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~~THE PRESIDENT HAS SEEN~~

THE WHITE HOUSE

WASHINGTON

November 10, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF *M.L.F.*

SUBJECT: Leadership Meetings

Jack Marsh has requested the President receive minutes from Congressional Leadership meetings regularly kept by the Office of Legislative Affairs.

Attached are reports from the recent Presidential meetings with the Republican and Bipartisan leadership.



GOP LEADERSHIP MEETING

Cabinet Room - November 4, 1975 - 8 A.M.

President We have a heavy schedule this morning. New York City, the tax cut, energy, foreign assistance and Consumer Protection Agency.

My views are well known on New York City. I would like to get you up to date appraisal and recommendations. What is the status? Is floor action this week or next, Al?

Congressman Johnson We reported it out of committee 23-16. Bob Stephens voted to report it, but will oppose it on the floor. John Rousselot will also oppose it. There is not a ground swell of support. There will be fairly tough sledding on the floor.

President John, when is it scheduled?

Rhodes Al, when do you expect to go to Rules?

Hutchinson It may go sequentially to Judiciary.

Rhodes They may try to marry the two in Rules.

McKinney I expect it will go to Rules on Monday and be added there.

Rhodes Timing is up in the air. We are not aware of when or what. We also have another vacation coming up.

President Bill, isn't there a deadline coming up?

Secretary Simon Yes, November 10 or 15. New York may be able to meet these obligations. The absolute deadline is December 1.

President What about the Senate?

Tower In the Banking Committee all votes on New York were 7-6. Packwood voted to report but he may be opposed on the floor. The Senate bill has loan guarantee provisions in it. This paper is non-taxable. There is no way it can get through the Senate. A filibuster is certain and we can sustain a veto.

President It has a default provision?

Tower It does. It covers essential services. There is no section in our bill on Federal Bankruptcy. The bankruptcy legislation will pass. The loan guarantees will fail.

President The Vice President has pointed out something. The Democrats didn't know or they ignored the fact that Beame and Carey had default legislation when they came down here and Judge Rifkin sat right there next to the Vice President's chair with the legislation. Don't let them get away with it.

Vice President It also cost them \$300,000 to get the bill drafted.

President Caldwell Butler has introduced it in the Judiciary Committee.

Hruska Senator Burdick and I have introduced it in the Senate. We may have one day of hearings. There are two roads open to us. We can amend Chapter 9 or add a new one for municipalities larger than one million. Tendancy seems to be the new chapter route. We are zeroing in on specific points hoping to develop a plan with some character. We could report some-time next week.

Hutchinson In the House the Democrats may act on Chapter 9. The Administration bill was co-sponsored by Congressman Butler and myself. The bill got to Banking by an historical accident. There is nothing final in the sub-committee. Clearly the Democrats can act on Chapter 9 if they choose. They have 5 votes to our two.

President Any comments?

Rhodes New York has authority to carry on essential services.

Vice President There may be chaos.

President I saw some press reports on a suit by a bank to protect its interests.

Rhodes Our posture should be to amend the bankruptcy law.

Tower Rhodes is right. Our course is Judiciary and not mess around with Banking.

Vice President The State could vote a temporary tax and appropriate to the city based on this tax.

President When is that legislative session? They keep putting it off.

Hruska Without the new law they may come under Chapter 9.

Vice President The State has \$7 billion in obligations and the city has \$5 billion and that is a tough road.

President Floor situation seems to indicate there is no time for a bailout. Keep the pressure on to get the proper default procedure.

Hruska Those hoping for reversal by the President may tangle it up so much that default may result.

President I have no inclination to change.

McKinney The House leadership will try to force the President's hand. They will claim anarchy if we don't get legislation. The Democratic solution is chaos.

Horton There are some strange things going on in Judiciary. Badillo and Rodino are saying no movement on legislation without request from Beame, but there has been no request from Beame.

Vice President They have no courage to ask.

President They had legislation drafted and wanted us to take it.

Vice President Did they leave the Rifkin bill?

Seidman No they didn't.

Edwards On the debt ceiling bill 18 New York members voted no.

Johnson They could work out a solution with their pension system. The only way is through orderly court procedures.

President Let me point out. I'm not going to change my position. I will not be locked in a corner to buy a married bill that is unacceptable. The other way is clear, quick and sound.

Now let's move to the tax cut. Herm.

Schneebeli We have met with Secretary Simon and we are sticking to the balanced approach. We have no delusion about winning but we will fight hard. They may add to debt ceiling. The tax bill is 668 pages and the Chairman may try to consider it in one day. We have 3-4 Democrats with us. Landrum, Waggoner and Burleson. Al Ullman is gun shy of losing his third bill. It is still iffy. We may finish today.

President What is the schedule on the tax bill?

Schneebeli We hope to finish by Thanksgiving and do the debt ceiling by the 15th. The Senate will hand the tax bill on the debt ceiling. I asked Wilbur if he will be in Conference and he said yes and he will be with the Republicans.

President Carl.

Curtis Senate Finance meets today. We won't really know until the House bill passes. People really understand the argument of no tax cut without a spending cut. This may prevent a bad bill. We always know when Christmas is coming. The Senate Finance Committee starts working on a tax bill.

Secretary Simon We are on 6 different tracks. They may attach tax bill to debt ceiling and if that occurs I recommend you veto the debt ceiling bill.

President Talk about the perils of Pauline.

 Any other comments, John. Will it be a closed rule?

Schneebeli Democrats and Jim Corman want a closed rule.

Michel Current law expires December 31. In the absence of your proposal what do we do?

President The previous law before this tax cut goes back into effect.

Michel Are we willing to go that far?

President I am.

Lynn Come January, 1976, we see a deficit of \$60 billion without a spending reduction matched with the tax cut. No one wants a tax bill in July of 1976. This is a strange bill.

President Somewhere between \$63-70 billion is the deficit for FY 1976. The Budget Committee figure is between \$70-73 billion. It will be somewhere in that range. A tax cut without spending cut will be a minimum deficit of \$60 billion next year.

Curtis The spending cuts are not necessarily fatal politically. There is greater responsibility on part of the electorate. We may be just as well off politically.

Michel I can't agree, but we should run it by our people. I have a feeling that is not the sentiment on our side.

Cederberg We talk much about reducing spending, but there is not much chance for that. Mr. President, your State of the Union and Budget messages should list the specific reductions and changes in the basic legislation that will be required. The Chairman of the Education and Labor Committee will not consider reductions without Presidential recommendations on where we really bite the bullet.

Lynn There is no way to get a \$395 figure without changing the law. Ninety percent of our spending is mandatory law and entitlement programs plus Federal employees. If we pass a ceiling it gives us a better chance next year. A Presidential ceiling will cut the rhetoric from the Departments and agencies. If the President has spoken it will be easier for Congressional budget committees. We should put a ceiling on this year because next Spring it will be impossible.

Cederberg That's fine Jim, but it won't happen.

Rhodes The only way is to suspend operation of the anti-impoundment act.

Lynn On the big bucks you need some limitation.

Rhodes We need a legislative agenda -- ABCD. It's the only way to make it credible.

Lynn How do you do that?

President Get a rule. Del.

Latta The old Frank Bow approach is available. You need 5% off -- send it back.

Cederberg That 5% won't come off. Take it off from Social Security -- never will that happen. The only place it will come off is from Defense.

Young I agree with Al Cederberg. It can't be done in this Congress. The laws must be changed.

President We must recognize the practical parliamentary problems. We must make a determined fight or we'll never get it under control. If we don't change the law we will be overwhelmed. The same as New York City.

Case What are your ideas for cuts and what laws do you recommend be changed. This will have to be a joint process. We need to know what to do.

President I have given guidelines to every agency and department covering the \$28 billion cut. I expect they will cooperate with some pain and anguish. There is a tendency to recommend changes only for most popular programs. I have gone over two major departments and will go over every one.

Case Is it possible to make these changes without substantive changes in the law?

President Changes in substance are required. There is a recognition that uncontrolled items must be controlled. I am going through every department.

Lynn A one percent break on Federal retirement and food stamps are substantive changes required. Social Security Insurance is another. Every county has a different formula for calculating the level of assistance. This change alone could save \$500 million yearly. Can't change any of these without changes in the law. Someone will always scream but we must handle it now. Looking at the out years, we always have a balanced five years down the line, but something always happens to destroy that estimate.

Bellmon I am not as pessimistic, but we do need some guidance. We may have a majority on the Budget Committee. Three Democrats, Chiles, Nunn and Hollings usually vote with us. I don't see a spending ceiling before April 15, 1976.

President We will work with you.

Bellmon If you refuse to sign the tax extension, you have Congress in a tough position.

President That's in the back of my mind. Let's turn now to energy.

Fannin The conference is working hard, but I am disturbed about the GAO and mileage provisions. The Democrats have us over the barrell and are now concentrating on price. We meet on Friday. There are 25 conferees from the Senate and 7 from the House. The Chairman has ruled that one Senator can conduct business and vote for the Senate with 12 proxies. It's a difficult time but I'm hopeful we can get a bill. They may add the allocation provision to the debt limitation in the Senate.

President Returning from Florida on Sunday evening, I had a very interesting discussion with Dick Stone who is working to get an acceptable bill.

Fannin He is cooperative.

Brown There is substance in the pricing section of the bill. Zarb has met with House Democrats on pricing.

Zarb They are not anywhere close among themselves and there is a considerable distance from us. The Democrats have caucused on the Senate side and have some agreement. Jackson is in a position to do it. Stone and Johnston can help, but Jackson is playing games. If we get no agreement our position should be one of increased vulnerability and higher imports. The price mechanism has some merit, but if the number is too low, we'll just have to see where we go.

Brown Jackson spoke optimistically yesterday and said they would continue to work.

President When does conference meet again?

Fannin 10 A.M. It may be postponed.

Stevens Keep the Administration position clear so there is no confusion.

Zarb We will staff those positions, including natural gas.

Brown The Dingell solution is only a short term one. Pearson-Bentsen is proscribed in a Parliamentary sense. We will try to get around the parliamentary hurdle. We may loose in the subcommittee or the full committee. We'll try in Rules for an open rule to allow consideration of Pearson-Bentsen on the House floor.

McKinney I am the only member from New England who supports deregulation, but on radio this morning I heard a report from FPC that there is no gas shortage. If this is true, our case is hurt badly.

President In Baltimore they have announced cutbacks in natural gas availability. It will be especially acute in 10-15 states.

Zarb Numbers are up in the cutbacks occurring in 12 states where it is especially serious.

McKinney When cutbacks begin then we can sell the program in New England.

Brown The press is saying that long range decontrol is frustrating a short term solution. We should keep trying to bring them around by blaming the Democratic leadership.

President This is November 4 and controls expire November 15. We are going into winter and curtailments of natural gas. Ten states are severely affected and five less so. Fifteen of the 50 states have deadlines. Do all you can in the committees. I talked to the Speaker and Mansfield and asked them to pressure Scoop and Staggers. I also called Staggers, but I don't know if that will do any good.

 There are two more items - Foreign Assistance and CPA. The foreign assistance figures are less than the January budget, but larger than a year ago. 70% of it relates to the Middle East. Israel would get \$2.3 billion and Egypt \$750. My recommendations for the Middle East are very important. This will help substantially to maintain peace. It's a big chunk of money. In the case of Israel we have recommended less than 76 Senators requested in their letter and we still got the Sinai agreement. Your support in committee and on the floor are very important.

Kissinger I'm so busy counting the jobs I have lost that...

Rhodes How high did you count.

Kissinger I'm going to think of a good answer. On economic and military assistance, Congress on the latter wants to increase MAP and reduce grant assistance. There is some debate on the level of U.S. assistance. There are four things to remember.

1. The threat to the assisted countries.
2. Interest of preserving U.S. security.
3. Diplomatic reasons.
4. Consequences of not doing it.

The bulk of the \$2.3 billion for military sales goes to Israel. She receives \$1.5 billion and any cut would have serious affect on security of Israel.

Many are reluctant to see the U.S. in the arms business, but if they don't buy from us, they buy from the Soviet Union or Western Europe. Also if we don't sell, we lose sales and political influence.

The Middle East is part of the package. Most is for Egypt and Israel. \$2.3 million for Israel and \$700 million for Egypt.

Some people think the Sinai Agreement produced these figures, but our relations with Israel are independent of these figures. Israel was so confident of them she included them in her printed budget prior to the Sinai Agreement. In fact for Israel, no sum can be charged to Sinai Agreement. The \$2.3 billion for Israel would have been necessary with or without the Sinai Agreement.

Egypt is \$150 million higher due to the Sinai Agreement. Egypt has broken with the radical Arabs and the Soviets. It is our long term interest to keep this arrangement. The 1973 war cost \$15 billion. I urge you not to look at this assistance as payment for the Sinai agreement, but for stability and to prevent Soviet domination and to keep Jordan on a moderate course. There is \$90 million for Syria which we may reconsider.

Kissinger Other items of support include funds for Greece - to strengthen the Caramanlis Government. Funds for Portugal and its relatively moderate government which no one obeys. We do want to see Portugal move back to a pluralistic society. We have also included some money for Cyprus to be used primarily for refugees.

President Cliff.

Case I don't anticipate many difficult problems. You may end up with some cuts. I don't think we should worry too much about these countries going elsewhere. Aren't we the only source of high quality weapons?

President Cliff, I can answer part of that. Today the Germans make the best tank in the world. The French have a good fighter and the Soviet Union has some good equipment. They are always probing and are making some inroads with Syria. We must continue our efforts.

Kissinger The French F-1 is better than our F-4, but not as good as our F-16. The things the Saudis want they can get from Britain and France.

Broomfield We started hearings Thursday. Some concern about figures not high enough for Israel. There may be a move to cut Egypt. I hope the nuclear proposal for Egypt will go. It will be tough.

Rhodes Is the package for bigger grants and lower credits for Israel?

Kissinger There was a bureaucratic mixup on message from the President. The mix **was set at** 2/3 credit and 1/3 grant. The President decided on a 50-50 mix and we sent up 2/3 and 1/3. It is now straightened out and will be 50-50.

Rhodes \$1.5 billion is part of each?

Kissinger 50-50. Supporting assistance is all grant.

Edwards How much for Portugal?

Kissinger \$55 million.

President \$65 million.

Kissinger \$55 million for support and the additional for refugees.

Horton Who pays for Sinai technicians?

Kissinger \$50 million and we pay.

Stevens What is the total dollar figure?

Kissinger \$4.7 billion

Edwards There will be increased pressure. Our own subcommittee is trying to increase sales over grant.

Michel The defeat on the debt bill seems to indicate there will be deep cuts on this bill if my ears are tuned right.

Edwards We may loose our national constituency if New York goes.

President Some members are on the horns of a dilemma. We are going to fight hard in the Passman subcommittee. Otto has been a good team player and he understands the problem. He does an honest job.

Let's move now to the CPA. I had a 10:30 meeting today with Virginia Knauer and some representatives from the Federal agencies on our in house program. We need a stronger program to protect the consumer interest. I have two plans and I will squeeze each one. Once finalized the plan will be published in the Federal Register. I think it is an adequate way to protect the legitimate interests of the consumer. We don't need an extra agency. The legislation is on the floor this week. Frank, do you want to make a pitch for it.

Horton I won't make my pitch again. I'm glad you are doing what you are. The consumer will be better off and this will help Republicans to show interest in the consumer. I also urge you to keep your program on regulatory agencies. You must continue to talk about these programs. The CPA is a way to curtail regulatory problems. We are setting up a paper work commission.

President John, you are on the other side.

Erlenborn I am flat out against the bill. Head counts look good enough to sustain and maybe to defeat the bill on the floor.

Rhodes I agree with John. Michel says Republicans will vote overwhelmingly against the bill. We will need some support from the Democrats.

President Can you finish in one day. We should cover labor and if they know it the bill may not pass. Jim, what is the status of the regulatory reform legislation?

Lynn Con Rail and airline proposals are on the Hill and trucking goes today. Competition is the best protection for consumer. Our action has been therapeutic for regulatory agencies. They seem to be cutting down on red tape and are doing a better job.

President That completes our scheduled topics. Are there any others?

Michel Maybe sometime soon we should have a session to talk politics. We must stick together. We should also get together and find out where we are going and get some encouragement.

President We could have a report from Ted and Guy. We could do it next time.

Michel We have some members who are retiring and we should assess where we are.

Stevens We need to resolve some conflicts between the RNC, the Senate and House committees and your own committee.

President We will schedule it next time.

BIPARTISAN LEADERSHIP MEETING
November 3, 1975 6:30 P.M. Cabinet Room

President

On August 9 when I became President I was concerned about continuity and stability during the transition process, so I did not make any changes. At the same time I knew that eventually changes would have to be made in the White House structure and the Cabinet to get my kind of team.

I have made changes in the White House and in the domestic area. To carry out foreign policy and national security policy and have my team with which I am comfortable changes had to be made. As emphatically and strongly as I can, I want to say these decisions were mine alone. They were initiated by me. There are rumors in the papers and on television to the contrary, but they were mine.

At a press conference at 7:30 this evening I will announce:

Don Rumsfeld as Secretary of Defense. Don is a former Navy pilot, Ambassador to NATO, and served in the White House under the Nixon Administration. Don has been head of the White House reorganization. He will do a first class job at DOD. The country owes a deep debt of gratitude to Jim Schlesinger for great service at AEC, CIA and as Secretary of Defense.

Henry Kissinger has been most effective as Secretary of State and head of NSC.

I will announce Brent Scowcroft as my new Assistant to the President for National Security Affairs.

Since I took office there has been constant criticism of the intelligence community and the CIA. Some of this is proper and some is out of proportion. Bill Colby has done a good job. He has been loyal, frank and honest. I am grateful for his good service to the country. The CIA now needs a new head. George Bush will return from the Peoples Republic of China to head the CIA.

Several weeks ago a dear friend in the Cabinet indicated to me that he wanted to retire after the first of the year. At his request I will accede to his request. I have given much thought to his successor. Please keep this confidential until I announce it. I will nominate Elliott Richardson as Secretary of Commerce to succeed Rogers Morton. Ambassador Richardson has agreed to do so.

Dick Cheney will replace Don Rumsfeld as the new head of the White House Staff.

All of these changes are in the national interest. I thank Jim Schlesinger and Bill Colby for long and loyal service but with these changes I can operate more effectively and I ask your support.

Senator Tower May I put in for the Court of St. James.

Senator Curtis Responsibilities of the President and the people around you are so great, you must have a free rein. I vigorously support you.

Speaker Albert I echo that. I know them all and I think you have made good choices.

Senator Thurmond Mr. President, I disagree on Dr. Schlesinger but since you have made the decision I will back you up.

President Thank you, Strom, I appreciate it.

Senator Case Senator Curtis stated it well.

President These men are all known. They work hard, are honorable and effective. I can work with them.

Senator Mansfield I agree. They are all good people.

President This team will keep our national security program second to non

Congressman Rhodes I approve your choices and I have a personal reason. I have a \$10 bet with Elliott Richardson that he wouldn't be in England for one year.

Congressman Wilson I nominate Sam Steiger as Ambassador to China.

Congressman Mahon I too endorse your nominations.

President Thanks. I thought a lot about this and feel it is in the National interest. I would appreciate your support.

Senator Byrd Mr. President, I appreciate these facts, but I view with concern the dismissal of Jim Schlesinger. He spoke my views and concerns on detent. Lest we go too quickly down the road to detente, the voice of dissent by Jim Schlesinger was a good thing. We need a devil's advocate. After consultation, these decisions may be in the best interest of the country, but I hope the dismissal of Jim Schlesinger does not mean that dissent will be stifled. I am concerned. This does not mean a lack of support for his successor. Don Rumsfeld is very talented. I would be remiss if I didn't express my concern. This viewpoint may be the view of many Americans. I have much respect for Henry Kissinger, but I am pleased one of his hats is removed. I am not too satisfied with your choice of his successor. I just hope these changes will not curtail the freedom of dissent.

President My record in Congress has been one of strong national defense. I was labled a Hawk as George Mahon knows. I believe in a strong national defense and a strong foreign policy. Don Rumsfeld knows this. I also know he will speak his view whether it's opposite to mine. Don's role in NATO was to strengthen the alliance against the Warsaw Pact. He will do equally well at DOD. We will have frank and full discussions. I will evaluate different views and make the decision. Don Rumsfeld will speak his piece with authority.

Senator Mansfield Mr. President, you've got to get ready to meet the press.

Jim -

I think it would be
good to keep these here.

Do you agree?

A handwritten signature in cursive script, appearing to read 'Trudy', written in dark ink.

Trudy