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WELFARE BURDENS ON BRITAIN - AND THE UNITED STATES

With an Address by
The Rt. Hon. Margaret Thatcher, M. P.
Leader of Great Britain's Conservative Party
and a Statement by
Leonard M. Greene, President,
The Institute for Socioeconomic Studies.

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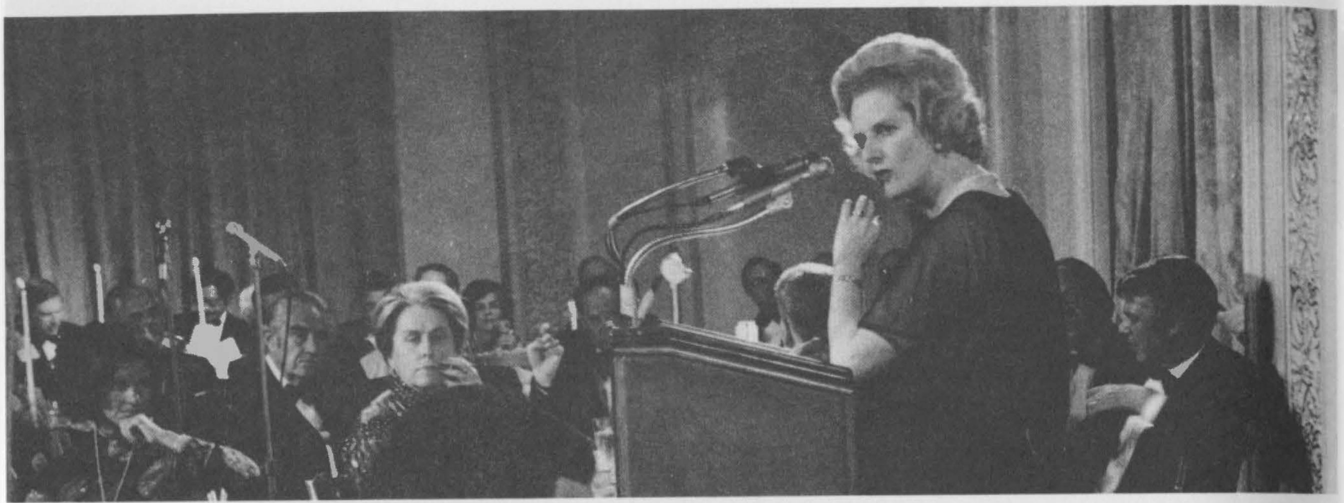


The Rt. Hon. Margaret Thatcher, M.P., Leader of Great Britain's Conservative Party, addressing The Institute for Socioeconomic Studies' Conference on Welfare Reform.

PREFACE

The Institute for Socioeconomic Studies on September 15, 1975 convened its annual Dinner Conference on Welfare Reform.

The site — New York City — underscored the gravity of the Conference theme. Teetering near default, America's biggest city was close to bankruptcy, largely because it was no longer able to cope with America's biggest problem — welfare. New York City's welfare population has swelled from 400,000 ten years earlier to over a million. The City, itself annually doled $One billion to welfare recipients and vast additional outlays were needed to support fire, police and health services required in areas in which welfare populations centered.

The crisis was in no sense exclusive to New York City. At the same time, many of New York State's counties were "in rebellion" over welfare costs and a number of states (e.g. Massachusetts, Connecticut, New York, New Jersey) found themselves in straitened circumstances.

The degree to which welfare and related "benefits" can reduce a nation as a whole was the subject of the Conference's principal speaker, the Rt. Hon. Margaret Thatcher, M.P., Leader of Great Britain's Conservative Party.

In her first appearance in the United States since she won her party's Leadership from former Prime Minister Edward Heath, Mrs. Thatcher addressed 100 opinion leaders drawn from the highest ranks of United States law, government, education, business and labor. Her statement, of equal bearing on both sides of the Atlantic, clearly defines how economic incentive is indispensable to both prosperity and social stability.

This monograph is offered in order to share the proceedings of the New York Dinner Conference with scholars and concerned citizens throughout the United States.

Leonard M. Grenne
President
The Institute for Socioeconomic Studies

White Plains, N.Y.
January, 1976.

Mrs. Thatcher and Leonard M. Greene, President, The Institute for Socioeconomic Studies.

INTRODUCTION

remarks of
Leonard M. Greene

It is a pleasure to welcome you to The Institute for Socioeconomic Studies' annual Dinner Conference on Welfare Reform.

This evening our distinguished speaker from England will share with us her views on social welfare policies.

Late last winter a nation beset with steadily worsening economic news — notably an annual inflation rate of 25 percent — chose a new Leader for the Conservative Party, Margaret Thatcher.

She suddenly stood as Leader of the Parliamentary Opposition.

Potentially, she is Great Britain's first woman Prime Minister.

Mrs. Thatcher first came to the House of Commons in 1959. She has served as Joint Parliamentary Secretary to the Ministry of Pensions and National Insurance. In the Conservative government of 1970-74, she was Minister for Education and Science. Returning to the Opposition, Mrs. Thatcher was Conservative front bench spokeswoman on Environment. Later, upon retirement of Lord Barber, she assumed responsibility for Treasury matters and Economic Affairs.

The essence of her career, to date, she says, "has been in education, science and the social security — the welfare, spending and caring departments."

No three areas could be more important in coping with the crisis confronting the industrialized democracies. The burden of social welfare is proving unbearable. Indeed, a research paper published this spring by The Institute for Socioeconomic Studies — *Social Welfare Abroad* — indicates the extent to which the industrialized democracies are struggling with the ever-increasing weight of their welfare programs.

Flagging productivity and raging inflation have made Britain's situation desperate. In a nation in which the average per capita income only amounts to \$3,000 a year, Britain's welfare and health benefits total a staggering \$2,320 for each member of the work force.

Similar burdens are weighing down America — most notably New York City. Obviously any change needed to provide longer term investor confidence will require reform of the welfare "blank check".

Protection against destitution is a fair share of our society. However, our welfare system has created a burgeoning dependent class.

In a free society such as ours, people respond to the incentives presented to them. If economic benefits are contingent on retiring, people will retire. If they depend on family break-up, families will break up. If they depend on migration, people will migrate. If unemployment and non-productivity are rewarded, our society will find itself more and more burdened with these problems.

The incentives in our welfare programs are askew and the fiscal repercussions have become intolerable. The welfare crisis in our cities cannot be solved on a local level and will mushroom out of the local levels. It is a *national* problem and must become a Federal responsibility.

Members of our Dinner Committee for this evening have been leaders in developing new approaches for meeting this need — and many others here have made significant proposals. Consequently, I am sure that, following Mrs. Thatcher's address, the question period will be lively.

There can be no doubt that Mrs. Thatcher's appreciation of the need for restoring incentive and encouraging the work ethic is clear. "My sister and I," she says, "were brought up in the atmosphere that you work hard to get on." One slogan of hers is often quoted: "Reward the workers, not the shirkers." And yet these views are balanced with another early-learned principle: "Caring for others ran very, very strongly . . . If you knew if someone else was in difficulty, you quickly helped."

On quite a different note, Mrs. Thatcher is quoted as saying that once one comes to grips with the real political and economic problems, "It doesn't matter whether you are a man or a woman."

But a stronger expression of feminism is also heard from her: "In politics", she has stated, "if you want anything said, ask a man. If you want anything done, ask a woman."

Nevertheless, tonight we ask Mrs. Thatcher to have her say.

Ladies and Gentlemen: I am pleased to introduce the Leader of Her Majesty's Opposition, the Rt. Hon. Margaret Thatcher.

LET THE CHILDREN GROW TALL

an address by
The Rt. Hon. Margaret Thatcher, M.P.

Mr. President, Ladies and Gentlemen:

I must first thank you, Mr. President, for that very charming introduction. It has made me a little bit nervous. I feel I always ought to be giving a demonstration, rather than giving a talk.

I will do my best. I know you had Lord Barber here last year and he gave you a talk all about the Tax Credit Scheme. This year, I am going to talk rather more about the economic and social sphere, without which one can get absolutely nowhere.

I do notice that Americans appear to be curiously interested in what is happening in Britain today. What you are writing and saying about us we consume avidly, together with the regular flow of self-criticism which is a long-established part of our staple diet.

In the spring, Eric Sevareid caused quite a stir when he waved us his fond farewell on television and he has now become a national name in Britain. (Indeed, he might have been instrumental in inducing the Prime Minister to occupy our television screens for the best part of an hour. And I could have done with not more than half an hour, as I think some other people could have done, too.)

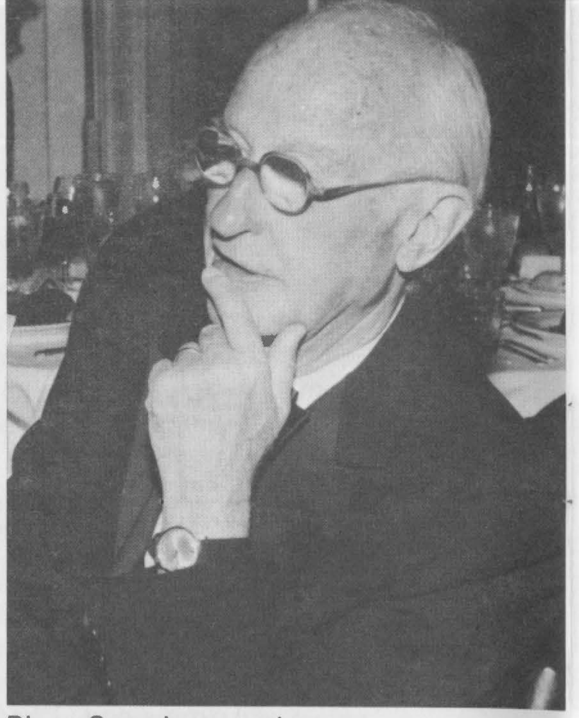
Only a week or two ago Vermont Royster wrote that: "Britain today offers a textbook case on how to ruin a country. . ."

I do take some consolation that there is only one vowel sound difference between "ruin" and "run" a country. That small vowel sound is "I".

However, the rather morbid and fatalistic tone of much of what is written about Britain by commentators on both sides of the Atlantic is misplaced. So, I am very grateful to The Institute for Socioeconomic Studies for giving me such a splendid opportunity to try to put one or two things straight.

I think most outside observers have not noticed that amidst our well-published difficulties a new debate is beginning — or perhaps I should say an old debate is being renewed — about the proper role of Government, the Welfare State and the attitudes on which it rests.

May I stress that the attitudes are extremely important. Of course, many of the issues at stake have been debated on countless occasions in the last century or two and some are as old as philosophy itself. But, the Welfare State in Britain is now at least 30 years old. So after a long period in which it was unquestionably accepted by the whole society, we can now do *more* than discuss its strength and weaknesses in the hackneyed, abstract language of moral and political principles. We can depart from theory and actually look at the evidence and see how it has worked and what effect it has had on the economy. We ought now to assess it before we decide what to go on and do next.



Dinner Committee member, Bethuel M. Webster, Senior Partner, Webster, Sheffield, Fleischmann, Hitchcock and Brookfield.

The debate is centered on what I shall term, for want of a better phrase, the "progressive consensus".

Things that are called progressive are not always progressive in practice. But, of course, some of them are — and the progressive consensus is the doctrine that the State should be active on many fronts in promoting equality in the provision of social welfare and in the redistribution of wealth and income. That philosophy is well-expressed in a quotation well-known in my country about social justice — and again I pause for a moment to point out that, if ever you see a word with "social" in front of it, I think you ought to analyze it fairly carefully and see precisely what it means. One of the reasons I think we have got some things a little bit not-quite-straight is that we have not always been precise with our use of language. If you are going to think straight you must talk straight and be very precise with the way you use words.

There is a quotation on social justice. It is: "Because market forces tend toward growing inequality in incomes and property, massive redistribution is necessary if political freedom and other civilized values are to be preserved.

"So it should be the aim of the democratic state to re-share these rewards — to socialize the national income if you like to call it that. There can be no doubt that by far the most effective method has proved to be the instrument of public finance, and in particular progressive direct taxation and centrally financed public services."

Now, that is the end of the quotation on social justice. It so happens that it was written in 1962 by a former Labour Cabinet Minister.

However, I am not particularly interested in party politics tonight. For such views are held in varying degrees in all our political parties, in schools and universities and amongst social commentators generally. It is interesting that they are now being questioned right across the same broad spectrum.

It is not that our people are suddenly reverting to the ideals of total *laissez faire*, or rejecting the social advances of recent decades. It is rather that they are reviving a sober and constructive interest in the noble ideals of personal responsibility, because in some respects the concepts of social responsibility have turned sour in the practice and we are making an attempt to identify and eliminate errors and fallacies to consolidate and retrench before advancing further.

It is in that constructive spirit, and as a former Secretary of State for Education and Science myself, that I am speaking to you tonight. I shall try and concentrate on three broad issues, particularly in view of that quotation which I read to you a short time ago which has some very strange phrases in it. The three issues are: One, what are the facts about the distribution of wealth and incomes? Two, to what extent is greater equality desired in Britain today? Three, has the economy been strengthened by the promotion of more equality and the extension of the welfare state?

Now, what I have to say involves quite a number of statistics because with a measure of scientific training and a period spent at the Revenue Bar and dealing with Treasury matters, one has tried to adduce a mass of evidence. But, I will try and put the statistics in as human a way as I can. So, let me start with the facts. All of you in either science or law and the wiser ones in politics say one first must find the facts.

Most people say that the distribution of the incomes and wealth in Britain is highly inequitable, that it has changed little, despite the steps taken by government to even it out. From there, it is only a short step to two complementary arguments: either that redistribution would greatly swell the incomes of the average man or that the wealth of the rich is sufficient to finance the substantial extension of the role of the state.

I think both are conducive, but neither of them are attitudes which I think we would particularly wish to encourage in the modern state.

Fortunately, a major study has just been published by the newly created Standing Royal Commission on the Distribution of Income and Wealth. It gives the first proper statistical picture of the changes that have taken place in Britain between the last war and the year 1972-73, the latest year for which figures are available.

May I quickly tell the findings because these are the facts on the distributions of income and wealth. Let us start with income, and, of course, the relevant income is income-after-taxes. We find that in 1972 income-after-taxes in Britain was divided roughly as follows — at the upper end of the scale, the top one percent of income earners got four percent of income, four times the average. If you take the top ten percent, they had twice the average and if you take the bottom ten percent, a bit under half the average.

Now, if you look at it from half the average income at the bottom to four times the average income at the top, it is not really a very wide range of income. It is not dramatic by any set of rules. Indeed, research has shown that the distribution of income in Britain is surprisingly similar to that in Poland, which is a rather shattering conclusion to reach!

That is where we were in 1972. So let us have a look at the changes. Over the previous 40 or so years, you find that, taking account of taxes, the share of taxable wealth of the top one percent of earners, which used to be 12 percent, is now four percent. So it has come down over 40 years from about 12 percent to about four percent. And, the share of the taxable income of the poor has not increased to so great an extent. But, nonetheless, they are markedly better off in relative as well as in absolute terms than they were before the war. By 1972, the tax-free benefits in cash and kind added about half to the pre-tax income of a typical household in the bottom ten percent. For poor families with many dependents, the gain could be nearer 100 percent. Today the figures would probably be higher still.

Now, those are the income figures. They show quite considerable changes over 40 years. But at the moment in Great Britain the range of income is not unduly wide.

Let us turn quickly to have a look at wealth. Of course, capital assets have been more unevenly spread than income in Britain, as in most other countries. For this reason they have been the chief target of egalitarian critics. In Britain, it is almost an undisputed truth that ten percent of the population owns 80 or 90 percent of all assets.

But, in fact, that is not so. The Royal Commission has now set up the figures. You find that ten percent of the population over 18 own less than half of personal wealth, when state pension rights are counted as an asset, as they should be.

As you will appreciate, even these figures are rather misleading, since wealth is normally unevenly distributed between husbands and wives, old and young. If these distorting factors could be properly allowed for, the picture might well look still less extreme.

As with income, there have been big changes over the years. On a narrow definition of wealth which *excludes* pension rights, the top one percent of the population owned: personal wealth of 69 percent in 1911; personal wealth of 50 percent in 1938; personal wealth of 38 percent in 1960; and personal

Dinner Committee member, Senator Jacob K. Javits, chats with Mrs. Thatcher. .

wealth of 28 percent in 1972 (or 16½ percent if pension rights are included in wealth holdings).

So the facts about economic inequality (as opposed to the myths) are these: the rich are getting poorer and the poor are getting richer. This is due both to market forces and the actions of Government through the tax system. And it is no longer the case that taking further money from the rich will make a significant difference to the wealth of the bulk of the population. Nor will taxing them more heavily pay for much more Government spending.

Finally one notes that it would do little to diffuse economic power more widely. It is already largely in the hands of Government and labor unions.

So much for the facts of economic inequality in Britain. Now, let me look at the second question: To what extent is more equality desired in Great Britain today?

These statistical myths lead directly to the claim that there is a widespread sense of resentment and injustice over the current degree of inequality in our society and great enthusiasm for its elimination. This political judgement is closely linked in many commentators' eyes with the quite separate proposition that class divisions in Britain are severe and reinforced by economic inequality.

My own experience in politics has always made me doubt that argument. Now, fortunately, more work has been done. We have had a massive survey of political and economic groups reported in July, 1975.

This is what it showed: ". . . little spontaneous demand for the redistribution of earnings across broad occupational categories and (the suggestion) that any such redistribution would in itself provide no solution to any problems of pressure-on-pay. Neither is it necessary to allay any general feelings of injustice in society. . . . It may be little consolation to the Government in present circumstances that the chief requirement for maintaining general satisfaction with incomes and earnings is steady economic growth . . . rather than massive redistribution . . . . This point is a crucial one to be met by those who suggest that any problem we have is one of distribution rather than of resources of growth."

Despite the evidence of what ordinary people actually want, there remains in Britain a powerful and vocal lobby pressing for greater equality — in some cases even, it would seem, for total equality. One tries to analyze what it is that impels them to do so?

Of course, one important pressure is undoubtedly the ordinary desire to help our fellow man. But often the reasons boil down to an undistinguished combination of envy and what might be termed "Bourgeois Guilt."

Envy is clearly at work in the case of the egalitarian who resents the gap between himself and those who are better off, while conveniently forgetting his own obligations to those poorer than himself.

Bourgeois Guilt is that well-known sense of guilt and self-criticism that affects people, not only the very rich, when looking the other way, at the position of those poorer than themselves. It is not for me as an individual to criticize or ridicule their doubts and worries. But, as a politician, I must criticize the attempts of such people to impose on others a program of impoverishment through the medium of the State. That brings happiness to no one except to those who impose it.

In a free society, they can give away as much as they want to, to whom they want to. If they believe in pooling their possessions with others in a commune, they are welcome to do so.

The point of this section is that it has been shown that there is a far less general desire for equality, as opposed to equity, in Britain today, than is often claimed.

The facts about equality are that people don't appear to want further distribution. They are more interested in *growth* and *new* resources of wealth.

Now, I can turn to the third section — a vital one — called, "Is Socializing National Income Good for the Economy?"

Dinner Committee member Martha W. Griffiths and Conferee Charles H. Smith, Jr., Chairman of the Board, Chamber of Commerce of the United States.

The promotion of greater equality goes hand-in-hand with the extension of the Welfare State and state control over people's lives. Universal and usually free social services necessarily transfer benefits-in-kind and cash from the richer to the poorer members of the community.

Taken together, they define rather well the process of "socializing the national income" which occurs in my first quotation. How far has it strengthened our economy?

The public sector has been a large part of the British economy since the early post-war years. Despite the statistical fog which surrounds all international comparisons, it is clear that the Government's share in GNP has been consistently one of the highest of the OECD countries. And for at least twenty years it has risen faster in the UK than elsewhere. Today the State controls in various ways well over half of our national income.

In fact, this year about 56 percent of the gross national product is controlled and spent by the State.

Now, of course, the tax-bill has risen sharply, particularly for the private citizen. In the later '50's and '60's, the increase in tax and social security payments in effect knocked about one percent off the gross of private spending each year. The massive transfer of resources from the private to the public sector — and correspondingly to that an enormous increase in taxation — is what has been probably one of the major sources of inflation.

Let me take a typical wage earner, a man and wife with two children with industrial earnings. Typically, you find that since 1963 — not very long ago — the State has increased its take from the average salary from a negligible five percent to about 25 percent today.

But, of course, you can imagine what has happened. The wage earner has said, "I want to keep my net tax income intact." This sentiment has been quite a strong factor in his demanding more wages and salaries, as replacement for what has been taken away in taxation.

So they press their employers for ever-higher wage increases and this has led to a relentless acceleration of cost and price increases, from two percent per annum in the mid-1930's to 25 percent today.

And so, of course, they have also pressed not only for increased pay, but for increased growth, sometimes financed by inflationary policies.

Of course, it is one thing to have increased government expenditures when you have genuine increased growth. It is quite another thing to go on increasing government spending when you have no growth.

There are many who regard this desire for private spending as irrational, selfish and unworthy. After all, they say, the taxes have financed a substantial growth in the provision of public goods. Any economist will tell one that this is a part of increasing living standards. Unfortunately, any experienced politician or detached observer can also now see that in practice people attach peculiar importance to using their own money to buy what they want when they want. Moreover, they cannot relate the tax-man's apparently arbitrary and growing take to the services it finances. These services they regard as one's absolute right, a kind of manna from heaven.

We will come to the end of that time. They are not manna from heaven.

I know you will find that this has a familiar sound to some of the problems that you have to deal with now. So, that is how the average person has reacted to what is called "Socializing the National Income."

He expects the benefits to come from somewhere, but he is not prepared to pay increased taxes (and remember I said in Britain the Government controls 56 percent of the expenditure of the gross national product).

One consequence is a very heavy taxation on companies. In turn, company profits have steadily been reduced. And they have had to pay increased corporation taxes.

The inexorable acceleration of wages, partly in response to overtaxation, has naturally resulted in a wage-price spiral — a spiral with a twist in it. For various reasons, business cannot raise prices far enough or quickly enough to preserve its profits when wage increases are large and accelerating. So, profits have fallen for many years on any measure — before tax, after tax, as share in national income or as a rate of return on capital. Since retained profits are the principal source of funds for investment and profit levels, the main incentive, capital expenditure in private industry, has faltered more and more. The upswings have got shorter and the downswings deeper and longer with succeeding cycles of activity. Manufacturing investment next year —1976 — is likely to be little higher in real terms than it was *ten* years before. It appears, as a natural consequence, that our underlying rate of economic growth has stopped improving after thirty years of modest but perceptible acceleration.

The situation has not been made any easier recently by the curious belief that profits are rather evil and of little economic significance. Both the present and previous Governments have therefore had little choice but to pur-

Conferees Kenneth A. Gibson, Mayor of Newark, and Denis Thatcher, Director of Financial Planning, Burmah Oil, Ltd.

sue price and profit controls as part of their counter-inflationary policies. The levels of profit emerging from these controls were selected with insufficient regard for their effects on capital spending, employment or growth and they have bitten hard. Our economy has thus been pushed into a loss of profit and therefore an investment recession at a time when the world economy was in serious downturn.

Now the damage has been done, the situation can only be put to rights if considerable price rises can be made and accepted by labor without any response in the form of wage increases. It is a pretty challenging "IF".

Two decades of declining profits naturally mean that the saver who invests in equity shares has had a raw deal. The real rate of return has recently been negative even before tax, let alone when changes in the capital value of investments are allowed for. However, Government has made the position worse by taking powers to restrain dividends still further — in the name of fairness and equity, one should note! The case for doing so was simple. Unless profit distribution is restrained, how, it was asked, could one expect unions and workers to acquiesce in a program of wage restraint?

It is bad enough that this seductive little trade-off is based on a very unjust bargain. Savers and retired people have already suffered severely from the costs of accelerating inflation which they have done nothing to cause. Why should they make yet further sacrifices to induce those who have already gained so much at their expense to desist for a while?

What is at stake is more than a painful injustice. Negative real profits and dividend control must, if sustained for any period, have a corrosive effect on the life insurance and pensions institutions. They are put in a position in which it becomes more and more difficult to plan and guarantee the flow of future income which they have promised their beneficiaries. Private employers for their part find themselves faced with the sudden need to make enormous payments into their pension funds even to maintain their existing pension obligations in money terms.

Conferee Henry Ford, II, Chairman, Ford Motor Co.

I am not suggesting for a moment that these great institutions are dying or dead. But they have a nasty fight on their hands.

Some of the problems I have talked about combine together to create further subtle distortions of the marketplace which are not immediately evident.

The first is an unbalanced competition for *savings*. The process works like this. The Government increases its spending to fulfill its commitments to extend its activities. The wage earner begins to revolt against the consequent rising tax burden. His resentment leads to higher wages, and lower profits, lower corporate taxes, and ultimately slower growth. It also deters the Government from raising taxes in line with spending. So the Government has a growing deficit and then has to borrow growing sums of money, assuming, of course, that it does not resort to the printing press.

In doing so, it competes with the private company and the home-buyer in the savings market. The private company finds it increasingly impossible to bid for funds, since its profits are depressed. The housebuyer may still be able to do so, but even then he is probably subsidized by the savers who lend him the money. At the end of the day, a public spending bill which exceeds the taxable capacity of the economy sucks away money which should be spent on investment in industry or private housing.

The second distortion is an unbalanced competition for labor. As wealth increases, spending patterns switch from industrial products toward services in all economies. This will affect the pattern of employment and competition for labor between the private and Government sectors.

Public sector employment in Britain has steadily grown at a substantial rate for more than a decade — about one percent per annum — while the overall working population has contracted. The net effect has been to reduce the pool of labor available to private employers. So when the economy entered its last major upswing, in 1972-73, labor shortages were encountered unexpectedly soon. Although the leap in production was as large and sudden as any we have experienced, employment in industry scarcely increased at all. Many of the missing workers had in effect been absorbed by Government during the previous period of slack business activity.

The importance of this cannot be understated, particularly for a trading economy like ours. The private sector creates the goods and services we need both to export to pay for our imports and the revenue to finance public services. So one must not over-load it. Every man switched away from

industry and into Government will reduce the productive sector and increase the burden on it at the same time.

One other effect that I would like to refer to in Great Britain about the incentive effect of taxation is that it has been particularly damaging on middle and upper management. The level of taxation has been such that it has not been possible for us to pay our management as much as they could get in other countries in net taxed income. For example, a British employer wanting to promote his manager in terms of post-tax salary from £8,000 per annum to a top job and £12,000 per annum would have to give him an extra £15,000 per annum! This sort of increase is more than most firms can think of at the best of times. Thus, rewarding skill or hard work has become almost prohibitive. The whole country therefore loses much of the benefit of competition in the labor market.

If you look across to the continent, you will find that other countries may be able to pay their managers less, but they nonetheless provide a much higher net taxed income. The result has been, if British companies put top management in Europe or elsewhere on French salaries or French levels, they cannot get them back. We cannot pay a big enough gross salary. Accordingly, losses of highly trained manpower through emigration are becoming more serious despite the depressed state of the world economy.

These have been the economic effects of pursuing far too much equality. I think we have very much come to the end of the road. In fact, we find that the persistent expansion of the role of the State and the relentless pursuit of equality has caused and are causing damage to our economy in a variety of ways.

It is not the sole cause of what some have termed the "British Sickness", but it is a major one.

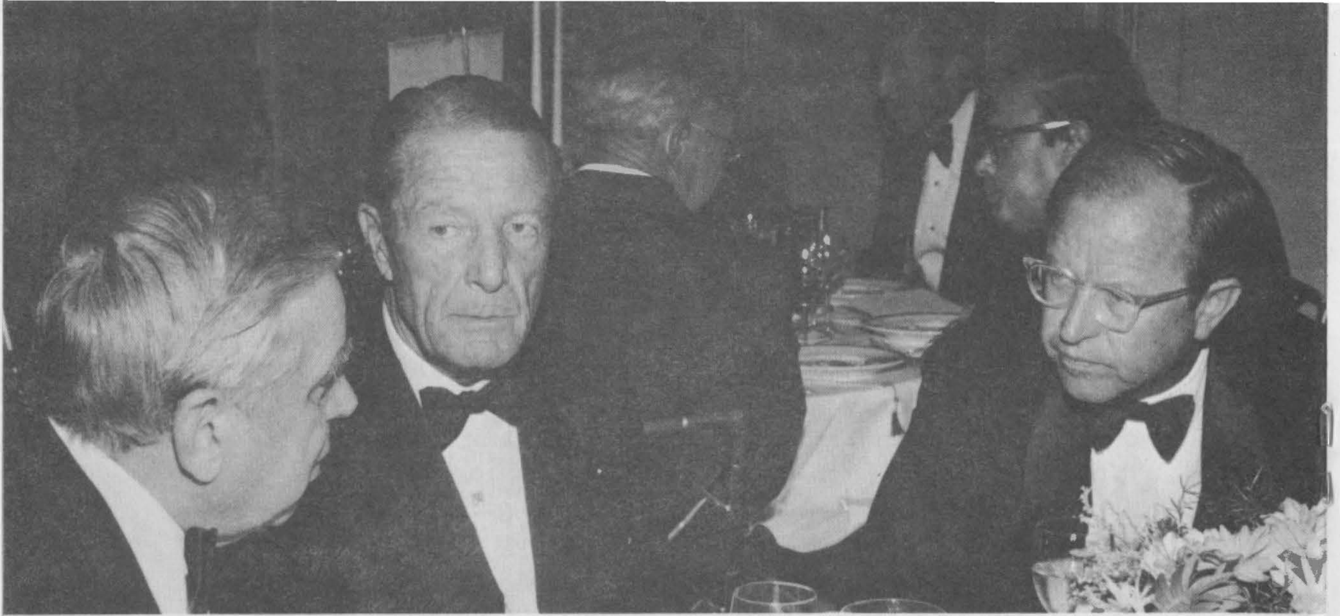
Conclusions

What lessons have we learned from the past 30 years?

First, the pursuit of equality is a mirage. What is *more* desirable and *more* practicable than the pursuit of equality is the pursuit of equality of opportunity. And opportunity means nothing unless it includes the right to be unequal. And the freedom to be different.

One of the reasons why we value individuals is not because they are all the same, but because they are all different. I believe you have a saying in the Middle West, "Don't cut down the tall poppies — let them rather grow taller."

I would say: Let the Children Grow Tall — and some grow taller than others, if they have it in them to do so. We must build a society in which each citizen can develop his full potential both for his own benefit and for the community as a whole; in which originality, skill, energy and thrift are rewarded;



l. to r. Hicks G. Griffiths, Partner, Griffiths & Griffiths, Dinner Committee member George Champion, Chairman, Economic Development Council of New York State and James G. Hellmuth, Vice President, Bankers Trust Company.

in which we encourage rather than restrict the variety and richness of human nature.

Holding these views as strongly as I do, you can imagine that I was particularly interested to read this description of some of the problems in Czechoslovakia: "The pursuit of equality has developed in an unprecedented manner, and this fact has become one of the most important obstacles to intensive economic development and higher living standards. The negative aspects of equality are that lazy people, passive individuals and irresponsible employees profit at the expense of dedicated and diligent employees, unskilled workers profit at the expense of skilled ones and those who are backward from the point of view of technology profit at the expense of those with initiative and talent."

That was not written by a quiet capitalist. It is a quotation from the action program of the Czechoslovakian Communist Party adopted in the Dubcek days of 1968. Unfortunately, Dubcek went, but the lesson they learned is that the unbalanced pursuit of equality leads to an insufficiency of resources.

Nothing that I am saying tonight should in any way be seen as a diminution of our recognized responsibilities to those people who, through physical, mental or social handicaps, suffer disadvantages. Rather, it is a consciousness that unless we have incentive and opportunity, we shall not have the resources to do as much as we want to do. Having been a Secretary of State for Education, I am the first to understand that.

Second, we must strike a proper balance between the growing demands and powers of the State and the vital role of private enterprise. For private enterprise is by far the best method of harnessing the energy and ambition of

the individual to increasing the wealth of the nation; for pioneering new products and technologies; for holding down prices to the mechanism of competition; and, above all, for widening the range of choice of goods and services and jobs.

Government must therefore limit its activities where their scope and scale harms profits, investment, innovation and future growth. It must temper what may be socially desirable with what is economically reasonable.

Third, we must measure the consequences of the economic and political demands of some of our people. We must have regard to the effect of those demands on our political and social framework. We must devote ourselves to a greater understanding and more realistic pursuit of true justice and liberty and the maintenance of the free institutions on which these values depend.

In the coming months we shall all be thinking particularly of the achievements of the United States in the two hundred years of its existence and of the lessons your country can still teach the rest of the world. May I conclude with the modest hope that you will also spare a few moments to learn from *our* recent experience. It shows, in my view, how essential it is to escape from the facile arguments which both our countries have experienced — and to reaffirm, before it is too late, those true values which both our countries traditionally have shared.

Those values have never been more important than they are today.

QUESTIONS AND ANSWERS

Mrs. Thatcher: Now, Mr. President, may I take your questions?

Mr. Greene: Mr. Wells?

*Mr. Wells:** Mrs. Thatcher, I must say that I found myself completely at one with your philosophy.

But one thing that I did not hear in your address was discussion of the world economy.

What do you think of multi-national corporations? Where does England fit in with the rest of the world?

I have been saying to my friends that we in the United States are going down the social road some 20 years behind England. I think this is what we have to face. But I think you have gone so far! — and I spent three years at Oxford and I love England. My first wife was English and I have a number of English clients. But, I just do not see where you are going!

All that you said, Mrs. Thatcher, was brilliantly said, but it was an internal statement about England's problems. Internal — but England is now faced, having lost the empire, with the need of coming back, with a small island and a population of 55 million.

Where are you going as a nation and where are you going with respect to the multi-national corporations, the Common Market and the rest of the world?

Mrs. Thatcher: Mr. Wells, if I only have given you the impression that I have given an account of internal things, I have not got the message across — because the message is twofold and it applies to all democratic countries.

First, although in the early stages you probably pursue equality to reduce inequality, you have got to balance equality with equality of opportunity.

The two are entirely different. Equality is one thing; equality of opportunity is another.

The second thing you have got to balance is the demand of the public sector with the kind of incentive you have to give the private sector. Those are universal.

What has happened in Britain is that we have not balanced the latter. We have far too much in the public sector and far too little left in the private

*John A. Wells, Esquire, Senior Partner, Rogers and Wells.

Conferee
W. Averell Harriman.

sector. You have not sufficient incentive in the growth sector — the private sector.

We have not given enough attention to equality of opportunity and have given too much attention to redistribution of incomes.

Now, those are universal lessons. I have tried to outline the way in which I think we should go to get our economy right. We must not be spending money we have not got. (I understand that even in parts of this great country, you might have erred in that direction, too.)

As far as we are concerned, we certainly have to get our economy back on to a good course, a course where we concentrate on the creation of wealth.

Where are we going in the rest of the world? We have been a part of Europe for ages. We are now more economically tied-in than we have been before. We are still a part of the Common Market and have brought our needs to the attention of Europe — as well as to what we call the Lomay Conference, which was a conference of undeveloped nations and which preceded the new international economic order being debated in the United Nations at the present time and which was similarly debated in the Commonwealth conference. Unless we have the widespread Commonwealth cooperation, we would not have gotten as far along as we got in having the developed nations help the undeveloped nations. The debate is going on at the U.N. as we speak here now, and I hope they will complete the job tonight.

We have problems, but we have the spirit to get out of them. And in the meantime we have been doing quite a good share in international areas and we are going along the right road.

There is also going on a kind of redistribution of wealth between the developed and developing nations. You must recognize that and we must see that it goes at a rate that will satisfy their demands and in fact be acceptable to our own people. All international negotiations are a matter of acceptable compromise and we are not doing too badly.

Mr. Wells: I am for you! I hope you will be the next Prime Minister.

Mr. Champion: * This has been a perfectly exciting evening and your statements of the problems and the policies have been perfectly wonderful.

One thing you overlooked and with which we have a great problem in the United States is the fact that we have these little pressure groups who have changed our whole government.

They have asked for more than they were entitled to and have been able to receive it. A great majority of Americans have not been organized and, as I listen to you this evening, I hear no evidence that the British people are "organized" — and I am sure the great percentage want to have the kind of a world that you are talking of.

How can the majority overrule the pressure groups who put their own special interests ahead of anything else?

Mrs. Thatcher: I think you have touched upon a very vital point. We politicians have a responsibility. Over and above the pressure groups, the politicians have for years been encouraging the view that you can, in fact, go on having rising income and rising expenditures and rising expectations.

But there are the other politicians who regularly have said you cannot and must not live beyond your means! If you do, that will lead to an unstable society. I went back very carefully over all the economic speeches of the post-war years, and I found that there have, in fact, been politicians saying the right things. You can't live beyond your means!

Tragically, we are a nation that did live beyond our means. What happened? For 35 years we have been going on, expanding our expenditures. All of a sudden, we are quite surprised when reality arrives.

We are now up against reality. And that is always the best time for politicians to get some of their views across. It is also a situation that neither the politicians nor the people can ignore. It is a time to take active steps to put things right. I think the reality has arrived for us. (I think that in certain cities of the United States reality might have arrived here, too.)

There was a school of economics which said that a little inflation is a good thing. But "a little" got a little bigger — and then got a lot bigger — and then got out of hand.

We have a responsibility to return to our sound financial rules and see that they are practiced. We must insist on economic growth before any rise in public expenditures. In the end, this approach will give us a higher standard of living and give a much better standard of general welfare.

We had a question over here.

* George Champion, Chairman, Economic Development Council of New York State.

Colloquy between Mrs. Thatcher and Dinner Committee member Mitchell I. Ginsberg, Dean, Columbia University School of Social Work.

Dean Ginsberg: * I do have two questions I would like to raise and I will go through both of them.

You, in outlining the facts about income distribution in Britain over the last 40 years, seemed to indicate that there have been some desirable elements and more fairness for the lower income people than formerly. Have not the changes taken place within the welfare state? Has that "fairness" been one of the fruits of that particular program?

Secondly, you spoke of the significant increases in the taxes of the ordinary citizen from five to 25 percent. Has not a good deal of that money gone for the cost of medical care and pensions for the aged?

What alternative would you suggest and what would you offer?

Mrs. Thatcher: What I am saying is that we have gone far enough and I think that in the last few years public spending has gone ahead of our capacity to finance that public spending.

Now, I did, in fact, point out that some of the public expenditure went to finance the services, but, even so, people are rebelling at paying a greater proportion of their own income to finance more of those services.

Average earnings in Britain are between £50 and £60 a week. There you have the chap who had the tax on his earnings increased from five percent in 1963 to 25 percent in 1973. The rate is even higher now; taxation has increased even further! What I am saying to you is welfare expenditure *is* a factor which has led to 25 percent inflation.

*Professor Mitchell I. Ginsberg, Dean, Columbia University School of Social Work.

Inflation is leading to unemployment. It is leading, in the end, to not merely no growth, but reduced production. In Britain our production is now less than it was in the three-day week period, when we had that bad period with the miners' strike.

You cannot go on that way. Look at our experiences of 30 years and in time balance your pursuit of equality, if that is a pursuit, with equality of opportunity. Balance your socially desirable demands for more public expenditure with its effect on the wealth-producing private sector. If you do not, you will be taking your people to very serious economic problems which can become too great to surmount.

We have a problem now. There is still a demand for increased spending. If that keeps up, you will not have enough for welfare, your standard-of-living will fall and you will have all the seeds of inflation. People whose taxes are increased will say, we don't want the taxation increased, we would rather be able to have more of our own money. They don't regard what is called in Britain the social wage — that is, your medical and welfare services — as a substitution for having a bit more in their pocket. They don't accept that we have a very good education system, one of the best in the world.

But, you see, in the last two years, despite the lack of economic growth, public expenditure has increased by over 50 percent! No growth in the economy, public expenditure up by 50 percent — up, in fact, by £400 for every man, woman and child in the country! It is not surprising that people are rebelling, not surprising that we have had to borrow a lot — which one day we will have to repay.

Balance your pursuit of redistribution always with your opportunity.

Mr. Greene: Mrs. Thatcher, I am deeply grateful for your splendid address.

Ladies and Gentlemen: Thank you for your participation. The Institute for Socioeconomic Studies looks forward to further exchanges of ideas with all of you. Until then, good night.

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THE RT. HON. MARGARET THATCHER, M.P.

The Rt. Hon. Margaret Thatcher, M.P. is Parliamentary Leader of Great Britain's Conservative Party. As such, she is potentially the first woman to be Prime Minister in her country's history.

Mrs. Thatcher came to the House of Commons in 1959, in her third bid for election. Born Margaret Roberts, daughter of a grocer, she went through every level of her education as a scholarship student. At Oxford University during World War II, she was a student at Somerville College, and took a Second in chemistry. She studied the law in night courses, while working in industry as a chemist.

Married in 1951 to Denis Thatcher, now a Director of Financial Planning of Burmah Oil, Ltd., Mrs. Thatcher is the mother of twins, Mark and Carol.

Most Americans are astounded by Mrs. Thatcher's daily work schedule. At the office of the Opposition Leader shortly after nine, she holds meetings until late afternoon, when Parliament sits. Leadership responsibilities occupy her well into the evening, when she returns to the Thatcher home for personal research and to draft statements — work that frequently lasts well into the early morning.

Even so, she rises daily at 6:30 AM to prepare breakfast for her husband!

The pressures of public life became particularly intense for Mrs. Thatcher during her tenure as Minister of Education and Science in the Conservative government of 1970-1974. Within the Cabinet, she unsuccessfully opposed discontinuance of the national milk program for primary school pupils. Faced with the necessity of implementing the decision reached, she proceeded resolutely. The political repercussions were intense. "Mrs. Thatcher — milk snatcher" was the cry heard throughout Britain.

The outlook was even more grim in February, 1975 when she challenged Edward Heath for Conservative Party Leadership because of his apparent deviation from the free enterprise principle.

Confounding the "experts", Mrs. Thatcher unseated Mr. Heath and then held off challengers to take the Leadership in her own right.

Her self-appraisal is that her proven ability to accept the pressure and surmount it does not make her "tough". Instead, she prefers "resilient."

LEONARD M. GREENE

A scientist and mathematician, Leonard M. Greene, has addressed himself for years to an analysis of U.S. socioeconomic policy — and the burden that its failure has imposed upon the Nation as a whole.

In presentations before Congressional committees, lectures before college and university audiences and through the periodical press, he has urged opening up the opportunities of the incentive system to the poor.

The Fair Share income supplement he has proposed would end disincentives faced by welfare recipients who seek employment and manage to earn some money. Today a poor family that earns literally as little as one extra dollar can jeopardize cash payments that it receives from government, as well as such in-kind benefits as Food Stamps, Medicaid, housing, et al. Not surprisingly, therefore, we are well on our way to establishing a permanent welfare class. Indeed, the three-generations-on-welfare family is now all-too-common a phenomenon.

President of The Institute for Socioeconomic Studies, Mr. Greene also serves as a member of the United States Chamber of Commerce Council on Trends and Perspective, as well as a member of the Chamber's Panel on Welfare Reform Proposals.

Mr. Greene is active in Westchester County civic affairs, having served as a member of the Board of Directors of the Blythedale Children's Hospital in Valhalla, N.Y. and of the Urban League of Westchester, Inc.

In addition to The Institute for Socioeconomic Studies, Mr. Greene is founder of the Chain Scholarship Foundation, Inc. During the past 13 years, the Foundation's awards have enabled students throughout the United States to continue their college studies. For the program, Mr. Greene has received a commendation from the U.S. Department of Health, Education and Welfare.

Mr. Greene, President of the Safe Flight Instrument Corporation, has been cited as New York State Employer of the Year and in 1974 received the Albert Gallatin Award for civic leadership among businessmen in the northeastern states.

THE INSTITUTE FOR SOCIOECONOMIC STUDIES

The Institute for Socioeconomic Studies' research program is focused on exploring possible reform of United States socioeconomic policy.

Major consideration has been given to inaugurating a national income supplement which would supplant nearly all existing social insurance and public assistance programs. A change of this sort would throw out the top-heavy bureaucracies needed to "administer" existing programs.

Much expert opinion holds that a national income supplement would open up economic incentives to the poor. Today, poor people find that benefit reduction rates penalize them almost a dollar from their "benefits" for every dollar they manage to earn. Their work nets them next to nothing!

The Institute's first Conference on Welfare Reform, in October, 1974, provided a forum in which the Rt. Hon. Lord Barber, T.D., then recently retired as Great Britain's Chancellor of the Exchequer, outlined the Tax Credit plan with which his country had nearly supplanted its existing — and widely criticized — welfare programs. The proceedings of that Conference were published in January, 1975 as the first of The Institute's monographs, *Great Britain's Tax Credit Income Supplement.*

The second Conference was the occasion, of course, at which the Rt. Hon. Margaret Thatcher, M.P. in September, 1975, presented her statement, "Let the Children Grow Tall."

In addition to monographs deriving from its Conferences on Welfare Reform. The Institute for Socioeconomic Studies has published *Social Welfare Abroad.* a comparative study of the social insurance and public assistance programs of industrialized democracies throughout the world. Bette K. Fishbein, staff economist of The Institute for Socioeconomic Studies, is the author of the work. A second printing of *Social Welfare Abroad* was issued in November, 1975.

Forthcoming publications include an analysis of the Congress' next major effort to develop welfare reform legislation, by former Representative Martha W. Griffiths. Twenty years a Member of the House, representing a suburban Detroit district, Mrs. Griffiths directed the most intensive investigation of welfare ever undertaken by Congress as Chairman of a subcommittee on the Joint Economic Committee.

The Institute for Socioeconomic Studies has also undertaken, in conjunction with The Institute for Sub/Urban Governance at Pace University, a field investigation of the Food Stamp program. In addition, a joint study with the Regional Plan Association is now being organized and The Institute has underwritten research on a combination tax-and-welfare reform program by a young M.I.T. economist, Ralph Tryon.

In the realm of public education, The Institute for Socioeconomic Studies and The Ford Foundation underwrote the WNET/Channel 13 (New York) production of Frederick Wiseman's film, "Welfare". Seen over many of the Public Broadcasting System's stations in September, 1975, "Welfare" has provoked comment throughout the country. The film is devoid of narration. Seemingly hidden cameras reveal the workings of a New York City welfare office. We see and hear conversations between clients and administrators. Even viewing a short segment of the two-and-a-half hour film imparts a depressing awareness that the welfare system fails to provide effective aid for the needy and that its workings degrade both those who receive and dispense its "benefits."

The Institute also seeks to reach a very substantial audience with its National Student Essay Contest. This program offers $6,000 in prizes for the best papers of approximately 10,000 words from college undergraduate and graduate students on the subject of "Income Supplementation — A Solution to America's Welfare Crisis." In the first few weeks following announcement of the contest, students from 133 communities in 32 states wrote to indicate their intention to submit entries. The cash prizes and The National Student Essay Contest Medal will be awarded at a May, 1976 symposium on welfare reform that The Institute will organize in Washington, D.C. Plans call for the inclusion of senior Members of the Congress and the Administration as symposium participants.

Other Publications of The Institute for Socioeconomic Studies

Great Britain's Tax Credit Income Supplement

Social Welfare Abroad

THE INSTITUTE FOR SOCIOECONOMIC STUDIES

Cannon FYI
[1976]

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Jim Cannon

SUBJECT: Equal Employment Opportunity Coordinating Council Report on Sex Discrimination in the Area of Pension Benefits

As you may recall, last year, when you were reviewing HEW's Title IX Regulation, your attention was called to the fact that different Federal agencies have taken different approaches to the question of what constitutes sex discrimination in the provision of pension benefits.* Because of the potential impact of inconsistent Federal regulations in this area on the private sector, you requested that the Equal Employment Opportunity Coordinating Council (EEOCC) review this matter and report to you its recommendations for developing a uniform governmentwide approach.

The EEOCC has completed its review and has submitted to you a report recommending that you seek legislation which would clarify the issue. Specifically, the Council recommends that you ask the Congress to enact legislation which would:

- require that all persons retiring on or after a date certain under the terms of an employee retirement plan providing periodic benefits receive periodic payments which do not reflect a differentiation based on sex; and
- require that if an employee retirement plan provides for retirement benefits in the form of a lump-sum, such lump-sum shall be in an amount sufficient to purchase a life annuity which would provide periodic payments which do not vary because of the sex of the pensioner.

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* HEW and Labor take the position that a pension plan does not discriminate on the basis of sex if: (a) the employer is required to make equal contributions to the plan on behalf of all employees, male and female; or (b) equal periodic benefits are paid to male and female retirees. The Equal Employment Opportunity Commission, on the other hand, takes the position that a pension plan does not discriminate on the basis of sex only if equal periodic benefits are paid to male and female retirees. Thus, a plan which would be approved by HEW or Labor could nonetheless be disapproved by EEOC.

We are still reviewing this recommendation and, therefore, are not prepared to present it for your decision. However, because of the general public interest in this issue, I thought you should be aware of the thrust of the recommendation.

The complete report is attached at Tab A.

Attachment

Speak to [1976]

Art

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WELFARE FIGURES CITED IN REPORT

Study Finds More Children Get Aid Than the Census Lists for Whole City

By EDITH EVANS ASBURY

cc: Art Quern

DRAFT [1976]

f.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: H.R. 13500 - Food Stamp and Supplemental Security Income (SSI) Amendments

Attached for the your consideration is H.R. 13500, a combination of a Senate Finance Committee Amendment and a Senator Humphrey floor amendment.

BACKGROUND

This bill consists of two principal amendments -- one for the food stamp program and one for the Supplemental Security Income (SSI) program.

Food Stamp Amendment

This amendment would make optional a 1973 requirement that States must offer welfare recipients the option of having the charge for food stamps deducted from their welfare checks and the coupons mailed with welfare payments. The program, called public assistance withholding (PAW), has been fully implemented in only 23 States. The reasons for this are administrative complexity, cost, and mail theft of coupons. H.R. 13500 would make PAW optional to the States.

This is desirable change which has widespread support of State and local governments, and the Departments of Agriculture and HEW.

Supplemental Security Income (SSI) Amendments

The controversial section of this bill relates to the amendments to the SSI program. The amendment would require that annual cost-of-living increases added to the Federal benefit must be passed on to all SSI beneficiaries.

The proposal is significant because of the unique Federal-State partnership which exists in the SSI program. The intent of the law was to create a Federally-administered program with uniform national rules for the needy, aged, blind, and disabled. A Federal benefit floor was established, as was an automatic annual cost-of-living escalator.

Upon implementation of the program, States were permitted (and in some cases required) to supplement the Federal benefit. Twenty-three States chose (or were required) to do so in a fairly comprehensive fashion.

Since then, as the Federal payment floor increased with the cost-of-living, States which supplement Federal benefits have been faced with a decision -- whether to add the Federal increase to the Federal-State payment; or to reduce the State share by the amount of the cost-of-living increase (thus holding payment levels constant and giving State and local governments fiscal relief); or to pass on a portion of the Federal increase and provide some fiscal relief. In other words, a $10 dollar increase in the Federal payment level (currently $168/month for a single person and $252/month for an SSI couple) could be passed on to the recipients, used to reduce the State supplement, or divided between an increase in benefits and a reduction in State effort.

Currently, there are approximately 3.5 million recipients of Federal SSI benefits, 1.3 million of whom receive State supplements. This is the group potentially affected by this law.

It is important to note that to date, virtually all States have passed on Federal cost-of-living increases to recipients. Only recently (notably in New York) have some State legislatures begun to balk at passing on the full increase.

<u>Arguments in favor of the amendment</u>

- It would guarantee that Federal cost-of-living increases would be passed on to 1.3 million aged, blind, and disabled persons with no significant Federal budgetary impact.

- o It would head off expected political criticism of the Administration's lack of compassion for this group of needy individuals.

Arguments against the amendment

- o It would place undesirable Federal strictures on States' authority and responsibility to decide how to spend their tax dollars. This is totally inconsistent with Administration policy and our prior positions on this same issue.
- o It would not materially affect the lives of many SSI beneficiaries since past experience indicates that the great majority of States do voluntarily pass on Federal increases to SSI recipients.

STAFF RECOMMENDATIONS

Your Assistant for Intergovernmental Affairs reports that the public interest groups are quite cautious on this bill because of divisions among their members and a hesitation to record a veto recommendation which they may favor on substantive grounds but which appears to reflect a lack of compassion.

Therefore, the National Governor's Conference and NACo both strongly endorse the food stamp amendment. However, neither one takes a position on the SSI amendments, although NACo strongly urges that you sign the bill.

OMB, Bill Seidman, Max Friedersdorf, and Alan Greenspan recommend disapproval.

Counsel's Office (Kilberg) defers to OMB.

RECOMMENDATION

I recommend that you veto the bill, but I do so reluctantly. On substantive grounds a veto is the right course of action, but it exposes us to criticism for a lack of compassion for 1.3 million aged, blind, and disabled persons.

Since the bill has no real budgetary impact, there is a temptation to sign it. If you choose to do so, I recommend that you issue no signing statement since it would be politically risky to claim credit for an idea we have opposed in the past.

DECISION

Sign the bill at Tab B.

Veto the bill by signing the memorandum of disapproval at Tab C (cleared by Doug Smith).

Reorganization of City Welfare Urged by Union to Save Funds

By PETER KIHSS

The city's welfare union has offered proposals to

the proposal would then have processing clerks take over

40 STUD BRIDGE

Group Still

Black In

[1976]

... today.

... we were telling our investigative reporting team, Redford and Hoffman, now that the Big Deed's been done, perhaps the most constructive course for journalism in the future is to expose those who print leaks rather than join the irresponsibles who betray our nation's secrets . . .

... know that ... Gettysburg Address on the back of an envelope, has nobody demanded to know what (or how much) that envelope originally contained? (4) Why was John Wilkes Booth gunned down before he could be brought to trial? (5) Why did Lincoln's manipulative Secretary of State, William Seward, secretly sell out Kurdish rebels in the hills of Tennessee? (6) . . . .

Welfare

[1976]

Casting a Lifebuoy

By Mitchell Sviridoff

stitute of Justice in New York in 1972 in cooperation with New York City's Department of Employment, and is run by the nonprofit Wildcat Corpora-

THE WHITE HOUSE

WASHINGTON

INFORMATION

January 30, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON Jim

SUBJECT: Welfare

Here is some interesting background information on Congressional intentions on welfare reform this year. It comes from Jack Veneman who met informally this week with his old friend, Jim Corman, Chairman of the Ways and Means Subcommittee on Public Assistance:

Corman indicated that his Subcommittee would be looking into welfare issues this year for FY 1977 that would not create new spending. He mentioned four specific things that they would likely propose:

1. A limit on work related expenses for AFDC;
2. Amendments to allow recipients of unemployment insurance to also receive AFDC as a supplemental;
3. A review of the social services amendments (Title XX) and possibly increasing the ceiling from $2.5 billion;
4. A review of the administration of SSI.

When the hearings are completed on the above subjects, Corman indicated that they would possibly begin hearings on welfare reform. He doesn't expect to move a bill, but wants to get some of the testimony behind him in preparation for a welfare reform bill for introduction during the next Congress.

ACTION

THE WHITE HOUSE

WASHINGTON

January 30, 1976

MEMORANDUM FOR THE PRESIDENT

FROM : JIM CANNON

SUBJECT : Letter to Bertha Adkins, Chairman, Federal Council on the Aging

Attached for your signature is a letter to Ms. Bertha Adkins, Chairman of the Federal Council on the Aging. She wrote in December to express the Council's concern about Social Security financing.

Now that you have announced your decisions on Social Security, we are inquiring to see if it would be appropriate to have the Federal Council on the Aging support publicly your proposals.

Attachment

THE WHITE HOUSE

WASHINGTON

INFORMATION

January 30, 1976

MEMORANDUM FOR: MAX FRIEDERSDORF
PAUL O'NEILL
ARTHUR QUERN

FROM: JIM CANNON

Here is some background information on Congressional attitudes toward welfare legislation this year.

Attachment

OFFICE OF THE VICE PRESIDENT

WASHINGTON

January 28, 1976

MEMORANDUM FOR JIM CANNON

FROM: JACK VENEMAN

SUBJECT: Conference of Mayors welfare Task Force Meeting

Today I joined Jim Corman, Chairman of the Ways and Means Subcommittee on Public Assistance, in a discussion of welfare before the Mayors Conference. The group was chaired by Mayor Beame and was attended by Kevin White of Boston and Dick Fulton of Nashville, along with State, city, and county welfare directors and staff of the Mayors Conference, National Association of Counties officials, and the Governors.

Corman indicated that his Subcommittee would be looking into welfare issues this year for FY 1977 that would not create new spending. He mentioned four specific things that they would likely propose:

1. A limit on work related expenses for AFDC;

2. Amendments to allow recipients of unemployment insurance to also receive AFDC as a supplemental;

3. A review of the social services amendments (Title XX) and possibly increasing the ceiling from $2.5 billion;

4. A review of the administration of SSI.

When the hearings are completed on the above subjects, Corman indicated that they would possibly begin hearings on welfare reform. He doesn't expect to move a bill, but wants to get some of the testimony behind him in preparation for a welfare reform bill for introduction during the next Congress.

We got into a brief discussion of revenue sharing. Corman indicated that he was opposed to it but it would probably pass. As you and I discussed on the phone, Jim, I don't think we should be lulled into a sense of false security.

I had lunch with Bob Bergland of Minnesota last Monday at which time revenue sharing was also discussed. Bob thought Jack Brooks, who is philosophically opposed to revenue sharing, would ultimately let the bill out. Again, I don't think we can be complacent.

There is every indication that the public interest groups will join in a coalition on welfare reform. Apparently Dan Evans will hold a meeting sometime later this month with the Governors Conference Task Force.