THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S BRIEFING BOOK

(Key Questions Only)

March 6, 1975

TAB A

Q. There has been a great deal of talk lately about the threat of large-scale investment by the producing countries in the United States. What is the official U. S. policy concerning such investment?

A. The Administration has just completed a review of this question and the results were recently announced at Senate hearings. Basically, we reaffirmed the traditional U. S. policy of opposing new restrictions on foreign investment in this country except where absolutely essential on national security grounds or to protect an essential national interest. This continuation of this policy is based on the conclusion that our existing laws provide substantial safeguards to deal with foreign investment.

In addition we have decided to take the following new actions to supplement our present arrangements:

1. We will establish a new high-level committee to ensure that foreign investments in the United States are consistent with our national interest;

2. We will create a new office to monitor and develop trends in foreign investments here and individual transactions that may come to our attention;

3. We will use the new office to centralize and improve our data gathering on foreign investment;

4. We will negotiate procedures with the principal foreign government investors for advance consultation with us on major direct investments.

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Q. For years funds for highways and other projects have accumulated authorized unspent funds. Why can't the Government release this money now to stimulate the economy instead of borrowing to cover a deficit budget?

A. There are several misconceptions in this question.

First, there are no idle funds lying around in the Treasury waiting to be spent. The President's release of $2 billion of the highway trust fund merely authorizes the expenditure of this amount. Financing the actual spending will require the Treasury to borrow in the market. In fact, this is one of the elements which could result in increasing our market borrowing requirements from some $11 billion in the April 15 - June 30 period by an additional $10 billion. This item by itself, however, accounts for only $100 million in that time frame.

The $2 billion of highway trust funds released by the President represents the best estimate of the maximum amount of projects that could be gotten underway over the next six months. Releasing funds for highways in addition to the $2 billion will not entail prompt stimulus to the economy at this time.

While there are very sizeable amounts other than highway funds that are being withheld, release of these funds would have a relatively small immediate economic impact since most of the programs involved are not ready to move quickly. Of the approximately $6 billion remaining, it is estimated that less than $2 billion could be spent in the next two years, and most of that spending would occur in 1976.

Question: What is your estimate of how high the unemployment rate will go and when we might expect improvement in this area?

Answer: I would rather not get involved in attempting to guess how high the unemployment rate will go, but the rate could possibly exceed 8.5 percent in the coming months. As you know the estimate for February will be announced on Friday. There is a considerable amount of variation in the monthly estimates but we must expect higher rates of unemployment until somewhere around the middle of the year, although the increase in unemployment from here on will be much less rapid than in the past several months. New claims for regular state unemployment insurance have begun to level off. We expect a turnaround in the economy during the second half of the year and this will cause total employment to begin to grow again.

Q. Can you summarize your general position on the House tax cut bill (H.R. 2166)?

A. I think the Congress should pass a tax rebate measure quickly and that it should accept our original formula for a clean, across-the-board percentage tax cut. I also believe the tax cut legislation should not be encumbered by delay-inducing amendments like depletion.

Further Information: Additional specific points are:

--More of a rebate should be provided for middle-income persons;

--We should not adopt increases in the low-income allowance and standard deduction without providing for the revenues to pay for them. We have included such changes in the energy package, where revenues are provided;

--We strongly oppose the earned income credit, which prejudges without deliberation or analysis some very major issues in the social security and welfare systems. It opens the door to general revenue financing of the social security system and creates another program that would have to be "bought out" in any welfare reform;

--The investment credit should be increased to 12 percent as we proposed, rather than the 10 percent in the House bills.

Q. The monetary policy actions of the Federal Reserve have come under sharp criticism as being insufficient to promote recovery in the economy. Have you discussed this matter with Mr. Burns?

A. As you know very well the Federal Reserve is an independent arm of the government. As you also know Arthur Burns is one of my economic advisers, and the question of what monetary policy should be has been discussed in some detail.

In all fairness monetary policy has become more expansive. Interest rates have declined sharply since last October and the availability of credit has improved substantially. It is a very complicated matter but as I understand it the Federal Reserve has made a larger supply of reserves available to the banking system. Initially these additional reserves were used to repay bank borrowings from the Federal Reserve. We anticipate that a continuation of the easier policies by the Federal Reserve would result in more rapid expansion in the money supply and bank credit in the months ahead. In deciding how expansive, or how much more expansive, monetary policy should be, we must not overlook two important objectives. First, monetary policy must be expansive enough to support a significant and sustainable recovery in the economy. It must not, however, be so expansive as to threaten a reacceleration in inflation in 1976 and thereafter. Fashioning such a policy is a very difficult job which requires the evaluation of many factors. I am confident that the Federal Reserve will find this middle ground in the months ahead.

Q. What do you think of Representative Wylie's bill that would limit federal expenditures each fiscal year to projected tax revenues except during a period of economic emergency declared by a 2/3's vote in Congress or in times of declared war?

A. One of my longer-term objectives is to bring federal expenditures under better control. An annual balance in the budget regardless of the condition of the economy is not the way to do this. It would not aid stabilization of the economy and would probably harm. A better approach might be to balance the Federal budget over a period of years, or over the business cycle. That would allow for temporary budget deficits at times like the present, and surpluses when business was booming. Indeed, over the long run the Federal budget may need to average a surplus rather than mere balance. This would retire some of the national debt and add to the total stream of funds available for private investment. But this can be accomplished by first restoring the economy to higher levels of production and employment and second by bringing the growth of federal expenditures under control.

BUDGET DEFICIT

Question: What is the current status of the estimates of the budget deficit?

Answer: The current estimate of the deficit is $53.7 billion, an increase of $1.8 billion over the amount in the budget. The increase results primarily from the $2 billion release of highway funds, that adds $1 billion in 1976 spending and the Congressional freeze on food stamp increases that adds $650 million.

I should add that these changes incorporate only those actions already taken either by my Administration or by the Congress. (Nor do they incorporate the $1.9 billion supplemental request for public service jobs which I announced on Wednesday 3/5/76). The tax bill which is before the Senate now, differs from my original proposals in several regards and the Congress has yet to act upon my request that some $17 billion in expenditures be deferred or rescinded. The Congress has expressed an interest in a number of additional programs that will make further additions to expenditures. The result, though certainly not official yet, is going to be less revenues than we projected in the budget (because of a larger tax cut) and some sizable addition to expenditures. The result of these actions, when the final details do become available, isgoing to be a substantial increase in the deficit.

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The following shows the full effect of changes that have already occurred and their effect upon the deficit both for 1975 and 1976:

	(In billions) 1975	1976
Estimate of deficit in budget.......	-34.7	-51.9
Release of $2.0 billion in highway funds............................	.05	1.0
Congressional freeze on food stamp increases.........................	-.2	-.6
Court action on EPA grants.........	--	-.05
Administration amendments to budget (P.L. 480, foreign aid, railroad assistance).......................	-.3	-.1
Current total...................	-35.3	-53.7

Q. The Ways and Means tax cut bill contains an earned income credit. How would this work; and what is the Administration's position on it?

A. The earned income credit would provide a cash payment equal to 5 percent of the first $4,000 of earned income of an individual or a married couple, or a maximum credit of $200. The maximum credit would be gradually reduced for persons with adjusted gross incomes in excess of $4,000, so that individuals and couples having adjusted gross income of $6,000 or more would be ineligible for the credit. The cash payment would be made whether or not the individual or couple had any income tax liability.

Although included in a tax cut bill, the earned income credit is not really a tax cut provision. Its supporters see it either as a means of increasing welfare assistance for persons with low incomes or as a mechanism for relieving such persons from a portion of their social security taxes. The earned income credit is estimated to cost $3 billion.

We are opposed to the inclusion of the earned income credit provision in the tax cut bill. Viewed as a welfare measure, the earned income credit would be an undesirable addition to a welfare system already plagued by overlapping categorical programs administered by differing agencies and governmental units. To the extent the earned income credit would be regarded as a rebate of social security taxes, it would violate the fundamental tenets of social security as a self-financing system under which retirees earn their pensions through the social security taxes they pay. While there are problems in both the welfare and social security systems and we should examine many different approaches, including the earned income credit, for dealing with these problems, we do not believe that they can or should be resolved in connection with this tax cut legislation.

Background: The earned income credit is similar to the work bonus credit, which has been proposed by Senator Long for some years. The work bonus would be 10 percent of the first

$4,000 of earned income, or a maximum credit of $400, and would phase down to zero at $5,600 of economic income (an expanded definition of adjusted gross income). The earned income credit is simpler than the long credit, since it has no provision for quarterly advance payments (with yearly reconciliations possibly necessitating collection proceedings for excessive advance payments) and no special income definition. But because only yearly payments would be made, it is even less satisfactory as a welfare measure.

Secretary Weinberger has urged the President to take a strong negative position on the earned income credit.

Q: Arthur Okun said recently that the current economic slump "may well get into the record books as a depression rather than just a severe recession." He characterized it as "a kind of quiet, continued slide that takes on avalanche proportions" rather than headline grabbing collapse of a major financial institution. Is the economy continuing this slide or are there hopeful signs?

A: The economy is continuing to decline and we do not expect an upturn before mid-year. We expect to see some advance signs and evidence before mid-year that the economy is beginning to turnaround but it is still too early for these to appear. The decline in the economy underscores the need for prompt action to reduce taxes. I proposed a comprehensive set of tax reductions in January. The Congress should be working around the clock in order to speed their passage so that tax relief can be provided as soon as possible. Unless this legislation is quickly enacted the recovery in the second half of this year may be postponed. The need for swift action is urgent and that is why I hope that the Congress will not encumber the tax reductions with more controversial tax reform measures. These can be worked on later in the year.

Q. Mr. President, your budget proposes a number of cuts in social programs and yet you have just sent up a budget increase of nearly $400 million for foreign assistance programs. How can you explain proposed cuts for the aged and the sick and increases for foreign aid?

A. There are always situations that can arise that require changes in budget proposals. My request for an additional $388 million in fiscal 1975 for foreign assistance was necessary because situations in Israel and in Portugal and former Portugese colonies have changed since the original budget request. Situations can change in the social programs also. For example, because participation in the food stamp program is higher than expected, it will be necessary for me to seek as much as $600 million in added funds this year.

Q. I understand that the Impoundment Control Act required release on March 1 of a number of rescissions. I understand also that not all of the required funds were released. Can you explain why?

A. We have released around $670 million that the Congress did not rescind within the 45-day period. We continue to hope that the Congress will rescind these funds.

There is a difference of opinion between the General Accounting Office and the Justice Department concerning the required release date for another $1.2 billion. It is the view of the Justice Department that the 45-day period has not expired for the remaining rescission items.

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Q: The House Agriculture Committee is currently considering sharply higher target and nonrecourse loan rates for the 1975 crop. What do you think of this approach?

A: The Administration is firmly opposed to the proposed or any other increases in target prices and loan prices for farm commodities. Such increases would put the U.S. Government back in the commodity business and restrict the competitive position of U.S. crop in world markets.

The current version of the proposed bill contains target prices and loan rates similar to those proposed recently by the Democratic heads of States' Agriculture. These proposed target price levels far exceed USDA's estimates of cost production for major crops including returns to land investment. The proposed loan rates would establish a market price floor that would restrict growth in export demand for agricultural commodities, while maintaining high feed costs to the U.S. livestock sector. In addition the potential budget costs for deficiency payments if market prices go below target prices becomes substantial. For example, if corn prices average $2.00 per bushel this fall, direct deficiency payments under the corn program alone would approach $1.5 billion in fiscal 1976. Cotton program costs would also add an additional $.5 billion.

Summary of Current House Agriculture Committee Target Price Proposals--1975

Item	$/bu. Corn	$/bu. Wheat	$/lb. Cotton
Target prices			
Current	1.38	2.05	.38
Proposed	2.25	3.10	.48
Loan rate			
Current	1.10	1.37	.25
Proposed	1.87	2.50	.40
Cost Production*			
Total	1.79	2.50	.48
Ex land cost	1.12	1.54	.34

*USDA estimate provided to committee.

Question - Mr. President, your budget proposes a number of cuts in social programs and yet you have just sent up a budget increase of nearly $400 million for foreign assistance programs. How can you explain proposed cuts for the aged and the sick and increases for foreign aid?

Answer - There are always situations that can arise that require changes in budget proposals. My request for an additional $388 million in fiscal 1975 for foreign assistance was necessary because situations in Israel and in Portugal and former Portuguese colonies have changed since the original budget request. Situations can change in the social programs also. For example, because participation in the food stamp program is higher than expected, it will be necessary for me to seek as much as $600 million in added funds this year. This is over the additional $200 million needed because the Congress has directed that no freeze be placed on the cost of food stamps.

TAB B

ENERGY -- 55 MILE-PER-HOUR SPEED LIMIT

Question

Do you agree with the Democrats that the 55 mile-per-hour speed limit should be strictly enforced by the Federal Government?

Answer

In January, I signed a highway bill which made the 55 mile-per-hour speed limit permanent. The bill also contains authority for the Secretary of Transportation to require each State governor to certify that his State is enforcing the 55 mph speed limit. If this certification cannot be made, then Federal highway funds will be withheld.

I have instructed the Department of Transportation to vigorously implement this provision. The Federal Government will require the States to certify that the 55 mph speed limit is being enforced and we will monitor the driving in the various States to insure that the State certification is accurate.

This measure is important, because not only will it save energy, but it also saves lives.

M. Duval
3/5/75

SHARING OCS REVENUES

Question:

Has the Administration changed its position of opposition to sharing of Outer Continental Shelf revenue with the States? Why should the East Coast get a share of the revenue when the Gulf Coast has not received a share in the past 20 years?

Answer:

The matter of sharing OCS revenue with coastal states has come up frequently over the past year. Under current law, revenues from OCS lease sales and royalties go to the Federal Treasury. This is based on the fundamental principal that the OCS is a national resource owned by all the people of the Nation and the revenue should, therefore, accrue to the benefit of all the Nation's citizens -- those in inland states as well as on the coast. This policy has prevailed throughout the more than 20 years successful OCS development off the Gulf Coast.

The Administration has taken the position that existing law should not be changed. However, in view of the recent interest in this matter, Secretary Morton is working with other agencies concerned to take another close look at this issue. I expect to receive his recommendations by mid-March.

M. Duval(G. R. S.)
3/5/75

ELIMINATION OF THE DEPLETION ALLOWANCE

Question:

The House seems ready - even eager - to do away with the depletion allowance. Could we have your reaction?

Answer:

The priority should be for an immediate tax cut so that Americans will have more money to spend. This will provide our economy with a needed stimulus.

The domestic oil depletion allowance issue is complex and should be carefully considered as a part of overall tax reform. I have urged Congress to separate the depletion question from the tax cut legislation. The tax cut must be passed without delay.

M. Duval(G. R. S.)
3/5/75

GASOLINE TILT

Q. Last week you announced that the effects of the oil import fee would be tilted towards gasoline. Can you explain how that would work?

A. Under its existing authorities, the Federal Energy Administration will require that a greater proportion of increased costs be passed through on gasoline than on other products.

Since I have now waived the two additional $1 increases in the import fee, the effect of this "tilt" will be to increase gasoline prices about 2¢ per gallon and the price of heating oil and other products by less than 1¢ per gallon at the maximum impact of the fee.

Q. Isn't this gasoline "tilt" really the gasoline tax you have previously said you would never approve?

A. No. The gasoline "tilt" would still result in increased prices on other petroleum products and would provide an incentive to conserve these products as well. The "tilt" does not have the severe regional effects of a full gasoline tax.

Q. What areas of the country should benefit from the gasoline "tilt"?

A. Those areas least dependent on gasoline and most heavily dependent on residual and heating oil will benefit from this action. (New England, Mid-Atlantic, and Pacific Coast.)

GASOLINE TAX

Q. You have critized a Democratic proposal that we increase gasoline prices with a sixteen cent tax. Chairman Ullman now proposes a gradually increasing gasoline tax to 40¢ or 50¢ per gallon. Your program envisions an increase of approximately thirteen to fifteen cents in gasoline taxes. What's the difference between these approaches?

A. Any program that relies solely on a gasoline tax to cut petroleum consumption is wrong on three counts: efficiency, equity, and results. Let me go through them in order. 1) If we attempt to conserve gasoline only we will be ignoring the remaining fifty-five percent of the crude oil, used for other purposes. We need to reduce our consumption of foreign crude oil across the board, not just the gasoline produced from that oil. So the gasoline tax simply does not get the job done. 2) By placing the entire conservation burden on the gasoline product is not fair. It places all of the sacrifice on one sector of the economy and on selected geographical sectors of the country and on the tourist business. 3) While it is true that my program will increase all oil products in price, it's important to note that it will affect <u>all</u> products. The fact that we may have to pass a little bit more of the increase through to gasoline as compared to some other products over the near term simply reflects the fact that some products such as industrial oils and deisil and residual fuels for utilities will require somewhat more time to adjust to increase prices. Over the long term (approximately 3 years) the burden of my program will be shared equally by all oil products.

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Q. Some observers have pointed out that there is now a surplus of petroleum in the world and that prices are beginning to decline. Has this situation changed your assessment of the need for the United States to reduce oil consumption and begin to move toward energy independence.

A. No it has not.

There have been a number of instances of minor price reductions and concessions. But oil prices are still very high. The combination of high prices, declining economic activity both in the United States and throughout the industrial world has reduced consumption and helped create the surplus.

The foreign oil producers have responded to this situation by reducing output so as to maintain the artificially high prices. We must expect that the oil producers will continue in their effort to restrict production, although we do not know yet how successful they will be.

We do know over reliance upon unreliable foreign supplies of energy has already been harmful to the United States economy. We also know that a further increase in our dependence upon unreliable sources of supply will increase our vulnerability in the future and we must act now to reduce these dangers.

(See attached Note)

Seidman

3/5/75

Note:

- Conservation

  Conservation measures, the decline in world economic activity and mild winter weather have brought about reduced oil consumption. Some observers estimate world demand will decline an additional 1 - 3 million barrels per day by the summer of 1975, before the seasonal rise in consumption begins.

- Surplus producing capacity

  Productive capacity in the OPEC countries continues to increase from 36.2 million barrels per day in May 1974 to 38.8 million barrels per day in 1975. Current surplus capacity is estimated to be almost 12 million barrels per day, or about 30 percent of productive capacity. If OECD nations meet projected conservation goals and additional worldwide capacity comes on line as scheduled, OPEC surplus capacity could increase to 15 million barrels per day.

- New discoveries and reserve additions

  Estimated reserve additions resulting from new discoveries by non-OPEC countries are in excess of 30 billion barrels. Major discoveries have been in the North Sea, Egypt, Malaysia, Brazil, China, and Mexico. New production from these discoveries could exceed 6 million barrels per day by 1980. Natural gas discoveries are being made along with the new oil finds. Discoveries have far outstripped development and exploitation, primarily because of the heavy capital cost involved.

  Some of the more readily useable gas reserves are in the North Sea, the Netherlands and Italy. Norway is already committed to export up to 1.8 billion cubic feet daily and Dutch production, which started in 1965, is expected to peak in 1980 at a rate of about 9 billion cutback feed per day.

Seidman

TAB C

RUSS TRAIN'S ANNOUNCEMENTS ON AUTO EMISSION STANDARDS

Question:

Yesterday, Russ Train announced decisions and recommendations to Congress on auto emission standards which amount to significant delays in current requirements. We understand that he met with you on this subject on Monday. Did you tell Russ Train to cave in on this issue?

Answer:

Mr. Train asked for a meeting with me on Monday for the purpose of informing me of his decisions on auto emission standards that EPA planned to make on Wednesday. We met and Mr. Train informed me of his decisions and recommendations on:

- Auto emission standards for 1977 model cars which he is authorized to set under 1974 amendments to the Clean Air Act. This is a regulatory decision.

- Auto emission standards that he recommends for 1978-81 model year cars. This is a policy recommendation and, to become effective, would require Congressional action to amend the Clean Air Act.

Follow-up Question:

Mr. Train's decisions on emission standards for 1977 and 1978-81 are different from those you recommended to the Congress in your proposed Energy Independence Act. Do they replace your recommendations to Congress?

Answer:

Not necessarily. The decisions and legislative recommendations announced by Mr. Train were based on EPA's public hearings and were not reviewed or discussed with other agencies that have an interest in the matter prior to Mr. Train's decisions and announcement. I expect to get the views of other agencies before I decide how I might modify my legislative proposal.

M. Duval(G. R. S.)
3/5/75

TRANSPORTATION - SST

Question

The Environmental Protection Agency has issued a proposed noise rule that will have the effect of banning the French and British SST - Concorde. Doesn't this violate an understanding that former President Nixon had with France?

Answer

EPA has only made a proposal to another Federal agency, the Department of Transportation and FAA. The Transportation Department will consider the EPA proposal, but it will make the final decision concerning noise regulations as applied to SST.

Before making a final decision, the Administration will consider the international implications of this regulatory action. The Concorde will receive equitable treatment under Federal noise regulations.

Background

EPA transmitted to FAA their recommended regulation pursuant to a court order. The EPA rule gives "grandfather rights" to the current production line of Concorde (approximately 16 aircraft). The State Department believes that the "grandfather rights" should extend to approximately 30 aircraft which will be made from the same design.

Former President Nixon, in a January 1973 letter to George Pompidou, stated that the United States will insure that the Concorde receives equitable treatment and the letter makes it clear that there will be an exemption for current generation Concordes.

M. Duval
3/5/75

Issue: Inflation and Real Growth in 1976 and Outyears

Q. How much inflation and real growth are included in 1976 and in the 1977-80 Defense estimates?

A. The $8 billion increase in 1976 Defense outlays can be completely attributed to the impact of inflation. The cost of most Defense purchases have increased 10-15% in the last year, and pay raises for over 3 million Defense employees and 1 million retirees are expensive. Of the $18 billion increase in budget authority about $13 billion can be attributed to inflation. The balance provides real growth to improve readiness and increase modernization.

For outyear planning, I have agreed that Defense manpower will remain at a constant level and have approved a 4% annual real growth increase in Defense purchases (about $2 billion annually). This increase is required to meet equipment inventory objectives and to recognize the inherently higher cost of new systems.

Issue: P.L. 480 Food Aid

Q. There has been considerable interest in how food aid will be allocated between the poorest countries and countries of greatest political importance to the United States. How will food aid be allocated?

A. The total value of commodities planned for shipment under P.L. 480 in 1975 is $1,470 million. Outlays are currently estimated at $1,343 million. The outlay estimate is $178 million higher than the $1,165 million estimated for 1975 in the Budget document, because I decided to increase the program after the Budget was printed. We intend, of course, to respect the desire of the Congress that 70% of Title I sales of food under P.L. 480 go to those countries most seriously affected by increased energy and food costs.

Q. Why does the level of P.L. 480 aid outlays decline from $1,165 million in 1975 to $1,070 million in 1976?

A. The dollar expenditures for food aid decline in 1976 because the prices of P.L. 480 commodities are expected to fall. Because of the lower prices the amount of grain actually shipped is projected to increase from 5.4 million metric tons in 1975 to about 5.9 million metric tons in 1976. (NOTE: These figures do not include the small amounts of commodities for cotton, tobacco and vegetable oil.)

Q. Why do we continue to provide food aid when domestic prices are so high and U.S. stocks are low?

A. P.L. 480 is an integral part of our foreign aid program and permits the United States to respond quickly and directly to food needs abroad. We have made every effort to limit P.L. 480 shipments to countries with the highest needs, balancing the domestic costs against priority foreign policy and humanitarian requirements.

Issue: The Increase in Foreign Aid Spending

Q. Why increase foreign aid spending while running a large budget deficit?

A. Foreign aid consists of economic and military assistance to foreign recipients. Economic assistance including food aid is classified in the international affairs function and represents approximately 60% of foreign aid outlays. The remaining foreign aid outlays are primarily for military assistance, which is classified in the defense function.

Foreign aid outlays increase \$0.9 billion to \$6.9 billion in 1976, about 2% of Federal outlays and .4% of GNP. These are roughly the same percentages as in 1975, but a decline from the past in relative aid levels. In 1956, for example, outlays for foreign aid represented 7% of total budget outlays, while in 1966 they represented 3.5% of total outlays.

Foreign aid programs are indispensable in furthering our foreign policy objectives of (a) enhancing the self-defense capabilities of friendly nations; (b) supporting political stability abroad; (c) promoting economic development of poorer countries; and (d) meeting humanitarian emergencies overseas. To meet these foreign policy requirements, about 14% of the total foreign aid program supports the progress toward a peaceful settlement in the Middle East, and about 38% of the program encourages negotiated settlements to conflicts in Indochina. Of the total military assistance program, 56% is planned for Indochina, which is equivalent to 83% of the military assistance grant program.

<u>Termination of Wartime Benefits</u>

Question: Do you plan to issue an Executive Order and propose legislation terminating certain veterans' benefits such as GI Bill benefits for members of the All Volunteer Force?

Answer: Various proposals along these lines are being reviewed by the executive branch. Final decisions have not yet been made. I understand, however, that all proposals being considered would not affect the veterans benefits due any veteran or any serviceman now in service. Rather, the proposals would affect only those who may enter service at some future time. There is, of course, ample precedent for adjusting entitlement to veterans benefits as we move from a wartime to a peacetime situation. Action terminating wartime veterans benefits has been taken by the President and Congress in the period following both World War II and the Korean Conflict.

March 5, 1975

HEALTH INSURANCE FOR THE UNEMPLOYED

Question:

There are currently some very popular proposals on the Hill for the Government to pay health insurance premiums for the unemployed. Are you in favor of those bills?

Answer:

Secretary Weinberger will be testifying later this week and giving the Administration's position in greater detail.

But let me say that such a program is inconsistent with my policy of no new spending programs.

Second, it would tend to create even more inequities in our medical system than we presently have by extending these special benefits to only those who are collecting unemployment insurance. And it would be impossible to administer.

PGN
3/5/75

CONSUMER PROTECTION

Question:

Congress is once again starting to discuss the issue of a Consumer Protection Agency. Your Administration has not yet taken a position. How do you stand on this?

Answer:

First of all, let me say that we are acutely aware of the needs of consumers and right now we think that the most important action this Administration can take on behalf of consumers is to get the economy on the right track.

Second, because of the interest in the Congress and around the country in a consumer agency and other issues, I asked Vice President Rockefeller to meet with a number of consumer leaders and report back to me on what their views are. This he has done, and it will be most helpful to me as I make my decisions.

Third, I have proposed that we undertake a substantial reform of our regulatory agencies. I think this is important, I think it is long overdue, and I think it can be of substantial benefit to all American consumers.

PGN
3/5/75

TITLE IX REGULATION: SEX DISCRIMINATION

Question:

Mr. President, Will you sign the Title IX Regulation which was sent to you on February 28, 1975, by Secretary Weinberger?

Answer:

I am required by statute to sign the final Regulation. My staff is currently analyzing the contents of the HEW Regulation which constitutes 125 pages of summary and text. My job is to be sure that the Regulation reflects the letter and spirit of the statute, as enacted by Congress.

Background:

On February 28, Secretary Weinberger signed final Title IX Regulation and transmitted it to the President for final review.

Title IX of the Education Amendments of 1972 bars discrimination on the basis of sex in educational programs or activities receiving Federal financial assistance. More than 9,700 comments were received during the comment period for the proposed Regulation which closed October 15.

The Education Amendments of 1974 require regulations of this nature to be submitted to Congress for a 45 day review period. Pending determination of the constitutionality of this requirement, all regulations would be sent under protest to the Congress.

Scope of Regulation:

The HEW final Regulation would assert the Department into nearly all facets of American education and the operations thereof.

The Department outlines the major issues as the following:

a. Physical education classes and sex education.
b. Domestic scholarships and financial assistance.
c. Foreign scholarship.
d. Exemption of private undergraduate professional schools.
e. Pension benefits.
f. Discrimination in curricula.
g. Athletics.

At this time, the Regulation is not for public release. The transmission by HEW to the White House constitutes an interagency exercise which is exempted under Section B(5) of the Freedom of Information Act.

AMB-3-5-75

OVERALL DRUG ABUSE

Question:

What is the current status of our efforts to control drug abuse?

Answer:

We are better off than we were at the peak of the heroin epidemic. Federal resources have been greatly increased, many more addicts are receiving treatment, fewer citizens are dying of drug related deaths, and hard drugs are more difficult to find. Lately, however, there have been disturbing indications of some slippage, indicating that the problem is far from being solved and that the high priority this Administration and Congress places on the fight against drug abuse cannot be diminished.

Background:

After two to three years of steady improvement, indications are that the drug problem is intensifying. Key indicators -- price and purity data; drug related deaths -- which have been going down steadily have flattened or turned up. There is some evidence that the heroin problem has shifted geographically away from the Northeast toward the West and Southwest, and that addiction might be on the upsurge in small and medium sized cities. Demand for treatment has increased sharply. But there is cause for long-term optimism, since the results achieved over the past several years have demonstrated the Government's ability to slow, stop, and begin to reverse the trend toward massive drug abuse.

FLM
3/5/75

OPIUM SUPPLY

Question:

What are you doing about the alleged shortage of codeine for medicinal use? Does the Administration plan to authorize the domestic growth of opium poppies to alleviate the shortage?

Answer:

Currently, there is not a shortage of codeine at the user level, and we do not intend to let one develop. We have recently taken steps to avert a shortage in the second half of 1975, and are prepared to take further steps if required. However, our immediate plans do not include domestic growth of opium poppies.

Background:

A number of recent press reports and separate hearings held by Senator's Kennedy and Bayh have indicated that we face a severe shortage of codeine for medical use. This is not correct. Supplies of opium gum, which is the raw material, are tight, but your Administration has taken steps to avert any actual codeine shortage.

These steps have included the release of approximately 60% of our strategic stockpile of opium gum in December 1973, and a very recent decision by the Attorney General to allow the importation of an alternative raw material -- concentrate of poppy straw.

Domestic growth of opium poppies is not a desirable option except as a last resort, because of the turbulence it would cause in international control efforts.

An Executive Office task force, led by OMB with representatives from the interested Federal agencies, is following the developments closely, and is prepared to recommend further steps if they become necessary.

FLM
3/5/75

OVERALL DRUG ABUSE

Question:

What is the current status of our efforts to control drug abuse?

Answer:

We are better off than we were at the peak of the heroin epidemic. Federal resources have been greatly increased, many more addicts are receiving treatment, fewer citizens are dying of drug related deaths, and hard drugs are more difficult to find. Lately, however, there have been disturbing indications of some slippage, indicating that the problem is far from being solved and that the high priority this Administration and Congress places on the fight against drug abuse cannot be diminished.

Background:

After two to three years of steady improvement, indications are that the drug problem is intensifying. Key indicators -- price and purity data; drug related deaths -- which have been going down steadily have flattened or turned up. There is some evidence that the heroin problem has shifted geographically away from the Northeast toward the West and Southwest, and that addiction might be on the upsurge in small and medium sized cities. Demand for treatment has increased sharply. But there is cause for long-term optimism, since the results achieved over the past several years have demonstrated the Government's ability to slow, stop, and begin to reverse the trend toward massive drug abuse.

FLM
3/5/75

TAB D

TAB E

TAB F

THE WHITE HOUSE

WASHINGTON

March 5, 1975

MEMORANDUM FOR THE PRESIDENT

Yesterday Ron Nessen announced that you had taken certain action to deal with our current economic conditions. The following statement by Ron Nessen and Q & A refer to the actions you have taken and the proposals of the Mahon Committee.

Also included is a fact sheet on the need for Congressional action on the $5 billion for unemployment compensation.

Gerald L. Warren
Deputy Press Secretary
to the President

Attachment

March 5, 1975

Office of the White House Press Secretary

NOTICE TO THE PRESS

STATEMENT BY THE PRESS SECRETARY

The President met yesterday with his senior Economic and Energy advisers. They reviewed with the President general economic subjects and discussed programs proposed and in place to deal with our current economic conditions.

At the conclusion of that meeting, the President made the following observations and decisions. First he noted that the Budget he transmitted to the Congress last month included $32 billion for aid to the unemployed during FY 75 and FY 76. The President noted that $5 billion of that aid depended on congressional action and he asked the staff to work with the appropriate committees of Congress to see that the money needed is available in time to meet benefit payments as they come due.

The President also observed that his budget recommendations provided funding for 310,000 Public Service Jobs through this calendar year. He has decided now that it would be appropriate and desirable to provide the funds necessary to continue these jobs another six months through July 1st of 1976. Therefore, he has decided to recommend to Congress that they provide supplemental funding totaling $1.625 billion to carry out that purpose in addition to the $2.5 billion already contained in the Budget for public service jobs and other manpower programs.

Under the provisions of the Comprehensive Employment and Training Act (CETA) enacted in December 1973, the state and local governments make decisions as to the allocation of manpower funds between institutional, on-the-job training, summer youth employment and other purposes. The President was advised that preliminary plans indicate that state and local governments are not allocating sufficient funds to meet this summer's needs for job opportunities for youth. Therefore, the President has decided to seek supplemental funding for specific summer youth programs this year in the amount of $412 million. This will insure an additional 760,000 summer youth job opportunities on top of the allocations made by State and local sponsors from CETA funds already provided.

(MORE)

Finally, the President indicated a concern about the possibility of unemployed workers exhausting their unemployment compensation benefits. The President asked that a study of this problem be completed promptly for his review.

# # #

QUESTION: Does the Administration support the House Appropriations Committee's proposals to increase the budget in view of the current economic situation?

ANSWER: The House proposal contains a number of elements only two of which directly meet the immediate economic problems we face.

I announced yesterday that I will transmit a supplemental appropriations requests for $1.5 billion to assure that 310,000 public service jobs will continue through 1976. Together with a request already pending before the Congress, this will make a total request of $1,625 million. The availability of these funds will forestall any abrupt layoffs of subsidized workers that might have otherwise occurred this July.

In addition, I will request a special supplemental appropriation in the amount of $412.7 million for summer youth employment. This additional funding would double the current program level providing a total of $700 million for the employment of as many as 1.4 million of our youth.

These initiatives will create an immediate employment stimulus.

APPROPRIATION PROPOSAL

Q. One of the items in the House jobs bill that you are not recommending today is a reversal of the proposed rescission of $12 million for older workers jobs and a supplemental of another $24 million for that program. Why is the Administration providing funds for youth and not for older workers?

A. Our response to this proposal is one example of how we are trying to meet current needs without making unwise commitments for future programs. The program you refer to -- Community Service Employment for Older Americans -- is a special purpose categorical manpower program providing part-time work for older people mostly in rural areas. I fully support its goals. However, one of the key principles of the Comprehensive Employment and Training Act which the Congress and the Administration worked out during 4 years of negotiations was the elimination of special purpose manpower programs. It will never be possible for the needs of older workers to be properly considered and met within the mainline of manpower policy as long as this special program exists. The Comprehensive Employment and Training Act contains identical authority to the Community Service Employment program. It also is putting over $2 billion in the hands of States and localities for manpower programs. I continue to support this essential decentralized and decategorized approach.

As I noted in my statement, my supplemental for youth this summer is in recognition of a special one-time need, and is in addition to the funds States and localities are providing for youth.

Q. The Congress has indicated they will provide another $70 million for the Work Incentive Program. Will the Administration accept that?

A. When Congress enacted the Work Incentive Program appropriation last year, they reduced the Administration's request by $70 million. We planned to live with this congressional decision by shortening contracts and stretching out supportive services. The Congress now belives it made a mistake last year. The action will result in a relatively slight increase in 1975 outlays ($35 million) over the February budget estimates. We still think we could live with the first congressional action, but we cannot, of course, object very strongly to their congressional correction.

The remaining proposals are not acceptable. Generally, they obliquely meet the unemployment problem. They do not create immediate employment opportunities. They do commit the Federal Government to spending six, ten, and even twenty months from now. In terms of economic stimulus, now is the most critical time for a Federal government response to the unemployment problem.

My main concern is with the development of an overall economic program. If each committee works separately to provide stimulus for the economy, the result could be little short of disastrous. I note that the House and Senate seem likely to pass substantially greater tax increases than proposed by the President. If $6 billion of new funds is added without regard to the large tax cuts, and if the President's budget restraint proposals are ignored in the name of fiscal stimulus, and if other proposals--say for relief to State and local governments--are tacked on as well, the consequence is surely to be a deficit that is virtually out of control.

Q. Senator Javits and the League of Cities/Conference of Mayors have stated that there is a need for a summer youth program of $650 million for 1.1 million youth. Why is the Administration proposal so much lower?

A. The amounts already distributed to States and localities under the Comprehensive Employment and Training Act for this year provide the full equivalent of last year's summer funding. This includes $380 million that was earmarked specifically for summer youth jobs. At last year's costs, the $380 million provided 760,000 jobs. Since these amounts are already allocated, we expect the States and localities to put in as much as they can to meet this summer's needs. In light of the much greater unemployment problem for youth, however, we are requesting a special supplemental of $412.7 million to augment local efforts. At this year's cost estimates, this will finance an additional 760,000 jobs.

My actions will bring the total program for this summer to over $700 million, providing jobs for as many as 1.4 million youth.

Q. Does the Administration favor the addition of $375 million for the job opportunities program of the Commerce Department.

A. We do not believe that this specific additional program is necessary.

The Administration in the 1976 budget proposed to spend $2.6 billion in 1975 and 1976 combined for public service employment. In addition, the President has proposed today to add $1.5 billion to assure that the 310,000 public service jobs will continue through 1976.

Together with the $30 billion spending proposed for unemployment compensation assistance in the 1975-1976 time period we believe adequate provision for the unemployed has been made at this time.

March 5, 1975

Q. What is the Administration's position on providing an additional $119.8 million for college work study in fiscal year 1975?

A. Funds already appropriated for FY 1975 will support the following student assistance in 1975-76:

-- 1,107,600 Basic educational opportunity grants

-- 624,000 Work study grants

-- 347,000 Supplemental educational opportunity grants

-- 728,000 National direct student loans

-- 80,000 State student incentive grants

In addition, requested FY 1976 funds will support an estimate 1,100,000 guaranteed student loans.

Given the student assistance funds already appropriated and the ability to fully fund basic grants for the coming school year, we see no need at this time to increase any parts of the student assistance program.

Fact Sheet

Necessity of the Prompt Appropriation of $5 billion for Unemployment Benefits

This appropriation would provide funds for:

-- Extended Unemployment Compensation for covered workers - Half of the cost of these benefits is financed from the Federal Unemployment Tax Act revenues under P.L. 91-373. As the national extended benefit trigger has been activated since February 23, all States are paying these benefits and revenues are insufficient to fund the costs.

-- Federal Supplemental benefits for covered workers is fully financed from FUTA revenues. These benefits are also available in all States.

-- Loans to States with inadequate balances for the payment of regular State benefits and half of the extended benefits for covered workers authorized by Sections 1201 and 1203 of the Social Security Act.

Five States are presently borrowing from this fund and the present balance is about $350 million. Should some of the larger States request loans the available funds could be exhausted before the end of the fiscal year. The States presently borrowing from the fund are Connecticut, Vermont, Rhode Island, New Jersey and Washington.

-- Payments to workers previously not covered under State unemployment compensation law as authorized by the Emergency Jobs and Unemployment Assistance Act of 1974.

Q. By requesting additional public service employment funds is the Administration reversing its previous policy on the importance of this program to fighting unemployment? Will the Administration be requesting higher amounts as the unemployment rate climbs?

A. The $1.5 billion we are requesting is to continue the level of public jobs financing that the funds in the budget for this year will reach at peak effort. We estimate that level to be about 310,000 jobs by April. This new $1.5 billion, when added to amounts already in the 1976 budget, will permit the 310,000 level to be continued through the end of fiscal year 1976. The availability of these funds will forestall any abrupt layoffs of subsidized workers that might have otherwise occurred this July. This request is in line with our previous position that we would monitor closely the public jobs programs to assess their effect before proposing further action.

However, it is still clear that the basic thrust of our efforts must be to revitalize the basic economy. Jobs in the normal work force must be our goal. Greater temporary financing of large numbers of jobs in State and local governments is not the answer. It is costly, inequitable to the vast majority of the unemployed, and, as experience with these programs has shown, it does not have a substantial impact on unemployment rates.

At this time therefore, we do not foresee any additional requests for public service jobs funds.

FACT SHEET

RE. CURRENT UNEMPLOYMENT INSURANCE

BENEFIT ELIGIBILITY - MAXIMUM DURATION

	Basic Unemployment Insurance		
	Permanent Law		Temporary Law
	Regular Benefits	Extended Benefits 1/	Supplemental Benefits
Workers covered by State law, veterans, and Federal employees	26 weeks	13 weeks	13 weeks
Compensated Workers 2/	5.0 million	.5 million	.3 million

	Benefits for Uncovered Workers
	Temporary Law
	Special Benefits
State and local employees, domestic service workers, and farmworkers 3/	26 weeks
Compensated Workers 2/	.2 million

1/ Extended benefits became available in all States on February 23, 1975.
2/ As of February 15, 1975 - some data incomplete.
3/ Most are not covered by State law.