too frequently we talk about one problem and then move over to another area, and we're talking about unemployment, and we're talking about the things that are being done in reference to the unemployed, and we think we're talking about the same thing, and we're not. What is done -- the CETA programs and all the other federal programs are not programs that are designed to eliminate the unemployment rate in any significant numbers.

All right. I think all too frequently this is misunderstood, and it creates a great deal of misunderstanding and hostility and negative feelings for this to be lumped together, when, if it were approached in terms of what the government is doing, what its policies are in terms of stimulating business, stimulating a more wholesome and more healthy economy, that is one thing. What the government is doing in programs like CETA and unemployment compensation and things of this sort, that's another kind of thing, but they shouldn't be lumped because it creates a great deal of social distance and antagonism among groups that need to be talking about the same goals. We have got to have a healthy economy, got to have private enterprise operating in that economy in order to provide

the jobs to keep the government from having to come up with programs in the first place.

So I would like to know what is the government's stand on a full employment program, and/or be stimulating private enterprises, what are the specific programs that are designed to address this problem, this, as a major priority in terms of full employment as a side benefit of that?

DR. DUNLOP:

Well, if I understand your remarks, I don't have any quarrel about them, and I thought in the remarks I made I was talking about, certainly in terms of the cyclical problem, the short term, I was talking about job creation, and those measures, as I understand them, and as I mentioned them, relate first to the tax cut, which was designed, is designed to place funds in the hands of households and business, which will expand their purchasing powers, which will create jobs.

I referred to public service jobs, 330,000 of them, those are publicly-created jobs. I also talked, I believe, about the necessity of stimulating the utility area for a variety of reasons, and that is a job-creating program, so is the program on housing, to which I referred, because jobs in that area are a vital job creation activity.

Now, of course, you won't, I hope, preclude me from saying, as a general economist on occasions, that the development of a sound fiscal monetary policy, policies designed to stimulate the confidence of consumers and investors, is also an essential ingredient to a job creation program.

MR. MARSH:

Let's thank the Secretary, and those that are at the mike, I apologize to you, we're running five minutes behind, we're adhering to a strict schedule. Submit your questions in writing, and I'm sure they'll get the answers to you. Let's have a nice hand for the Secretary.

(Applause.)

At this time there will be a brief recess, and remember, for security reasons, they'll require you to have your badge and be checked in, and we'll immediately start over at the North Hall with the next panel of Human Resources.



## AFTERNOON SESSION

July 3, 1975

1:20 P.M.

MR. BAROODY:

Ladies and gentlemen, if you will take your seats, please, we're ready to begin the afternoon session of the Ohio River Valley White House Conference on Domestic and Economic Affairs.

When members of the White House staff first met with the cosponsoring organizations here in Cincinnati, one of the areas in which the organization leaders expressed a great deal of interest was the impact of federal budgeting on this area, especially as it related to welfare recipients, minorities and the general consumer. When we discussed this interest, both the general budget interest and those specific impacts, upon returning to Washington we attempted to put together a panel which could address all these issues. We feel we do have an excellent group with us today, which includes Assistant to the President and Director of the Office of Management and Budget, James T. Lynn, on my right; Virginia Knauer on my left, Special Assistant to the President for Consumer Affairs; Stanley Scott, Special Assistant to the President for Minority Affairs; and William Morrill, Assistant Secretary of the Department of Health, Education and Welfare for planning and evaluation.

What I propose to do is to have each of the panelists make a few brief remarks, and I emphasize brief (laughter), before going to a general question and answer session where you will have an opportunity to direct specific questions to each of the panelists.

I would like to begin with the senior member of the panel and the man who, in effect, will act as moderator when we get in the question and answer session, Jim Lynn, who came to his present position as Director of the Office of Management and Budget after a very successful term as Secretary of Housing and Urban Development, a position he held since January of 1973.

Jim Lynn came to the Housing and Urban Development Department from the Department of Commerce, where he served both as General Counsel and as Under Secretary. He's a native of Ohio, born in Cleveland in 1927, graduated summa cum laude from Adleberg College of Western Reserve - say it again?

MR. LYNN:

Adleberg.

MR. BAROODY:

Adleberg, excuse me. It's misspelled.

MR. LYNN:

With this crowd, I'll interrupt you.

(Laughter.)

MR. BAROODY:

Good.

(Laughter.)

MR. BAROODY:

That will give me an opportunity to reciprocate when you go over eight minutes.

(Laughter.)

MR. LYNN:

They don't call me Jim Hubert Humphrey Lynn for nothing.

MR. BAROODY:

In 1948 with a Bachelor of Arts degree in economics and political science. He received a Master of Law degree, Magna Cum Laude in 1951 from Harvard Law School. In 1951 Mr. Lynn entered law practice with Jones, Davis, Hatley and Reeves. He became a partner in 1960, and served with the firm until coming to Washington in 1969.

It is a great personal privilege for me to present to you now Jim Lynn, the Director of the Office of Management and Budget.

(Applause.)

MR. LYNN:

Thank you very much, Bill. I wondered why people keep calling me Jim Hubert Humphrey Lynn. Does it have something to do with my going too long in remarks?

I would say it's good to be back to Ohio. Jeff Eves, who helped plan this affair in advance, came to me last night and said, "Gee, what a great town it was, and how helpful the people have been," and I just simply said as blase as possible, "Of course, that's Ohio, my friend," and I meant it.

I'm not going to cover the budget deeply today, but I would like you to become acquainted with the various documents.

First of all, for those of you who would like just a little bit of a taste for the budget of the United States, we have a thing called The Budget in Brief. This was 97 cents last year; this year it's a dollar fifteen (laughter). For you people who really do want to read the budget of the United States, itself, it's really not that thick, it's good for insomnia generally, has some interesting chapters, I won't tell you who did it, it's the last chapter of it. Last year it was \$2.45, this year \$3.45. We have a thing called A Special Analysis of the Budget, which groups all the programs by general categories and tells you how much we spent in each category, last year \$2.45, this year \$2.70. Last but not least, this document that resembles the Manhattan phone book, that you see here, is called The Appendix of the Budget of United States (laughter). This document normally retails, last year \$15.05, this year \$19.20. But for those of you who can think of the particular typographical error that I have in mind and find it in this document, I'll give you a copy absolutely free (laughter).

Enough of that. I would like to say, as sort of setting an overall picture of where we are, for this discussion, and I think it's appropriate that it come at the outset of this discussion, a picture of the whole budget, viewed first from the standpoint of long-term trends, and secondly from the standpoint of a snapshot of where we are right now for the budget for fiscal year '76.

Incidentally, when I use years, I'm talking about fiscal years. For example, fiscal year '76 began three days ago, it begins in mid-year, and the number that I give, like 1976, means the year in which it ends. That gets confusing, but I'll tell you, after you've been in this job even four months, you find yourself using that jargon, so I hope that you'll bear with me.

Long term trends. It took 180 years for the budget of the United States to reach the first \$100 billion. By 1971 it was \$200 billion. Four years later it was over \$300 billion. The budget for fiscal year '76 is \$360 billion, it will be \$400 billion if not next year, the year thereafter.

More important, perhaps, or at least of equal importance is the makeup of that budget. We have some myths, I think, about the budget. We hear a good deal from people saying, "Cut out defense, let's cut defense back," that it's the big hunk of the budget. Twenty years ago that was true. Twenty years ago defense represented 56 percent of the budget and a little more; today it's under 27 percent of the budget. Twenty years ago our human resource programs, including transfer programs of various kinds to help people who are in need, retired people and the like, was 22 percent of our budget. Today it's over 51 percent of the budget. In constant dollars, that's that fancy term for adjusting out inflation so that you can get a pretty good feel for how much you're really buying with your dollars, defense is down 20 percent over the last 10 years, and human resources is up 135 percent in real dollars. If you don't adjust for inflation, those human resources figures are up 500 percent in that period of time.

Government expenditures as a total, federal, state and local, all the kinds of taxes that you pay, in 1947 made up 18 percent of our total output in the country; in other words, of all the expenditures in the country for everything, in 1947 they were 18 percent. By 1955 they were still slightly under 25 percent. Today a third of all the money spent in this government or in this country is government money, by that I mean what we raise in taxes and spend through government, or that we raise through Bill Simon borrowing in the market, and I'll tell you a little bit more about that in a minute or two.

One of the things that has happened in the last 10 years, particularly, is that we have massed this very rapid growth in our human resource programs by reductions in defense. And one of the ways that I like to point out the rate of this growth that we have had in human resource expenditures is to set up a hypothetical situation. Suppose we tried to keep federal taxes pretty much where they are now and not finance further increases at the past rate in human resources by taking it out of defense? In other words, try to keep our taxes where they are right now, at the federal level, about 22

percent of gross national product, and continue to have the same rise we've had for the past 10 to 20 years in human resources and fund it out of defense. Within 10 years, we'd be down to the last soldier and the last gun, literally, literally. There'd be no defense budget; it'd be zip.

So, even though we can be proud of our accomplishments, we can be proud of the gains that we have made, we can be proud of the fact that we care and that we want to help people, we want to help cities, we want to help institutions, the time has come, as the President has said, to stand back from this tremendous increase we've had over the past 20 years and see ways that we can at least moderate the growth. We're not talking about cutting back expenditures, we're talking simply about moderating the growth.

The fact is that if we didn't enact any new programs from here on out, if we kept it just as it is, without new programs, new categorical spending and so on, and you know we have 1,006 domestic categorical programs in this country, it's up six from, I don't know when it was, but I just gave the President a book the other day describing all 1,006 of them, so it's fresh in my mind. But if we just didn't pass any new laws to speak of, we would have a balanced budget again within three to four years, because we do have an economy that as we come out of this recession and start growing again, the pie gets bigger, the total amount of goods and services gets bigger, and as that pie gets bigger, any given slice of it is bigger in absolute terms. So that without increasing taxes, you have more money to spend for the people we would like to help, and it doesn't take brand new, additional programs, one on another, to do that.

What can be done toward reaching this kind of a goal? I can say to you the President was very tough on budget appeals this year, I had my hard hat on, and I'm not really used to losing that much when I appeal to the President, but I've got to say I lost more than I gained on the budget appeal process.

Secondly, the President said, "Let's have a moratorium on new spending programs for at least a year while we catch our breath, and try and keep that deficit down to that \$60 billion line," that he drew on television one day.

But we have very limited tools. The President has said, "Let's try to keep that deficit at 60 billion." Now, 60 billion translates into federal expenditures of \$360 billion, and we think that provides enough stimulus in this economy, and doesn't still get us over the line on the other side, into the area where as the economy starts coming back, we'll get back into double-digit inflation and another recession. But the President has very limited tools. In the first place, he proposed to Congress \$17.5 billion worth of budget cuts or moderations, I should say, on the rate of increase. Congress has already let time go by to the point where all we have left that we could possibly save out of the \$17.5 billion is 8.5 billion. When he drew the line at 60 billion, that assumed that Congress will accept those \$8.5 billion of cuts that require congressional action to bring it into fruition. I'm not sanguine about what may happen in that regard. At the

present time it doesn't look good as to Congress taking the affirmative action necessary to impose those cuts. Further, there are other legislative proposals in the Congress which, if enacted, could raise those budget deficits up to 80 billion, \$90 billion.

In my own judgment, we can't tolerate that kind of deficit. I was in housing, what I can see happen, if Bill Simon, the Secretary of the Treasury, asks to borrow too much money, is simply this: interest rates will go up; when interest rates go up, the money will go out of the savings and loans, as they did a year and a half ago, because they're attracted to treasury bills because they bear a higher interest rate; and where will the money be for housing recovery? As the interest rates go up, what would be the opportunity of private industry to go in and make the borrowings that they need for new investment and plants and equipment that both Bill Seidman has referred to, and John Dunlop has also talked about?

What must be done? I would say this: first of all, we have to improve the programs we have. I think we in the executive branch and the people in Congress have to get together and study what we have out there now by way of programs and make them more effective. I haven't heard anybody say that our welfare programs are the best that we can do. We all feel there can be improvement in doing that job to give the kind of assistance that is needed to the people who really need it, to provide the kind of incentive for work that everyone wants in those laws, and to keep the people that really don't need the assistance that much from getting it, so that we can concentrate on the people that need it.

Secondly, I think we have to get the people of the country to understand what the price of deficits over 10, 11 years is to all of us. Somehow, I have the feeling that most people in America divorce the federal government from themselves, that when a public building is declared in their town, everybody says, "Great, the folks in my home town got themselves a public building from Washington, D.C."; when out west a new water reclamation project is announced, "Great, we got something from Washington, D.C." The same thing's true on highway programs, housing programs, every kind of business advantage that we're talking about. We got something from Washington, D.C. But frankly, it's a little like Pogo, we've met the enemy and they are us. There's no thing out there -- (laughter) -- there's no thing out there hanging in limbo called the federal government; that's you, that's me, and if we don't pay for it in taxes this year, we're going to pay for it in the form of another tax if we have these deficits year in, year out. And that tax is called inflation, and when you think about it, that's what it is, it's a tax that nobody decreed, it's a tax that nobody put on the books, it's a tax that has no exceptions for food, or anything else. And it is, to use my liberal friend's expression, the most regressive form of tax of all. What does that mean, "regressive"? That means the poor people pay just as much for that inflation as the people that are better off pay. So it hits the poor most of all. But what we have to all understand is that when we spend more than we're taking in for any prolonged period of time, what we're doing to every one of the hundreds of groups that we try to help in America is say, hey, look

at how great I am, I've got a brand new program that's going to help you, and I give you the money this way, and at the same time, in kind of like in The Sting, somebody's coming around the back and taking out more of that in your back pocket in the form of inflation. And yet, all of us are kind of dual personalities, split personalities. If we ask the man on the street, are you for a tight, lean, effective government? Yes, sir, right on, man, that's what I want. Eighty percent would say that, or better. But if you ask that same person, give him a list of 150 government programs and say, is there any one of these 150 programs that we ought to spend more money on? Eighty percent of the people find at least one down there that they want more money spent on. And I don't, I don't knock that; it shows we all care. And believe me, you can't be Secretary of HUD for two years without seeing unmet needs. But what we have to understand is we won't meet those needs, we won't make the progress that we've shown in this country over 200 years, the progress from '50 to '60, '60 to '70, if what we do in the federal government is promise more and spend more than we're taking in and kill the enterprise economy as we move on.

So, I would say to you, what we need to do in this country is get a consensus of the whole, a consensus that says let's study the programs we have, let's fine tune them, adjust them to make them better, so that we make the taxpayer's dollar go farther, so that we help the people we're really trying to help, reject programs that no longer work, add the money to it as we can afford it as that pie gets bigger in the healthy economy, and say to all of your federal officials, local and state officials, look, tell me whether we can stand it, whether we can pay for it, because if I'm going to have taxes, I'd rather have them front door than in the form of inflation. And I'm saying to you, if we really try to hold that down and say thank you but no thank you, within a very few years this country can have very, very healthy growth rates in real terms, more jobs, better jobs, better equal opportunity and tax rates which at worst will be the same as they are now, and at best maybe somewhat lower than they are now.

Thank you.

MR. BAROODY:

The time for the gentleman from Ohio expired eight minutes ago. (Laughter) Our next speaker is the Special Assistant to the President for Minority Programs, Stanley S. Scott, who hails from Atlanta, Georgia, where he was an editor and writer with the Atlanta Daily World.

Stan Scott was born in Tennessee and attended Kansas University and Lincoln University. Before joining the White House staff, Mr. Scott was a radio newsman at Westinghouse Broadcasting, a staff member of the National Association for the Advancement of Colored People in New York, and also worked for United Press International in New York. He also was editor and general manager for the Memphis World in Memphis, Tennessee.

It's a great pleasure for me to present to you now Stanley Scott.

(Applause.)

MR. SCOTT:

Good afternoon. I'm simply delighted to be here in Jim Lynn's home state. Thanks for inviting us, Jim.

MR. LYNN:

Glad to have you, Stan.

MR. SCOTT:

I would just like to take 30 seconds, Bill, to say something about that introduction. You know, when I arrived at the White House some four years ago, part of my responsibility in working with Herbert Cline, the then Director of Communications, was to go out into the country and travel with some of our top level government officials, some of our cabinet officers. So, returning to the White House one afternoon, I said, "Herb, what's the procedure in making introductions up here when I'm traveling with some of the cabinet officers?" "Well," he said, "Stan, you know, if they're really top-notch people, and if they're well known, all you do when you get out there is simply say ladies and gentlemen, I introduce you so and so, and leave it at that; but if the guy's a little wheel, you throw everything but the kitchen sink in." So thanks for that introduction, Bill.

(Laughter.)

I would like to take my four and a half minutes and give you a brief overview of a report card, if you will, of where I think we are in terms of minority enterprise, in terms of minority initiatives in the federal government, because I sincerely feel that when we talk about making progress in July 1975, we're talking about economics and we're talking about politics, and I understand politics is taboo at this convention unless you raise it, so I choose to talk about economics.

In the area, for instance, of minority business enterprise, I had the opportunity to dialogue with some of the people from the Chamber of Commerce last evening we're talking about an infant program, the Office of Minority Business Enterprise, that was started back in 1969 to the tune of \$200 million. Today we are happy to say that that program has grown to the extent of \$1.3 billion, and that's progress. We look at the area of 8-A, set-aside contracts. Those of you out there who happen to be minorities, I know you know what I'm talking about; we're talking about sole source contracts that have now grown to the tune of \$275 million. When we talk about procurement by the federal government of services and goods from minorities, in fiscal 1976 we expect to do business to the tune of a half billion dollars. I say that's progress. When we look into some of the other areas of concern to minorities, and I dare say we're talking about areas that concern all America, because so go the minorities, so goes America. Look at minority colleges, because education is important, and I dare say education is in trouble in this country in terms of monies to finance it, but we'll be spending some \$110 million for land grant colleges and minority



institutions in fiscal '76. That's progress. And I think in all these figures that I cite, I -- I would certainly acknowledge, and I'm sure that the President would acknowledge that we can never do enough. And as our budget director stated, we can never do enough. But, you know, we pay the freight for all these programs, but we are making progress in these areas.

We look in the area of equal employment opportunity. I know when I arrived at the White House, we were spending \$11 million, some four years ago, for equal employment opportunity, over at the EEOC. We're now talking about a budget in fiscal '76 of \$60 million, and that's commitment. I think it is to the credit of this administration, to this President, that we are moving ahead in this area to, first of all, right the age-old wrongs in government, in our departments and agencies, and our new Commissioner, Lowell Perry, a very capable, dedicated man, and I'm sure he's going to do the job he's been requested to do by the President. In terms of federal employment of the some two and a half million federal employees today, we're talking about a minority work force in that two and a half million of 20.9, almost 21 percent. So we're moving ahead in that area. One of the problems we have there, we do not have enough management types in that 21 percent; we've got to do better. So, as a result, the President several months back issued an order to the departments and agencies and requested that they take a long, hard look at where we are in terms of equal employment opportunity in the federal structure. And I'm certain that we're going to be moving ahead in that area.

John Dunlop, Secretary of Labor, gave us an overview of the unemployment picture in this country, but there again, as the President stated to the NAACP back in Washington earlier in the week, we are moving ahead, and it is a fact of life that we do have to have a healthy economy for all of the other groups in this country to move ahead, because the private sector has to be able to generate new equipment, new factories, to employ the unemployed. So it's a fact of life. It's not where we want it to be, but we are making inroads in this area, \$2 billion that the President requested of the Congress from the Highway Trust Fund to generate additional jobs, \$1.6 billion for public service employment to generate some 320,000 jobs, and in the area of summer youth employment, some one million point nine jobs in that area. So we are moving ahead there as well.

In terms of a problem, a very real problem that we discussed yesterday, banking, those individuals who want to go into business, who want to be self-sufficient individuals, who want to become minority entrepreneurs, oftentimes they have the problem of getting finances from their local banking institutions. And I'm happy to say that after the meeting with the local chamber members, some of them did come up to me and express a real interest in being more supportive in this area.

But in terms of what the federal government has done in this area, four years ago the President came up with a program, a minority banking program. We had 31 minority



banking institutions in this country at that time, and the President wanted to use some of the federal deposits, place that money in minority banking institutions, with the private sector making the contribution, because we're talking about -- whatever we're talking about in the area of ills in our country, age-old problems, we're talking about a partnership in progress. The government can't do it alone, so we've got to have the goodwill of the private sector working with us; and I always describe that as a partnership in progress.

So the President came up with the minority banking plan. We had targeted our effort for \$100 million to infuse into these minority banking institutions. And let me say here now, we're not talking about helping the banks as such, we're talking about using those banking facilities as a vehicle to help the individual who happens to live in the Harlems and the Watts of this country to gain mortgage money to buy their homes, and to do the things that the majority sector of our society take for granted. But anyway, we moved ahead with that program, and I'm happy to say now that through the government's minority banking program we have infused \$1.6 billion in fiscal year '76, well, starting in fiscal year '76, \$1.6 billion, and we're now talking about 59 banking institutions, minority banking institutions in this country. And it's not where we want to be, but we're moving ahead in that area, as well.

So that's some of the report card. I guess I should mention, because I'm frequently asked about what are you doing in terms of the overall social program. Well, the fact of the matter is simply this, we've increased the budget in terms of social concerns, and Jim Lynn mentioned that the priorities are now domestically, for the first time in some 20 years we're spending more money domestically than we are in terms of defense machinery. We've increased, we will have increased July 1 of this fiscal year, 104 percent in the area of low income concerns to \$27.8 billion. So we're talking about people who are disadvantaged, but there is concern, there is commitment on the part of this administration to move ahead, but move ahead with our disadvantaged segment of our society with us, and I think that's as it should be.

I'll sit down after that four and a half minutes, Bill, and await some questions I'm sure the audience has for us. Thank you very kindly.

(Applause.)

MR. BAROODY:

Your watch works about as good as Jim Lynn's.

(Laughter.)

MR. BAROODY:

At a previous conference I had a cowbell, and I just forgot to bring it with me, and I'm sorry.

Next up for some very brief remarks (laughter), is the Assistant Secretary of the Department of Health, Education and Welfare, for planning and evaluation, William A. Morrill.

Bill Morrill has been in that capacity since April of '73, and before that was Assistant Director of the Office of Management and Budget, with special emphasis on natural resources, economic, science and technology programs.

Before joining OMB, he was Deputy County Executive of Fairbanks County, Virginia. He was born in Bronxville, New York in 1930 and received a Bachelor of Arts degree in government from Wesleyan University in 1952. He received his Masters degree in public administration from Syracuse University.

It's a pleasure for me to present to you now Bill Morrill, Assistant Secretary of HEW.

(Applause.)

MR. MORRILL:

We'll see if one of us, at least, can pay some attention to the time constraints, and as Jim Lynn's largest client, I'll try to be perhaps the briefest of the lot.

I do want to pick up from some of Jim's remarks and just add a few numbers into the conversation, that if one takes a look at the trends in human services spending at all levels of government, state, local, as well as federal, the growth rates have been exponential, 28 billion in 1950, 150 billion in 1970, 301 billion in 1975, growing now in cumulative terms to about 20 percent of our gross national product. And yet, although that growth has been enormous, the promises that have been laid on in statutes were even greater. If one took the programs now on the statute books and treated demonstration efforts particularly as service entitlement programs, what now is costing us \$8 billion in the 1976 budget, would be in excess of another \$100 billion. Growth of this magnitude, falling well short of statutory promises, should cause us all to examine and reexamine, as Jim suggested, our objectives, our expectations, and the way we should proceed in the future.

Some simple questions are relevant. Why haven't we gotten better results for the resources we've invested so far? Are there ways we can restructure our efforts to do better? And those simple questions often involve rather complex answers, but we need, I think, to begin in earnest, both in and outside of government, to ask them and face them with a hard-headed realism.

Definitive answers are not likely to come all at once, but there are some ways, I think, to look at the issues and some perhaps hopeful inroads in the problems that have been made in the recent year or two.

I think in the growth of the domestic programs in the 60's, in our effort to address a great many problems that we perceive, we lost track of two important issues. One involved the federal, state and local government roles. Where can a job best be done? Who does what best? And sort that out in a consistent way. By not doing that, we have, I am afraid, gotten into a tremendous hodgepodge of patterns between programs in which nobody is terribly clear who is responsible for what. And in another dimension, that of the growth of categorical efforts

in functional specializations, can we find ways in which these thousand odd programs that Jim cited can build upon one another, rather than fight with each other at the level of the client or recipient, where we stop, perhaps, slicing up the client and recognize that people live whole in communities and tend to have problems not one at a time, but multiple ones together. We have made, I think, some inroads into these problems, not all of them within HEW. I cite, as John Dunlop did at lunch, the Comprehensive Employment and Training Act, was an effort to try and vest responsibility and authority where it seemed to make sense for manpower programs. Jim was involved, himself, in the development of the Housing and Community Development Act of 1974, which likewise began to sort out those relationships between the levels of government. In HEW last year, the Social Services Amendments, with respect to the Social Service Program, known as Title 20, was, in my view, a major step forward in trying to say at the federal level what was important to be accomplished and recognized simultaneously, that there were decisions which could not be sensibly made with the vast difference of community needs across this country and remanding those decisions where they could be made in a sensible form. We are surely going to be again addressing with the Congress in HEW a bill called Allied Services, which is yet another effort to try and get the planning and the implementation of programs in the human services area pulled together so that local governments can make sense in terms of better service to clients at the operating level where those services are delivered.

I think these are but a few of many areas where we can make improvements and find better ways to do a better job with the resources we clearly have in a very substantial quantity.

Thank you very much.

(Applause.)

MR. BAROODY:

The final brief overview remarks that we're going to get before going to questions and answers come from a distinguished person that is known to I think most of you. I've been pleased to be affiliated with her in the office of Public Liaison and with Stan Scott over the past several months since that office was created, and I am speaking, of course, of Virginia Knauer, the Special Assistant to the President for Consumer Affairs, who has been in that position since 1969.

As President Ford's consumer advisor, she is responsible for helping to develop consumer policy, for presenting consumer viewpoints within the administration and for communicating with consumers for the administration. She is also Director of the Office of Consumer Affairs, which is located in the Office of the Secretary of the Department of Health, Education and Welfare.

Born and educated in Philadelphia, Mrs. Knauer is a graduate of the University of Pennsylvania, and it's a great pleasure for me now to present to you the Special Assistant to the President, Virginia Knauer. Mrs. Knauer.

MRS. KNAUER:

Thank you, Bill. To the ladies in the audience, I want you to know that the fact that I'm at the end of the program has no significance at all. These are not male chauvinists. I'm just one of the boys.

(Laughter.)

I certainly welcome this opportunity to discuss consumerism with you today. To achieve consumer goals, we need to improve communication, not only between consumers and government, but between consumers and business.

Consumers, I have found, often feel remote from both government and business. They wonder if there is any way that they can bring about change in the marketplace. And one of the biggest challenges of consumerism is to find ways to make that consumer voice heard in Washington and in the board rooms of industry.

In April, President Ford launched his new initiative to make the federal government more responsive to consumers. He asked me to work with Jim Lynn, who you just heard, and with the heads of the various federal agencies on this goal. His challenge to all of us is to build mechanisms that give consumers a role in the decision-making process. This is literally opening government wide to consumers before the decision is made, before the new program is initiated, not afterwards. As you know, most decisions, regulations are announced by the government in the Federal Register, and the President wants input at that decision-making level, not afterwards when consumers would read about it either in the register or in the press.

Now, to carry out this directive from our President, I have been meeting individually with each department secretary and with the agency heads, and Jim as of today, or as of yesterday, rather, I've met with 15 of the 17 that we designate and at these meetings we have been looking at the several ways, many ways to increase agency responsiveness to consumers. We've been looking at possible changes in the organizational setup, perhaps creation or the beefing up of present consumer representation or even offices in the agencies. This is in order to structure that consumer voice in the policy-making process of the agencies, which the President wants us to do. We have been looking at the possible procedural changes to make it easier for consumers to participate in the regulatory process, such as increasing the number of public hearings and government proposals similar to what you held, Jim, when you weren't required to by law, you invited consumers in to give you input, and also to something as simple as just lengthening the time period for consumers to comment on government decisions.

The President has also ordered improvements in consumer education and consumer information activities in the federal government, as well as in the improvements in the handling of consumer complaints. My office, the Office of Consumer Affairs, has just released, early last month, an in-depth study of

how consumer complaints are handled by the federal agencies. This report looked at both the procedures for handling complaint and also the substance of the response, and frankly there were many areas in many agencies that needed improvement.

We are now engaged in the first step to find out how the agencies are responding to consumers right now. Next, we hope to make recommendations on how the agencies can do a better job. And already some of the agencies are reacting to the President's challenge by making changes in their procedures to increase this responsiveness to consumers. For example, William Calden, Secretary of Transportation, ordered his agency to give advanced notice of proposed rule making and to allow 25 days for public comment and to give public the opportunity to comment even when not required to do so by law. And just recently, about two weeks ago, he held a four-hour public hearing on a controversial highway project near Washington, and one fourth of it was devoted to consumer input.

Now, the President's new initiatives to make government more responsive actually formalizes something our office has had as a long-term goal. For six years I've been working to insure that the consumer's voice is heard and heeded in Washington. My office works for consumers in three areas, advocacy, education and redress. As a consumer advocate in government and as the President's Special Assistant for Consumer Affairs, I literally advise the President on consumer policy and legislation and suggest possible programs. I also advocate the consumer's position before Congress and other federal agencies, in testimony on subjects ranging from warranties to energy conservation, from product safety to cosmetic ingredient labeling. I also encourage the formation of voluntary consumer groups, the formation of them, and seek their input on a long-going basis. I've also arranged for consumer leaders to meet with top White House officials, including the Vice-President, and to ask them to attend the Tuesday and Wednesday special meetings in the White House. And I've also recommended the appointment of consumer representatives to serve on many of the federal advisory committees. But we also advocate consumer positions with business leaders. We have urged voluntary business action by business, and we think it's often the quickest and very often the best solution for many consumers and the problems that face consumers in the marketplace. But we meet regularly, not only with consumer leaders, but with business leaders, to suggest ways business can meet consumer needs without further government regulation. And, of course, we have urged the creation of consumer industry, what we call consumer action panels, such as MACAP, for the major appliance industry, and these are arbitration panels that settle those complaints between consumers and business when neither the company nor the consumer can get together. And we also publish Consumer News about the activities of the federal government and a translation of that federal register, what we call a consumer register.

We have found, also, that the government is a storehouse of practical consumer information. We developed a few years ago the Consumer Information Center to get that information in

usable form into the hands of consumers. And it publishes a free index and many other free publications, including an excellent one on nutrition, "Food Is More Than Just Something To Eat."

Our office also provides information through public service channels, a column over my name, a radio series called "Help," that's help for consumers, and T.V. spots on energy conservation and nutrition.

Now, our office also seeks redress for consumers when things go wrong for them in the marketplace. Our office receives over 2500 complaints a month, and we take them up usually with the company involved, we sometimes refer the apparent violations of law to the appropriate federal or state agency, but we do work with business to improve their complaint handling mechanism, and we work to improve the complaint handling of the federal agencies, as I mentioned earlier.

But today's conference here is an opportunity to strengthen communication between government and public, and I certainly look forward to trying to answer your questions about your concerns as consumers.

Thank you.

MR. LYNN:

I think we're ready to take some questions. And Bill has asked me to serve as moderator. I've asked my friends up here, if you feel more comfortable answering them there, fine; if you rather come up here, do that, too. Where are our mikes?

Yes, ma'am.

MS. BERNSTEIN:

I would like to take this great opportunity to ask you to give me a quick freebie, because contrary to the statement of one of the conference participants, I want everyone here to know, there are over 800 community leaders here, but the University of Cincinnati is not on the verge of bankruptcy.

(Laughter.)

MS. BERNSTEIN:

I think that term was lifted out of context. Like many institutions of higher learning, the University of Cincinnati has many financial problems which are well recognized and are being dealt with constructively by President Warren Bennis and his staff, as well as by alumni throughout the state. This is being done on a state and local level.

We do appreciate the contribution of HEW and many of its agencies to the growth of the University of Cincinnati, and we look forward to future partnership.

I represent the university of -- second vice president of the alumni association, and if anyone has any questions about

our financial status, I'll be glad to answer them.

The other thing that I would like to ask Mrs. Knauer, as a harried housewife and professional volunteer, I am probably the only one in the city of Cincinnati who is writing reasonable facsimiles. And I would like to know whether they are legal or not.

There is a practice throughout the whole country where you must have a coupon, which you can get from your advertisement in your local newspaper. Years ago I remember that you could present coupons or reasonable facsimiles, because there was a law that you should not have to purchase a newspaper or anything else in order to get an advertised bargain. I am wondering whether there is such a thing as a facsimile law now, because my supermarket has been accepting them. After I wrote to the chain president, I did notice that the large super supermarkets were getting copies of these coupons where you could get them at the desk. However, the smaller supermarkets are not.

I consider this to be discriminatory against people who are always in a hurry, against the elderly who may not purchase newspapers, and the uneducated who do not read them. And I was wondering whether this practice was legal or whether it was not, and can you write reasonable facsimiles to protect ourself?

MRS. KNAUER:

I have no idea about that.

(Laughter.)

I have no idea whether it's legal or not. I have been urging housewives to take advantage of those coupons. In fact, I set an example over the weekend by carrying mine very vividly. Of course, my neighbors look into my market basket, anyway, and say, "Oh, is that a bargain this week?" And I say, "If you read the signs in the stores, as well as in the newspapers, you would know it was a bargain." I urge them to buy the lost leaders to stretch that food dollar if possible.

But certainly coupons are a very valid form of advertising, certainly for the company. No one has ever asked me this question before, but I'm going to find out the answer. And if you let me know, give me your name and address, I'll be glad to send it to you. It may be legal in your state but not legal anywhere else. I'm not going to try to guess that one. I'll find out for you.

MR. BAROODY:

Virginia, you find the answer, and we'll put it in the transcript of these proceedings.

MRS. KNAUER:

Oh, fine. Good. We'll find out the answer.

MR. SCOTT:

I'd just like to take the opportunity to congratulate you and your chancellor and all the people in Ohio on the sound fiscal policies being practiced at the University of Cincinnati.

(Laughter.)



MR. JACKSON:

My name is Marvin Jackson. And from my understanding from the remarks you made, Mr. Lynn, is that what you are looking for as far as the budget and programs that have been appropriated for fiscal year '76 budget, is that a greater amount of productivity from the particular program. And in that respect I'm particularly interested in the Office of Minority Business Enterprises. I hear a lot of numbers. I'm always impressed by numbers, but I think it would be more helpful if I understood what those numbers meant, because I understand the Office of Minority Business Enterprises settled for about 42 million. From the figures you gave me, I get they generated from the federal government, anyway, 1.7 billion, if that's correct, but it was in that area. So input-output relationships indicate that there may be a plus sign there. And going along that same line, what does the administration think of the office, how do they feel about the Office of Minority Business Enterprise, because there are some minority businessmen who have been helped by the particular program.

Also it concerns whether or not this will continue to be in existence.

MR. SCOTT:

Right. What we are simply talking about is this, the figure is \$1.3 billion that has been generated through the Office of Minority Business Enterprise. For instance, I'm the President's representative on the council over at the Department of Commerce, handed out by the under-secretary. And we have the responsibility of monitoring departments and agencies in government to see that they generate activity, financial activity for minority entrepreneurs who happen to be qualified and are interested in doing business with the government. So we pull all of those figures together.

For instance, the SBA, the Small Business Administration, fiscal year '75, just ended, generated 25 percent of those SBA loans to minorities, 16 percent of the dollar value in loans and guarantees to minorities. So we put all of those figures together, and we got the total of 1.3 billion.

Now, in terms of what the President thinks about the program, he thinks that we have an infant program that was started in 1969, a program that has to be nourished just like a baby to make that program deliver to the maximum. So that's why on March 14th of this year our office, under the auspices of the Public Liaison Office, headed by Bill Baroody, brought in some 200 minority entrepreneurs at the White House for an all-day conference where we requested that they provide us input.

And, as Virginia Knauer stated earlier, we've started a process there to get input before decisions are made affecting the lives of individuals. Government is trying to help, and that's as it should be. So at that conference we received position papers, critiques, if you will, on where we've gone wrong in certain areas. Many individuals expressed the view that government should be providing more of management and



technical assistance to minority entrepreneurs with the knowledge that with starting from day one, basically because they don't have the experience, the exposure in doing business, period, in our democratic, capitalistic society, and also with the knowledge that every group that's been able to make it up the ladder in our society has done it by climbing that economic ladder. And I submit that it will be no different from blacks and browns in this country. So with that we want to do more. We want to do better. We want to provide a better mechanism. We want to strengthen what we have. And you've probably heard rumors that we're out to destroy this department or that agency; that's not the case at all.

But the President has requested alternatives that Jim Lynn's office will be providing in the coming weeks and months so that we can provide a better mechanism to gain services for our minority constituents in this country.

MR. LYNN:

Let me just add that what we're trying to do, Stan, I and the people in commerce and in other departments, SBA and so on, is take a look at how far we've come; crank into that all of the comments that we got at the kind of meetings Stan's talking about, this idea of openness of government, see what's worthwhile, foster it and move with it. The things that have been less effective within the program that can be saved but with a course change, change it. If we should conclude that some part of the program isn't carrying its weight and that money can be used more effectively some other way, use it a different way within the minority enterprise effort.

And I don't think we ought to single out minority enterprise programs for that. But what we're saying and Bill Morrill was saying, we should have the same process across the government. We all have that feeling down in our hearts that if we do that program by program over a period of years, we're just going to get a heck of a lot better job done for the people we're trying to help.

(Applause.)

MR. LYNN:

Yes, sir.

MR. RICHTER:

I'm Jack Richter, with Wood Graphics, Incorporated, and a member of Ohio Manufacturers Association.

We talked this morning about, oh, eight and a half percent unemployment. However, I think as soon as we get down to that five percent we're going to get in the area of people that do not have any skills and the people that no one wants to hire. At the same time, we've talked about the amount of money we're paying out in Social Security, welfare and unemployment. Can't we somehow combine that, put that together so that the unemployed skilled people now are doing some training of the unskilled now?

MR. LYNN:

So that the unemployed skilled people are doing some training of the unskilled?

MR. RICHTER:

Yes. We have a skilled electrician now. Can't he be showing some of the people on welfare or relief, the poor, unemployed student -- people that are right out of school, say, these 17 and 18-year-old children?

MR. LYNN:

It's an interesting idea. The one thing that comes to mind, is there any way within the CETA program which is trying to address the problems in some measure of the people that have been chronically underemployed or unemployed, whether or not some of these people that are presently out of work can work in that program to do this training? I don't know, but it's a heck of an idea to look at it, and we'll look at it.

MR. RICHTER:

They are already being paid for.

MR. LYNN:

That's one of the purposes of this program. Thank you.

(Applause.)

MR. LYNN:

Yes, sir.

UNIDENTIFIED PARTY:

-- of the college of Mt. St. Joseph in Cincinnati.

I appreciate your comments, or warning might be a better term, on expecting more benefits without eventually paying for it. In this context, I'm wondering what your thoughts are in the area of Social Security, which is a matter of increasing concern, where we seem to base the system on a pyramid, which Democracy says is now becoming a column with more benefits. Where are we going and what will it take to make that system go? Are we looking at tremendous increases in Social Security taxes in the future?

MR. LYNN:

I think -- Bill.

MR. MORRILL:

Sir, I think it's now been announced in your newspapers and on television that there are problems that we need to face up to in the Social Security system with respect to its financing. They are not a cause for panic, but they are a

cause for concern, and one that we need address ourselves to. And they come in both a short-term problem and one for the much longer term.

The short-term problem arises out of the fact that the Social Security system as it has been amended, and most particularly in 1972 amendments, was made extraordinarily sensitive to swings in the economy and probably more sensitive than it should be. And so when one looks over the next five years, the outgo from the system is exceeding the revenue flow, and we have a short-term financing need to meet in some fashion.

In addition to that, in the longer term there are two major factors working on the Social Security system. One is the change in our demographic pattern, the decline in the birth rate in this country, which over the next 20 to 30 years will shift the balance of those working to those retired from something better than 3 to 1 now, down to closer to 2 to 1 about the turn of the century. And that will generate financial demands, additional financial demands if we intend to retain the current benefit structures in that system.

Beyond that there is also a problem that is of our own making. In the 1972 law, in which we now overcompensate for inflation in the society with respect to future retirees, not those now retired on Social Security, but those that will retire in the future, in that their wages, their growth in their wages is accounted for in their future benefits when they retire, but in addition to that the workings of the formula compensate them twice. And that problem also is creating a financial situation in the system that needs to be addressed, and I think those who follow that system with care are pretty near in agreement that we need to get at all of those issues over the next year or two and straighten out the financing of that system.

MR. LYNN:

I would only add to that one or two things. One is that there is enough money in there to get to 1980, so we got some time to look at it. Number two, I noticed the way we pass laws in this area; we don't bring together the revenue raising from the revenue dispensing. We will have an act which will increase the benefit but does nothing with the problem of how you pay for them.

Then we have to take the action on how to pay for them. And I'm inclined to think that we ought to look at the two issues together each time. As the mechanism, the domestic council, which is the makeup of various department heads, is made up of various department heads that have responsibility — in these areas, has a study going in this area, and the inter-relationships with Social Security with unemployment insurance with welfare reform and so on, because these matters are very much linked and complicated, as Bill said.

Yes, sir.

MR. HALLOWAY:

Karl Halloway, NAACP.

I would like to address a question to Mr. Stanley Scott. How many of the 59 banking institutions are savings and loan -- institutions? And, I guess number two, what efforts are your -- is your office making to channel money into banking institutions that are not savings and loans?

MR. SCOTT:

Well, first of all, the figure of 59, we're talking about banking institutions and not savings and loan institutions, so --

MR. LYNN:

These are commercial or savings banks.

MR. SCOTT:

That's correct.

MR. LYNN:

So are there savings and loans on top of that?

MR. SCOTT:

Savings and loans, Jim, I think we've got some legislation that we're playing with to see what we can do to infuse money, but that does require legislation; is that correct?

MR. LYNN:

I think that's right, as far as putting money in.

MR. HALLOWAY:

Is there any effort by your office to promote new banking institutions?

MR. SCOTT:

Well, we're cast in the position of really being supportive of anyone that wants to go into business, doing whatever we can to open some doors for people who are interested.

MR. LYNN:

In other words, what will happen is we'll have some minority people that are interested in going into banking. Many times, in the great tradition of this country, it comes about you have minorities who have been working in a regular bank, a majority bank, and get the same itch that a lot of other people have, which is, heck, I can do it better than these folks, so I want to go into business. So they scratch up the money one place or another to get the minimum shares, sometime also getting some people from the majority committee to come in but without control of it. And at that point we can be helpful with respect to the deposits which, as you know, is the essence of getting the bank going. But in most cases

that money is brought about through their own efforts of finding people that have conviction that these people can make it and go that way. And where our effort has been has been where those banks have been formed to be sure that they get a fair share of government deposits, and government deposits are quite substantial.

MR. SCOTT:

I would say that one other thing that we're doing in this area in terms of specifics, we have a growing number of middle-management types who happen to be minorities working for majority sector banks. And they have begun to organize, and they're really trying to generate interest in terms of minority youngsters, becoming interested in banking. And I think this will accrue benefits down the line.

MR. HALLOWAY:

Thank you.

MR. LYNN:

Yes, sir.

MR. JOHNSON:

My name is Edwin Johnson, Jr., President and General Manager of Johnson & Johnson Construction Company.

And I'd like to address a question to Mr. Scott, if I might. In his discourse he mentioned, you correct me if I'm wrong now --

MR. SCOTT:

I certainly will.

MR. JOHNSON:

Two and a half million -- and I'm sure you will --

(Laughter.)

MR. JOHNSON:

-- two and a half million people that the government hired, and of that two and a half million you said that 21 percent were minority orientated or ethnic background, et cetera. Now, you went on and explained a few things. Now, it appears to me that from all the panel's discussion, we're in an economic dilemma, which everyone knows, and the minorities are in the same dilemma. We're suffering the hardest blow. And you're trying to put together consortiums, et cetera, to put it back on a solid foundation. And it appears to me that this 21 percent of minority participation that's in the government now is not going to be enough to make sure when this thing does, if God wills, come back to a solid foundation, it does not -- it seems that the minorities are going to be in the same position that they've been in for

200 years.

This gentleman mentioned about the pie getting bigger. I can understand exactly what you're saying, and my question to you is, do you feel that minorities, when this thing does turn around, will have a decent enough percentage to have input on what happens to us? And it's -- I'd like to have your opinion on that.

Then I'd like to know if the administration that you're working for has passed any mandates to make sure that this happens.

MR. SCOTT:

Let me spell it out again for you, Mr. Johnson. The figure of 21 percent is correct, and you might recall that I mentioned that we do not have enough minorities, blacks and other minorities in that mid-level management position, and that is why our President several months back issued a mandate requesting that every department and agency in government reassess their personnel, their hiring policies, and take a deep look to see where they can help to bring us up to snuff in the middle-management area, where many of the decisions are made that you're talking about. So we are moving ahead. We're working in this area. And I would hope that when we do finally bounce back, when we do get back to a vigorous, healthy economy, that we will have an increased number of minorities in positions to direct their energies, not just to blacks, but to other minorities, to be in the mainstream of federal employment.

MR. JOHNSON:

Well, in your opinion, if I can put you on the spot, do you see anything, I mean, you know, is enough being done in your -- in your, you know, as you view the whole spectrum, you know, and I know you got a blue million problems, you understand what I mean? Do you see the chances that when this thing comes around we will be in a better position, because I think it's going to come around, but do you think that we'll be in a better position?

MR. SCOTT:

Well, generally I would say this, that we're talking about an administration, we're talking about a president that vowed to be president of all of the people when he assumed office, and I firmly believe that that's the course that this president, this administration will remain on, and I think that's good for the country. It's my expectation that we will increase our numbers in terms of upper mobility for minorities throughout government. But that's not enough. Government can't do the job alone. That's why I said at the outset that we've got to have a healthy economy, so the private sector can play its role in what I describe as a partnership in progress. We got to have more jobs out there in the private sector.

We could double our efforts in the federal government five million, and I guess Jim would cringe at that because we're talking about an even larger bureaucracy, but most of

what we're talking about has to be done through the goodwill, through the sensitivity, through the dedication and commitment of the private sector, we, the people.

MR. LYNN:

Let me just add, from an olden-day standpoint, as to the federal government, something that is new done every year. As part of our budget review every year of every department, we look at where they were the year before and the year before that and what progress they have made, not just by way of percentages, because you and I know, and Stan touched on this initially, percentages can mean that all your cleaning ladies are black and you've gotten more cleaning ladies.

We look at the classifications of every job, from GS 18, 17, 16, 15, on down, minorities, all standpoints, women, blacks, spanish speaking, handicapped, and so on. We want to see what progress they're making.

As to the private sector, I feel that the way we're going to see the growth here is as a result of what progress has been made in the past. Let me explain. There isn't any chance of job opportunity unless there is educational opportunity. There's been progress on educational advancement, whether it's in scholarships, federal programs with regard to people that need the help in college, graduate school, some help, not enough in relating education to work and to high school. But what I'm saying is I think we will see as the economy comes back the payoff in having people who have both the desire and the skills to take advantage of those jobs in the mainstream, that plus continued enforcement of the laws that are on the books, I think we're going to see good progress over the years ahead; I'm confident of it.

MR. JOHNSON:

So you're telling me that after you see the progress, when the harvesttime comes, we're going to have a fair share; is that correct?

MR. SCOTT:

Yes, sir.

MR. LYNN:

Absolutely.

MR. BAROODY:

Jim, may I interrupt? We're now running over, and we're very tight. We'll take one more question and if it can be brief along with the answer.

MR. MOBLEY:

It's according to how good you are in answering my brief question. Since Mr. Scott's on the spot, you're still on the spot.

My name is James Mobley. I'm the mayor of an all black city just north of this city of Cincinnati.

Here recently we just went through the urban renewal program, where we have some demolition work in the summer, you know, tearing down old buildings and rebuilding new ones. I have a problem concerning what you said about banking, put money into banks for minority building trades.

Here recently we have had a situation where it's come to be rather deplorable in my eyesight, is that we have craftsmen living in our town who put bids out for demolition work and things like that, and we're not able to get the bond for the work to be able to do the work, you know.

Now, the federal government, it sit down and give us the money to do the work, I'm from an all black community, at least up till last month, we hired a little Jewish kid to be our city manager (laughter), so we're not completely all black anymore. We're not a racist society.

(Laughter.)

MR. MOBLEY:

Am I getting the point to you? Okay. We got a problem. When my people get ready to get out there and bid on a job for demolition and such, our fine banks in Hamilton County will not give them the surety bond. I think the federal government should find some kind of ways, and I hope you will be my lobbyist on this, sir, to make certain there are dollars put in the black banks so these people will be able to come there and put up the surety bonds so we can do the work.

MR. LYNN:

Stan, if I might, back when I was in the Department of Commerce, this is back, going way back, three years ago, something like that, or four years ago, one of the things we fought for in the Congress and got passed was an amendment of the Small Business Act, and with Title 6, I remember, to some act, and I can't remember what it was, just kind of added on, that provided for a 90 percent guarantee by the federal government of the surety bonds for businesses, including minority businesses.

Now, I don't know what's happened to that program since then. Can you tell me?

MR. MOBLEY:

The banks in Cincinnati don't know about it.

MR. LYNN:

You tell them about it and get in touch with the SBA folks that are here in this town and see whether that program's still running or not. I just don't know. I've been out of the action for a while. But you ought to at least inquire.

MR. SCOTT:

The program is still in operation. But I think what



you're talking about, having the bonding security to the extent that you need it to do some of the larger jobs. And I would suggest that --

MR. MOBLEY:

They are denied the bonds.

MR. BAROODY:

I hate to interrupt, but we are really running late here. I will suggest to Jim Lynn, if he does want to ask you a question, that he write it down on the sheets provided to be sure you get it.

MR. SCOTT:

Check with me afterwards. I have some input for you.

MR. BAROODY:

I wish we had more time for questions and answers. We have been on a tight schedule for the full program. This is the last intermission. It's going to be very brief, just five minutes, before we go into the energy, environment discussion. I must point out to you that I don't encourage you to leave the room at this time, but once you come back from this intermission, then you will not be permitted to leave the room until after the President has joined us. This is the last intermission; it will be five minutes.

(INTERMISSION)

MR. BAROODY:

We are ready to go into the final major issue on the agenda for this White House Conference on Domestic and Economic Affairs, and that is, of course, energy and the environment.

We know that there have been problems with the availability of natural gas in the area, and rates for gas and electricity have, of course, been on the rise. On the positive side, a nuclear electric power plant is under construction in the area. But even though there has been a gas shortage and gas price increases in the area, more and more area residents are leaving their cars at home and riding local buses. This trend has been stimulated by the substantial reduction in bus fares in the area.

Here with us today to discuss energy and environmental matters are Frank Zarb, the Administrator of the Federal Energy Administration, on my left, and Russell Train, Administrator of the Environmental Protection Agency, on my right.

I would like to present to you first Frank Zarb, who was appointed by President Ford on December 2nd, 1974, to be Administrator of the Federal Energy Administration. He is also the Executive Director of the President's Energy

Resources Council.

Before holding this position, Frank Zarb was Associate Manager of the Office of Management and Budget, and before joining the government Frank served for five years as Chairman of the Executive Committee of Hayden, Stone & Company, a New York investment securities firm.

He earned his undergraduate degree from Hot Springs University in 1957 and masters from the same university in 1961.

He was born in New York City in 1935.

It's a pleasure for me to present to you at this time Frank Zarb.

(Applause.)

MR. ZARB:

Thank you, Bill. Thank you all.

I will obey my early instructions and be very brief so that we can have maximum amount of time to speak with one another. Rather than give you the gospel according to the administration on energy, I think it would be most productive to talk to the points that are particularly on your mind. If during the course of that process you haven't asked some of the questions that relate to some of my answers, I will see that they get in along the way.

(Laughter.)

MR. ZARB:

I do hesitate in that we have a very serious matter and before I, since every time I get on one of these things I'm the bearer of bad news and it gets very grim before it is over, and I thought I would lighten your afternoon with a little story. When we did this in Atlanta I spent five or so minutes giving an overview, and I asked questions from the audience, it was set up similar. A fellow got to the microphone, and he said, "I have two questions, but before that I have a comment." His comment was if we continued to increase the price of gasoline he would not be able to drive very much, and if we continued to increase the utility bills he would have to keep his lights off, and cumulatively what we were doing with that process is increasing the size of the American population.

(Laughter.)

MR. ZARB:

Now I must say to you that I have had many questions and comments during my last six months in office, and I was in a quandary as to how to respond, and in any case I did get to the mike, and I told him I would answer his questions. And with respect to his first comment, I thought I would pass. And just as I did that, in the center, where this TV camera is, a lady stood up and said, "You're going to miss an awful lot of fun."

True story.

(Laughter.)

MR. ZARB:

Okay. Now the bad news.

I'm just going to lay out some truths here today, and then we can take off from there, because I think the American people basically want to hear what it is and how it is, and really don't want it fluffed up with a lot of political demagoguery, so let me lay out a few truths that are fact, and then we can talk about where we go from here as a nation.

In 1970 we paid to exporting nations of oil \$3 billion. In 1974 we paid those same nations \$25 billion. Ladies and gentlemen, the people who paid that bill are the American consumers. The bill in 1977, if we do nothing and OPEC does not raise its prices, which seems remote, will be in excess of \$32 billion, the American wealth, American value, American jobs, leaving this country for the benefit of others.

That condition today is getting worse. Our consumption is increasing. Our domestic production is declining, and our imports, therefore, are increasing.

Now a word about the cartel. The cartel now delivers 38 percent of our total oil requirements of the United States. It has used it for political blackmail, for embargo during a time of international difficulties, and there is nothing in my book that says that that could not reoccur. The next embargo, should we have one, would be substantially more serious than the last.

Now, if you don't share with me the national security concern of a nation that gets that dependent on other nations for its oil, then share with me, please, the impact on the American consumer, because, ladies and gentlemen, in the final analysis the people that pick up the bill are you and I and the rest of our fellow consumers. So long as we remain vulnerable to the point which we are a major factor into the OPEC market or into the cartel market, we are going to be victims of arbitrary price increases.

Now, we have two alternatives as a nation. We can conserve, and that does not seem so hard, since we are a nation of six percent of the world's population and 30 percent of the world's energy consumption, and that means simply using energy at a different value level, making investment and consumption decisions that are just somewhat different than we have been used to in the past. We can also bring on American supplies, oil, coal, nuclear power, solar, gasification, liquefaction, shale, almost in that order, going from now into the late '80s.

Now, I'm not sure how long a nation has to be exposed to the kind of condition that we have been experiencing before we wake up and demand that action be taken by the government to turn the situation around. I'll simply say this, the President put a program in front of the Congress in January. It's a bold

program. It's tough, but it's a tough problem. If that program is implemented, we will begin immediately to lessen our dependence on the producing nations.

Now, that will have two effects. The first effect is that when we sit around the bargaining table in Paris or Brussels, or wherever we do that these days, the relationship between our nation and those producers is going to be somewhat different, because we are then a nation with a plan and a program to reduce our vulnerability over a period of time and in fairly extensive ways.

Finally, the awareness is going to be there that within 10 years it won't matter to us what the cartel wants to do with their prices or with their supplies. They can talk embargo all they want; for 10 years from the date that we get started, it simply won't matter. And if you don't think that is going to change the juxtaposition of international politics with respect to oil, then I don't know what will.

What do we need? We need some fundamental legislation, one, for conservation, two, to bring on additional production.

I won't get into all the detail, because it is rather, it's extremely in detailed form, and I think you'll probably want to get to specific areas. I'll leave you with this. An international labor leader told me the other day, and I won't use all of the words he used to express this phrase because he is a rather colorful fellow, but he said to me, "Son" -- (laughter) -- he did -- "what your job is is to get the kneepads off our knickers because me and the people I speak for are sick and tired of kneeling to other nations for their expensive oil." I think he summed up everything I could say in hours of articulation.

It's time we got started, ladies and gentlemen. We have the capability. We have the resources. We have the will. All we need to do is get a little legislation, a little statesmanship and good old American guts.

Thanks very much.

(Applause.)

MR. BAROODY:

Thank you very much, Frank.

Joining us now for a few opening remarks is the Administrator of the Environmental Protection Agency, Russell Train, who has joined us after just coming from the dedication. And the President was over there, as you know, at the new Environmental Research Building near the VA Hospital.

Mr. Train for over a decade has been involved in the preservation of our natural environment. Prior to coming to his current position, he served as the First Chairman of the Council for Environmental Quality. And from 1968 to 1969, he was the Under-Secretary of the Department of Interior. From 1959 to 1969 he served as Vice-President of the U.S. World Wildlife Fund, and in 1965 became President of the Conservation Foundation.

He has also served on the National Water Commission.

Mr. Train was born on June 4, 1920 in Jamestown, Rhode Island and grew up in Washington, D.C., and he graduated with a B.A. degree from Princeton University in 1941 and a law degree from Columbia University in 1948.

Just before presenting him to you, I would like to ask that all the members of Congress who are in the room and others who know who they are, some of the heads of the organizations, if they could proceed now to the VIP holding room.

At this time I'd like to present to you Mr. Russell Train.

MR. TRAIN:

Bill, thank you.

I do appreciate the opportunity to talk with you today about the energy-environmental relationship. At the outset I think it is important to place environmental quality in perspective with the nation's energy goals. Too often the argument runs that environmental needs must be sacrificed for the time being to meet energy needs, that environmental improvement is a luxury compared to more basic needs, a luxury that can be deferred while the true business goes on. Obviously, I do not subscribe to that view.

Environmental damages are very real, from impaired human health to damages to materials and agricultural crops, to destruction of eco systems, the decreased recreational opportunities and to the waste of rare, scarce natural resources.

In pursuing the goals of our society, we attempt to optimize total, social benefits. The nation needs energy to fill its productive capacity, heat its homes and construct buildings, but we need not pursue our energy objectives at the expense of environmental objectives. I also strongly believe that the key policy choices do not have to focus on absolute choices between energy and environment. Intelligent policy choices can basically satisfy both objectives. However, in order to achieve this balance, EPA believes it is necessary to observe several policy guidelines. Conservation should be given the highest priority, environmentally preferable sources of energy to be developed first, energy sources with high environmental risks should be avoided whenever possible. Environmental protection measures on all energy projects should incorporate the best available technology.

While there are a number of policies which must be undertaken in order to attain a greater degree of energy independence, I'd like to use my limited time to concentrate on the need for a comprehensive energy conservation program.

I think that we can all agree that if high levels of growth in energy demand must be maintained, then the nation will be on a treadmill with both serious environmental and economic impacts. All sources of energy would need to be developed simultaneously. Tremendous economic investments would be necessary. The environmental cost would be staggering. These adverse economic and environmental impacts can be avoided if we make a national commitment to an energy conservation program.

The federal government, however, has not until recently given much attention to using incentives or subsidies to encourage individuals or corporations to save energy. And yet a BTU saved is as valuable as an incremental BTU developed. In fact, it is even more valuable since the BTU saved does not generate the pollution associated with the extraction, processing, transportation and end use of new energy, and it preserves a scarce resource for use at a future time.

And the President's energy program contains a number of strong initiatives to move our nation in that direction. The President has proposed a tax credit to encourage families to provide better insulation for their homes. The President has secured a commitment from the auto makers, which is directed at assuring a 40 percent improvement in the fuel economy by 1980. The President has called for appliance labeling so that consumers will know and can compare the energy efficiency of appliances they buy.

Most importantly, the President has proposed a series of measures designed to increase the cost of energy and thereby encourage its conservation.

The challenge today is to create an energy conservation ethic in our society. As a nation, we have an opportunity to assure that this generation can exploit its resources in an environmentally, satisfactory manner, achieving a full range of economic, energy and environmental goals. And we need to follow the President's leadership and seize that opportunity.

Thank you.

MR. BAROODY:

Thank you very much, Mr. Train.

We're now ready to move into the period of time for questions and answers. If you would step up to the microphones, as we have before, and address your questions to either Frank Zarb or Russ Train.

Over here on the right.

UNIDENTIFIED PARTY:

Mr. Train, has not the federal EPA limited the use of coal by industry and utility?

MR. TRAIN:

EPA has enforced air quality standards set by the Congress under the Clean Air Act, and this has created a constraint on the use of high sulfur coal, yes.

SAME UNIDENTIFIED PARTY:

What has been the effect of that in terms of cost?

MR. TRAIN:

There's no question that low sulfur coal commands a higher price in the marketplace than high sulfur coal does, it's in much greater demand.

SAME UNIDENTIFIED PARTY:

Has not the federal government mandated to the State of Ohio and all of the other states in this country that they have to follow the federal guidelines irregardless of the consequences on the state?

MR. TRAIN:

Well, both yes and no. The Clean Air Act is national legislation enacted by the Congress, applicable uniformly across the United States, to all states. Primary air quality standards must be met in all areas of the country under the law by May of 1975, the date which has already passed, but a good many areas in the country did meet it on schedule.

Implementation plans applicable to specific power plants, specific communities, are the responsibility of the states to develop, to develop to meet those ambient air quality standards.

SAME UNIDENTIFIED PARTY:

Where is industry going to get the energy it's going to need to create the jobs we've been talking about today, and how does your program fit in with Mr. Zarb's in terms of making the state of Ohio able to continue to have jobs in industry? Most of us --

MR. BAROODY:

In the interest of fairness to others, I don't think we can have a series of questions from each individual. I apologize for that.

Can we move on over there.

MS. HADJILOUKAS:

I'm Susan Hadjiloukas. I would like to know what and how much is being done to develop alternative sources of energy, particularly as they relate to the individual consumer, I'm thinking of such things as solar energy for the home, electric automobiles.

MR. ZARB:

Let me quickly outline for you what we have available to us in terms of additional energy sources.

In the next three years, we can do virtually nothing except extract from existing wells, using secondary and tertiary recovery methods, which are methods used to get the oil which is not normally recovered during normal processes. That's step one.

Step two is the improved burning of coal. In answer to both of your questions at the same time, Russ Train and I agreed on a set of Clean Air Act amendments which would allow increased

burning of coal and at the same time protect minimum health standards. We both have endorsed those before the Congress. So coal is number two. We can probably bring on an extra 300,000 barrels a day equivalent in coal burning over the next three years.

Beyond that we have some oil in Milpas, California, which is a naval petroleum reserve that's been under the protection of the Congress as a national security matter, and we've asked for legislation to free it. The Congress seems to agree that they'll go along and free it. At the moment, they're deciding who's in charge. We have two committees on the House side in a jurisdictional dispute, as a result we've had seven weeks of wait to take it off the calendar, until we get a better measure as to who's going to have final jurisdiction. When that's complete, I think we'll get that, as well. That's the first three years.

Within a five-year period, we bring on some additional nuclear, and during this same period we bring on some additional nuclear, but the real nuclear addition will come in the early 80's.

Now, when you get into the 80's, you begin to talk about liquefaction of coal, gasification of coal, solar, geothermal and shale. Solar right now is a new industry, great potential, it's a great energy source. It's got all kinds of opportunities. It's clean, I don't think it can be embargoed.

(Laughter.)

MS. HADJILOUKAS:

I certainly hope not.

MR. ZARB:

Don't laugh. There are lawyers that are looking at questions as to the air rights next to buildings, if you live in a house solar heated, can somebody come along and build a bigger house, the kind of insurance you have. But I think we're going to see in the 80's a real advancement of these technologies. The government is prepared to help and promote wherever the government has a role. The real, real breakthroughs are going to come where they've always come, the creative American free enterprise system. If we give them the right opportunity and right environment, we're going to see new industries grow out of this problem, and it's going to be seen as an opportunity rather than a problem.

(Applause.)

MR. MILLER:

Robert Miller is my name. I'd like to ask if there is an experimental or administrative authority by which utilities and others who burn large quantities of fuel could switch under proper meteorological conditions, on an experimental basis, some of the high sulfur, more high sulfur fuels, because the pollution would be distributed because of the more favorable weather conditions.



MR. TRAIN:

Well, I don't know about experimental programs, but this -- your question poses a basic issue about sulfur dioxide, its damage to health and the sulfates, fine particulates produced in the upper atmosphere from sulfur oxide. The use of what we call intermittent control strategies, burning high sulfur coal when the meteorological conditions are right, shifting to low sulfur when it's not so good, or shutting down even in some circumstances. This does not reduce the total loadings of sulfur in the atmosphere. It does diffuse the pollution, so to speak. It does not, in our opinion, avoid the serious health, public health problem involved in the creation of sulfate particulates in the atmosphere, which tend to come down some distance away from the power plant. This is the reason why New York City, for example, in recent years has seen the level of sulfur dioxide going down quite steadily because of the use of lower sulfur fuels, the levels of particulates, these are usually considered to be generally bad healthwise, remaining quite high, coming in from outside. This is the reason why we have not as a matter of policy believed in intermittent controls, but rather constant control technology, such as fact scrubbers.

MS. STILES:

My name is Dorothy Stiles. I represent a citizens' group from Butler County. We're wondering if the Federal Energy Commission was aware of the number of citizens groups throughout the entire country, in addition to ours, that are greatly concerned about the policies within the electric utilities industry, capricious waste in the use of basic, basic energy sources in providing what everyone seems to think they need, is an endless supply of electricity, and that this capricious waste is causing considerable devastation. In spite of what the federal government says, the industry, itself, gives no indication they are going to make any changes in their basic policies of wasting energy to get energy. So we are very concerned that the combination of federal government policies and the policies of private, large business are geared not to protection, as Mr. Train seems to say, but rather to the continued proliferation and continued devastation of the countryside to provide this endless, endless overproduction, overcapitalization. And, by the way, overcapitalization is always minimized as one of the major factors in making rates go up, but if you think about fuel adjustments, what they're really saying is the manufacturing, that the overmanufacturing of waste and electricity is really what's costing you money, because a lot of that coal is just being burned for nothing. We would like to know if the energy commission isn't going to consider being the ally of the citizens rather than the ally of the big business pushing these kinds of concepts.

MR. BAROODY:

Frank Zarb.

(Laughter.)

MR. BAROODY:

I bet you thought I was going to answer that.

(Laughter.)

MR. STILES:

You told us to be tough, so we'll be tough right back.

MR. ZARB:

I'm with you, and I'll keep going. I want to answer your question in two parts, but I will make a preliminary comment.

First of all, there's a tendency in this overall exercise in solving the energy problem - I'm not being critical of any one group or attitude, it even comes out of our agency on a regular basis - to look for that one or two sources of evil spirit and exorcise it, and then all will be well. Let me tell you, that's a giant mistake. In the 1960's we started to put ourselves into a hole, I mean all of us, big business, small business, government, whoever had a voice or didn't have a voice, we all did it to each other. We had cheap energy, and, as a result, we had gasoline at relatively low prices, and instead of ordering cars we ordered chrome-plated gunboats from Detroit. We ordered them; they delivered them. Each year we got more chrome and bigger gunboats. We did it to ourselves. They, big business participated in what's occurred. The utilities over the years have not kept pace with regulatory practices that would encourage conservation; they haven't really looked at inverted rate structures; they haven't looked at peak load pricing, which means that every utility has a peak period of the day, and you've got to retain a whole big structure to support that. When you lower that peak, because you're able to do something to pay a premium if you use it during those peak hours, you lower the overall overhead and you use less energy, which we support completely. We don't have authority in those areas because they are state controlled, but that's not keeping us out.

(Laughter.)

MR. ZARB:

We do, we have last year and this year been spending some \$30 billion in total, a million dollars in total, to subsidize the system's work required to take a look at these peak-load pricing and inverted rate structure concepts. But rather than beat all the utilities on the head, and some of them probably deserve it, others don't, keep in mind that the regulatory commissions, the people that elected the regulatory commissions, the people that elected the people that the regulatory commissions reported to, all contributed to this problem. We had cheap foreign oil, we were running out of natural gas, we had crazy rate structures, rates went up immediately after election and not too much before election, statewide, not a very effective and orderly management of our energy problem. A lot of people were to blame.

I think the answer now is we've all gotten ourselves into it, and how do we get ourselves out together. And specifically to answer your question, is yes, we do support a notion of going forward, developing peak-load pricing practices and determining how much contribution that can make to conservation.

MS. STILES:

Thank you. I had a favorite phrase that I couldn't resist putting in here at this time. We were concerned that the industry has not progressed, as other industries do, because they haven't had to be competitive, and I said that we really, any conservation group, is not against the provision of electricity. We don't mind traveling with a Ford, but we just like to see it be a spanking, brand new 1975 model. So let's innovate the electric utility industry.

MR. ZARB:

Thank you.

MR. RHODES:

I have a question for Mr. Zarb. My name is W. Emerson Rhodes, Board of Trustees, Delhi Township. It's a short question.

But first I would like to publicly acknowledge Mr. Train's very gracious and prompt assistance direct from Washington with a problem we have with the EPA, and I think he deserves publicly to be commended for it. We're very grateful. Thank you, sir.

Mr. Zarb, I'm wondering if you could speak to the question of economic, use the economic might of this country, cut off some foreign aid, blockades of our own, towards forcing the OPEC nations to see the light, as it were, and to try to bust up that cartel.

There is an opinion out here that we're continuing to grant the millions of dollars in foreign aid while we're getting into this particular form of blackmail without coming back at them hard.

MR. ZARB:

Well, as you may have guessed, when we get into that kind of talk, I'm willing to participate in that kind of discussion because it's more activist than passive. But I think we have to be realistic in what we're talking about. We do supply the OPEC nations with a number of different industrialized commodities, and we have said that we were going to increase prices to them, and indeed we have. As inflation has increased we increased our prices. They are using that as a reason to increase their own prices. Now, if we increase those prices more, we keep going like that, so that in itself is not a device which will be used.

Secondly, we can withhold things like food from those areas, and some of the industrial products. There are around the world a few other nations that from time to time compete with us internationally, who would be more than willing to supply the necessary food even if their own people have to go without to fill the vacuum. So when you make the threat, and you are willing to wade in with a two-by-four, you better be ready to swing it. And in this case, I think you can see that it isn't all that clear.

Now, having said that, there is only one thing that's going to solve the problem permanently on an ongoing basis, get the

attention of the producing countries in a way that they'll respond properly, and that means putting in place a top energy program that's going to on the one hand conserve, on the other hand bring on additional American supplies, if we do it and do it now, we will see the immediate reaction by the producing nations.

I want to say one more point on that issue, because I've been told probably for the last time now that the American people don't understand this problem, how can their elected officials vote for a tough program? Well, I've finally concluded that there is probably the biggest political cop-out in the history of the republic. It seems to me that we need to lay it out to the American people in a way that they understand the truth, and that we shouldn't be walking around the country telling people that prices are going to come down or we're going to beat somebody to get their prices down, when everyone who knows anything about the facts knows that energy prices are going to go up, just a plan, unhappy truth.

The question we have to answer is whether those prices are going to go up within an American program to keep those dollars here while we develop our own sources or whether we export those dollars to other countries. And I think it's the responsibility of all elected, nonelected and other officials to kind of lay it out on the country as they see it, then let the American people make up their mind.

(Applause.)

MR. FANKHAUSER:

I am David Fankhauser, and I am a biologist at the University of Cincinnati in Clermont County, and I'm here for the Community Friends Meeting.

I would like to address my question to you, Mr. Zarb, as it relates to energy consumption and techniques, aid for the reduction of all the energy we use and also as to how we attempt to find additional sources of energy. In a sense, as I see it, the cheap energy of the past has made us a nation of what amounts to energy junkies, that is, that a large amount of very inexpensive energy has made us deeply dependent upon massive amounts of energy, and we are now seeing that our pusher is no longer able to supply us with the amount of --

MR. ZARB:

That's the way the textbook has it now?

(Laughter.)

MR. ZARB:

I'm sorry. I didn't mean to get you upset. I apologize.

MR. FANKHAUSER:

I will admit certainly that one has to put it in terms that everyone is familiar with, and we're all pretty familiar --

(Laughter.)

MR. ZARB:

Good for you.

MR. FANKHAUSER:

Okay. Now, junkies eventually will resort to violence to satisfy their need. I hope that we as a nation do not eventually resort to violence to meet our needs. And, if I'm not mistaken, I heard overtones in something that you said regarding the OPEC nations, that we would, well, I hope I was misunderstood, and if I misunderstood you, you'll correct me, but I --

MR. ZARB:

I wanted you to say what you thought you heard me say.

MR. FANKHAUSER:

Well, it --

MR. ZARB:

I didn't say it.

(Laughter.)

MR. FANKHAUSER:

All right. Let me proceed then to the first question and most important question is, how can we reduce our consumption of energy? I think that one way that we can do that is to increase our reliance upon recyclable containers instead of throw-away containers. And I would hope, I would like to see a national bottle bill. I know that bottle bills have in various nations, in various states around the nation, have met considerable resistance, obviously, from various container corporations. That would be one approach.

Another approach would be to alter the rate structures that are presently charged for electricity. I might mention that a person who consumes very little electricity pays between six and seven times the per kilowatt hour rate as someone who consumes an inordinate amount. It seems to me the least could be done would be to set a flat rate which would at least in part reward those individuals who make an effort to reduce their consumption.

MR. ZARB:

Let me comment on what you said so far so I can give somebody else an opportunity to ask a question.

I agree that the use of solid waste disposal for many generations should be pursued. There are about two major programs underway in the country and eight or ten plants along the pipeline that will use solid waste burning as an assist. We have to use about 10 parts of energy source for one part of solid waste, but even that's a help, and hopeful that working with my good colleague here, Russ Train, we'll be able to work that into the environmental equation so that we can join hands on that situation.

You talk about saving energy. We've got to save an awful

lot. And the way the President has put forth still hangs in there as being the only way we appear to be able to get it done as a nation. If you put the value of energy at its real value in society, people are going to make different consumption investment decisions. Homeowners will put up storm windows and insulation, and get rid of that old oil burner or cooling system, the automobile drivers are going to demand a different kind of vehicle he's going to drive on the street, and the plant manager's going to make different investment decisions and process decisions with respect to how he uses that energy.

Now, the President's program will raise those prices, use taxes to do it. That's a tough, tough political stance. Those taxes came into the federal treasury, they were all returned to the American economy, the people in the middle and lower income range getting more back than their increased cost, and that's the only way to cure the inequity of the oil inflation as it's visited us in the last two years. That kind of program will get the kind of response on the road or in the home or in the factory day in, day out for 10 years and will have the desired effect. We'll get that energy ethic that Russ Train talked about using that process.

It's a free country. It's a free economy. We're used to dealing with things that way. The notion of creating a shortage with allocation control and then government controlling everybody's lives as to how much gasoline you get or how much oil you get for your industrial process will create disruption, it won't keep prices down, it won't get the job done. We really have only one way to go, and I think we're in agreement on that.

(Applause.)

MR. PELLEGRINI:

My name is Robert Pellegrini, I'm a marketing student at Xavier University. What I was going to ask you, what is the administration's plan? As you said, President Ford has a hard policy proposed. What is the plan for gas rationing, if any, and is that going to be a concern or a last measure in cutting down the consumption?

MR. ZARB:

The gas rationing program is on the shelf and available for use in the event of another national emergency such as the embargo. It has absolutely no utility on an on-going basis. And this nation, to try gas rationing for 10 years, people wouldn't stand for it. It would be inequitable, it would hurt the wrong parts of the population, the wrong parts of the country, it would just be used in case of an emergency and hopefully only for a short period of time, if we ever have to use it.

Creating the shortage, and government management of that shortage, believe me, we looked at it, the Congress looked at it, I don't know anybody today who is going to stand up and be counted as an advocate of that program.

(Applause.)

MR. SCHOTT:

Robert Schott of the regional investment firm of Gradison & Company in Cincinnati.

First I would like to say as a participant at this workshop, it's really been thrilling, it's a town meeting type, and this is thoroughly open questions, and I just think it's a marvelous format, and I hope many people throughout the country will have this privilege.

(Applause.)

MR. SCHOTT:

Mr. Baroody, I presume you are going to take the bow for that. Right.

One of our activities is raising equity money for drilling of oil and gas wells. Surely long range some of the more esoteric finds will come on stream, but at present we're going to go on that line. It's becoming more and more expensive. The easy finds and the easy drilling are things of the past. Also, the pricing is going up.

My question is this, there has been talk and threats that the intangible drilling cost, which is the expensing of the labor of drilling a well, is in great danger. And my question to you is this, when this comes up into committees, which I think is starting to take place next week, is the administration going to take some kind of a stand on this? And I tell -- I say this, it is extremely important for those of us who have to raise equity funds, that that intangible drilling cost be available to investors.

MR. ZARB:

Without getting technical in that entire issue, just let me say that the Congress changed the depletion allowance at a time that we asked them not to. We simply asked them to look at the total income and tax equation of the oil industry all in one matrix and not knip at this part or that part in some strive to gain public popularity and then find later on that we've done something that was kind of productive. They didn't hear and pass that bill. They passed the tax cut which the President felt was important for the nation, and the President then signed it.

Now, we are revisiting that area inasmuch as we're looking at decontrol of old oil, which we propose to occur over a two-year period, and that, our formula and principle in this area is very simple; we ought to provide sufficient return on invested capital to insure that we can continue our drive to our project independence so we can drill on the continental shelf, the north slope of Alaska, put in the pipeline and all those mechanisms that we're going to require to be sure there is enough return on invested capital. At this point, probably using a plowback provision because of the depletion change, and after that, if we calculate as reasonable people, that any sector of the energy business is receiving excess profits, we ought to put in an excess profits tax. Now, we asked for an excess profits tax in January, or a provision for one, to go along with the decontrolling notion. We asked for one in April; we asked for one in May. The Ways



and Means Bill was supposed to take that up, and it should have been attached to the Ways and Means Bill, the Congress elected not to take it up, so we still have no excess profits tax. But if you look at it as average human beings in terms of what's reasonable, let's be sure that we don't chase out private capital because we're going to need probably 6 to 800 billion of it before we're through with project independence, but, at the same time, let's protect the American people and make sure that nobody's getting super rich while the project is going forward.

We need to use both devices. So, as the Senate finance takes up the oil tax bill, I'm hopeful that they'll see the wisdom of putting this all together into one comprehensive picture.

MR. THOMPSON:

Mr. Zarb, my name is George Thompson. I'm chairman of the Citizens Participation Committee of OKI, and I'm a trustee of OKI, as well.

OPEC has only had us over the barrel, so to speak, for just a few years, since its inception, or since it was formed. The oil companies have been teaching the Arabs the habits which they are now using on us for a lot longer than that. Okay?

Why can't we get the oil companies to help us with a crash program on the Alaskan pipeline, or why can't we get the government to insist that they have a crash program and cut that 10 years down to something more reasonable, and why can't we use some of the 9.2 or the 8.6, or whatever the hell the figure is of the unemployed, the ones that are willing to go there and work on the Alaskan pipeline. The Chosin Reservoir, a 25-year dam was built in the space of four years by just human application and not too much technical know-how. Now, we've got human application and we've got the technical know-how. Now, how do we instill it in the people who run our government, and how do we get that Alaskan pipeline in a hell of a shorter time than we've been hearing from? We heard that it was passed, and we haven't heard a heck of a lot about it. I know they're working on it, but how do we put the fire under the Alaskan pipeline, which is a primary source of curing our energy problems?

MR. ZARB:

It will be 1977 or early '78 before it's completed. Let me say a word about OPEC and its nature, because I generally agree with your characterization of its structure.

Most of these guys who are perfecting that program have probably been trained at Harvard and --

(Laughter.)

MR. ZARB:

What we used to call vertical integration is now looked upon as a threat to our economy. And we shouldn't be surprised



that these people who are in control over there are doing about what we would be doing probably if we were in the same position. But realizing is very important because the fact is that so long as they control that oil supply, they are going to use it to maximize their revenues. There is not going to be any statesman-like gesture which will have them lower prices just for the goodwill of relationships.

Now, I think we're doing everything we can to speed this pipeline along. We've had materiel problems, and we've had to invoke the Defense Production Act a couple of times to get materiel allocated away from one part of the country to get it up there to get it done. I don't know of a labor constraint up there. I'm told that there is sufficient labor to get the job done, and that they're moving just about as fast as they can do it.

The real answer to your question is let's get some of this activity going in some of these other areas, like the outer continental shelf or the north slope of Alaska, or the construction of additional nuclear plants, of which we're going to need an abundant supply, or the development of additional coal and the transportation to move coal, because we haven't exactly kept our railroads in grade-A shape over the last 15 or 20 years.

There's a lot of work to be done. Let's get on with doing it. In almost every instance we need congressional legislation to get it going.

MR. FOLKERS:

My name is Winston Folkers, City of Cincinnati, Urban Development Department.

First of all, I think it's excellent to have the Federal Energy Office and the Environmental Protection Agency on the same panel. First of all, it's kind of a classic example of single-purpose interest which can come into conflict. And the question I would like to address is to Mr. Train. It has to do really with energy, is trying to coordinate the production of a commodity, EPA is really to stop the production of a commodity, that's pollution. And in the federal regulations that have been discussed in this last year, I know not many cities have been very concerned. Boston, notably; my friends there are more concerned about this than the busing issue, as a matter of fact. And that was where the environmental example for Boston was going to prevent, as an example, construction of a parking facility or office building or any type of a major facility, which in effect was to bring supposedly more automobiles to stop pollution, but the question in dealing with that type of regulation or that division of EPA gave no consideration of the line usury percussions, which then force development out into suburban areas and there accentuates the energy problem by requiring a dispersal pattern rather than a concentration, which we ought to have an emphasis on public transit, overall land use policies, and so the primary concern is that there's not the very narrow functional area that has gone down rather than considering the broader picture. And I understand EPA has backed off the Boston situation that would have affected -- in Cincinnati, we wouldn't have a stadium or a coliseum now in construction on the riverfront.

MR. TRAIN:

We did modify the Boston transportation strategy. I'm not sure what the question is.

(Laughter.)

MR. FOLKERS:

The question is --

MR. TRAIN:

I think I sense the question. Let me just comment on it.

First, we're required by statute, this is not something we've dreamed up under the Clean Air Act, in fact, we resisted doing anything with respect to transportation control plans until we were dragged into court and got a court order that made us go out and do it. That doesn't help answer the problem, but that is the reason why we're doing it.

Secondly, it's single purpose planning, Under the Clean Air Act, for the sole objective of achieving ambient air quality. I grant you that single purpose planning is not necessarily the most productive kind. Planning should be more comprehensive, taking a broad range of values, economic, social and others, into account. We are mandated by the Clean Air Act not to get into social and economic planning, but to do a specific job to try to achieve air quality standards.

That's how we get into the problem. How we get out of it, I'm not too sure. I have raised this same issue with the Congress again and again. One of the needs is that I think in the country more comprehensive approaches to land use generally and at the state level, state and local level, I'm not talking about the federal government doing land use planning. My own view is the federal government could assist this properly and appropriately, but the real responsibility belongs at the state. And I think this would have a great deal to do with more comprehensive approaches to air quality and other needs of our society, including the siting of energy facilities. OCS development has a major impact on shore sod, petrochemical, other industrial development, provision of services, all of this would be the subject of effective land use planning at the state and local level.

Have I answered your question?

MR. FOLKERS:

Yes, I think so.

MR. BOLLINGER:

My name is Steve Bollinger. And as a Harvard graduate I'd like to ask Frank Zarb how long he pated John Dunlop, the Secretary of Labor, a former Harvard professor.

(Laughter.)

MR. ZARB:

What's your question?

(Laughter.)

MR. BOLLINGER:

My question is for Mr. Train.

(Laughter.)

MR. BOLLINGER:

This is a very brief question, Mr. Train. I am a candidate for city council here in Cincinnati and --

(Laughter.)

MR. BOLLINGER:

-- and as I go around the city -- this is nonpolitical in nature, believe me, and as I go around the city, I see a lot of good Republicans, a lot of good Democrats, and a lot of good charterites here in Cincinnati, hundreds or thousands of them, and I'm sure as you go around the country you find millions of people who are convinced that our energy crisis as it is in the United States today is some sort of economically motivated, in the language of the street, rip-off.

What does the administration intend in the way of the voluntary conservation energy, of energy, how do they intend to promote it, or how would you evaluate your attempts thus far, and is there any chance, are the lights going to have to go out before the people throughout the United States are going to get the message?

MR. TRAIN:

Well, I think -- I'm really going to bounce this one over to Frank because the energy conservation program is basically the responsibility of the FEA rather than EPA. Now, we definitely promote this at every opportunity, because the less energy used, obviously the less pressure on the environment and many very positive returns. For example, the inspection and maintenance program instituted here in Cincinnati for automobiles, highly controversial, and often for good reason, has substantial environmental gains in terms of controlling emissions better and also because of the requirement for tuning up cars, substantial energy returns to the average driver. That is a conservation measure that we are promoting in EPA, but in terms of overall national programs, I'd ask Frank to comment on that.

MR. ZARB:

Your question really is with respect to voluntary conservation, what kind of success have we had. And it's hard to separate voluntary conservation from the effects thus far of increased prices to the effects of the recent recession. While I'd like to take credit for all of that within our jawboning program

I really can't. I don't know, but I can tell you that the voluntary mechanism doesn't seem to have much stayability. A lot of voluntary people out in the countryside have enlisted to help us and are working with us, schools are, and we're making some inroads, particularly with young people. But we're really going to get the job done if we induce this kind of behavior, unfortunately, with my old, higher value motto of having forcing investment decisions and consumption decisions, treating energy at a different value plateau and providing the kind of incentives through investment tax credits and other assistances that would use the carrot as well. In that area, we seem to see opportunity for substantially more conservation than we have.

On a voluntary range of things, let me say that we've been talking about 55 mile per hour speed limit for a long time. We have maybe 47 percent - I'm not sure who counted all those cars to come up with that number - but somebody said 47 percent compliance. In one state, at least, I think there are two, the states passed legislation which lowered the speeding fines just as soon as we went to 55 miles per hour. So the voluntary kind of cooperative spirit in that regard just didn't seem to be present.

MR. BAROODY:

We're going to have time for just one more question.

MR. GERINGER:

I have a very short question. My name is Carl Geringer, and this is a very interesting program on conservation of energy. As I look about this room and see these lights blazing away, using the heat --

(Applause.)

MR. GERINGER:

And this is only half of it, because you've got some compressors downstairs that are taking all of the heat out.

So I don't know what to do about it, but I think if I were you I'd somehow try to have a switch, switch about half of them off when they talk about energy.

(Laughter.)

MR. ZARB:

Thank you very much. Could I take one more?

MR. TRAIN:

That's an example of why you can't depend entirely on voluntary measures. Voluntary measures will never solve this problem.

MR. BAROODY:

We'll take one more very briefly.

MR. GERINGER:

Okay. This is a very brief question for Mr. Zarb.

You talked about gas rationing would not be done. How about energy rationing for buildings and industrial operations at least on new facilities but preferably perhaps retroactively going back on all facilities. Is there any prospect for energy conservation law in buildings or industrial operations?

MR. ZARB:

Well, just consider for a moment the enforcement of your problems with the on-going buildings. But let me answer your question in some part.

The President put forth as part of his January message the request for building code changes throughout the nation so that every new building put up in the nation would have to have a very narrow range of thermal efficiencies built into it. That has not been passed yet, either, but we have attended to that problem, and we are very sensitive to it.

Did you want to quit?

MR. BAROODY:

Yeah. I'm afraid we're finished.

MR. ZARB:

Thank you very much.

(Applause.)

MR. BAROODY:

We're now going to take a brief five or ten-minute in-place intermission as they reset the stage before the President joins us.

I will not have another opportunity, and I just want to take this opportunity to thank the 14 cosponsoring organizations, Federal Executive Board that helped us, and particularly the citizens who are attending this conference, for the tremendous reception and what I feel has been a constructive dialogue.

Thank you very much.

(Applause.)

(INTERMISSION)

A VOICE:

Ladies and gentlemen, the President of the United States.

(Applause.)

MR. BAROODY:

Ladies and gentlemen, the Governor of the State of Ohio, the Honorable James Rhodes.

(Applause.)

GOVERNOR RHODES:

Mr. Chairman, Mr. President, distinguished guests, my neighbors of Indiana and Kentucky, and my fellow Ohioans, no man in the history of this United States has taken office and faced more problems than the man that I have the honor of introducing here today. Unemployment and inflation have eroded the well-being of the working people of America, especially young people and blacks, who are the first to suffer in bad times. The lack of sufficient energy creates unemployment and still threatens to compound the misery of the unemployed.

In the face of this and these complex, agonizing problems, Gerald Ford has chosen a course of strong leadership. As President of these United States, you can only do three things: you can lead, follow or get out of the way. I will assure you that President Ford is not going to follow, he's not going to get out of the way, he is going to lead the United States of America into prosperity.

(Applause.)

GOVERNOR RHODES:

He is developing programs to solve unemployment. He is working to get control of federal bureaucracy and red tape, which are slowly strangling our energy supplies and hurting the working people of this great nation.

I introduce to you a man who embodies the aspiration of all Americans, from his days as a college football hero through his rise to the nation's highest office. I am not going to tell you he played for Michigan.

(Laughter.)

GOVERNOR RHODES:

A man who is a neighbor of us here in Ohio, Kentucky and Indiana, a man who came from middle America and who has not forgotten what it is on the minds of the working people of the midwest, a man who seeks grass-roots help; that's the reason you all have been invited here today, to help build and construct a better America.

Ladies and gentlemen, the President of the United States, Gerald R. Ford.

(Applause.)

PRESIDENT FORD:

Governor Jim Rhodes, Governor Carroll, Lieutenant Governor Orr, Bill Liggett, Senator Bob Taft, Congressman Bill Gradison, Gene Schneider, John Breckinridge, distinguished guests, ladies and gentlemen, I'm deeply grateful, Jim, for those overly kind and most generous words, and I hope and trust that we can justify your faith in the months ahead.

Obviously, I am most grateful and deeply appreciative of the opportunity to meet here with you today as a part of the Ohio River Valley White House Conference. As you have already heard from other speakers, there are answers to many of our problems, but no easy answers. The closest we've ever come to an easy answer was the day Secretary Simon took Vice-President Rockefeller through the treasury. As they came to the end of the tour, Bill Simon said, "The treasury is one of the most important aspects of our economic policy." Vice-President Rockefeller said, "I'll buy that."

(Laughter.)

PRESIDENT FORD:

Bill Simon said, "Sold."

(Laughter.)

PRESIDENT FORD:

I know that you've already had a very full day and heard from many a number of my top advisors and key administration officials on a very wide range of topics. So instead of another lengthy speech covering a lot of the same territory, let me take a few minutes to talk about something I feel very strongly about, America's domestic well-being.

As each of you are well aware, this past year has been a difficult and a perplexing one. We've been through a series of crises, but we have survived as a nation, and we have become strengthened as a people. For three straight months now the index of leading economic indicators have been heading steadily upwards. Gains have been impressive in retail sales, personal income, housing starts and in a number of additional Americans at work, all reflecting the inherent confidence of the people in this country and their confidence in a free enterprise system.

Once again our people, our political system, our economy has demonstrated the strength that made us the most bountiful country in the world. Once again the pessimists have been proven wrong about America.

(Applause.)

PRESIDENT FORD:

But we must not allow the good news to obscure some of the pitfalls still ahead. Although indicators say we have brought the recession to a halt, that's not good enough. There are other problems that require prompt attention.

Take inflation, one of the most pernicious economic ills of the postwar era. When I had the honor to visit Cincinnati last year about this time, inflation was our biggest worry. We were anxious, and understandably so, about the double-digit increase in the cost of living and annual rate of inflation of more than 12 percent. Today the rate of inflation has been reduced to less than 6 percent. By the end of the year we hope it will be even lower. If we succeed, it will be in large measure because we held the line against a number of new federal

spending programs that would have fanned the embers of inflation back into a raging fire.

By using the presidential veto, the taxpayers, for example, will have been saved an estimated \$6 billion by 1977. I realize that each time I use the veto there will be some who complain, and I suspect if Governor Carroll doesn't, he has some good Kentuckians who will complain; and if Jim Rhodes doesn't, I'm sure there will be some good people in Ohio who will object.

It is understandable. Each special interest group in America, and there are literally thousands of them, has targeted benefits that it wants from the federal government or from your respective state governments. Each group has its good faith, energetic advocates in the congress or in the state legislatures, and well-meaning lobbyists throughout the country. This, of course, is the American system. I understand it very well. But I want to make sure the American people understand actually what's happening.

Just as a congressman has a responsibility to represent the interests of his state and his district, and I had the privilege and honor of doing that for better than 25 years, I now have a duty to safeguard the broadest national interests. I refer to the interest of 81 million taxpayers who must pick up the tab for each of these new spending bills, either through a tax or an inflation or in some instances both. I take that responsibility seriously, as I'm sure Governor Carroll and Governor Rhodes do. The American people have a right to expect their President to protect their interests. That's one reason the veto power exists in the Constitution and why I will use it when necessary.

But there is another important part of the presidential veto which has not been adequately discussed. This is the positive side of the veto. The veto is not a negative, dead-end device. In most cases it is a positive means of achieving legislative compromise and improvement, better legislation, in other words.

In my 25 years in the Congress and the time I spent in the White House, I'm convinced beyond any doubt that the founding fathers put the veto power in the Constitution as a vital part of our system of checks and balances.

Recent history bears this out. President Truman exercised the veto 250 times and was only overridden 12 times. President Eisenhower used it a hundred and eighty-one times; he was only overridden twice. But again and again the result of the initial veto was to bring the President and the Congress together to work out a compromise measure, usually a sounder, more responsible measure than the original one.

Just recently, as an example, I asked the Congress to appropriate \$1 billion 900 million for summer jobs for young people and adequate funding for additional public service jobs to deal with temporary unemployment. Congress unfortunately and unwisely added \$3 billion onto my request for a whole variety of miscellaneous items. I considered those additions to be too inflationary. They couldn't be justified, so I used the veto.



That wasn't the end of the legislative process. After many, many Republicans joined with many discerning Democrats to sustain my veto in the House, the Congress worked out a mutually acceptable compromise with me and the White House. Most of the so-called pork-barrel provisions were eliminated, and we ended up, this summer some 840,000 young Americans will have jobs that I asked for in the original proposal. In addition, the legislation which I requested and signed into law last Friday will extend the public service jobs program and provide \$1.6 billion to make sure that 310,000 Americans have that kind of employment.

So, to sum it up, the result of my presidential veto was better legislation, which also adhered to the anti-inflationary guidelines I had originally proposed. In the case of housing, as another example, I sent an extravagant multi-billion-dollar measure back to the Congress, which then sustained my veto and proceeded very promptly to come up with far more responsible legislation, and I signed this much better bill into law yesterday.

Let me emphasize this, the business of government is to help, not to interfere, with the lives, the businesses, the occupations, the professions, the family life of the American people. There are times when the President's veto must be used to keep the federal government from overextending its operations at the individual's expense, in the terms of such infringements as lost dollars and lost individual rights. The excessive growth of federal spending and interference has already inflicted an incredible toll in taxes, loss of incentive and economic damage to the public.

The roots of the problem date back more than a generation. A trend was set by politicians and theorists who advocated massive spending as a sure-fire cure for everything that ailed us. In the past 15 years alone, enormous federal deficits were used to finance unprecedented domestic spending. Too many of these expenditures produced short-term benefits for some Americans while inflicting long-term damage on all Americans. Many of those who the programs sought to help, the poor, the elderly, the disadvantaged, are now bearing the inflationary burden of Uncle Sam's 15 years' spending spree.

It's my observation that the American people are awakening to this problem. And this wonderful attendance here is the best evidence that I have seen, and I thank you all for participating. The American people, as I see it, are beginning to realize that our society, our national economic family must live by somewhat the same rules that every other family does. We can't spend more than we earn without endless borrowing. The borrowing and spending, as I see it, must end and end now.

(Applause.)

I can't promise you it will end tomorrow, but I think we have to keep the pressure on and the screws on, and we must stop falling for short-term solutions at the cost of long-term setbacks.

In addition to overspending, recent years have seen a very dangerous and costly trend toward overregulation by the federal government, as Jim Rhodes indicated in his introduction.

Over a period of 90 years we have gradually erected a massive federal regulatory system. Some of the basic regulations I concede are necessary, but many if not most are not.

(Applause.)

In the whole regulatory structure is encrusted with contradictions and excesses and rules that have outlived any conceivable value. Let me give you an example of how overregulation from Washington affects you right here in the Ohio Valley. Back in the days when natural gas was a seemingly inexhaustible resource, the Congress decided to regulate it. Since then conditions have changed drastically, but the Congress has done nothing. And this congressional inaction, this stubborn clinging to an obsolete regulation has resulted in a serious gas shortage that is damaging your businesses and your industries and costing our working people jobs. And it will get worse and worse if Congress doesn't do something about it.

(Applause.)

The problem is very basic. For the past 20 years the Federal Power Commission has set artificially low prices at the well head for natural gas sold in interstate markets. The result has been that gas producers sell as much of their product as they can locally or inside their own state borders at free market prices. Regions like the Ohio Valley, that do not have an adequate local supply of natural gas, must suffer the consequences. And let me add a postscript to that, if I might.

In the Congress, for the years I was there, I got to know a lot of people from Texas in the House and a lot of people from Louisiana in the House, and they used to say to us, "How stupid can some people be? We've got all the natural gas down here, more than we can use, but we aren't going to sell it to Michigan and Ohio unless you pay a fair price." And they said, "If you don't agree to deregulation to pay a fair price, we're going up and get those jobs and those factories from Michigan and Ohio and bring them down to Texas and Louisiana." And that's what they're doing. I don't understand it. And Congress sits and twiddles its thumbs and does nothing, and most of the opposition comes from our northern states in the House as well as in the Senate.

Wait till you have the shortage in Ohio. I don't know about Kentucky, but in Ohio and Michigan, Indiana, wait till we have that shortage this winter. If we have even a slightly colder winter this year than the last two, we will have interruptable service taken away from industry, so that homes will be kept warm, and the factories will have to close down and jobs won't be available. It's just that simple. And all that gas in Louisiana and Texas, it's just sitting there. I don't understand it.

Starting with my state of the union address, I have repeatedly urged the Congress to deregulate natural gas and to expand the supply of it nationwide, but the Congress has done nothing, as I've said. So the Ohio River Valley and Michigan and Kentucky and Indiana and other areas will continue to pay the price for

government overregulation. To the extent that I can, and I hope you will help, I will prod the Congress to take action, removing these archaic regulations that make life harder for the millions of American workers, businessmen and taxpayers.

Last week I met with 24 key members of the House and Senate, Democratic and Republican, to seek modernization of our cumbersome regulatory agencies. We reached agreement in many broad areas, and I'm confident that together the Congress and the White House, we will cut out a good bit of this unnecessary red tape that's now plaguing our citizens in all 50 states. I can't think of a better government gift for America in our bicentennial year.

(Applause.)

You know, after all, government was intended to help us in the pursuit of happiness, not to set up obstacles.

America, on the threshold of her third century, is a free and independent nation. One hundred and ninety-nine years ago tomorrow, we officially took the first giant step from a colony to manhood, or to nationhood. A brave, new chapter in the history of mankind was begun on that day, a chapter we are still writing by word, by deed, in our own lifetimes, almost two centuries later. This great country of ours still has so many things, so many wonderful things going for it. We have fertile land yielding up rich and bountiful harvests for food and resources. We have an industrial and military might that is second to none in the world. We have a unique set of freedoms handed down to us by men who met in Independence Hall two centuries ago, a set of freedoms that is still vital, is still alive today. And most of all we have the unsurpassed national resource of the courage, hard work, moral strength and faith of the American people. On the eve of the celebration of independence, I pledge to this nation, as I'm sure each of you does, that we will do everything we can to make government the servant and not the master of the 214 million free men and women in America.

Thank you very much.

(Applause.)

MR. LIGGETT:

Thank you so much, President Ford, for your presence here with us at this conference. We are grateful for your trip to Cincinnati. Thank you.

PRESIDENT FORD:

Thank you.

MR. LIGGETT:

I want to thank Bill Baroody, all of the participants on the platform today, I want to thank Jeff Eves and all of those from the White House staff who worked so diligently behind the scenes to make this conference a success, I particularly want to thank you, the delegates, because without your presence and your participation, this could not have been a success. We thank you so very much.

This conference is adjourned.

(Applause.)