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GOP LEADERSHIP MEETING

Tuesday, October 7, 1975 - 8 A.M. Cabinet Room

President

Al Ullman had a lot of adverse comment on the tax proposal and spending cut. This package is a good handle for a recommittal vote. It's a workable formula for basic change. The one-for-one approach is a sound proposal.

I have recommended the personal exemption be increased from \$750 to \$1,000. The standard deduction for a single taxpayer would be increased to \$1,800 and to \$2,500 for a married couple. There would also be a reduction in the tax rate schedule. I propose to reduce the corporate tax rate from 48% to 46%. The investment tax credit would be made permanent at the 1975 level of 10%.

I believe Bill Simon is going to testify today.

Rhodes

I wonder what will be the impact upon the economy.

Greenspan

It will create a slightly higher deficit in early 1976 and sharply lower thereafter. The amount involved will not affect what is already a fairly strong recovery. It would be roughly neutral on economic recovery. The central thrust is not short term, but to solve our long term economic problems and to bring the Federal budget under control.

The standard objection is: It can't be done -- it's unrealistic. What are the alternatives and the consequences. There is no choice but to come to grips with the problem. The President's program is the first serious attempt to get long term growth without inflation.

Rhodes

Suppose you only get one-half of the package -- the tax cut but no spending cut.

Greenspan

Severe problems. If we don't move -- can we afford not to take the risk. This type of budget deficit will bring chronic inflation.



President There were some examples recommended, Great Britain and New York City, but I decided not to use them. There are reasonable degrees of similarity. Great Britain has our same problems, but we are facing them earlier. New York is now paying for its past spending habits.

Simon Long term factor is key to the problem. Confidence factor is important. If people believe we are trying this will have an impact on consumer spending and capital investment.

Rhodes I may as well say what's bothering me. How can we bring revenue in line with expenditures when we are cutting taxes? That will be hard to sell.

Simon It can't be done overnight.

Conable Al Ullman says it is unworkable. He will probably say I don't object but we must move by January 1 on the tax cut. Let the other committees handle the cut. Mr. President, you must be tough. Talk to the American people. It will be hard to make a veto stick. It will be difficult to sustain under pressure of January 1 extension deadline.

President The thrust is one-for-one. Ways and Means will make no effort to cut spending. The real difficulty is a \$65-70 billion deficit for FY '76 and a \$70 billion deficit for FY '77. This would be back to back deficit totally between \$140-150 billion.

Conable Mr. President, you must be awfully tough. They will present you with a situation of a veto on a tax cut and no action on a spending ceiling.

Young Food stamps are a case in point. They are in our bill and there is \$1 billion in waste. How are you going to get the cuts in spending?

Tower Look at our capital crisis. We have a \$4.1 trillion shortfall over the next ten years. This is our most serious economic crisis.

President Bill Simon testified on this a few weeks ago. Our proposed cut in the corporate rates is a step in the right direction. To expand our economy we must get more private funding for industry.



Tower Mr. President, you must talk talk talk about it.

Curtis Drive home the point. No tax cut without a spending limit. The Democrats won't do it. They love to make cuts in the Finance Committee. Make sure they deliver on their side. A mere resolution won't be enough.

President It would be a giant step forward if they would establish a ceiling by resolution.

Curtis Make the tax cut effective date retroactive upon passage of the ceiling or spending cuts.

Frey I'm betting on the American people to see that the President is protecting them against special interests of the Democrats.

Schneebeli Only public pressure will make Democrats turn around.

President I will hammer away everywhere, but I need help. One voice is not enough, I need a chorus. Child nutrition is a case in point. The Post editorial said it is only \$200 m over the first year. \$500 m the next year. If we start subsidizing families with \$9,000 income where do you stop.


Cederberg N.B.C. news had a feature on a black family in Louisiana. It was really something. Will the January budget reflect the proposed cuts?

President Yes. Also the State of the Union will outline the cuts. We will face a campaign issue of cutting programs for the poor. It will be tough, but look at the alternatives.

V.P. Some of the assistance going through categorical grants could be restructured.

Tower The Vice President makes a good point on restructuring categorical grants. These could be channeled into general revenue sharing.

President Let me point out a real paradox. I recently met with several of the Southern governors. They have passed a resolution calling for a constitutional amendment that would require a balanced federal budget. I'll be meeting with some of them again today and I'll ask for their support.



Curtis I am the author of a constitutional amendment that requires the same thing. We have had one hearing and another one will be held soon.

Cederberg It would be dropped before it is ratified.

Curtis In a nationwide debate on Government spending we would win.

President With no new programs we will have an increase of \$50 B in the new fiscal year. How can you have \$70 billion deficits back to back. We just can't afford it. I will do my damndest to sell this program. I will veto a hundred bills if necessary.

Brown The best line in your speech was, "Let the people spend their own." On the recent education veto, the impacted aid people said they respected my position although they differed with me. They too were worried about the budget deficits. We should tag the Democrats with the special interest label.

Devine The Democrats will predictably raise the old bugaboos of veterans assistance and social security. Tip O'Neill will be on the floor today with his tirade. We must answer him and give you help.

President I need help. It's the only basic solution. It is politically a good position. It is substantive and right. I will fight down the line. This is a reduction only in growth and it's time to take action.

Case Mr. President, Do you have any details on where the cuts would come so we can know what you are talking about?

President I approve the House action on G.I. benefits. It was a good move. The previous rationale for G.I. benefits was the combat factor. We no longer have anyone in combat. We should have it now. Some opposition from DOD because it is a basic selling point for the volunteer army, but we now pay wages comparable to the civilian sector.

Rhodes This was a perfect example of how it should be handled. The veterans groups were behind it. There was no emotion. It was an excellent job.



President

It was also under suspension of the rules which you can't do in the Senate.

The next item on the agenda is the 200 mile limit bill which is on the House floor today. The Law of the Sea Conference is at a crucial point. Negotiations will continue in the early Spring. The U.S. advocates a 200 miles limit but we want to get it through negotiations. There are very serious technical problems if we do it unilaterally. I hope we could wait to see if we can resolve it in 1976.

Henry, would you like to address the technical problems.

Kissinger

We agree with the objectives and the results. We are trying to establish a law of the sea and to resolve all problems simultaneously. We want to use our leverage on fishing to get some help on National Security matters. Several straits and archipelagos could be closed and some disputes could end in the use of force.

The United States will propose two sessions - one in the Fall also. There are serious problems for U.S. interests. We have held off Mexico, Brazil and Canada from declaring 200 mile limits to protect U.S. interests. If we pass this bill, others will go unilaterally which may not be confined to fisheries. It would be adjudicated on a bilateral basis by a test of strength.

We are on the verge of a 200 mile economic zone for fisheries and mineral resources. It would be most helpful if we could hold this in abeyance for one year and then if there is no success in the Law of the Sea Conference, we will withdraw our opposition.

~~There are unilateral negotiations under way covering the~~ North Atlantic down to North Carolina. We are 43% below the 1973 level and 23% below the 1974 level for fisheries in this area. We can protect our interests.

President

What about the problems in the Baja Gulf and the Gulf of Mexico?

Kissinger

We have kept Mexico from a unilateral 200 mile on grounds of the Law of the Sea Conference. There is great danger of total chaos if we go ahead unilaterally.



Beall I'm sympathetic to Henry's argument, but there has been no progress in the Law of the Sea Conference. The only thing they can decide is where they will meet next. The passage of this bill may be an inducement to the Law of the Sea Conference.

President The next meeting is in New York in March.

Kissinger We will withdraw our opposition next year if nothing happens.

Ruppe The Congressional delegates to the Conference feel there will be no solution from the Law of the Sea Conference. We might just as well go ahead. The third world countries want their third without any effort on their part.

Forsythe We've had three years of hoping, waiting and hearing -- "give us one more year." In the May 1975 meeting Ambassador Moore said we should go the interim route. There is so much steam behind this bill it will now pass the House. We have been very careful to avoid the territorial sea and the migratory fish issues which are not in the bill. There are 148 sponsors in the House. In Alaska, the Northwest and among sport fisherman, the problem is very serious.

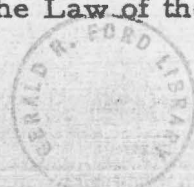
In 1945 President Truman did declare under sea rights and it became international law. International agreements come from pressure and this may bring solution from the Law of the Sea Conference. There will be a massive vote today.

Edwards Does the House bill back off if we have international agreement?

Forsythe The bill does not call for a 200 mile economic zone. It is not effective until July 1976 which is after the March meeting in New York.

Rhodes If the Law of the Sea Treaty is signed it would take precedence over the law.

Stevens Much progress comes from pressure. We feel we shouldn't meet the demands of the third world. 12 species of fish in the North Pacific have been lost. Many sport fish are now being affected. In Alaska you can take only two salmon and only one in Washington. The Japanese have big nets that that scoop up everything. Jackson, Muskie and all the Presidential candidates are for it. Recreational fisherman are affected. There is no confidence in the Law of the Sea Conference.



Stevens

Committees one and three of the Conference can reach no agreement. You are badly misinformed if you think you can get any agreement, because there will be no agreement.

Perhaps we could put in a provision to make it effective at the end of the 1976 meetings. The question is asked, How many fish will be gone? Right now the Japanese get 80% of their fish from inside 200 miles of the United States coastlines. The U.S. does the same. Fifty percent of U.S. population live near our coastlines. This is a political issue and a veto would be political suicide.

Case

I supported delay at one time, but am now convinced we must move legislatively. I agree with Forsythe and Stephens. The less developed countries are holding us up. This is totally unacceptable. We shouldn't agree and stay in this weak bargaining position.

President

John Anderson has an opposite view. He presides over the Republican Conference.

Anderson

Ambassador Moore will be there today. I have no coastline so I'm not so hot a protagonist. I'll be very honest. Many members have said they have very little confidence in the March meeting. It is illusory to think we can get an agreement.

Edwards

We have the same kind of problems in the Gulf. The Japanese have these long lines and every sport fisherman in my state has one hanging on his mantel.

President

What about the people from San Diego. Is Bob Wilson here?

Forsythe

It is true the tuna people are fishing off the coast of South America and doing what we are trying to solve here. Our bill tries to accommodate their interests and it would pay their fines.

Kissinger

Our people say that in a double session they can complete the negotiations. If they are wrong I will remove my objection and go along with unilateral legislation. We are very sensitive to third world demands. We face giving them token concessions for some agreement on technology and objectives. We should use our leverage to get international standards that will work to our advantage and get perhaps 95% of the agreements for U.S. companies.



Stephens The second meeting next year would be just before the election. There is a total concept of conservation on the West Coast. The bill has been reported out of the Commerce Committee. The Foreign Relations Committee has asked to get the bill. We expect floor action before Thanksgiving.

President Let's turn now to energy legislation. We have the Pearson-Bentsen gas bill in the Senate and the energy bill in conference. Frank would you give us a rundown.

Zarb Thanks to Senator Pearson, natural gas looks better than it has for a long time. Chances on the House floor are not as good. The key problem is Dingell and Moss who will try to block any committee action that would decontrol natural gas.

Rhodes How can you do it in the House?

Zarb Get something passed in the Senate and then take it to conference.

Brown We might get something on the floor that makes some sense and then go to conference. There may be a chance in the subcommittee to help companies and farmers to go into the intrastate market.

President Jim, what is the status of your bill?

Pearson We may have the votes to pass this bill, but the Democrats are involved in a deliberate slowdown to get us past the recess. We face the Sinai resolution also. I think we should hang tough and go past the recess if necessary and then try to pass it when we get back.

President ~~What is the schedule in the House?~~

Brown Dingell is away. The conference on H.R. 7014 is going on this week. The House will do nothing on natural gas until the conference is completed. Jackson says we will be finished by Thursday, but we have a 350 page print to go through and 25 Senators as conferees.

Stephens We cancelled the conference because of a rumor that we would meet with the President.



Zarb This was an outgrowth of the leadership meeting after the conferees had worked out their basic differences. The timing is premature.

President It would be premature for me to meet at this time.

Fannin I concur.

President There is no meeting arranged, but we will meet at the proper time. If House committee doesn't meet on the energy bill, then hard line is right.

Scott We are pre-empting the schedule for Sinai. Mike said he would go over into the recess if necessary and I said I would back him if that occurred.

On Sinai it was my understanding we would vote in committee right after today's hearing. We also face the issue of the election commission and special accounts. This is being held up by Dick Clark of Iowa. Then there is the Silbert nomination and that is being challenged by Tunney and the Sinai agreement opposed by Abourezk, the one man head of the Arab lobby.

Pearson I have heard some overtures the Democrats may take a program with propane.

President Hang tough until you get something.

Tower We have appointed an ad hoc committee on the GOP side of 11 members. It is evenly divided between consuming and producing states with Bob Packwood as Chairman.

