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THE WHITE HOUSE
WASHINGTON

September 22, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JAMES M. CANNON
FROM: JAMES E. CONNOR *JEC*
SUBJECT: Paper Entitled "Thoughts on
Substantive Strategy in President
Ford's Campaign"

The attached was received in the President's outbox with the following notation:

"Copy of V.P. s suggestions. I have the O. [original]."

Please follow-up with the appropriate action.

cc: Dick Cheney

9/200B.

THE WHITE HOUSE
WASHINGTON

Jim Cannon

Copy of V.P.'s
suggestions. I have
the O.

THOUGHTS ON SUBSTANTIVE STRATEGY
IN PRESIDENT FORD'S CAMPAIGN

I. Basic concept

If everyone accepts the idea that

A. President Ford for the past two years has been acting in a sense as a caretaker President dealing with the most unbelievably difficult problems of

- Loss of confidence in government at home
- Inflation
- Recession and unemployment at home and abroad
- World crises

and, that he brought this country through all of these problems with flying colors, restored confidence and respect at home and abroad, and a revitalized economy; and

B. Now the President has been nominated by his party for a four-year term and that he now seeks a mandate from the American people to deal, no longer with the past, but rather with his vision as to the great opportunities that lie ahead, and his plans for dealing with both the problems and the opportunities of the crucial four years ahead;

C. Then he must unfold both the broad outlines of the vision for the future and some examples of the kind of measures he plans to implement in order to overcome the problems and to realize the opportunities, leading to a better quality of life for all.

II. Mr. Teeter has outlined very ably the concerns and aspirations of the people.

Below are suggested initiatives related to Mr. Teeter's specific issues to dramatize the President's leadership abilities which qualify him, in fact make him essential, to the American people and the world as our leader during the next four years.

A. Foreign Affairs and Defense

1. Republican versus Democratic records over the past few decades.

B. Quality of Life - Suggested initiatives to illustrate the President's sound and creative approach to problems.

1. Crime

- a. Establishment of his programs and danger of Democratic Congressional inaction and lack of effective leadership.

2. Housing

- a. Maximizing Private Home Ownership through Stimulating Private Investment in Housing Construction. TAB A

3. Education

- a. Increasing Access To Education for All American Families TAB B

4. Urban Problems

- a. Federal Assistance of Urban Development and Employment in Major Urban Areas TAB C

5. Conservation

a. Parks program - already done

6. Health Cost

a. A Three-Phased Federal Program TAB D
to Control Health Care Costs.

7. Jobs

a. Providing Job Scholarships TAB E
for Low-Income Youth

b. Developing a School Work TAB F
Program

c. Encouragement of the American
Enterprise System to Provide
Stabel Employment Opportunities

a. Establishment of a
and Center of Legislative
Congressional Inaction and
of effective leadership

Housing

a. Maximizing Private Home
Ownership through
Private Investment in Housing
Construction

Education

a. Increasing Access to Education TAB
for All American Families

4. Urban Problems

a. Federal Assistance of Urban TAB
Development and Employment
in Major Urban Areas

Section 1

a. Foreign program - already done

Section 2

A

b. Report, cover, internal security
of United States - [unclear]

Section 3

a. Propaganda for [unclear]
in [unclear] [unclear]

Section 4

a. Developing a [unclear] [unclear]
program

Section 5

b. Encouragement of the American
Intelligence Officer to provide
State Dept. [unclear] [unclear]

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Maximizing Private Home Ownership
Through Stimulating Private Investment
in Housing Construction

Background

The lagging housing market and high unemployment in the construction industries are widely recognized problems. The release of Section 235 funds has demonstrated concern for the problem, but the Administration remains vulnerable on the housing issue. A major part of the problem is the high cost of mortgage credit.

Any meaningful Federal program to address the shorter-term housing problem is very costly (such as more tandem-plan money, increasing and directing Section 8 funds into new construction, or expanding Section 235). A potentially useful initiative may be put together at low Federal cost in which private pension plan reserves (now some \$200 billion) may be directed toward mortgages. At the end of 1974, only \$3.5 billion or so of the private pension fund reserves were invested in mortgages (about one-half of the amount invested in mortgages in 1969); in 1975, significant new pension fund investments were made in mortgages (perhaps an additional \$3-4 billion). Another \$3-4 billion is invested in real estate. The assets of public pension funds are now about \$190 billion, some \$90 billion of which is U.S. Government pensions invested in Treasury securities and some \$100 billion of which is assets of state and local pension funds invested primarily in corporate securities.

Proposal

Pension fund investors (private, state and local) would be encouraged to invest at least 15% of their funds in mortgages or mortgage-backed securities.

This would be accomplished in two ways:

- a) Investments, through the tax structure, would be developed to encourage up to 15% of their pension fund investment in mortgage and mortgage-backed securities.
- b) G.N.M.A. would be instructed to expand the development and use of mortgage-backed securities, including bonds.

- c) A new Pension Benefit Guarantee Corporation would administer this requirement, reporting any tax obligations to the Internal Revenue Service.

\$20 billion of new mortgage investment could be created by this proposal, although the actual investment would probably be less than this.

There would be some minimal administrative costs, but no significant Federal costs.

B

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Increasing Access to Education for All
 American Families

Background

One of the most valuable resources of America is its well-educated and highly trained population. Access to education is also a necessary factor in the American approach to equal opportunity.

However, the high cost of tuition in our education institutions is placing access to education beyond the reach of many American families. The cost of tuition, which in some institutions exceeds \$5,000 per year, means many middle and low-income families in this country are being denied access to preferred institutions.

While there are a number of scholarship programs available, these are generally limited in size and, for the most part, are focused only on low-income families. Middle-income families are increasingly being priced out of the market.

Rising costs are also leading to the demise of many high quality private institutions which can no longer compete with publicly-subsidized institutions.

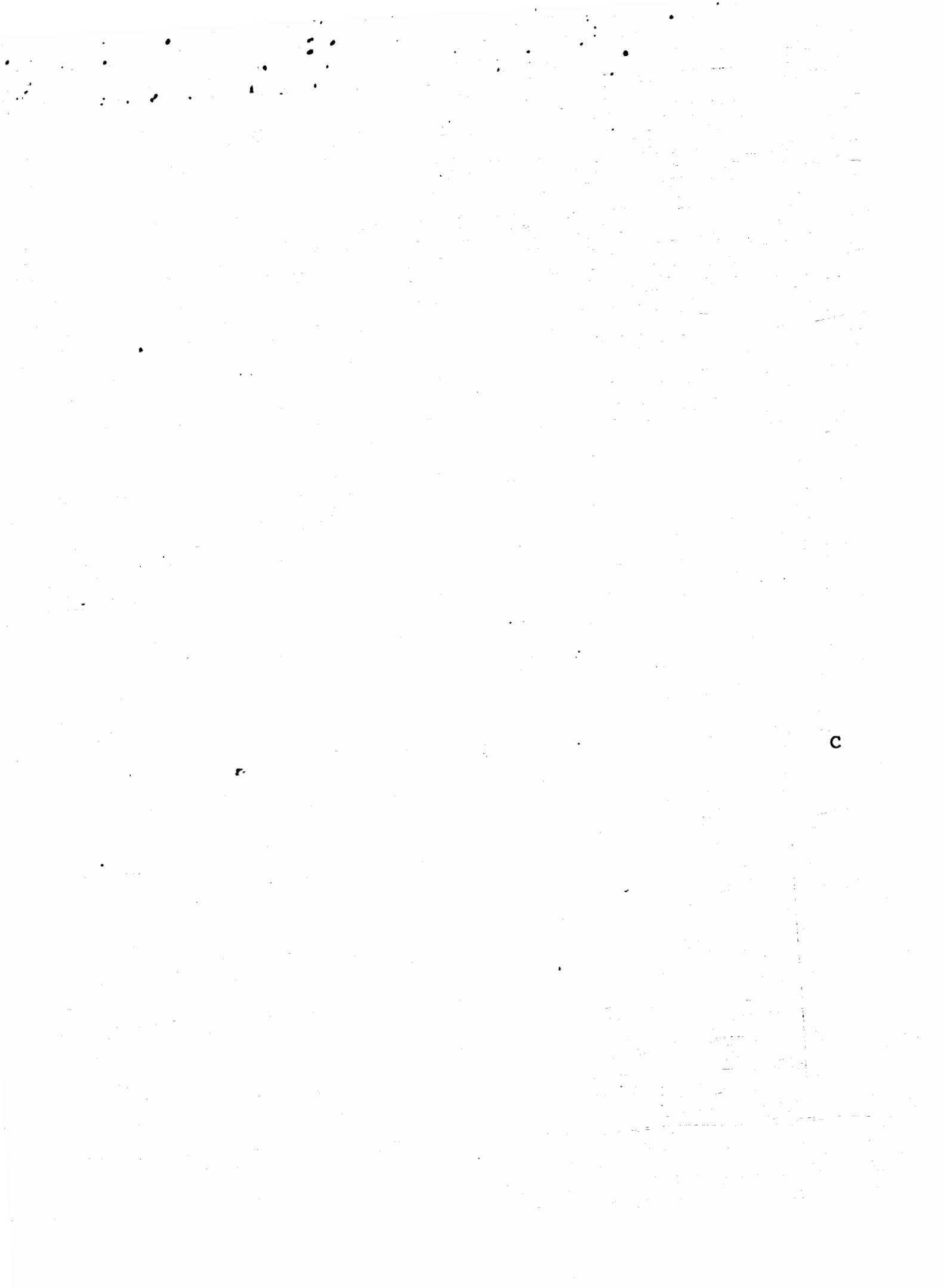
We need to assure that quality education is available to all American families without undue financial hardship, and that America's strong private education system is maintained.

Proposal

In order to reduce the financial burden on families, it is proposed that a full tax deduction for all education tuition, books, and fees at the elementary, secondary, and post-secondary levels be allowed.

Such a tax deduction is analogous to tax incentives provided for business investment, since education costs are investments in America's "human capital" and thus similar in nature to business investment.

The proposal would significantly reduce the burden on families of educating their children and would greatly assist the private university system in attracting students and continuing to be financially viable.



C

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Federal Assistance For Industrial Development
and Employment in Major Urban Areas

Background

Many of the older major cities, such as New York, Boston, Philadelphia, Detroit, Cleveland and Newark, suffer from deterioration of their assessed valuation, outward migration of industry, high unemployment and large welfare costs.

Any long-term solution that will save these cities will require that a sizeable portion of industry and jobs must be attracted back to the cities.

Previous Federal policy, such as the Federal Housing Programs, the Federal Highway program, Federal electrification programs, etc., has encouraged urban decentralization. If the cities are to be reinvigorated, Federal policy must encourage it. Cities today are faced with a multitude of internal problems. Therefore, the actual progression of an industrial redevelopment program will require Federal involvement.

These cities have vast areas of slums which are producing little revenue and constitute not only "eyesores", but are areas of degradation, crime and delinquency. The properties in some of these areas have already been acquired by municipalities through tax delinquencies.

A Federal program to assist in the acquisition of certain of these areas for large scale industrial parks would provide a necessary stimulus to the economy of the cities. Many of these areas could be made available for industrial usage if the land costs are written down, if they are cleared, and if the basics of utilities and transportation are provided.

Proposal

A program of Federal incentives to stimulate jobs through the development of large scale industrial parks in major urban areas.

Federal assistance could be made available in the following forms:

1. Federal funds to assist state and local governments in acquiring necessary additional land, clearing sites, and in writing down land values. Municipalities would be allowed to use land they now own to match Federal funds.

2. Modification of the "Ribicoff Amendment" that currently limits the amount of tax-exempt revenue bond financing for industrial development. This modification should be designed to permit larger amounts of tax-exempt industrial revenue financing for urban areas that have had consistently high unemployment.
3. Consideration should be given for industrial development in communities with consistently high unemployment rates above certain levels to:
 - a) the additional stimulus of a modification of the corporate income tax, and
 - b) a five-year tax write-off for capital outlays.

The matching financial assistance and the liberalized "Ribicoff", and the possible modification of the corporate tax incentives, would be limited to:

1. Urban areas where there has been a rate of unemployment of more than 9% for at least 2 years.
2. Urban areas that have lost manufacturing, assembling, packaging or warehousing jobs aggregating more than 27% of their employment in such fields.
3. Urban areas where states have established public benefit corporations for industrial development that:
 - a) Have power to issue revenue bonds, acquire and develop properties.
 - b) Have a continuing life and consistency of management.
 - c) Have power to lease and sell by mortgage such industrial properties.
4. Urban areas would be required to provide a form of real property tax protections for the developments.

Singapore's experience as a prototype:

In 1964, Singapore's population of 3 million Chinese had a per capita GNP of \$300. The leaders of the sovereign city decided to make Singapore a haven for international corporations. They believed that the only way to prevent Communist takeover was to advance economic and social programs for the people of Singapore.

To carry out this objective, Singapore built a 880-acre industrial park in which over 620 corporations employing nearly 70,000 workers have located in the short space of 12 years. The per capita GNP has gone up from \$300 in 1964 to \$2,000 today -- the third highest in Asia. They are now expanding to 14,000 acres and expect to attract over 1,000 factories.

This development demonstrates what can be accomplished by imaginative governmental policy to attract industry. The basic concept is adaptable to major city redevelopment here in the United States.

D

MEMORANDUM FOR THE PRESIDENT

SUBJECT: A Three-Phased Federal Program to Control Health Care Costs, to Assure Availability of Quality Health Care to All Americans Within a Viable Fiscal Policy

Background

Health care costs have risen more rapidly than the cost of other goods and services in the economy. During the 1950's, medical care amounted to 4% of the Gross National Product, while today it consumes 8%. The cost of health care has become a major expense for the average family and health insurance premiums have become a major cost for business.

The financial burden on families has been a continuous problem. It is being recognized by the health insurance companies for 75% of all new insurance policies now cover catastrophic expenses in excess of \$100,000. However, the unemployed and certain low income persons are without catastrophic coverage.

It is estimated that 19 million Americans are without any basic health insurance coverage. There is evidence that comprehensive maternity care and preventive care for children is the form of preventive medicine that has the highest pay-off.

Proposal

Establish a time-phased approach to improved health insurance coverage for all Americans beginning with major cost containment. Implementation of a comprehensive program would be contingent upon a sound economic situation.

1. It would require cost-control measures and budgetary savings as a condition of movement toward a more extensive system of health finance.
2. It would save approximately \$700 million in FY 1978 and provide an opportunity to learn from experience as we proceed toward broader health insurance coverage.
3. It would move carefully to fill in gaps in coverage and to control costs without totally replacing the health care system with a new, Federally controlled system.
4. It would continue the President's effort to decentralize full Medicaid program authority and responsibility to the state level.

The program would be implemented in three stages.

A. Stage I -- cost containment effective January 1977.

1. Limit increases in per diem costs for all hospitals of 8% in FY 1978. Exceptions for higher rates of increase for new capital formation or negative cash flow, could be requested.
2. States would be required to institute a prospective reimbursement system by FY 1979. Cost controls have been demonstrated to be effective over short periods of time, but for long-term solutions they must be replaced by more systematic mechanisms to limit inflation.
3. Federal Medicaid regulations would be modified to provide the states with maximum program authority and responsibility. Federal financial aid would be provided to states to assist them in locating fraud and abuse.
4. Improve the competitive position of Health Maintenance Organizations through amendments to current law and through tax incentives to attract increased private investment capital into this area.
5. Expand PSRO review to include outpatient care.
6. Provide support for Health Planning Agencies and PSROs through Federal Financial Assistance, personnel training and by providing technical assistance.

B. Stage II -- further cost containment and expanded coverage effective January 1979.

1. Medicare modifications:

- a) Combine Medicare parts A and B into a single benefit package and administrative structure.
- b) Establish a \$150 deductible on all covered services.
- c) Provide full payment of covered services after \$750 of out-of-pocket expense.
- d) Require 10% cost sharing on in-patient hospital services.

2. Broaden Medicaid coverage:

- a) Provide, through state-administered Medicaid, coverage for maternity care and children through age 6.

b) Provide Medicaid catastrophic coverage to persons not insured due to poverty or loss of benefits through unemployment. This provision would be activated after a family had incurred \$750 in expenses. The family would also be subject to the Medicaid cost sharing provisions outlined below.

3. Establish minimum benefit standards for private insurance policies which would include coverage against catastrophic illness. They should also include comprehensive coverage for maternity care and children through the age of 6.

4. Cost sharing provisions:

a) For private insurance plans, require a \$150 deductible and 25% co-payments for maternity and childrens benefits.

b) For Medicaid eligibles, deductibles for families would be scaled from 0 at \$4000 income to a \$5000 deductible at \$14,000 income. Maximum liability would rise with income from 6% of income at \$4000 to \$7500 when income reached \$14,000. Co-payments would rise from 10% of medical costs at \$4000 to 25% at \$14,000 and above.

c) Comprehensive coverage for maternity benefits and children through age 6 would be provided for Medicaid recipients. Those with incomes over \$4000 would pay a \$150 annual deductible and a co-payment of 25%. The maximum out-of-pocket liability would be \$750.

5. Through increased cost control and cost sharing, the expanded coverage should be a budgetary "wash".

C. Stage III -- expanded benefits for the unemployed and the non-Medicaid covered low income population.

Stage III would expand full Medicaid coverage to all unemployed and low income persons who cannot otherwise obtain comprehensive health coverage. The benefits would be subject to the cost sharing provisions outlined above.

Advantages of the Proposal

The Democratic platform and Carter have embraced the Kennedy-Corman bill which would totally Federalize the health care system and would transfer approximately \$70-80 billion of current private expenditures to the Federal budget. If Carter wishes to balance the budget at the same time as instituting this proposal, it would require an annual tax increase of approximately \$500 per capita.

The three-phased proposal provides a well-organized plan for cost containment and expansion of coverage with as little disruption as possible to private health insurance and to the private health care system.

It provides a balanced strategy which:

- Controls health care costs and restructures the delivery system to emphasize quality health care and disease prevention.
- When costs are controlled and the system is properly restructured, it moves to expand coverage, first by covering catastrophic illnesses and then gradually moving to provide broad basic benefits for all Americans through private and public programs.
- As a fiscally responsible approach to reform, it is also "realistic" and has a reasonable chance of enactment. In effect, it "buys" its cost-control provisions with the promise of improved coverage. Approaches which attempt to "cap" current programs or withdraw from Federal responsibilities without improving coverage would have virtually no chance of enactment and would be politically unrealistic.

MEMORANDUM FOR THE PRESIDENT

**SUBJECT: Providing "Job Scholarships" for
 Low Income Youth**

Background

Youth unemployment statistics remain very high. The August 1976 figures indicate that among youth 16 through 19 years of age, the unemployment rate is 19.7% or 1.8 million persons. Among minority youth the rate is 40.2% or 393,000 persons.

One problem is that many jobs open to untrained youth are unsatisfactory to the youth. They do not present a long-term career path to youth seeking full-time employment. As a consequence, youth tend to quit their jobs at a high rate, thus leaving large numbers to be counted unemployed and continuously seeking new job opportunities.

Employers are reluctant to employ youth in jobs in which they have to pay the costs of training plus the minimum wage. Consequently, employers tend to offer youthful job seekers low-skilled work which requires little or no training. Jobs leading to skilled work are reserved for those applicants who are more likely to stay long enough to provide a return on the training investment.

An issue is whether more should be done to provide disadvantaged and minority group youth seeking full-time work more opportunities to acquire skilled jobs and receive useful training.

Among the proposals that have been considered has been the lowering of the minimum wage for youth. This is not considered realistic because of the strong union pressure to raise the minimum wage.

An alternative which may be more politically viable is to provide a financial incentive to employers to take youth into skilled jobs and to train them. The "Job Scholarship" proposal represents this type of an approach.

Proposal

A "Job Scholarship" is a voucher which the youth would exchange with employers for a skilled job and training for a specified period of time.

The concept of the "Job Scholarship" is similar to the Basic Opportunity Grant Scholarship with which disadvantaged youth can obtain a college education.

The Scholarship is envisioned as a fixed grant of \$1,000 for one year of training or employment which would be renewable for an additional year if the recipient successfully completed the first year's program.

The Scholarship would be limited to those with incomes below 150% of the poverty level. It could only be used to purchase employment in full-time skilled jobs, determined by the Department of Labor to provide a clear long-term career path and significant potential for increasing wages and responsibility.

The program would be coordinated by a newly created Youth Job Service which would be responsible for seeking out and certifying job opportunities which would be eligible for participation in the "Job Scholarship" program. It would also determine recipient income eligibility.

The "Job Scholarship" concept should be phased in at a point when the economy approximates full employment, projected to be near the third quarter of FY 1978.

A program which would provide approximately 450,000 scholarships will require funding at about \$.5 billion per year. This is estimated as the amount necessary to cover unemployed disadvantaged youth.

Advantages of the "Job Scholarship" Approach

- o The "Job Scholarship" is a visible response to the youth unemployment rate.
- o The "Job Scholarship" program, as opposed to the more general CETA programs, is focused directly on youth and their employment needs. Only about 27% of those in CETA "On The Job Training" programs are youth.
- o The use of a voucher allows the youth flexibility in the labor market and provides him with the independence to select the type of employment which he feels would be most interesting and satisfying.
- o The "Job Scholarship" provides a direct incentive for employers to hire and train youth for more skilled jobs than they would otherwise be able to obtain.
- o From an equity point of view, the "Job Scholarship" provides career opportunities for disadvantaged youth entering the labor market in the same way that the Basic Opportunity Grant program opportunity for youth going to college.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Developing a "School Work" Program

Background

The Administration has developed programs which supply summer jobs for over 1.5 million youth, including \$528.4 million for 888,100 jobs through the summer youth program.

There is a need to provide to youth attending school jobs which can be continued during the school year, as well as in the summer months.

Proposal

A "School Work" project could be established to provide part-time and summer jobs for youth within the neighborhood school setting. Projects would be designed to restore the damage caused by vandalism to the school facility.

The program could be financed partially with funds from existing programs and directed to part-time and summer jobs for youth in their own schools.

The students would engage in full-time jobs at the minimum wage during the summer, and quarter-time work during the school year. The youth would be trained to perform such jobs as cleaning and painting the schools, repairing broken windows, restoring furniture, building new facilities, etc.

The proposal is based upon the concept that the school is more than a learning facility. It is also a community institution that can serve as a recreational facility and a community center. The jobs are provided at the school site to increase pride in the school and provide a strong sense of community identification for the youth.

The projects would be directed by the coaches, the school principals, or other respected faculty members. A coach is generally recognized and respected as an authority figure within the school and can successfully instill both a sense of discipline and a sense of self-confidence. Federal funds could be channelled through the State Employment Service or local CETA prime sponsors directly to school districts that establish programs in accordance with specified criteria.