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July 2, 1974

MEMORANDUM FOR: MIKE DUVAL
FROM: NORM ROSS
SUBJECT: EPA Policy Issues

• Increase the Role of State and Local Governments in Implementing Environmental Legislation.

Under the general principles of New Federalism, ensure that the States and localities have the capacity to fulfill their responsibilities under the requirements of Federal air, water, pesticides, and solid wastes legislation. This includes providing technical and administrative assistance to the States to ensure that the capacity for managing environmental programs exists.

For example, the issuance of permits is the keystone of the water pollution abatement program. The permit sets forth clearly what is required of the individual discharger, when it is required, and provides a schedule with interim milestones. The requirements form a firm basis for an enforcement program aimed at those unwilling to comply voluntarily. Delegation of responsibility to the States is the key to the achievement of a successful water pollution abatement program as EPA lacks sufficient resources to issue the required number of permits soon enough itself.

NROSS.pt 7-2-74
cc:WH central files



July 2, 1974

MEMORANDUM FOR: KEN COLE
FROM: NORM ROSS
SUBJECT: Policy Issues Meetings

Department of the Interior

On June 20, 1974, Mike Duval and I met with the Under Secretary of the Interior in the absence of the Secretary to discuss policy issues and programs that the Department might become involved with in FY 1975.

. Presidential Study of Water Resources Policies

The recently enacted Water Resources Development Act authorizes the President to conduct a one-year study of water resources policies, including such issues as discount rates, planning objectives, and cost-sharing. In his signing statement on the bill, the President addressed need for such a study.

When completed, the study should arrive at a set of basic policies that:

- Provide sound economic principles and environmental considerations for planning and evaluating new programs and projects.
- Are consistent with the values that society now places on the Nation's natural resources.
- Place more decision-making and financial responsibilities on non-Federal Governmental entities, particularly those that stand to gain most of the return from the Water development;



- Are pragmatic and politically viable resulting in a consensus between the two branches of government on the major water issues such as cost sharing.

Under Secretary Whitaker indicated that studies were underway in the Department on water for energy which could be folded into the Presidential Study of Water Resources Policies. The Department agreed to the proposal and Secretary Morton will be prepared to discuss it at the Cabinet meeting.

• Project Protection

A program should be developed concurrently with Project Independence to serve national needs for conservation, preservation and recreation--a balanced administration that can be readily financed in light of growing Federal revenues from leasing of the Nation's energy reserves. Programs could be developed to meet our most pressing and critical Federal, State, and local needs:

- Statewide outdoor recreation, protection of important natural habitats, and open space preservation.
- Urban and metropolitan recreation.
- Consolidation and completion of our National Park System.
- Acquisition and protection of historic sites, national forests, national trails, and wild and scenic rivers.
- Conservation of fish and wildlife, and protection of endangered species and
- Special environmental inventories and analyses.

Project Protection is a Department of the Interior proposal and Secretary Morton will be prepared to discuss it at the Cabinet meeting.

Department of Agriculture

On June 20, 1974, Mike Duval and I met with Secretary Butz to discuss policy issues and programs that the Department might become



become involved with in FY 1975. Secretary Butz proposed the following issue:

. Increased Role of Agriculture in Foreign Policy/World Food Supply and Demand

An unusual series of worldwide agricultural setbacks in the 1972-73 crop year resulted in the poorest record of global food production per capita since 1975, and reduced world food stocks to the lowest level in 20 years. These events have demonstrated the need for concerted action by both exporting and importing countries to provide world food security. As a major agricultural exporter, the United States has a vital stake in the development of international policies that will not only bolster the food security of the world, but which will also safeguard the legitimate interests of American farmers and consumers.

Food supply is directly related to agricultural development and, in turn, agricultural development and overall economic development are critically interdependent in the hungry countries. A strategy for attacking the world food problem will, of necessity, encompass the entire foreign economic assistance effort of the U.S. in concert with other developed countries, voluntary institutions, and international organizations.

Secretary Butz is prepared to discuss the issue at the upcoming Cabinet meeting. We will receive detailed plans for Interior and Agriculture, indicating how the above issues will be pursued.

bcc: M. Dubal



July 31, 1974

MEMORANDUM FOR: KEN COLE
FROM: NORM ROSS
SUBJECT: Policy Development - Department
of the Interior

Presidential Study of Water Resources Policies

Description

The Congress recently authorized the President to conduct a one-year study of current water policies and make recommendations for needed changes. The study will include cost sharing and principles and standards for planning and evaluating programs and projects, including Federal objectives and use of discount rates. This study presents an unique opportunity for the Administration to recommend much needed reforms and finally resolve the major differences of views that now exist between the Executive and the Congress on this program.

Significance

The Federal government now invests about \$2.5 B annually in water resource developments. Although most of these projects are for economic developments and benefit specific groups and regions, current policies require little financial participation by non-federal interests. New policies requiring increased cost sharing would help relieve the Federal government of most of the financial burden of water resource development and ensure better selection of the most meritorious projects reflecting both economic and environmental considerations as well as a "willingness to pay" measurement of the benefits expected from the project.



End Product

An Administration position on the major policies that govern the Federal role and financial involvement in water projects and establish methodology for determining the feasibility of new project and program initiatives. A report encompassing the results of this study and necessary implementing draft legislation would be submitted to the Congress one year after initiation of the study.

Major Tasks/Milestones

1. Determine cost of study and submit appropriations request.
Week of August 19.
2. Develop detailed plans of study for each of the components.

Study components

- Principles and Standards, with particular reference to planning objectives
- discount rate
- cost sharing including roles of Federal, State and local governments

Programs covered

- all planning programs included in comprehensive planning under P. L. 89-80
- other appropriate Federal and federally assisted water and related land planning and Federal licensing activities involving or affecting water and related land resources.

Organisations to be included in study

- principal study participants
 1. Water resources Council lead agency
 2. Department of the Interior
 3. Department of the Army
 4. Department of Agriculture



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5. Department of Transportation
6. Environmental Protection Agency

associate participants (major input and consultation)

1. Congress (members and staff)
2. Domestic Council
3. Department of Housing and Urban Development
4. Department of Commerce
5. Federal Power Commission
6. TVA
7. Office of Management and Budget
8. Council on Environmental Quality
9. Department of Justice
10. River Basin Commissions
11. State governments
12. Federal/State Compact Commissions
13. AEC

principal reviewer (in addition to the above)

1. national organizations
2. general public
3. universities

3. Time Schedule

- a. completed 1 year from date of funding
- b. breakdown of 1-year study period

1. first month

- (a) formulation of steering committee composed of Water Resource Council director and selected staff, and selected Council of Representatives members
- (b) specification of study components and issues, scope of work on each, the means of accomplishment, and assignments to individual agencies (departments)
- (c) consultation with Congressional committee members and staffs on study components and issues, etc.
- (d) review of background studies and data
- (e) completion of scope of work of study and specifications
- (f) referral to COM alternates for concurrence



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2. second, third and fourth months
 - (a) prepare first draft of study report (1st draft)
3. fifth month
 - (a) hold hearings at three selected locations across the United States, plus a final hearing in Washington, D. C.
4. sixth and seventh months
 - (a) rewrite draft report based on hearing findings and draft legislation (2nd draft)
 - (b) review and prepare revision based on input from participants and Council of Members (3rd draft)
5. eighth month
 - (a) final hearings again at selected locations with final in Washington, D. C.
6. ninth month -- draft report, legislation (4th draft)
7. tenth and eleventh month
 - (a) review by participants and approval by COM. Redraft report and legislation (5th draft)
8. twelfth month
 - (a) transmittal to President for action and submission to Congress (final report, final draft proposed legislation)

Minerals and Materials

Description

The action of a number of oil exporters in limiting supplies, embargoing shipments, and driving up prices has raised the question of the extent to which the major industrial countries are exposed to the effects of similar collusion among exporters of other critical materials. The



Page Five

recent tight supply situation for energy, food and many raw materials has also prompted a more general concern -- that we may be passing from an era of abundant supplies into one of constant shortages.

The Department will initiate a program to improve its data collection capabilities; particularly in the areas of inventories, potential recoverable resources and the speed with which these potential resources can be recovered in an emergency. Analytical capabilities will be strengthened to permit the Department to identify potential problems, assess their impact on the United States economy and to develop potential alternatives to minimize these impacts.

The Department will conduct an assessment and evaluation of the existing Federal Mineral R & D program and identify deficiencies and steps to overcome them.

Significance

The U. S. Government currently has no central system to monitor critical materials developments and to bring new problems to the attention of policy makers. The capacity for this oversight and analysis is there, but it is not brought together and focused on safeguarding the specific U. S. objective of adequate supplies of imported critical materials at reasonable cost. Improved data collection and analysis would be useful in keeping a watching brief on critical imported materials problems, and proposing U.S. responses to any significant increase in the potential for costly supply and price manipulation for specific materials; and identifying for review and decision within the Executive Branch aspects of U.S. foreign economic policies which impinge on the objective of adequate supplies of imported critical materials at reasonable cost.

U.S. flexibility in responding to imported critical materials problems that may arise in the future would be increased by additional research on finding new mineral deposits, mining and treating lower grade ores, reclaiming and recycling industrial and municipal wastes, and improving the efficiency of materials utilization through improved design. Most of this research will be carried out by private industry in response to the price mechanism. But intensified government or government - industry cooperative research can play a role as well.



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Major Tasks/Milestones

A detailed time - phased work plan will be completed by August 15.
It will include:

- Examination and evaluation of current data collection and analysis efforts
- Expanded economic analysis and improved forecasting methodologies
- Restructuring present interior functions to respond to changing analytical and mineral R & D needs

The Assistant Secretary for Energy and Minerals has the Department lead on these initiatives and is currently in the process of being confirmed.

NROSS/ee finished August 7, 1974

cc: White House Files



THE WHITE HOUSE

WASHINGTON

August 26, 1974

Ross
received
Aug 27

file

MEMORANDUM FOR

GARY SEEVERS
SID JONES
WALLY SCOTT

FROM:

MIKE DUVAL

D

SUBJECT:

Transportation and Environmental Studies

For your information, I had a meeting Friday concerning the various studies which are underway within the Federal Government to quantify the cost of federal environmental regulatory action. To my knowledge, all the principal departments and agencies were represented; CEA, OMB, CEQ, EPA and Commerce. A small steering group will develop a statement of who is doing what, which will be ready in about ten days. This group will also identify data which is not being compiled but which would be helpful for policy makers. It will state specifically the questions which should be asked and how those answers will be of assistance in the making of policy.

I notice in the latest issue of the National Journal Report that Sid Jones is conducting a review of federal actions which have and can be taken to ameliorate inflation. This is looking hard at transportation regulation. From a conversation I had with Wally Scott, OMB is also undertaking a similar study with particular emphasis on the economic regulation of transportation.

I think it would be useful to have a meeting with Gary Seevers, Sid Jones, Wally Scott, Frank Zarb and myself to determine who's doing what and to what extent additional coordination is required. My secretary will attempt to set up such a meeting this week.

cc: Frank Zarb



November 4, 1974

MEMORANDUM FOR: MIKE DUVAL
FROM: NORM ROSS
SUBJECT: Legislation

There is a good probability that the following bills will be sent to the President during the lame duck session:

AGRICULTURE

- Rice Bill
- Agriculture Appropriations Bill

ENVIRONMENTAL PROTECTION AGENCY

- Safe Drinking Water Bill
- EPA Appropriations Bill

DEPARTMENT OF THE INTERIOR

The following list was given today by Secretary Morton to Bill Timmons:

- Deep Water Ports Bill
- Surface Mining Bill
- Coal Slurry Pipeline Bill
- Wildlife Refuge Bill
- Wilderness Proposals Bill
- Indian Takeover Bill
- BLM Organic Act Bill
- Energy Conservation Bill
- Non-nuclear Energy Bill



ENGINEERS, DEPARTMENT OF THE ARMY

-- Authorization of Permanent Change in the Regulation of the
Great Lakes Water Level

In my experience, Presidential involvement in both budget and State of the Union begins in late December. I would anticipate the same time frame this year for the issues I am aware of. I cannot, at this time, give a **detail** time frame that would have any meaning.

ROSS/pt
11-4-74
cc:WH files



THE WHITE HOUSE

WASHINGTON

November 22, 1974

MEMORANDUM FOR:

JIM CAVANAUGH
DEWEY CLOWER
MIKE DUVAL
JIM FALK
TOD HULLIN
GEOFF SHEPARD

FROM:

Warren
WARREN HENDRIKS

At the Staff Meeting this week, Ken asked that each of you be provided with a copy of the meeting memorandum which Pam Needham prepared for the discussion of National Health Insurance with the President and Secretary Weinberger.

A copy of that briefing paper is attached (less tabs).

cc: Andre Buckles
Lynn May
✓ Norm Ross
• Roger Semerad
Glenn Schleede



THE WHITE HOUSE

WASHINGTON

November 8, 1974

HEALTH INSURANCE MEETING

Monday, November 11, 1974

The Cabinet Room

From: Ken Cole

I. PURPOSE

You are holding this meeting to discuss the immediate issue of whether a health insurance bill should be called for in next week's legislative message and second, to discuss this issue in preparation for State of the Union proposals.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background:

Secretary Weinberger has prepared a memorandum for you that reviews the key health insurance developments and the current choices as he sees them. A summary of that memo is at Tab A. The entire memo is at Tab B.

With Congress coming back next week, you must decide whether to push for a health insurance bill this year or wait until next, as well as decide whether to stay with the Administration's bill or go with a compromise measure.

Copies of the Secretary's paper have gone to all the meeting participants, and Alan Greenspan will be prepared to discuss the economic impact of health insurance, Roy Ash the budgetary impact, and Bill Timmons the legislative issues.



B. Participants:

Secretary Weinberger
Roy Ash
Bill Seidman
Alan Greenspan
Jack Marsh
Bill Timmons
Bob Hartmann
Paul O'Neill
Ken Cole
Jim Cavanaugh

C. Press Plan:

To be announced.

III. TALKING POINTS

1. Cap, I think it would be best if you'd start off and summarize your paper and recommendations for us.
2. Alan, if we stayed with a comprehensive plan, what impact could that proposal have upon the economy?
3. Now, Roy, could you discuss the budgetary impact of our staying with a comprehensive bill.
4. Now, we must also consider whether to push for a bill this fall or wait until the new Congress convenes. Bill Timmons, could you give us your views on this issue?



SUMMARY OF SECRETARY WEINBERGER'S MEMORANDUM

The Secretary's memorandum reviews the Administration's health insurance plan submitted to Congress last February as well as the features of the other major plans, and his recommendations in light of the current situation.

He also reviews the activities of the House Ways and Means Committee last August and the compromise bill that was developed by the Committee. As you recall, that compromise was close to the Administration's bill except for the 0.4 percent payroll tax financing of the catastrophic coverage. Attempts to move the compromise fell apart when both the majority and minority were unable to agree among themselves.

The Secretary reports that recently a number of the special interest groups have indicated receptivity to the Committee's bill and that many of these groups are fearful of what the new Congress could hand them. He also notes his recent conversation with Senator Long and the Senator's feeling that he could pass a catastrophic-only bill through Congress this year; the Secretary thinks that would be a mistake and details his reasons.

As to the new Congress, while the Secretary feels sentiment for a Federalized system could be greater, he also notes that the minority leadership on Ways and Means could be stronger.

Finally, he reviews the necessity for comprehensive health insurance and concludes that in terms of the Federal budget it is both feasible and desirable.

In conclusion, the Secretary recommends that you push for the Ways and Means compromise plan now and if you agree you should: 1) call in the major interest groups to get their support on that decision and 2) call Senator Long and tell him while you will be glad to work with him you will have to work toward a version of the House Ways and Means Committee plan rather than his catastrophic bill.





THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

NOV 8 1974

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Health Insurance

This memorandum provides a highlights summary of the key developments on health insurance legislation this year, the major forces now at work, and the choices before you for next steps in this matter -- all of which we will be discussing in the meeting next week.

Developments to Date

The Administration's bill was submitted last February with comprehensive coverage, an employer-mandated, basic system, together with revised elderly and low income elements, substantial private sector involvement and state-based administration. Our bill required no new taxes, and had an estimated Federal cost (in FY 1975) of \$5.9 billion (mainly for helping pay premiums of low income people, and bringing Medicare benefits up to the comprehensive coverage of others).

Our bill joined a large number of proposals already introduced including:

- The extreme Kennedy-Griffiths bill, which has not only comprehensive benefits with no coinsurance or deductibles, but the almost complete Federalization of the system, very heavy Federal budget cost and combined general revenue and payroll tax financing. This bill has had the support of AFL-CIO, but many opponents.
- The AMA Medicredit plan, which involves a tax credit scheme with very high Federal revenue losses, no mandated benefit structures or coverage, and little industry oversight or reform. A bill with many sponsors but fewer adherents, Medicredit has been a refuge for those who would probably prefer no bill at all.
- The Long-Ribicoff bill, which is called, inaccurately, an "incremental" approach to health insurance by providing catastrophic coverage for all Americans and a Federally-run low



income program. I believe this bill should not be supported because it provides no basic coverage, and it would, if enacted, clearly move to a full Federal system with high costs. Senator Long contends, and I suspect accurately, that he can get the bill passed by the Senate if it gets to the Floor, although undoubtedly a number of expensive amendments would be added to it in the course of passage.

In April, Senator Kennedy and Chairman Mills, in an apparent effort to move toward legislation this year, introduced a new bill which had many of the features of the Administration bill, but departed sharply from it in crucial matters, such as inserting Federal administration and payroll tax financing. It attracted some supporters away from the Kennedy-Griffiths bill, but not the AFL-CIO.

The House held substantial hearings and went into open executive session three weeks before the August recess. After two weeks of irregular and unproductive sessions, Chairman Mills and I agreed generally on a compromise which you may recall I discussed with you just before I left to head our delegation to the World Population Conference. The compromise was wholly consistent with the Administration bill except for a provision for payroll tax financing of the catastrophic coverage (only 0.4%) which could have been integrated with private coverage (the Committee Print is attached at Tab A).

We accepted the compromise per your instructions at our August meeting, and you, the Department and the Chairman all sought to get committee agreement. For one reason or another, some not understanding the implications of the proposal, and some fearful of new high costs and Federal intrusion, many members and the interest groups (providers, insurance industry, Chamber of Commerce) opposed the compromise. The Chairman could not hold enough of the majority, nor we, the minority, and no agreement was reached.

In the aftermath but prior to the election, we have met with a number, but not all, of the interest groups and many have had second thoughts about their opposition to the Committee Print. The large insurers (Blue Cross and the largest commercials) and the large employers (NAM) have indicated a willingness to work out a bill around the principles of the Committee Print. The Chamber, the official insurance industry spokesman (HIAA), and the providers (AMA and AHA) showed less inclination to compromise, but have since indicated varying degrees of increasing flexibility. AFL-CIO showed no willingness to move off their position of avoiding legislation until the next Congress.

Current situation

After telling the interest groups that legislation this year would be preferable to waiting because we might get a worse Congressional



majority in January, the election results have unfortunately confirmed my fears, and I suspect that many of the interest groups now understand the risk involved in delay. The time now available for action is so limited that chance for completed action in this session is almost, if not actually, impossible, given the forces which may still try to block legislation (e.g., AFL-CIO) and the additional agenda we would like the Ways and Means and Finance Committees to complete.

- . In a recent exchange of letters, Senator Kennedy has indicated his belief that legislation is not possible this year, though he is anxious to try next year. His attitude is very cordial.
- . The current traffic problems in the Ways and Means and Finance Committees are such that any small objection could stymie action even if they have time to consider it.

Senator Long continues to talk about getting Senate action on his bill this year (a copy of my earlier memo to you covering my latest talk with Senator Long is attached at Tab B). I think it would be a great mistake to accept anything like the Long-Ribicoff bill in its present form, for the reasons outlined at Tab C. Most recently, Senator Long has talked to me about tax credit approaches that have all the problems of Mediscredit.

With respect to the new Congress, predictions are hazardous, but the sentiment for a Federally administered and financed system with a small, or no, role for private insurance will be much stronger in the new body as a whole, though the complexion of the House Ways and Means Committee and Senate Finance Committee will probably continue to be more conservative than the Congress as a whole. Further, the minority leadership in Ways and Means should continue strong with the elevation of Congressman Conable and Pettis to conferee status.

Prior to stating my recommendations for the next steps in this matter, I would like to deal with a few other issues which arose during the debate in the Congress and that you might wish to consider now.

- . Do we really need comprehensive health insurance? It remains my strong conviction that we do. Eleven million people have no coverage at all, and a total of 25 million cannot afford health insurance on their own. Equally important, much of the coverage people have is not comprehensive or even useful. Most people for example are protected only for high intensity, high cost services such as hospitalization. Finally, we need to simplify and unify reimbursement and administrative systems and



achieve some rational cost control measures, since this industry has few, if any, free market characteristics.

• Can we afford comprehensive health insurance? Prior to the inflationary spiral in health costs in recent months, we estimated that the increase in national overall (governmental and non-governmental) health care expenditures caused by CHIP would amount to \$7 billion or about 7% when it was in full operation some years hence. These induced costs would now need to be larger in dollars, but not in percentages.

With respect to the Federal budget costs, the new program would not require any Federal funds for 20-24 months after enactment, and the full fiscal impact will not be felt until FY 1978 or FY 1979. Indeed, it clearly will take a comprehensive health insurance plan to bring sensible anti-inflation measures into existence and therefore, we cannot afford to wait much longer to get it, since present cost escalation is already straining our public budgets in the existing public programs. For example, for each 4% increase in health costs generally, we have to add an additional \$1 billion to the Federal budget.

Next steps

Even though chances of enactment now are very slim, I think that we should push very hard for a bill now along the lines of the House Committee Print -- getting something if we can, but positioning ourselves as best we can for the next session of the Congress if we cannot. If you agree with this judgment, I would recommend that you take two specific steps soon:

- 1) Call in the major interest groups (AMA, AHA, Blue Cross, HIAA, the Chamber and NAM plus John Byrnes who has been playing a very constructive role as an adviser to several large commercial insurance companies) for some tough talk about getting themselves together right now in support of a bill along the lines of the House Committee Print or facing a virtual disaster from their viewpoint after January.
- 2) Call Senator Long to tell him that you and I will be glad to work with him but that the Long-Ribicoff bill is not acceptable to you and will need to be altered substantially toward the House Committee Print.

Samuel H. Byrnes
Secretary

Attachments



THE WHITE HOUSE

WASHINGTON

November 25, 1974

MEMORANDUM FOR:

JIM CAVANAUGH
DEWEY CLOWER
MIKE DUVAL
JIM FALK
TOD HULLIN
GEOFF SHEPARD

FROM:

WARREN HENDRIKS

SUBJECT:

Domestic Policy

Attached is a memorandum which Ken sent to the President in late 1972 outlining a set of general principles and themes which help to explain the President's domestic policy as well as to discuss the appropriate Administration policy and Administration programs.

In preparation of the President's State of the Union message, Ken would like each of you to review this memorandum and update your areas of responsibility.

In most cases this was accomplished in early August, but due to events at that time a final product never materialized. Therefore, I'm attaching those updated reviews for your review again.

In order to have this available over the forthcoming long weekend, Ken would like to have your update by close of business, Wednesday, November 27th.

cc: Andre Buckles
Lynn May
Pam Needham
Norm Ross ✓
Glenn Schleede
Roger Semerad

Attachments



11/26

THE WHITE HOUSE
WASHINGTON

EXECUTIVE
W
file

MEMORANDUM FOR: THE PRESIDENT
FROM: KEN COLE
SUBJECT: Domestic Policy

Your second term domestic policy begins with one fundamental and practical premise -- the role and structure of government must change if it is successfully to meet the complex domestic problems of the 1970's. True social compassion is demonstrated not through rhetoric or an expensive Federal program with unattainable objectives but through government that effectively meets its objectives.

The necessary change in the structure and role of government can perhaps best be analyzed in terms of a positive, compassionate set of policy principles, all of which share your basic objective of closing the gap between the promise and performance of government. This memorandum outlines a set of general principles and themes which can be used to explain your domestic policy and then, in a tab for each major domestic area, discusses the appropriate Administration policy and Administration programs.

General Principles

- Good government begins with an affirmation of the right and the capacity of individuals to work together to creatively solve complex problems and chart their own lives.
- The appropriate role of government is to provide basic services, e.g., police, fire, military, etc., and to provide incentives and to open opportunities for people to build for themselves and their communities. This means that the Federal government should not stifle initiative

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by trying to direct everything from Washington but should encourage State and local governments and the private sector to assume their appropriate roles, making those decisions and supplying those services which only they can effectively make and provide.

- Until we have more clearly defined the appropriate role of the various levels of government, there should be a moratorium on most new Federal programs and most new Federal spending.
- The Federal government must work to guarantee an equal opportunity for every American -- not through Federal compulsion or quotas which artificially and arbitrarily limit opportunity -- but through the removal of barriers which might impede an individual's opportunity to realize his full potential. For instance, it is the obligation of the Federal government to ensure the opportunity for social and economic mobility by:
 - making a good education available to all, and
 - creating a strong economic climate in which job opportunities are freely available.
- The role of government is to support and nurture, rather than limit, the diversity and freedom of choice which is the hallmark of the American system.
- Evenhanded treatment is a major criterion of all social programs.
- Programs must be designed to insure that the benefits are actually received by those who are intended to receive them.
- The Federal government should encourage the private sector to address and solve domestic problems, thereby allowing our competitive free market mechanism effectively to marshal resources behind clearly stated social objectives.



- A policy which minimizes Federal taxes and allows every American to keep a larger share of his earnings is consistent with the goal of encouraging the individual to more fully develop his capacities by setting his own priorities





NATURAL RESOURCES

generally accomplished

Farms

Administration Policy: Our objective is to oversee a smooth transition from the present policy of farm price supports toward a free market system while balancing the twin goals of adequate income for the farmer and reasonable consumer prices. It is also the responsibility of the Federal Government to ensure adequate and safe supplies of food and fiber, and to ensure that rural communities have basic public services which are roughly comparable to those enjoyed by other Americans.

update Administration Action: Commodity price support levels will be reduced by nearly \$1 billion as we move toward phase-out of commodity price supports -- a change which should ultimately benefit the farmer, the consumer and our international trade position. Over the last year there has been a 25% growth in exports (to \$10 billion), and the accelerated upward projection in this area has already permitted us to reduce the Federal contribution to net farm income from over 25% in 1969 to about 15% next year, with only marginal impact on farm income. The demand of nations experiencing critical food shortages for U.S. farm products will result in increasing numbers of farmers dropping out of the voluntary farm subsidy program with its production restrictions thereby expanding agriculture production and leading to increasingly full reliance on the free market mechanism. This will ultimately benefit the farmer by severing his reliance on Federal subsidies which are coming under increasing attack as the Congressional power balance shifts from rural to urban areas. *done*

Newly enacted rural development legislation will be funded at levels far below those authorized by Congress, but the program will continue to exist and other complementary and to some extent competing programs in other agencies will be funded only by USDA, thus giving the Department clear preeminence in the field and a new breadth of responsibility.



Environment

focus here

Administration Policy: The primary Federal role consists of broad standard-setting to protect the public health and welfare, joint efforts with State and local governments to address national pollution problems (water), and the removal of distortions from the economic system to allow the free market fully to include pollution costs as one of the costs of production. We also plan to proceed with the clean up of Federal facilities and to encourage State and local governments to establish anti-pollution programs.

needs update

Administration Action: Administration legislative proposals on strip mining, power plant siting, and land use seek to establish institutional reform at the State and local level. The Federal Government, however, is playing a more active role in the major pollution areas of air, water and, if Congress has its way, in solid waste.

Then it should!

(a) Air. The Clean Air Act has steered clear of heavy Federal spending, but has deeply involved the Federal Government in local regulation and decision-making, down to the level of being forced to preempt decisions on local traffic control. Although the interest protected is clearly a proper Federal concern (the air is no respecter of local boundaries), amendments are being developed to address the difficulties resulting from the present high degree of Federal regulation.

factor in productivity + capital availability arguments

(b) Water. The legitimate Federal concern to control water pollution, another classic case in which the problem is clearly interstate in character, together with the tremendous capital costs required meaningfully to address it, have produced an enormous Federal spending program with continuing pressure to distort our spending priorities dramatically in order to move even faster. Our quarrel here is not with the fact of Federal involvement, an appropriate Federal role, but in maintaining a sense of balance in moving toward the goal. Although major Federal costs for construction of sewage treatment plants will be funded at levels higher than anticipated in last year's budget (\$2 billion in FY '73, \$3 billion in FY '74), this is less than 50% of the amounts authorized by the new water bill passed last session over Presidential veto. Our position is that spending at the level authorized by Congress would not clean up the water any faster, but would have an inflationary effect. Legal challenges to the legality of the Executive action taken to withhold this spending

refer to Sierra Club



have already been filed.

(c) Solid Waste. We will attempt to phase out entirely the Federal program addressed to solid wastes because these costs and benefits are local in nature and should not be shifted to the Federal taxpayer. This position will meet strong Congressional resistance.

Recreation

Administration Policy: Leisure time opportunities for the general populace should be maximized and targeted to reflect population distribution. Localities should be encouraged to adopt the same policy through Federal assistance programs and leadership examples.

Administration Action: The Federal Government will continue to exercise leadership by its use of Federal lands, encourage the States to set up the mechanism to address the problems at their level, and provide undifferentiated funds to be spent in accordance with decentralized priorities. However, no Federal funds will be expended in FY '74 for local purchase of new parklands, and existing purchase commitments will be stretched out (this directly contradicts a specific promise for full funding made in the 1971 State of the Union). For the year or two when this budgetary hiatus is in effect, we will attempt to blunt criticism by heightening visibility of initiatives not requiring Federal funding -- the Property Review Board which returns excess Federal properties for local park use, and legislation to create new wilderness areas on Federal lands.

Energy

Administration Policy: Our energy policy is based on three points: First, the economic market system should be free to allow it to balance supply with demand consistent with national security; second, artificial constraints from stewardship of Federal properties should be removed to encourage development of our domestic natural resources; and finally, research and development should be funded, particularly for capital intensive long lead time technologies (e.g., nuclear).



Administration Action: Major new legislation and budgetary initiatives are now in the final planning states. These include reinstatement of a policy of unregulated free energy pricing with respect to natural gas, administrative efforts to accelerate private sector leasing and development of domestic energy resources (particularly offshore drilling on the Atlantic shelf), and an increase in direct Federal funding for research and development.

Artificial price protection to consumers of energy, created by the distorting regulatory decisions of the past 20 years, have operated as a strong disincentive to the development of our vital natural resources. Although the argument will be made that a return to a free market in energy will have an unfair margin impact on the poor, the societal need for adequate supplies to meet demand must not be made to carry the economic baggage of an income redistribution system.

If the projections of the ability of the free market to exploit our domestic resources base are correct, we will be able to meet our energy needs with virtually no importation over the foreseeable future, and this in turn will have a major beneficial effect on our international balance of payments. Whereas a projection of our current policies would have us experiencing a net international trade deficit of \$27 billion a year by the mid-1980's, with almost all of that going to the middle-East, increased exploration and production on and off shore in the Continental United States and Alaska can reduce that to zero, with the attendant avoidance of being held hostage by foreign interests.

Space

I Administration Policy: ~~It is in the interest of all Americans to have a space program; therefore we support direct Federal funding of research, development, and programs.~~

Administration Actions: The funding levels assigned to the space program continue relatively unchanged with direct spending for manned space flight (the Space Shuttle, Skylab, Apollo, and the joint venture with the Russians) accounting

II. Significant Actions & Legislation

A. Y



Space Science activities

for roughly 1/3 of the total. Heavy cutbacks from the completion of the Apollo flights and the termination of the Viking mission (Mars) are offset by increased emphasis on ~~basic R&D~~ and incremental increases for the Russian venture, and the SST. The overall programmatic thrust is thus to place the emphasis on relatively near-term space and technology activities ~~with domestic pay~~ ~~out as well as~~ those with high international visibility, ~~at the expense of greatly slowing down the rate of~~ ~~spending on projects having a longer term payoff.~~

Legislation

Several pieces of legislation have originated in the Congress which ~~would~~ seek to broaden the role of NASA, principally in high technology efforts. Such efforts are generally opposed because they cut across the mission of other agencies or involve activities that should be funded by ~~the~~ private industry.



CRIME AND DRUGS



CRIME & DRUGS

Crime

Administration Policy: We should aid State and local law enforcement efforts, where the real crime prevention responsibility lies, while exercising direct Federal enforcement authority only in those areas, such as organized crime and drug trafficking, which transcend State boundaries.

Administration Action:

- A program establishing organized crime strike forces to aid States and localities to root out entrenched organized crime elements in major metropolitan centers.
- A comprehensive hijacking program which requires airlines and airports to initiate various preventive measures including the utilization of local law enforcement authorities. Exclusive Federal action and responsibility occur once a hijacking is actually underway.
- Revision of LEAA's legislation to continue Federal technical assistance; research, development, and evaluation, and various discretionary pilot projects; while granting most of the crime fighting funds to States through Special Revenue Sharing Law Enforcement.
- Continued utilization of FBI as Federal enforcement officers with training, laboratory analysis, and backup to aid State and local enforcement authorities where appropriate.

Drugs

Administration Policy: In law enforcement, the Federal Government should play the exclusive role internationally and at its own borders, and the dominant role domestically



except for combating distribution at the lowest level. However, in treatment, rehabilitation, prevention, and education, the Federal Government should aid States and localities through grants to establish their own programs (as in other health programs). The Federal Government is funding most of the research because of the national priority, but should not get involved in the direct delivery of addict services.

Administration Action:

- An international drug program elevating the fight against drugs to a major foreign policy initiative designed to motivate foreign countries to combat international trafficking, to gather intelligence and to demonstrate U.S. concern.
- A comprehensive enforcement program within the United States utilizing overseas intelligence to hit traffickers at every level through seizures, arrests, IRS tax audits, and a combination of Federal, State, and local harassment of street level pushers.
- Comprehensive treatment and prevention program which funds research, local treatment facilities, and pilot projects such as jail testing and diversion programs.
- The development of a proposed reorganization to consolidate our variety of drug law enforcement programs at the Federal level.



URBAN Affairs & Community Development



URBAN AFFAIRS AND COMMUNITY DEVELOPMENT.

Housing and Community Development

Administration Policy: As it is elsewhere, the prime obligation of the Federal Government in this area is to find ways to reduce its role while enhancing the ability of general purpose governments and individuals to meet their own community development needs. Special Urban Revenue Sharing is one element of this strategy as is Federal leadership in stimulating innovative and creative urban affairs programs. The Federal Government role in community development should be to assist in the establishment of vital communities by stimulating growth and linking opportunities for housing, jobs, education, recreation and basic social services, and providing a set of stable conditions under which the greatest individual and private business freedom can be exercised.

Administration Action:

- A mortgage insurance mechanism that complements rather than supplants the private mortgage insurance market operation. FHA exposure to the high risk, scandal-ridden programs in subsidized housing should be lowered; it should continue to backstop the private insurance market, serve to reduce fluctuations in the mortgage market, and stand by to assume higher-than-average risk development, if ever required.
- A modest housing assistance program which targets aid upon the neediest families who lack the ability to obtain suitable housing without assistance. This could eliminate present inequities that subsidize realtors, bankers and builders, instead of the poor and needy, by separating the subsidy from the housing unit and putting it into the hands of the consumer where he could pursue his individual preferences in a market situation.
- A community development program that increases local control, local decision-making and local financing, and minimizes Federal intrusion except through provision of incentives for broadening and strengthening the State and local role. Urban Community Development Special



Revenue Sharing, planning and management assistance, and special incentives for intensified State activity would all be part of this effort.

- A community development program that structures incentives (e.g., tax and land-use) to insure the broadest involvement of the private sector and to restore economic discipline to the renewal and redevelopment of urban and rural areas. Here we would use the private sector's most powerful motive, profit, instead of government regulation to obtain private action. Incentives, such as expedited reassessment of decaying central city areas, could be employed.
- An equal housing opportunity program designed to eliminate Federal compulsion, to guarantee local control of critical land use decisions, and to provide true opportunity in housing by development of enduring individual economic independence and mobility.
- A broad program of research, development and demonstration which provides national leadership and assistance to local communities in housing and urban innovation. Administrative strengthening of the planning and evaluation of remaining programs will make them more responsive and improve their effectiveness.
- Focusing coordination and understanding of Federal-State-local roles so that duplication, waste, and contradictory programs can be eliminated and the return from the tax dollar, from whatever level of government, can be increased.
- Active involvement of Federal leaders in encouraging coalitions at all levels of public and private life to address their joint problems and to develop their own solutions with minimum government interference or compulsion.
- Transition programs in community development and housing assistance to insure that transition out of the present ill-founded social programs does not impose undue hardship upon units of



government, families and individuals whose dependence either originated or deepened with the ill-advised social efforts of prior Administrations.

- Encouragement of a broad systems approach to urban problems -- this would provide broad fiscal assistance (general revenue sharing), targeted fiscal and program assistance (LEAA, education, health, urban community development, and manpower revenue sharing), greater linkage to broader aspects of national growth (highways, land use, pollution control), Federal program assistance in selected areas (welfare, drugs, urban mass transportation) and a general institutional strengthening of the States who, in turn, will be able to assume a more important role in assisting their urban areas.

Transportation

Program of data acquisition made to provide knowledge base

Administration Policy: The Federal Government should provide a broad structure of fiscal and program support within which local transportation solutions and programs can be structured and integrated with broader national solutions. Where the transportation requirements or programs are clearly national in scope, as in the maritime field, national highways or railway freight, then the Federal Government must take the lead. In others, such as urban mass transit, it must take a secondary role of providing fiscal support, when necessary, and providing a framework within which local governments can best attack and solve their own problems. Finally, it must pursue an active research and development capability to insure understanding of our burgeoning transportation problems and ~~timely efforts~~ to provide creative and effective solutions to them.

Administration Action:

- Pursue flexibility in use of highway trust funds for other transportation modes including bus and rapid rail.
- Continue assistance to States and localities in traffic safety.
- Stimulate the modernization of equipment, operations and regulations in surface freight.



- Strengthen Federal research and development programs in movers, safety equipment, and vehicles, among others.
- Continue studies to determine proper Federal support for failing railroads including rail passage service and freight.



HUMAN RESOURCES



HUMAN RESOURCES

Health

Administration Policy: We should ensure that no American family is barred from adequate health care because of inability to pay. However, the Federal Government should only become involved in areas where it has been demonstrated that the private sector cannot do an adequate job, and then, it should build on the best elements of present medical system, reforming only those elements which are not effective.

Administration Action:

- Under the National Health Insurance Act, all employers of one or more persons would provide standard health insurance protection for employees and dependents. Employers would pay at least 65% of the premium costs for the first two and a half years and a minimum 75% thereafter.
- Under the Family Insurance Plan, basic federally financed health protection would be provided to all low-income families with children not covered by employer plans.
- Develop a better system for health maintenance and early rehabilitation which would eliminate unnecessary expenses of acute medical care.
- Expand and reform medical education to train more doctors and nurses through Federal grants.
- Accelerate cancer research programs through additional funds for cancer research, and improved organization.
- Establishment of national goal to cut incidence of mental retardation in half by the year 2000.
- Place primary responsibility on States and localities for deciding on special health service projects such as family planning and maternal and child health through a form of Health Revenue Sharing.
- Encourage cost sharing of medical bills by requiring Medicare Receipts to pay one-eighth



of their daily hospital bill (1/8 = \$10.50/day in 1974) after the 1st day of hospitalization.

- Impose tighter controls through the Price Commission to further limit inflation in medical costs.
- Terminate Federal support to community mental health centers.
- Begin a significant retrenchment in the scope and level of Federal support for increasing health manpower supply, combined with intensive study of what feasible steps may be available to the Federal Government to influence distribution patterns.
- Evidence of a national oversupply of hospital beds requires that the Federal Government provide no further stimulus for medical facility construction through the Hill-Burton Program.
- Stop inpatient admissions to the 8 public health services effective February 1 and provide needed care to beneficiaries through contracts with the private sector.

Education

Administration Policy: We should assist the States and localities who have primary responsibility for education, while striving to ensure that equality of educational opportunity is available to everyone. The Federal Government should also support and direct research and development designed to accelerate reform and innovation. It should provide leadership in the process of reform in education designed to broaden educational alternatives and to create an educational system that is more responsive to a rapidly changing society. Finally, it should encourage the development and support of incentives and processes which shift financial support of higher education to the private sector.

Administration Action:

- Propose Education Revenue Sharing (without the "Hold Harmless" allowance) as a replacement for Federal programs which have not proven successful.



- Expand support to the National Institute of Education in an effort to develop a broad range of innovative approaches to education and to learn more about the process of learning.
- Request tax credit legislation for nonpublic school tuition to relieve the financial crisis of our nonpublic schools, thereby preserving the diversity and pluralistic qualities of our education system.
- Continued efforts to ensure that every American has the opportunity to achieve a level of literacy which would allow he/she to become productive members of society.
- Concentrate upon programs to enhance quality and equality of education instead of divisive and educationally unproductive remedies such as forced busing.
- Continue to develop broad educational alternatives for those who do not desire higher education (career education).
- Continue to develop and support incentives and processes by which higher education student assistance increasingly becomes a function of the private sector (Student Loan Marketing Association).
- *Cut back federal support to higher education, except where colleges.*

Welfare

Administration Policy: We should provide overall leadership in achieving an effective and equitable welfare system which ensures that every poor American who is truly unable to work has a subsistence income.

Administration Action: We are adhering to the position that a reformed welfare system should provide no benefits to those who are able to work and choose not to do so, but should provide subsistence coverage to all qualified needy families ~~who are unable to work~~, while ensuring that there are training and job opportunities and strong incentives for people to seek out work. There should also be uniform nationwide eligibility standards.



Consumer Affairs

Administration Policy: We should limit the Federal role to encouraging or assisting the States in developing their own consumer legislation, and should enact Federal regulations only in instances when there is an unreasonable risk to injury or health, or where there may be some legitimate economic or commercial interest in having uniform Federal regulations as opposed to differing standards in the various States.

Administration Action: The Office of Consumer Affairs should either be eliminated or, at a minimum, it should be sharply cut back and operating functions (e.g., education guidelines) should be handled in the agencies, thereby limiting the OCA function to a public relations-liaison role. We should also oppose a Consumer Protection Agency on the grounds that it is not necessary to create yet another independent agency to represent "Consumer interests". The creation of a Consumer advocate within an existing Department, such as Justice, could be accomplished without legislation, or, if this is not feasible, an alternative would be an advocate at the FTC.

Aging

Administration Policy: We should ensure that the aged have sufficient income and necessary services to permit them to remain independent, and, assist aged citizens to live active and useful lives.

Administration Action:

- Propose legislation to relieve elderly homeowners and renters from excessive property tax burdens.
- Implementation of the HR 1 provision which will provide a uniform federally funded income floor for all of the nation's aged, blind and disabled.
- Implementation of the social security provisions to insure that benefits keep pace with increases in the cost-of-living.
- Continued high level of funding (\$200 million) for the programs of the Aging Administration to provide services to help older Americans remain in their homes.



- Securing passage of tax incentives that will broaden the coverage of private pension plans.

Nutrition

Administration Policy: The Federal Government has a national commitment to insure the needy the opportunity for an adequate diet.

Administration Action:

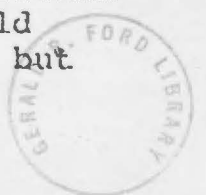
- Introduce standard income eligibility requirements for food stamps throughout the Nation, equaling or exceeding existing standards in all States.
- Provide increased bonuses for the poorer recipients of food stamps, including free stamps for the poorest.
- Match food stamp benefits more closely to income.
- Require all employable recipients of food stamps to register for jobs or job training.

Veterans

Administration Policy: The primary Federal role is to ensure that military service does not create undue hardships for veterans as a result of service-connected disabilities, interruption of education, difficulty in obtaining a job, or social readjustment problems.

Administration Action:

- Provide medical care to all eligible veterans for service-connected disabilities, but return to a policy of medically treating non-service connected veterans only on a space-available basis.
- Provide adjustment assistance to returning Vietnam veterans through a program that does not build unnecessary dependence on veterans programs, but



provides the opportunity for veterans to obtain skilled training, on-the-job training, or a formal education.

- Propose legislation to remove the exclusion of the wife's income in determining pension eligibility.
- Two major issues are still undecided but should be resolved within 30 days:
 - We are currently evaluating a proposal to seek legislation to provide an automatic cost of living escalator to veterans pensions similar to that added to the social security legislation.
 - A second unresolved issue concerns the question of whether we should continue to expand the Veterans Administration's hospitals and direct medical services programs to veterans with service connected disabilities as the caseload increases or move to a new program of purchasing needed care from the private medical sector.



CIVIL RIGHTS

Administration Policy: The Federal Government should use the tools of law and court decisions in a reasonable manner as levers and bases from which to proceed, not as sledgehammers, and ensure such balance in pace and action that the rights of minorities under the law are protected without sacrificing the same guarantees of the majority. The Federal Government should encourage jobs and economic development, as keys to true opportunity in housing, health care, and transportation, among others. Finally, the Federal Government should serve as a catalyst to bring together individuals and organizations -- community and business as well as special interests -- to act upon problems of social equity independently of government.

Administration Action:

- More effective, targeted Federal programs in education, manpower and health directed to benefit the most needy.
- Balanced, effective enforcement of anti-discrimination laws.
- Legislation designed to redress imbalances in remedies imposed by the courts and to restore the Congressional role in the civil rights field.
- Elimination of quotas and arbitrary balance ratios which impose artificial barriers to equal opportunity; this action to be coupled with affirmative action programs to create opportunity.
- Expanded minority business opportunities.

- Continued total opposition to forced integration of housing and education (as occurring)



AGRICULTURE

I. Administration Policy: Our objective is to assure that farmers and ranchers have the opportunity to earn incomes comparable with returns elsewhere in the economy through a market-oriented approach that restores basic management responsibilities to farmers, avoids the accumulation of burdensome production surpluses, provides prices reasonable to consumers and competitive in world markets, and minimizes dependence on the Federal budget. It is also the responsibility of the Federal Government to develop rural areas in order to improve the quality of life in both rural and urban areas, and to achieve balanced growth, increased well-being, and expanded employment opportunities.

II. Significant Actions and Legislation:

A. Actions

Administration policy of relying on the free enterprise economy rather than government payments to produce farm income is continuing. In 1973, total farm income reached the second highest level in history while government payments have been reduced from \$3.9 billion in fiscal year 1973 to an estimate of less than \$500 million in fiscal year 1975. Continuing development of export markets has insured an outlet for excess farm products with resulting favorable effects on our balance of payments. In 1973, net agricultural exports were the primary source of the \$1.7 billion U.S. trade surplus. Efforts to assist farmers increase production to meet national and world needs are continuing. Set asides and other programs to limit production have been eliminated while assistance is being given to developing countries to increase their capability to meet rising demands for agricultural commodities.

Progress is being made in the coordination of all Federal programs and in supporting State, local, and private activities in rural development. Subsidized housing programs for low income people have been reoriented to emphasize existing housing. This will help to provide assistance to more people while holding Federal costs at reasonable levels. About 120,000 new or renovated housing units are projected in 1975. In 1975, Federal assistance for business and industrial development will help create 20,000 new jobs in rural areas. However, the principal remaining challenge in achieving effective coordination will be to involve State and local officials more directly in planning and priority setting for, as well as in actual coordination of, Federal assistance programs in rural areas.



. H.R. 5441 - National Resource Lands Management Act of 1973

The bill provides general management authority for the Bureau of Land Management lands. It authorizes the conveyance of BLM lands at fair market value when the lands are difficult to manage or public purposes would be served, and it authorizes the conveyance of mineral interest to surface owners when those interest interfere with surface development.

The bill has passed the Senate and is presently undergoing mark-up by the Public Lands Subcommittee of the House Interior Committee. The Administration favors enactment, with minor amendments.

. H.R. 4866 - Big Cypress

The bill establishes the Big Cypress National Preserve in the State of Florida. The bill has passed the House and hearings have taken place in the Senate. The Administration supports the House passed bill. The Big Cypress area of southwest Florida has a direct and beneficial effect on the ecosystem of Everglades National Park. For this reason, and to preserve the unique natural values of the Big Cypress Swamp itself, the area must be protected to assure a continuous supply of fresh water to the park and associated coastal estuaries.

III. New Directions:

- Water Resources Council*
- . The ~~Department of the Interior~~ will conduct a Presidential study of water resources policies. The Congress recently authorized the President to conduct a one-year study of current water policies and make recommendations for needed changes. The study will include cost sharing and principles and standards for planning and evaluating programs and projects, including Federal objectives and use of discount rates. This study presents a unique opportunity for the Administration to recommend much needed reforms and finally resolve the major differences of views that now exist between the Executive and the Congress on this program. The Federal Government now invests about \$2.5 billion annually in water resource developments. Although most



of these projects are for economic developments and benefit specific groups and regions, current policies require little financial participation by non-Federal interests. New policies requiring increased cost sharing would help relieve the Federal Government of most of the financial burden of water resource development and ensure better selection of the most meritorious projects reflecting both economic and environmental considerations as well as a "willingness to pay" measurement of the benefits expected from the project.

- The Department of the Interior will initiate a program to improve its data collection capabilities; particularly in the areas of inventories, potential recoverable resources and the speed with which these potential resources can be recovered in an emergency. Analytical capabilities will be strengthened to permit the Department to identify potential problems, assess their impact on the United States economy and to develop potential alternatives to minimize these impacts. The Department will also conduct an assessment and evaluation of the existing Federal Mineral R&D program and identify deficiencies and steps to overcome them.

The action of a number of oil exporters in limiting supplies, embargoing shipments, and driving up prices has raised the question of the extent to which the major industrial countries are exposed to the effects of similar collusion among exporters of other critical materials. The recent tight supply situation for energy, food and many raw materials has also prompted a more general concern--that we may be passing from an era of abundant supplies into one of constant shortages.



8/12/74

III. New Directions

- . The Department of Agriculture will develop and submit to Congress proposed legislation to provide target prices for rice, peanuts, cotton, and to eliminate the disaster payments required by the Agriculture and Consumer Protection Act of 1973 and attain enactment thereof. The legislation is required to further reduce Federal intervention in agricultural production management, minimize Federal budget outlays for commodity programs, and rely on farmers, traders, food processors and individuals to maintain adequate levels of food stocks and reserves.
- . The Department of Agriculture will develop a program to increase the role of agriculture in assisting in world food problems. An unusual series of worldwide agricultural setbacks in the 1972-73 crop year resulted in the poorest record of global food production per capita since 1975, and reduced world food stocks to the lowest level in 20 years. These events have demonstrated the need for concerted action by both exporting and importing countries to provide world food security. As a major agricultural exporter, the United States has a vital stake in the development of international policies that will not only bolster the food security of the world, but which will also safeguard the legitimate interests of American farmers and consumers.

Food supply is directly related to agricultural development and, in turn, agricultural development and overall economic development are critically interdependent in the hungry countries. A strategy for attacking the world food problem will, of necessity, encompass the entire foreign economic assistance effort of the U.S. in concert with other developed countries, voluntary institutions, and international organizations.



8/12/74

ENVIRONMENT

I. Administration Policy

- Strong, continuing actions will be needed by all sectors to reduce pollution, to correct the abuse of the environment from past actions, and to minimize future environmental degradation.
- The Federal role should be one of leadership, consisting primarily of (a) setting standards to protect public health and welfare, (b) assisting state and local government where pollution problems cannot be addressed effectively at State or local levels, and, (c) seek removal of distortions from the economic system so as to allow the free market fully to include pollution costs as one of the costs of production. (The Federal role is justified largely because air and water pollution is no respecter of state boundaries.)
- State and local governments should be able to establish pollution control standards more rigid than those established by the Federal government.
- There must be achieved a better balance among our objectives for improving environmental quality and other national objectives such as an adequate supply of energy and economic and social growth. Stopping or reversing progress in improving the environment is not desirable, however, incremental changes in the speed and, in some cases, the direction demanded by current laws needed to restore the balances among national objectives. Examples include (a) a requirement of court law and court decision cannot be achieved, or where (b) pollution control actions cause unacceptable social or economic impacts (e. g., serious productivity impact, excessive demand for capital expenditures).
- The Federal government should demonstrate leadership by cleaning up pollution from its own facilities.

II. Significant Actions and Legislation

A. Actions

- Air Quality. A principal EPA function is to establish national air quality standards to protect health and welfare, set emission standards for automobiles and other mobile sources, enforce standards where States do not do so, provide financial assistance for State and local monitoring and enforcement efforts, and fund research and development needed for setting standards or developing pollution control technology.



and replacing them with new Federal regulatory programs in the environmental area. The bill provides that the preempted state and local powers can be returned to them through delegation by a Federal official, but only if the State meets the conditions established by that official. The Federal Government would establish National environmental standards but contrary to our policies would control the design of State and local programs necessary to meet the standards and have enforcement responsibility.

III. New Directions

- . Existing law and regulations, pending and proposed legislation, proposed regulations, and current practices of agencies administering environmental programs should be reviewed in light of the following basic philosophy and policies to see whether changes are needed to achieve consistency:
 - Responsibilities and decisions should be handled at the lowest level of government possible or by individuals and non-government organizations -- consistent with satisfactory effectiveness in achieving goals. The Federal role should be limited.
 - Federal interference in the marketplace (e.g., through regulation) should be reduced, limited or avoided.
 - Where there is a conflict between environmental and other important objectives (e.g., adequate energy, economic and social growth), a balance must be achieved -- based on evaluation of the benefits and costs, broadly defined, of achieving each objective.
- . Administration position on Land Use legislation should be reviewed to see whether a new legislative proposal can be developed which promotes multiple-objective land use planning and decisions at the state or local level and also delays the effective dates of other statutory requirements (air and water quality laws) which are forcing decisions based on a single objective.



- Water Quality. The legitimate Federal concern to control water pollution, another classic case in which the problem is clearly interstate in character, together with the tremendous capital costs required meaningfully to address it, have produced an enormous Federal spending program with continuing pressure to distort our spending priorities dramatically in order to move even faster. Our quarrel here is not with the fact of Federal involvement, an appropriate Federal role, but in maintaining a sense of balance in moving toward the goal. The \$4 billion which was released for fiscal year 1975 established a level of Federal funding five times higher than the breakthrough level of \$800 million in the budget for fiscal year 1970. And it is almost 20 times higher than the funding of \$214 million per year before that. Our position is that spending at the level authorized by Congress would not clean up the water any faster, but would have an inflationary effect. Legal challenges to the legality of the Executive action taken to withhold this spending ~~have already been filed.~~
Are now before the Supreme Court

~~Solid Waste.~~ We will attempt to phase out entirely the Federal program addressed to solid wastes because these costs and benefits are local in nature and should not be shifted to the Federal taxpayer. This position will meet strong Congressional resistance.

B. Pending Legislation

- Clean Air Act Amendments. In March, 1974, the EPA Administrator transmitted on behalf of the Administration thirteen proposed amendments to the Clean Air Act. The package included eleven amendments supported by the EPA Administrator and two that he did not. Amendments supported include (1) authority to extend for up to 10 years deadlines for meeting air quality standards when it is otherwise necessary to impose controls on transportation to meet standards (e. g., virtual elimination on automobiles in Los Angeles); (2) temporary freeze in auto emission standards; (3) authority to extend deadlines for power plants and other stationary air pollution sources which cannot meet current deadlines. Amendments not supported are those to (1) leave to States decisions on preventing deterioration of air quality in areas already cleaner than national standards require -- thus getting relief from a court decision making this a Federal responsibility; (2) specifically authorize the use indefinitely of pollution control measures which rely on dispersion of pollutants to meet standards (rather than limiting pollutants) which are far more cost effective. Efforts are continuing to press for early hearings and favorable action on all amendments (but action is not expected in the current session).



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August 12, 1974

NATURAL RESOURCES AND TRANSPORTATION

Principal Agencies

AGRICULTURE

- . Department of Agriculture
- . ~~Farm~~ Credit Administration

NATURAL RESOURCES (General)

- . Department of Interior
- . National Oceanic and Atmospheric Administration (Commerce)
- . Corps of Engineers (Defense)
- . Property Review Board
- . Tennessee Valley Authority
- . Water Resources Council

ENERGY

- . Federal Energy Administration
- . Atomic Energy Commission
- . Federal Power Commission

ENVIRONMENT

- . Council on Environmental Quality
- . Environmental Protection Administration

SPACE & SCIENCE

- . National Aeronautics and Space Administration
- . National Science Foundation

TRANSPORTATION

- . Department of Transportation
- . Amtrak
- . U.S. Railroad Association (Bankrupt Rail Company)
- . Railroad ~~Retirement Board~~
- . Interstate Commerce Commission
- . Civil Aeronautics Board
- . Federal Maritime Commission

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ENERGY

I. Administration Policy

- Energy independence for the Nation -- which was stated as a goal of developing by 1980 the potential to meet our own energy needs without depending on any foreign sources -- but which has evolved toward a goal of achieving a degree of energy independence sufficient to:

- assure an adequate supply of energy at lowest possible prices
- reduce vulnerability to undue influence by foreign sources of energy over U.S. international policies
- reduce the ability of foreign nations to exact excessive prices for energy resources.

The evolving policy involves several principal thrusts:

- Energy conservation to reduce the rate of growth in demand without adversely affecting prosperity and economic growth.
 - Increased development of domestic energy resources.
 - Increasing reliance on coal and uranium which are available domestically in the place of petroleum and natural gas which is in short supply.
 - Cooperation with other energy consuming nations in coping with potential future embargoes.
 - Continued reliance on imported energy (principally petroleum) where necessary or desirable to fill the gap between demand and domestic supply.
 - Expanded Federal funding for energy R&D, in cooperation with industry, to develop technology for use of new energy sources (e.g., fusion, solar).
- The Federal government role should be as limited. Maximum reliance should be placed on industry and the free market place for achieving a balance between domestic demand and supply.

II. Significant Actions and Legislation

A. Actions

• Project Independence Blueprint

- FEA is taking the lead in developing a "Project Independence Blueprint" for submission to the President by November 1, 1974. There will be strong pressures for public release of the document at that time.



ENERGY Continued

- Actions are underway to assure that the "Blueprint":
 - contains a full range of policy and major program alternatives, with the impact of each, for moving toward energy independence.
 - does not contain specific program, budget and legislative recommendations -- which recommendations should be handled separately and through normal processes for making major policy and decisions so as to:
 - .. assure complete review and evaluation.
 - .. protect the integrity and confidentiality of the Presidential decision process, and thus not limit the President's options.
 - .. permit evaluation of recommendations in the context of related policy and program areas.
 - .. permit decisions in the timeframes for the President's budget, legislative program and State of the Union Message.

Deallocation

Work is under way in FEA and the Committee on Energy on strategies for removing petroleum allocation regulations and price controls.

Energy Conservation

- Federal agencies reduced energy consumption in FY 74 by about 26% below anticipated demand. Appropriate papers for Presidential decision and action are being processed to establish a goal for Federal agencies for FY 75 of 15% reduction in energy use below FY 73 consumption.
- FEA and Commerce are leading efforts to encourage voluntary energy conservation in industry and other sectors.

Expand Domestic Energy Resources

- Outer Continental Shelf (OCS) leasing. In January 1974, the Interior Secretary was directed to increase leasing on the OCS for oil and natural gas development to 10 million acres in 1975 -- compared to 1 million acres in 1973 and an expected 3 million acres in 1974. The 1975 target will almost certainly require leasing off Southern California and in frontier areas along the Atlantic Coast and the Gulf of Mexico. Opposition to development is growing in California. Development in Atlantic is held up awaiting Supreme Court decision on State vs Federal ownership.



ENERGY Continued

- Leasing of Federal Coal Lands. A large quantity of Federal land is already under lease but is not being developed. New leases have not been granted for the last two years. Interior is reviewing its coal leasing policy with the objective of issuing a new policy and resumption of leasing by January 1975.
- Nuclear Power Plants. Approximately 45 plants are now in operation and with a total of 100 expected by 1980. AEC is acting administratively and legislation has been requested (discussed below) with the objective of reducing from the current 9-10 years to 5-6 years the time required to get a nuclear power plant on line.
- Uranium Enrichment. All U. S. demand and a major share of foreign demand for enriched uranium for nuclear power plants is produced from 3 government-owned-contractor operated diffusion plants. Additional capacity to enrich uranium (i. e. , increase the percentage of the isotope U-235 from .7% in natural uranium to 3% or more) will be needed beginning in the period 1982-84. Since 1971, the Administration has taken the strong position that additional capacity should be provided by private industry rather than by new government owned plants (costing approximately \$2 billion each). Private entry is still considered promising - though not assured.
- Alaska Pipelines. Oil is expected to flow in the Trans Alaska Oil Pipeline in 1977, reaching the full 2-million barrel per day capacity by late 1978. An application is pending before FPC and Interior for a gas pipeline across Canada and a competing application is expected for a pipeline across Alaska with transshipment of liquefied gas to the West Coast. Interior Department is appraising the needs for further pipelines from the North slope of Alaska.
- Water for Energy. Studies are under way to address problems of the availability of sufficient water for energy production, particularly in the West for oil shale development, coal gasification, etc.
- Energy R&D. Approximately \$2 billion was requested in the 1975 budget for the first year of a proposed 5-year - \$10 billion program of energy R&D in cooperation with industry, focusing primarily on coal (gasification, liquefaction), breeder reactors, fusion, geothermal and solar energy.



ENERGY Continued

B. Pending Legislation

- Natural Gas Deregulation. Legislation was submitted in April 1973 to deregulate the price of new natural gas to encourage exploration and development of new wells. No action in the House. Senate Commerce Committee is considering amendments to the Natural Gas Act ostensibly to reduce regulation and allow higher prices but which the Administration is opposing because they would not achieve the objectives of deregulation. Senate Interior and Finance Committees are pursuing, with Administration support, complete deregulation of new gas.

- Strip Mining. Legislation was proposed in 1971 and 1973 to establish standards for environmental protection and reclamation for mining activities. A Conference Committee is now considering House and Senate passed bills which are limited primarily to surface coal mining activities. The Administration is opposing provisions which would limit coal production, provide preferential unemployment and economic assistance, or involve excessive Federal funding or Federal role in regulation and enforcement.

- Deepwater Ports. Legislation was proposed in April 1973 to authorize Interior Department to grant permits for construction and operation of ports beyond the three mile limit. Acceptable legislation -- dividing responsibility between Interior and DOT -- passed the House in May and efforts are under way to get a similar bill in the Senate. Floor action is likely to occur in August.

- Nuclear Licensing. Legislation was submitted in March 1974 to modify the existing AEC nuclear licensing process to encourage standardization of plant designs and other steps so as to reduce the time required to get plants on line. The Joint Committee on Atomic Energy is favorably disposed and is marking up a bill but action is stalled. Reactivation is being encouraged.



ENERGY Continued

- Appliance & Motor Vehicle Energy Labeling. Legislation was submitted in March 1974 to require that major appliances and motor vehicles be labeled to show energy use and efficiency -- making an existing voluntary program mandatory. (No hearings have been held on the Administration bill.)

- Energy Facilities Siting. Legislation was promised in January 1974 and is still under development to provide financial assistance to States and to establish an expediting role for the FEA, all with the objective of speeding up the approval of energy sites and facilities.

- Energy Taxes. Legislation was proposed in February 1974 to impose a windfall tax on domestic crude oil, to eliminate foreign oil and gas depletion allowances, and limit foreign tax credits available to U.S. oil and gas companies. The congressional move to eliminate domestic depletion allowance has been opposed.

- Energy Organization. Legislation was proposed in June 1973 to create:
 - A Department of Energy and Natural Resources (DENR) consisting primarily of Interior functions, NOAA from Commerce, and certain water resource functions Agriculture and Corps of Engineers. No action is expected in the current Congress and no major efforts are being made to expedite Congressional action.
 - Energy Research and Development Administration (ERDA) consisting of AEC's R&D and production functions, and energy R&D from Interior, NSF and EPA. The House passed the Administration bill last December and a similar bill is expected on the Senate floor August 18. Efforts to secure enactment this session are continuing.
 - Nuclear Energy Commission (NEC) to carry out the nuclear ~~regulatory functions~~ now in the AEC. (Included in ERDA bill above.)



ENERGY Continued

- . Petroleum Allocation and Pricing. Opposition is being expressed to Senate Interior Committee actions to extend the Emergency Petroleum Allocation Act which is due to expire in February 1975. Agreement to a 4-month extension is being expressed providing it is with the understanding that the extension period is to phase out the allocation program.
- . Energy R&D, Solar and Geothermal. Bills are moving through the Congress in these areas which provide new authorization and expression of Congressional desires for higher priority for non-nuclear energy R&D. Executive branch efforts are being directed towards making the bills consistent with proposed legislative and budget programs and priorities.
- . OCS Leasing. Senate Interior Committee efforts to amend the OCS Lands Act to make changes in leasing policies, share revenues with states, etc. are being opposed on the grounds that basic changes in the Act are not necessary at this time.
- . Energy Conservation. A Senate passed Interior Committee bill and a similar bill in the House Interior Committee which prescribe major Federal energy conservation programs are being opposed because they call for excessive Federal involvement; e.g., Federal standards and regulations for automobile fuel economy.
- . Energy Trust Fund. A Senate Finance Committee proposal to create an energy trust fund primary for the support of energy R&D is being opposed principally because it involves unnecessary ear-marking of Federal revenues.

III. New Directions

Potential major new directions in the energy area may emerge from the development of the "Project Independence Blueprint" which is now under way.



B. Legislation

• H.R. 14747 - To Amend the Sugar Act of 1948

The provisions of H. R. 14747 would extend the Sugar Act of 1948 for five years through December 31, 1979. Using a 12 million ton consumption estimate, domestic sugar quotas would be established representing minimums and would be increased (up to 8 million tons) if in subsequent years domestic areas produced additional sugar or if the Secretary of Agriculture determined additional quotas were necessary.

The "corridor" contained in the present Act would be modified to require Secretarial action when the domestic price of sugar is below the price objective by four percent or more for 15 consecutive market days and the Secretary would be authorized to impose quarterly quotas when necessary.

The excise tax would not be renewed but would be allowed to expire on June 30, 1975. The price objective formula under the Act would be revised effective July 1, 1975, by changing the computation period. The payment rate would also be changed from the present law.

The bill was brought on House Floor June 5. The House by a vote of 175 to 209 failed to pass the bill. Our strategy is to let Congress do basically what it wants, with the Administration monitoring Committee work and taking positions on specific issues as they develop. This passive strategy is appropriate in that, in our judgment, we cannot afford what could well be a major fight with Congress needed to push through a significantly different program and that our chances of winning do not justify the effort.

• H.R. 15472, Agriculture Appropriations Bill

On August 8, 1974 a Presidential veto returned to the Congress an appropriations bill for the Department of Agriculture, the Environmental Protection Agency and certain related agencies and programs.



Under this legislation, outlays for fiscal year 1975 would exceed our recommendations by \$150 million in fiscal year 1975, \$300 million in fiscal year 1976, and by additional amounts in fiscal year 1977. Water and sewer grants for the Department of Agriculture would be authorized at a level of about \$345 million, a level more than eight times higher than any level in the past. Funding for agricultural conservation programs would be more than doubled, completely reversing recent efforts of the Administration to reform these programs. Furthermore, this bill would increase certain loan programs operated by the Department of Agriculture by \$400 million more than we recommended, an increase which would further strain already over-stressed credit markets and would add to inflationary pressures.

The Administration also opposed a provision in this bill transferring from the Department of Housing and Urban Development to EPA a \$175 million program to clean up the Great Lakes. The feasibility of this cleanup program has not yet been proven. Further study is essential if we are to avoid ineffective Federal spending for these purposes.



SCIENCE

I. Administration Policy

- . The Federal government has a responsibility to support basic research, thus contributing to a store of scientific knowledge that can be drawn upon in the future for applied research and technological development. Such a store of knowledge is important to the Nation's national security and economic development.
- . Within the total Federal funding for basic and applied research, emphasis should be placed on research that is directed towards the solution of critical national problems.
- . As R&D moves toward application in marketable products and services, responsibility for funding increasingly becomes the responsibility of private industry. Cost sharing with industry should be encouraged. Federal funding for development efforts should be generally limited to areas of high promise where funding requirements or risks are so great that private funding cannot be secured or where the products or services are those used only by the Federal government (e.g., national defense, weather observation).

II. Significant Actions and Legislation

A. Actions

- . Federal funding for R&D has increased steadily since 1971 (but at a much slower rate, than the rapid increases experienced in the early 1960's) reaching a total for all agencies of \$19.8 billion in the 1975 budget. NSF funding for basic and applied research -- about 2/3 in colleges and universities -- reached \$630 million in the 1975 budget.
- . Effective July 1, 1973, the Office of Science and Technology (OST), the President's Science Advisory Committee (PSAC), and the position of Science Adviser to the President were abolished. The residual science advisory functions were assigned to the Director of the National Science Foundation under a separate title of Science Adviser.

B. Legislation

- . Abolition of the science advisory apparatus has engendered strong opposition from the scientific community and a move is under way, with congressional support to create a Council of Science Advisers in the Executive Office of the President, with functions essentially the same as the old OST. This has been opposed by the Administration on the grounds that the current arrangements are working well and are preferable.



SPACE

I. Administration Policy

The interest of all Americans is served by having a space program. Thus direct Federal funding is used to support space research, development, and exploration programs.

II. Significant Actions and Legislation

A. Actions

The funding levels assigned to the space program continue relatively unchanged with direct spending for manned space flight (the Space Shuttle, Skylab, and the joint venture with the Russians) accounting for roughly 1/3 of the total. Heavy cutbacks from the completion of the Apollo flights and the termination of the Viking mission (Mars) are offset by increased emphasis on space science activities and incremental increases for the Russian venture. The overall programmatic thrust is thus to place the emphasis on relatively near-term space and technology activities and those with high international visibility.

B. Legislation

Several pieces of legislation have originated in the Congress which seek to broaden the role of NASA, principally in high technology efforts. Such efforts are generally opposed because they cut across the mission of other agencies or involve activities that should be funded by private industry.



TRANSPORTATION

I. Administration Policy

The Federal Government should provide a broad structure of fiscal and program support within which local transportation solutions and programs can be structured and integrated with broader national solutions. Where the transportation requirements or programs are clearly national in scope, as in the maritime field, national highways or railway freight, then the Federal Government must take the lead. In others, such as urban mass transit, it must take a secondary role of providing fiscal support, when necessary, and providing a framework within which state and local governments can best attack and solve their own problems. Finally, it must continue to pursue an active program of data acquisition in order to improve our knowledge base to insure understanding of our burgeoning transportation problems and to provide creative and effective solutions to them.

II. Significant Action and Legislation

A) Actions

- . Provide increased funding for public transit (up 50% in FY '75 over FY '74).
- . Continue to support flexible use of the Highway Trust Fund as permitted by the 1973 Highway Act.
- . Continue to support the restructuring of the bankrupt railroads under the Regional Rail Reorganization Act of 1974.
- . Continue our efforts to improve the economic viability of our International airlines who are suffering massive increases in fuel costs without resorting to direct federal subsidies.

B) Legislation

- . Mass Transit. In response to the Administration's proposed Unified Transportation Assistance Act, the House Public Works Committee has reported out a transit bill which will probably go to the floor on Wednesday or Thursday for action. The Committee bill provides \$20 billion over six years for mass



transit. We have indicated that this is unacceptable for inflationary reasons because it is about twice as expensive as the Administration's proposed Unified Transportation Assistance Act, which allotted \$9.3 billion over six years for mass transit.

Other than dollars, the principal issue involved in this legislation concerns operating subsidies and this will be presented to you by separate memorandum.

- Highway Bill. The House Public Works Committee begins to mark up a \$10 billion highway bill by Congressman Klucznski for rural, primary and secondary roads. We have not yet taken a position on this but it clearly will draw opposition within the Administration because of its inflationary impact.
- Economic Regulation. Pursuant to our policy of reevaluating Federal economic regulations of transportation, we have submitted the Transportation Improvement Act, which is designed to modernize railroad regulation. This is the first step in our controversial policy of reforming all transportation regulation. The House Commerce Committee has already held hearings on this bill and is in the process of marking up their own version of it entitled the Surface Transportation Act. This act will provide economic reforms such as greater flexibility for railroads to charge rates based on actual cost. It will also provide government loan guarantees for capital improvements as recommended by the Administration.
- Auto Safety. The National Highway Transportation Safety Administration's authorization bill went to the House floor Monday of this week. The bill contains the so-called "Dingell Amendment", which prohibits the Department of Transportation from mandating the interlock system. The bill would permit a simple sequential warning system.

The Department of Transportation opposed other amendments which would have prohibited the buzzer and also prevent DOT from ever mandating the air bag. Secretary Brinegar takes the position that specific actions on such things as the buzzer should be done by regulations, not by legislation. He is



assessing additional data concerning the air bags and is, therefore, leaning toward a delay in any final decision and has objected to Congress shutting off this option completely.

Also, a bill is pending in the Senate which would make the 55 mph speed limit permanent.

III. New Directions

- Minimization of Federal intervention in transportation systems. The objective here is to further the principles of New Federalism by strengthening the role of state and local governments to control the transportation decisions affecting their communities. This effort will also attempt to strengthen the private role in transportation by limiting Federal intervention wherever possible.
- Improvement of our transportation knowledge bank to aid state and local governments, Federal agencies and the private sector in planning and developing transportation systems and products.
- Reevaluate impact of transportation safety regulations on the private sector, inflation and state/local laws.
- Policy reviews are underway concerning several operational matters such as:
 - what to do about the \$4 billion of impounded highway-aid funds.
 - the problem of the Great Lakes pilots who are suffering severe financial hardship partially due to restrictions in the U.S. - Canada treaty concerning rate increases.



B. Legislation

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: THE PRESIDENT
FROM: KEN COLE
SUBJECT: DOMESTIC POLICY

In the time since you assumed office, we have attempted to follow what we perceived as your basic philosophy and principles of Government. Although we have not had an opportunity to specifically discuss the details of that philosophy with you, we do feel that we've developed a certain understanding of it through Presidential meetings, speeches, and decisions.

What follows is an effort to spell out the policy principles currently being followed by the Ford Administration. We may have correctly perceived your philosophy or we may have not. Therefore, we would like you to read the following and let us know where any changes should be made. The paper that is then developed from your comments will be particularly helpful guide as we continue to put together your State of the Union message.

Overview

In working on proposals for your first domestic legislative program for next year we are being guided by one fundamental and practical premise -- the role and structure of Government must change if it is successfully to meet the complex domestic problems



of the 1970's. True social compassion is demonstrated not through rhetoric or an expensive Federal program with unattainable objectives but through Government that effectively meets its objectives.

The necessary change in the structure and role of Government can perhaps best be analyzed in terms of a positive, compassionate set of policy principles, all of which share the basic objective of closing the gap between the promise and performance of Government. Below are outlined a set of general principles and themes which can be used to explain your domestic policy and then, in a tab are discussed the specific Administration policies for each major domestic area.

General Principles

- Good Government begins with an affirmation of the right and the capacity of individuals to work together to creatively solve complex problems and chart their own lives.
- The appropriate role of Government is to provide basic services, e.g., police, fire, military, etc., and to provide incentives and to open opportunities for people to build for themselves and their communities. This means that the Federal Government should not stifle initiative by trying to direct everything from Washington but should encourage State and local governments and the private sector to assume their appropriate roles, making those decisions and supplying those services which only they can effectively make and provide.



- Until we have better dealt with problems of the economy, there should be a moratorium on most new Federal programs and most new Federal spending.
- The Federal Government must work to guarantee an equal opportunity for every American -- not through Federal compulsion or quotas which artificially and arbitrarily limit opportunity -- but through the removal of barriers which might impede an individual's opportunity to realize his full potential. For instance, it is the obligation of the Federal Government to ensure the opportunity for social and economic mobility by:
 - . ensuring a good education is available to all, and
 - . creating a strong economic climate in which job opportunities are freely available.
- The role of government is to support and nurture, rather than limit, the diversity and freedom of choice which is the hallmark of the American system.
- Evenhanded treatment is a major criterion of all social programs.
- Programs must be designed to insure that the benefits are actually received by those who are intended to receive them.
- The Federal Government should encourage the private sector to address and solve domestic problems, thereby allowing our competitive free market mechanism effectively to marshal resources behind clearly stated social objectives.



- A policy which minimizes Federal taxes and allows every American to keep a larger share of his earnings is consistent with the goal of encouraging the individual to more fully develop his capacities by setting his own priorities.



Health

All Americans should be guaranteed the availability of financial access to quality health care through health insurance. Our Nation should have an adequate supply of health professionals properly distributed among both specialties and geographic locations and a strong research program. To meet these objectives we must rely upon a partnership among private physicians and institutions, State and local authorities, and the Federal Government. This partnership must build upon the strengths of our present health care system.

Welfare

We should develop an effective and equitable welfare system which ensures that every American family which is unable to provide sufficiently for itself has an adequate income.

Consumer Affairs

The States have the primary responsibility for developing consumer legislation. The Federal Government should limit its activities to instances in which there is an unreasonable risk to injury or health, or where there may be some legitimate economic or commercial interest in having Federal regulations as opposed to differing standards in the various States.

Aging

We should ensure that the aged have sufficient income and necessary services to permit them to remain independent as well as assist aged citizens to live active and useful lives.



Education

While the States and localities have primary responsibility for education, the Federal Government should properly assist them in striving to ensure that equality of educational opportunity is available to everyone. The government should also support and direct research and development designed to accelerate educational reform and innovation. It should provide leadership in educational reform designed to broaden educational alternatives and to create an educational system that is more responsive to a rapidly changing society. Finally, it should encourage the development and support of incentives and processes which maintain the principal responsibility for financial support of higher education by the private sector and discourage dependence on the Federal Government.

Transportation

The Federal Government should provide a broad structure of fiscal and program support within which local transportation solutions and programs can be structured and integrated with broader national solutions. Where transportation requirements or programs are clearly national in scope, as in the maritime field and in some national highway or railway freight programs, the Federal Government must take the lead. In orders, such as



urban mass transit, it should provide a framework within which State and local governments and the private sector can best attack and solve their own problems while taking a secondary role of providing fiscal support when necessary. Finally, it must continue to pursue an active program of data acquisition to improve our knowledge base so that our burgeoning transportation problems can be both understood and creatively and effectively solved.

Natural Resources

Our objective is to encourage wise use of the Nation's resources of water, timber, energy, minerals, and recreation lands, while protecting and improving the quality of the environment.

Energy

The Administration's energy policy objective is to assure a supply of energy adequate to maintain a strong economy at lowest possible prices, with reduced vulnerability to interruption of foreign energy supplies.

The policy involves several principal thrusts:

- Energy conservation to reduce the rate of growth in demand without adversely affecting prosperity and economic growth.
- Increased development of domestic energy resources.
- Increasing reliance on coal and uranium which are available domestically in the place of imported petroleum or natural gas.



-- Cooperation with other energy consuming nations in coping with potential future embargoes.

-- Continued reliance on imported petroleum where necessary or desirable to fill the gap between demand and domestic supply.

-- Expanded Federal funding for energy R&D, in cooperation with industry, to develop technology for use of new energy sources (e.g., fusion, solar).

Environment

The Federal role should be one of leadership, consisting primarily of (a) setting standards to protect public health and welfare, (b) assisting State and local government where pollution problems cannot be addressed effectively at State or local levels, and, (c) seeking removal of distortions from the economic system so as to allow the free market fully to include pollution costs as one of the costs of production. A better balance in exercising this leadership the Government should seek among its objectives for improving environmental quality and other national objectives such as an adequate supply of energy and economic and social growth.

Land Use

Land use decisions should be made at the level of government where problems can best be understood and objectives best evaluated and balanced. Generally, this will be at the local or State level.



The Federal role in land use policy should be limited to providing financial assistance to State and local governments so that they can develop land use plans for achieving a balance among conflicting land use objectives. Also, the Government should designate and protect selected areas of critical environmental concern to the national interest where State and local governments cannot be expected to provide protection.

Agriculture

Our objective is to assure that farmers and ranchers have the opportunity to earn incomes comparable with returns elsewhere in the economy through a market-oriented approach that restores basic management responsibilities to farmers, avoids the accumulation of burdensome production surpluses, provides prices both reasonable to consumers and competitive in world markets, and minimizes dependence on the Federal budget.

Space

The interest of all Americans is served by having a constrained space program. Direct Federal funding is used to support space research, development, and exploration programs following the assumption that the overall programmatic thrust is to maintain a manned space presence with the shuttle, continue space exploration, and place emphasis on relatively near-term space and technology activities.



Science

The Federal Government has a responsibility to support basic research, so that a store of scientific knowledge can be accumulated and drawn upon in the future for applied research and technological development. Such a store of knowledge is important to the Nation's national security and economic development. As R&D moves toward application in marketable products and services, responsibility for funding should increasingly become the responsibility of private industry.

Within the total Federal funding for basic and applied research, emphasis should be placed on research that is directed towards the solution of critical national problems.

Crime

Direct Federal enforcement authority should be exercised only in those areas, such as organized crime and drug trafficking, which transcend State boundaries. Primary crime prevention responsibility lies with State and local authorities whose efforts are aided by the Federal Government through programs that emphasize better law enforcement, prompt and efficient administration of justice, and more effective rehabilitation programs.

Drugs

In drug law enforcement, the Federal Government should play the exclusive role internationally and at its own borders, and the dominant role domestically. However, in treatment,



rehabilitation, prevention, and education, the Federal Government should aid States and localities through grants to establish their own programs. While the Federal Government is funding most of the research because of its national priority, it should not get involved in the direct delivery of addict services.

Civil Rights

The Federal Government should use the tools of law and court decisions in a reasonable manner as levers and bases from which to proceed, and ensure such balance in pace and action that the rights of minorities under the law are protected without sacrificing the same guarantees of the majority.

Privacy

Unnecessary and intrusive information collection or dissemination upon individuals by Government and private organizations should be ended to preserve the citizen's right of privacy. Direct and enforceable measures by the Federal Government are required to halt the interference in people's lives facilitated by advances in computer technology. A guiding principle is that the individual should have the right to know what information about him is held by the Government as long as it does not conflict with interests of national security or public safety.



Federal Organization

The Government has a responsibility to continue efforts to reform and modernize the executive branch, and to achieve a high quality, productive, and responsive Civil Service.

Community Development

The Government should deliver Federal resources to State and local governments in a flexible and equitable manner to assist locally-elected officials as they strive to define the needs and priorities of their communities and design policies and programs to address these needs.

Rural Development

Economic and community development in rural America should be encouraged through the delivery of appropriate Federal assistance to rural communities and individuals as well as policies supporting a strong farm economy.

Housing

Low income families should be assisted by the Government in attaining a decent home in a suitable living environment through programs which emphasize use of existing houses rather than new construction and which maximize freedom of choice by offering a subsidy to the low income family rather than the builder.

The Federal Government should aid other families by providing a housing finance mechanism that would make available to home-buyers sufficient mortgage credit repayable over an extended term at reasonable interest rates and that would moderate the extreme swings in the availability of mortgage credit.



Submitted to Mike Duval for his inclusion to

Ken Cole

11-27-74



AGRICULTURE

- I. Administration Policy: Our objective is to assure that farmers and ranchers have the opportunity to earn incomes comparable with returns elsewhere in the economy through a market-oriented approach that restores **basic** management responsibilities to farmers, avoids the accumulation of burdensome production surpluses, provides prices reasonable to consumers and competitive in world markets, and minimizes dependence on the Federal budget. **It is** also the responsibility of the Federal Government to develop rural areas in order to improve the quality of life in both rural and urban areas, and to achieve balanced growth, increased well-being, and expanded employment opportunities.

II. Significant Actions and Legislation:

A. Actions

Administration policy of relying on the free enterprise economy rather than government payments to produce farm income is continuing. With controls off and the market operating more freely, U.S. agriculture has become a part of the world market. Food prices are high and food reserves, primarily grain stocks, **are** low. Land previously withheld from farm production has been put back into crops, but 1974 yields are disappointing and will not result in the **large** production increases anticipated. These conditions, in the face of expanding demand for food, have placed the world in a precarious position for the availability of food is uncertain, its price is high, and both are **directly** dependent on current production.

Events of the past two years have demonstrated that far more flexibility exists in consumption of food than we had known. Total food consumed per capita in 1973 was down 2.3 percent, and meat consumption was down 4.8 percent. Overall demand for food remains strong despite the lack of growth in real personal income. Consumers are spending a higher proportion of their incomes on food. The Food Stamp Program is also a major factor in the current demand picture.

For FY 1974, U.S. agricultural exports rose to over \$21 billion, two-thirds higher than a year earlier. Most of **this** increase



was accounted for by higher prices with export volume increasing 10 percent. This unusually high export level boosted the U.S. agricultural trade balance to nearly \$12 billion despite a 30 percent gain in agricultural imports.

Progress is being made in the coordination of all Federal programs and in supporting State, local and private activities in rural development. The principal remaining challenge in achieving effective coordination will be to involve State and local officials more directly in planning and priority setting for, as well as in actual coordination of, Federal assistance programs in rural areas.

B. Legislation

Two of the commodity programs actually limit production. The rice program's outdated, restrictive language imposing quotas and allotments should be removed in order to provide farmers in additional areas an opportunity to grow rice. The peanut program is also a highly restrictive, almost monopolistic type of program which prevents new growers from participating. The high cost, rigid loan concept of this program encourages farmers to produce for government rather than for the market. The Administration does not object to a reasonable loan program. If the Congress and producers want price protection we have no objection to incorporating the target price concept in the peanut program. Another outdated commodity program is the one for extra long staple cotton. The Extra Long Staple Cotton Program is a special interest type commodity program which benefits only a small number of growers, none of whom depends solely for his income on this longer fiber cotton.

The Department of Agriculture will develop and submit to Congress proposed legislation to provide target prices for rice, peanuts, cotton, and to eliminate the disaster payments required by the Agriculture and Consumer Protection Act of 1973 and attain enactment thereof. The legislation is required to further reduce Federal intervention in agricultural production management, minimize Federal budget outlays for commodity



programs, and rely on farmers, traders, food processors and individuals to maintain adequate levels of food stocks and reserves.

III. New Directions

The chronic excess capacity that has characterized U.S. agriculture for so long may not persist in the decade ahead. There is the possibility of wide, unpredictable gyrations around central tendencies in the food sector. Many economists emphasize the need for flexible policies and argue for the purposeful creation of publicly held stocks to buffer swings in production and trade.

The most likely prospect over the coming decade is that U.S. agriculture will have excess capacity much of the time, will experience continued variation in output because of weather, and will occasionally be shocked by exceptional surges of export demand.

The growth in U.S. agricultural exports will likely continue. It is doubtful that commodity prices, unless artificially raised by high Federal support prices, will rise high enough to attract significantly more cropland into production, but there is comparatively little solid information on which to predict what will occur. The Department of Agriculture has concluded that 350 million acres might be harvested in 1985, an increase of about 25 million acres over present use.

In the absence of some control over exports, there will be continuing incentives for the movement of U.S. grain abroad. The recent purchases of corn and wheat by the USSR are indicative of what can be expected over the coming months. The Administration has initiated a program under which exporters are asked to obtain prior approval before making export sales above stated quantities. Although this procedure will help establish a more rational framework for making export determinations, the imprecision of the procedure will continue to be a source of uncertainty and political contention.



In 1974, a host of bills were introduced which would have the effect of increasing target prices for a number of commodities, and the support price for others. Next year the push will begin in earnest to raise support prices on a broad front. Agricultural interest and their representatives will make every effort to lock up the bulk of the super high prices their products have been bringing lately, and to protect themselves against costs of production that have risen substantially since July 1973, when the initial targets were being set. The only defense against the increases will be that farmers should receive their increases from the market place; that Federal farm income supports should provide some protection against disastrously low prices, but not an incentive to produce surpluses; and that the increase will raise costs in future years. These arguments have had little success in the past. Increasing target prices would have a significant impact on future budgets.



AGRICULTURE

I. Administration Policy: Our objective is to assure that farmers and ranchers have the opportunity to earn incomes comparable with returns elsewhere in the economy through a market-oriented approach that restores basic management responsibilities to farmers, avoids the accumulation of burdensome production surpluses, provides prices reasonable to consumers and competitive in world markets, and minimizes dependence on the Federal budget. It is also the responsibility of the Federal Government to develop rural areas in order to improve the quality of life in both rural and urban areas, and to achieve balanced growth, increased well-being, and expanded employment opportunities.

II. Significant Actions and Legislation:

A. Actions

Administration policy of relying on the free enterprise economy rather than government payments to produce farm income is continuing. With controls off and the market operating more freely, U.S. agriculture has become a part of the world market. Food prices are high and food reserves, primarily grain stocks, are low. Land previously withheld from farm production has been put back into crops, but 1974 yields are disappointing and will not result in the large production increases anticipated. These conditions, in the face of expanding demand for food, have placed the world in a precarious position for the availability of food is uncertain, its price is high, and both are directly dependent on current production.

Events of the past two years have demonstrated that far more flexibility exists in consumption of food than we had known. Total food consumed per capita in 1973 was down 2.3 percent, and meat consumption was down 4.8 percent. Overall demand for food remains strong despite the lack of growth in real personal income. Consumers are spending a higher proportion of their incomes on food. The Food Stamp Program is also a major factor in the current demand picture.

For FY 1974, U.S. agricultural exports rose to over \$21 billion, two-thirds higher than a year earlier. Most of this increase



was accounted for by higher prices with export volume increasing 10 percent. This unusually high export level boosted the U. S. agricultural trade balance to nearly \$12 billion despite a 30 percent gain in agricultural imports.

Progress is being made in the coordination of all Federal programs and in supporting State, local and private activities in rural development. The principal remaining challenge in achieving effective coordination will be to involve State and local officials more directly in planning and priority setting for, as well as in actual coordination of, Federal assistance programs in rural areas.

B. Legislation

Two of the commodity programs actually limit production. The rice program's outdated, restrictive language imposing quotas and allotments should be removed in order to provide farmers in additional areas an opportunity to grow rice. The peanut program is also a highly restrictive, almost monopolistic type of program which prevents new growers from participating. The high cost, rigid loan concept of this program encourages farmers to produce for government rather than for the market. The Administration does not object to a reasonable loan program. If the Congress and producers want price protection we have no objection to incorporating the target price concept in the peanut program. Another outdated commodity program is the one for extra long staple cotton. The Extra Long Staple Cotton Program is a special interest type commodity program which benefits only a small number of growers, none of whom depends solely for his income on this longer fiber cotton.

The Department of Agriculture will develop and submit to Congress proposed legislation to provide target prices for rice, peanuts, cotton, and to eliminate the disaster payments required by the Agriculture and Consumer Protection Act of 1973 and attain enactment thereof. The legislation is required to further reduce Federal intervention in agricultural production management, minimize Federal budget outlays for commodity



programs, and rely on farmers, traders, food processors and individuals to maintain adequate levels of food stocks and reserves.

III. New Directions

The chronic excess capacity that has characterized U.S. agriculture for so long may not persist in the decade ahead. There is the possibility of wide, unpredictable gyrations around central tendencies in the food sector. Many economists emphasize the need for flexible policies and argue for the purposeful creation of publicly held stocks to buffer swings in production and trade.

The most likely prospect over the coming decade is that U.S. agriculture will have excess capacity much of the time, will experience continued variation in output because of weather, and will occasionally be shocked by exceptional surges of export demand.

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NATURAL RESOURCES

- I. Administration Policy: Our objective is to encourage wise use of the Nation's resources of water, timber, energy, minerals, and recreation lands, while protecting and improving the quality of the environment.

II. Significant Actions and Legislation:

A. Actions

The Federal Government will continue to exercise leadership by its use of Federal lands, encourage the States to set up the mechanism to address the problems at their level, and provide undifferentiated funds to be spent in accordance with decentralized priorities. The Land and Water Conservation Fund which provides for both grants to State and local governments and purchase of Federal park and recreation lands will be fully funded in fiscal 1975 at \$300 million. The Federal Government assisted State and local governments in acquiring 95,000 acres of park and recreation lands in 1974 through the Land and Water Conservation Fund. Spending for park, sport fisheries, and wildlife programs will increase from \$484 million in 1974 to \$519 million in 1975. Efforts will continue in programs which provide for construction of projects that produce and transmit electricity, improve water supplies, help control floods and erosion, improve navigation, and provide irrigation and water-related recreation opportunities. The 1975 budget provides for \$1,375 million for the construction of water resources projects, compared with \$1.333 million in 1974. Within this amount, priority is placed on funding projects for hydroelectric power, municipal and industrial water supply, and urban flood control. High priority is given to maintaining schedules for projects nearing completion.

The public lands, national forests, and Outer Continental Shelf are administered to encourage wise use of natural resources, to provide opportunities for recreation and the quality of the natural environment. Land management funding in fiscal 1975 will increase by \$163 million over the 1974 levels.



B. Legislation

The Administration will resubmit a bill which provides general management authority for the Bureau of Land Management lands. The bill would authorize the conveyance of BLM lands at fair market value when the lands are difficult to manage or public purposes would be served, and it authorizes the conveyance of mineral interest to surface owners when those interests interfere with surface development.

The Administration is considering a land use bill which would authorize a program of Federal financial assistance to develop and implement State land use plans.

III. New Directions:

The Water Resources Council will conduct a Presidential study of water resources policies. The Congress recently authorized the President to conduct a one-year study of current water policies and make recommendations for needed changes. The study will include cost-sharing and principles and standards for planning and evaluating programs and projects, including Federal objectives and use of discount rates. This study presents a unique opportunity for the Administration to recommend much needed reforms and finally resolve the major differences of views that now exist between the Executive and the Congress on this program. The Federal Government now invests about \$2.5 billion annually in water resource developments. Although most of these projects are for economic developments and benefit specific groups and regions, current policies require little financial participation by non-Federal interests. New policies requiring increased cost-sharing would help relieve the Federal Government of most of the financial burden of water resource development and ensure better selection of the most meritorious projects reflecting both economic and environmental considerations as well as a "willingness to pay" measurement of the benefits expected from the project.



The Department of the Interior will initiate a program to improve its data collection capabilities; particularly in the areas of inventories, potential recoverable resources and the speed with which these potential resources can be recovered in an emergency. Analytical capabilities will be strengthened to permit the Department to identify potential problems, assess their impact on the United States economy and to develop potential alternatives to minimize these impacts. The Department will also conduct an assessment and evaluation of the existing Federal Mineral R&D program and identify deficiencies and steps to overcome them.

The action of a number of oil exporters in limiting supplies, embargoing shipments, and driving up prices has raised the question of the extent to which the major industrial countries are exposed to the effects of similar collusion among exporters of other critical materials. The recent tight supply situation for energy, food and many raw materials has also prompted a more general concern--that we may be passing from an era of abundant supplies into one of constant shortages.



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DECEMBER 13, 1974

Office of the White House Press Secretary

THE WHITE HOUSE

EXCHANGE OF LETTERS
BETWEEN THE PRESIDENT AND
KENNETH R. COLE, JR.

December 13, 1974

Dear Ken:

It is with deepest regret that I accept your resignation as Assistant to the President for Domestic Affairs and Executive Director of the Domestic Council effective in March, 1975, as you requested.

Needless to say, you will be greatly missed here at the White House, where you have served so admirably for the past six years. Since the earliest days of the Nixon Administration, you have played a leading and vital role in shaping the direction of national domestic policy. From revenue sharing, welfare reform and health care, to anti-crime legislation, drug-abuse prevention planning and energy policy, your sweep and scope have been across the board. As the President's representative with the Nation's Governors and other local government officials, you have performed superbly. Their praise and universal respect for you should be a special source of satisfaction to you.

Beyond this, however, I want to express my personal appreciation for your contributions to my Administration in its first days and throughout the transition. I am especially grateful for your selflessness in temporarily setting aside your plans to the private sector in order to assist in the transition and completion of the 1974 legislative program. Also, your guidance and counsel in helping to shape and establish this Administration's domestic agenda have been immensely valuable.

You may be sure you and your family have Mrs. Ford's and my warmest best wishes for every success and happiness in the years ahead.

Sincerely,

JERRY FORD

December 12, 1974

Dear Mr. President:

When President Nixon asked me to join the White House staff six years ago, I came with the personal conviction that the Federal Government had grown so big as to be unresponsive to the people's needs and with the personal desire to help in the restoration of power and responsibility to the people themselves. Through such historic initiatives as General Revenue Sharing, I believe that process of restoration has begun. Your own role has been an indispensable part of the process from the beginning, and your continuing leadership will carry it forward to completion.

(MORE)



Serving my country has always been of the highest importance to me, and the opportunity to participate at the highest levels of government will always be the most meaningful and the most rewarding experience of my life. You and your predecessor gave me the opportunity to serve in a way I never envisioned, even in my wildest dreams, and my gratitude for the confidence reposed in me is literally beyond expression.

Now, I believe, it is time for me to pursue my career in the private sector. With mixed feelings of regret and thanks and anticipation, I ask therefore that you accept my resignation as Assistant to the President for Domestic Affairs and Executive Director of the Domestic Council, effective March 2, 1975.

We are fortunate to have you as our President. We need your leadership to restore confidence in government. But more importantly we need your leadership to restore confidence in ourselves. Government cannot do everything for everybody, but individual Americans, working together, can meet and beat the toughest of challenges. I believe you are setting the example for us to follow, and that the people will respond. I consider it an honor and a privilege to have been able to work with you. If as a private citizen I can be of help, please know that you can count on me.

Marilyn and I wish you great success in the future and wish for you, Mrs. Ford and your family all the happiness that life can bring.

Very respectfully,

KENNETH R. COLE, JR.

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