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THE WHITE HOUSE
WASHINGTON

October 9, 1975

THE PRESIDENT'S BRIEFING BOOK

Key Questions For

NEWS CONFERENCE OF OCTOBER 9th

TAB A	BUDGET PROPOSAL
TAB B	GENERAL DOMESTIC
TAB C	INTELLIGENCE
TAB D	INTERNATIONAL

POLITICAL MOTIVATION

Q: Is your tax cut/spending ceiling proposal really a political move designed to place you in a posture to run against Congress and big government in the 1976 election?

A: My proposal for a tax cut accompanied by a reduction in the growth of Federal expenditures springs from my deep conviction that our Nation is now at a crossroads where we must decide whether we will continue the present pattern of big government, higher taxes, and higher inflation or whether we will take a new direction, reducing the growth of government and permitting our individual citizens a greater voice in their future. I have made clear where I stand on this fundamental question, which I feel represents not only what is best for our country but what is desired by the greater majority of Americans.

October 8, 1975

IS TAX PROPOSAL POLITICAL?

Q. Isn't your proposal to cut taxes only if Congress enacts a ceiling on spending politically motivated.

A. Well, as the Wall Street Journal noted in an editorial this morning, it is no more political than the desire of Congress to cut taxes and increase spending

JBS/10-9-75

AGREE WITH SIMON?

Q. Do you agree with Secretary Simon's statement that Congress and the country, when they consider your tax/budget ceiling proposal, are facing "a classic choice between freedom and socialism"?

A. I certainly feel that we have reached the point in American history when we must make a historic choice. We can no longer continue with unrestricted spending and unrestricted intrusion of the government in the affairs of the individual.

IMPOSSIBLE EFFORT

Q: Isn't it unrealistic to ask a Democratic Congress, which is committed to Federal intervention in national problems, to support a program which would drastically cut back such intervention?

A: I assume by your question that you are asking whether I consider the program we have presented realistic. I am confident that the American people favor the new approach we have proposed that reverses the enormous growth of Government spending and reduces the burden of Government taxation on the average American worker. The task of limiting the growth of Federal programs is not an easy one but it is certainly well within our capacity as a people and I am confident that it can be done.

October 8, 1975

WHICH PROGRAMS CUT?

- Q. What programs will be cut?
- A. The programs to be cut and the specific amounts will be worked out in the budget process that is just getting underway. At the outset, one point should be clear: we are talking about slowing down the rate of spending. Our proposal, while stringent, would still provide for \$25 billion more spending in FY 77 than our current estimates for FY 76. The first step in achieving our goal is for the Congress to resist adding any more to this year's budget.

Without any restraint, the big increases would occur in pay and retirement benefits; Social Security, medicare, medicaid, food stamps and the other big income assistance programs. Clearly, these areas will have to be restrained from the levels they would otherwise reach.

We're going to have to ferret out programs that have outlived their usefulness in all departments and agencies. We also must take steps to moderate the growth in expenditures for many other programs.

In addition, we are going to have to ask agencies to do their job with the same number or fewer people than they have this year, even where the workload has increased. The answer to more workload will have to be greater productivity not more people or dollars.

REDUCING SIZE OF GOVERNMENT

- Q. One of the themes of your administration seems to be reduction of the size of the Federal Government. If you had a free hand to do whatever you wanted, how would you go about cutting the size of the Federal Government, and how much would you cut it?
- A. If I had a free hand to do whatever I wanted, I wouldn't necessarily set out to cut the government below the size we have now.

What I would do is stop the ever-faster pace of increasing the size of our government. It's not necessary to have expanded programs or new programs day by day to meet our national needs. We're already taking a bath in red ink. It's time to dry out.

The best thing we could do is to evaluate the present programs -- to make sure they carry out the purpose for which they were set up. For instance: do our nutrition programs actually increase the nutritional level of our people? Or for instance, is there some way we could make the programs simpler, with less red tape, fewer forms and more efficient systems? We're working at that through the Management by Objectives System, through the Regulatory Reform campaign, and through OMB's Evaluation Role.

Another thing we could do is to get across to the public the need to set priorities: We'll go broke as New York seems to be threatening to do if we keep up our present pace. The public has got to understand this, and if they do, they will work with us in government so that we do the very best things we can, and spin off the projects with lesser priority.

Finally, the effort to increase local decision-making will help in this effort. The General Revenue Sharing program allows local decisions on local problems -- and that means better decisions based on local needs.

EARNED INCOME CREDIT

Q: Mr. President, the earned income credit included in the Tax Reduction Act for 1975 was not included in your recent tax proposals. Does this not mean that, under your proposals, taxes will actually increase for some low-income families and heads of households?

A: We are presently engaged in a comprehensive review of the many welfare programs that exist to assist low income families. The earned income credit is one of these programs and is being considered as part of that review.

As you know, the earned income credit is a payment which can be used to offset an individual's tax liabilities. Many individuals who have no tax liabilities receive the full payment. We considered it inappropriate to make the decision whenever to retain the earned income credit as part of our tax proposals.

We are not alone in this view. The tax reduction package proposed by Chairman Ullman of the Ways and Means Committee also does not include the earned income credit.

October 9, 1975

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The New York Times. Pg. 33

OCT 9 1975

Nation's Poor Would Lose Under Ford Tax Program

By EILEEN SHANAHAN

Special to The New York Times

WASHINGTON, Oct. 8—Mil- appears at \$8,000.

group, the total tax reduction would be \$3,490-billion or an average of \$203 a tax return.

In the \$15,000 to \$20,000 income group, the total tax reduction would be \$2,424-billion or an average of \$226 a tax return.

In the \$20,000 to \$30,000 income group, the total reduction would be \$2,068-billion or an

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UNCONTROLLABLE SPENDING?

- Q. Doesn't your budget and tax proposal overlook the fact that two-thirds of the Federal Budget is uncontrollable due to mandatory/statutory expenditures, or inflation?
- A. There is no such thing as "uncontrollable" spending. At the beginning of each week, every senator has on his desk a new booklet called the "Senate Budget Scorekeeping Report." This report plainly states the budget impact of every piece of legislation pending before the senate. Moreover, in June the Brookings Institution published a report on the 1976 budget in which their scholars declare, in effect, that there is no such thing as an "uncontrollable" Federal expenditure, for all Federal spending can be changed by law.

For any member of Congress to say spending is uncontrollable is like saying Congress cannot legislate. And we know that's not true.

WHY SET CEILING SO EARLY?

- Q. How can you set an expenditure ceiling so early? After all, you are asking Congress to determine what kinds of expenditures and deficit are right for the economy almost a full year before FY 1977 even begins.
- A. Let's make this clear. The purpose of the President's proposals is not stimulus but rather long term braking of expenditures. If additional stimulus turns out to be needed, it should be by tax cuts, not increases in expenditures over the \$395 billion.

DEFENSE EXPENDITURES

- Q. What portion of the \$52 billion of increases from 1976 to 1977 are for the Defense Department?
- A. At least \$8 billion is for the Defense Department including Military assistance. This includes over \$4 billion in pay increases, \$1 billion for military retirees, and \$3 billion for other purposes.

VETO

- Q: If Congress has not agreed on a definite spending level when the tax cut reaches your desk, will you veto the tax cut?
- A: As I stated on Monday evening, our proposals for reductions in taxes and spending must be tied together in one package. It would be dangerous and irresponsible to adopt one without the other, and I will not accept that as an answer for our future.

I also indicated that I will go forward with the tax cuts that I am proposing only if there is a clear, affirmative decision to \$395 billion. I will not hesitate to veto any legislative passed by the Congress which violates the spirit of that understanding.

It is no more reasonable for the Government to decide upon a tax cut without knowing its spending than it is for a family to plan its expenditures without knowing what its income is going to be.

The Program that I have proposed promises a tax cut that is earned, not one that is irresponsible. The American people deserve a reduction in the tax burdens imposed by Government but these burdens can be reduced only if there are comparable reductions in the enormous growth of Government spending.

CAPITAL FORMATION

- Q. You have said that the best way to combate unemployment is to restore the health of the economy and then to cut to create jobs. This sounds like the trickle-down theory of economics, which many people believe does not work as effectively as would stimulation of individual spending. Why do you favor such tax relief for businesses?
- A. I believe we should not let slogans or catch phrases blind us to a major national need. That need is jobs, jobs, and more jobs.

Let me cite some figures:

Between now and 1980, in addition to overcoming the decline in employment from the past recession we must create jobs for 1.6 million people each year if we are to achieve a high level of employment. Such a goal will require a healthy steadily growing economy. Capital intensive industries produce the building blocks for most other production. They are therefore at the base of economic activity and must be able to operate at a pace that will contribute to the job creation our economy requires. And, I might add, that each modern industrial job requires a capital investment of \$40,000 before the worker can ever begin to work.

Although capacity is adequate in virtually all our industries for present levels of activity, we must be sure that productive capacity is adequate for the higher levels of economic activity consistent with higher levels of employment. If, during the present economic expansion, we have capacity bottlenecks in key industries, there is a danger of creating severe inflation and choking off future economic expansion in advance of high employment for the economy as a whole. To put the matter simply, more capital investment is essential to insure that labor has the tools with which to work.

RP/JBS/10-6-75

MUNICIPAL BOND INSURANCE

- Q. Would you consider some form of Government insurance, such as the Federal Deposit Insurance Corporation provides individual bank depositors, for municipal bonds.
- A. No. It is one thing to insure the deposits in commercial banks which are licensed and closely regulated by the Federal Government. It is quite another thing to ask the taxpayers all over the country to promise municipal bond holders that they will assume all the risks for the possible mismanagement of a local government's affairs.

I also am opposed to such a plan because it would distort the federal system. For with such a program would come the necessity for tight regulation. (Just ask any contractor who has built a house to be eligible for an FHA loan how tight that regulation can be.) And such tight regulation would mean the federal government stepping in on what should be local decisions.

B

VISION OF AMERICA'S FUTURE

Q. What is your vision, your goal, for the future of America?

A. In my speech at Fort McHenry last July 4th, I said that this next 100 years should be devoted to Individualism - Individual freedom, just as the first century was devoted to the establishment of a free government, and the second was marked by the growth of the free enterprise system.

We have made great progress in achieving those goals of individual freedom set forth in the Declaration of Independence: Life, Liberty and the Pursuit of Happiness.

I intend to see that we continue to make progress.

JBS/10-9-75

GENERAL REVENUE SHARING

Q. What do you think about the Congressional delay on your proposal to extend the general revenue sharing program?

A. I am deeply concerned about the many problems state and local governments confront in attempting to serve the needs of people. My administration is working closely with local officials to develop approaches to resolve those problems. Unfortunately, Congress appears less sympathetic to these concerns. On April 25, 1975, I sent to Congress my proposal to renew the general revenue sharing program and urged immediate Congressional consideration. A House subcommittee has just begun lengthy hearings on this vital legislation and has put state and local governments on notice that they will not expedite consideration of the bill this year. I am concerned that the Congress does not share my sense of urgency on this important legislation.

In view of the current fiscal squeeze that state and local governments are feeling, this is no time to delay action on general revenue sharing. The consequences of Congressional inaction will be serious. If revenue sharing payments are terminated, the impact on state and local governments will force cutbacks in essential services and public employment, and require increased taxes and borrowing. Such steps would hamper economic recovery and defeat the objectives of our efforts to stimulate real economic growth. It is imperative that revenue sharing be continued as quickly as possible. We must do all we can to assure mayors, county officials and governors that they can count on revenue sharing in their future budgetary plans. State and local officials are already beginning to chart their 1977 budgets, and they need to know this fall, not next year, whether the federal government would still be willing to help.

CHILD NUTRITION BILL

- Q. Your veto of the Child Nutrition School Lunch Bill was overwhelmingly overridden by Congress. Do you regard this as a signal on how Congress will react to your \$28 billion reduction in Federal spending.
- A. I vetoed the bill Congress sent me because I simply do not believe that we should expand subsidies to families with incomes above the poverty level. Children of families living in poverty who need help raising their level of nutrition should receive that help. My own proposal would have provided Federal assistance for all children from families below the poverty level.

SCM/10-9-75

FOOD STAMPS

- Q. Mr. President, the Administration has yet to offer its specific proposal for reform of the Food Stamp program. Does this mean that you intend to leave reform of the program to Congress?
- A. We are preparing a Food Stamp Reform program to be submitted to Congress upon its return after the Columbus Day recess. It is a program which will bring this program under control while continuing to provide benefits to the poor. This reform will reflect many of the goals of the Michel-Buckley bill but will be geared to simplifying administration. It will be a responsible reform which will enable us to concentrate our resources on those truly in need while eliminating from the program those non-poor who are currently being subsidized.

Q: The Democratic Senatorial Campaign Committee has today filed a letter with the Federal Election Commission (FEC) complaining that expenditures by the Republican National Committee (RNC) for your recent travels are in violation of the Federal Election Campaign Act. Do you intend to continue violating the Act?

A: I strongly believe that a President should undertake activities in support of his party.

I have done so as President, as well as Vice President, and Minority Leader, and these activities are not for furthering my candidacy. I certainly hope to be able to continue this work for my party.

As I have stated before, I can assure you that my campaign will comply fully with the Federal Election laws.

BACKGROUND POINTS

[(1) The RNC is seriously considering challenging in Court an adverse FEC ruling on this issue. For this reason they would like you to say that you will comply with the law rather than an FEC decision. (2) The Campaign Committee complaint calls for the reimbursement by the PFC of expenditures by the RNC for your travel.]

PWB 10/9/75

LEE NUNN LETTER

Q. Do you have any comment on Lee Nunn's letter of resignation from the President Ford Committee in which he indicted everything that was being done?

A. Organizations change all the time, especially political organizations.

I have no comment. But I do have great confidence in the way my campaign is developing.

JBS/BC/10-9-75

DRUG ABUSE

- Q. A number of recent reports have indicated increasing levels of availability and abuse of drugs in this country. What is your position on drug abuse and what is your Administration doing about it?
- A. As you know, drug abuse is a problem of deep personal concern to me. Its cost to the nation is staggering, both in terms of dollars and in terms of ruining lives, broken homes and divided communities.

In my message to the Congress on crime, I recommended the enactment of mandatory minimum sentences for persons convicted of trafficking in hard drugs.

Last April, I directed the Domestic Council, under the guidance of the Vice President, to undertake an in-depth review of the Federal Government's entire program on drug abuse. I did this because I was concerned about the reports of increasing availability and use you have mentioned and about the effectiveness about our current programs in responding to this serious problem.

The Domestic Council Task Force on Drug Abuse, has prepared a comprehensive "White Paper on Drug Abuse" which outlines in realistic terms the nature and extent of the drug abuse problem this nation faces, and which presents, for my consideration, comprehensive recommendations for improving the overall Federal effort. To insure prompt implementation of this report, I have directed each Federal agency with direct program responsibility to analyze and respond to the White Paper within the next 60 days. I have also directed that the White Paper be released, to help refocus the public dialogue on this issue. This will be done shortly.

EIA FUNDING

- Q. What assumptions have you made for funding of the President's \$100 billion energy initiative? Are you proposing that the Energy Independence Authority plan not be reflected in the budget?
- A. The EIA proposal assumes that the Treasury borrowing of the authority would affect the budget in the conventional manner. No amounts are included in the present figures. It is unlikely that the proposal would have a significant effect on budget outlays through fiscal year 1977.

APPALACHIA vs NEW YORK

- Q. How can you refuse financial aid to New York City and yet approve federal spending for groups such as the Appalachian Regional Commission?
- A. There is no comparison between the two situations. The Appalachian Regional Commission is a body made up of the poorest regions of 12 states plus all of West Virginia. It was set up by Congress in the early 1960's in an effort to mount a multi-state effort to attack a common problem by building a sound economic base for further growth of the region.

JF/JBS/10-9-75

NEW YORK - PAY MORE THAN RECEIVE

Q. There have been reports that the Federal Government collects in tax from New York City \$16 Billion, yet your spokesmen make much of the fact that the City receives \$3.4 Billion in payments from the Federal Government. Why don't you be realistic and admit that New York is contributing more than it is getting?

A. Even if that \$16 Million figure is true - and it is difficult to get an exact figure - what you are doing in that question is comparing apples and oranges. The great bulk of Federal expenditures go to common needs of all the states: Defense, government operations, transfer payments and other forms of payments to individuals, such as Social Security. These all benefit New York, but they do not show up in the city budget.

The real question is what percent of New York City's total taxes are paid for the benefits received through the specific programs which make up that \$3.4 billion. I think you will find that they receive more than they pay for.

INTELLIGENCE INVESTIGATIONS

Q. Recent press reports speculate that you are about to replace CIA Director Colby with a new oversight group. What are your plans for reorganization of the intelligence community?

A. There may be some confusion here concerning what is currently under review within the Administration.

I do not have any plans to replace Director Colby and, in fact, think he is doing an excellent job in this difficult period. He is ensuring that the intelligence community cooperates fully with the investigating committees in Congress and, at the same time, his agency and other organizations within the intelligence community are continuing to perform their functions which are critical for the national security.

As I announced earlier, I will be taking administrative action to implement portions of the recommendations contained in the Rockefeller Commission Report.

INTELLIGENCE INVESTIGATION (FBI)

- Q. According to a recent press report, the White House staff believes that the current investigations have not even scratched the surface concerning improper activities of the FBI. Is this true? Also, do you have confidence in the job the Attorney General and Director Kelley are doing in terms of controlling the FBI?
- A. I have directed the FBI, and other agencies, to cooperate with the Committees of the House and Senate, which are investigating the intelligence community. I have full confidence in the job that Attorney General Levi and Director Kelley are doing concerning the FBI. They are doing the difficult job of ensuring that the Committees get the materials they need and, at the same time, maintaining the capability for the FBI to do the critical jobs required of it.

SCHULTZ TO HEAD INTELLIGENCE?

Q. Were the press reports that you were considering nominating George Schultz to head up the intelligence community inaccurate?

A. As I said, I have no plans to replace Director Colby, either as CIA Director, or as Director of Central Intelligence. George Schultz has not been contacted concerning these positions.

As you know, George Schultz is currently a member of the President's Foreign Intelligence Advisory Board.

INTELLIGENCE - EXECUTIVE PRIVILEGE

QUESTION: Mr. President, it is apparent there may be some areas where the House Committee and the Senate Committee have requested certain documents and materials which thus far have not been furnished to them, and therefore, raise the question whether you will exert executive privilege to prevent them from going to the Committee.

Is it your plan to exercise this privilege?

ANSWER: I am aware that there have been certain matters on which there are differences between the Executive Branch and the Committee. However, I believe experience has been that we have been able to reconcile many of these difficulties through negotiations. The issue of executive privilege may eventually come up, but it is my hope that we will be able to work out these requests in such a way to meet the Committee's needs and at the same time enable me to carry out my Constitutional obligations as President.

JOM
10-9-75

BOYETT MEMORANDUM

QUESTION: Mr. President, it is my understanding that the Pike Committee has demanded a copy of the dissent memorandum written by a Foreign Service Officer in charge of the Cyprus Desk, Mr. Boyett. In fact, it is my understanding the Committee has subpoenaed this document. Why it is being refused and do you intend to exercise executive privilege on it?

ANSWER: I think any answer I might give on this would be premature. The subpoena to which you referred is not returnable until some time next week.

In light of that, as well as the fact that the Department of State has been discussing this with the Committee, I do not think I should comment on it any further. Hopefully they will be able to work this out.

JOM
10-9-75

PIKE COMMITTEE WITNESS RULE

QUESTION: Mr. President, about two weeks ago State Department announced a rule involving its personnel when appearing before the Pike Committee. In effect this rule says junior officials should not respond to questions relating to policy recommendations to their superiors. Is this an Administrative policy, and if so, what are its justifications? If it is not an Administration policy, do you agree with this policy for one Department of Government?

ANSWER: There is no general Administration policy limiting the scope of witnesses testimony. However, Cabinet officers must take care to protect the integrity of the decision-making process of their Departments. At the same time, I have made it clear that every Agency and Department must cooperate fully with the Select Committees.

I hope we will be able to resolve this question with the House Committee.

PANAMA

Q: Secretary Kissinger recently said that the United States must maintain the right, unilaterally, to defend the Panama Canal for an indefinite period. Given the Panamanian reaction to this statement and the action of the House in insisting on its Amendment to deny funds to continue the negotiations, do you plan to continue the negotiations? What are the prospects of concluding a treaty this year for submission to the Congress?

A: Discussions with Panama relating to the Canal have been conducted during the last three Administrations. The goal of these negotiations is to reach an agreement which would accommodate the interests of both nations while protecting our basic interests in defense and operation of the Canal. We believe this should be possible, and we are now in the process of discussing with Panama the possibility of arriving at such an agreement. There are a number of difficult questions remaining to be resolved and the negotiations are continuing. At this stage it simply would not be useful or possible to predict when agreement on a treaty might be reached.

It is my hope that in considering any amendment to the State, Justice and Commerce appropriations bill the Congress will be mindful of the importance of maintaining our commitment to complete these negotiations so that any agreement can be considered on its merits.

I have no intention of proposing to the Congress any agreement with Panama, or with anyone else, that would not protect our vital interests.

Naturally, any treaty we reach will be submitted to the full

constitutional process, including Senate approval, and we will be

consulting closely with Congress as the discussions continue.

(If asked)

Q: But are we seeking agreement to enable the U.S. to defend the Canal for an indefinite period?

A: We are talking about an arrangement which would protect U.S. defense interests in the Canal for many decades and maintain our operating interest as well for several decades, but this subject is still under discussion with the Panamanians.