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THE WHITE HOUSE

WASHINGTON

October 16, 1975

THE PRESIDENT'S BRIEFING BOOK

Key Questions

For: Cox Newspapers Interview

October 17, 1975

TAB A	BUDGET
TAB B	ENERGY
TAB C	GENERAL DOMESTIC
TAB D	INTERNATIONAL

CUTTING SPENDING

Q: It is an old law here in Washington that everyone is against high Government spending in the abstract, but not when it applies to programs of which they are the beneficiaries. How do you propose to get around this fact when you make specific recommendations for spending cuts?

A: This is a very difficult problem. Programs have constituencies and beneficiaries and it is very hard to face the unpopular and often painful consequences which budget cuts mean. I would make two observations, however.

First, I have not proposed a reduction in the Federal budget. I have simply proposed a slower increase in the growth of Federal expenditures.

Secondly, I have proposed linking the expenditure curbs to tax cuts. Tax cuts also have beneficiaries, more in fact, than do many of the previously uncontrollable special interest programs which have pushed the budget up and up in recent years. It is my belief that the Congress will recognize this and that the American people will support this approach.

Porter
October 16, 1975

TAX CUT--SPENDING CEILING: WHEN TO MAKE THE CUTS PUBLIC

Q: We understand that the Cabinet Departments are now reviewing areas where OMB has suggested they cut Federal spending. When will this process be completed, and when do you expect to make the cuts public?

A: I have publicly announced plans to send to the Congress the day they return from recess a plan to slow the explosive growth of the food stamp program. The food stamp reform plan will be one of the areas where we can slow the growth in Federal expenditures. You are correct that we have sent spending ceilings to the departments and agencies for review. But the nitty-gritty, the detailed examination of what is to be done in each program area will not be completed until the Budget is submitted to the Congress in January.

OMB
October 16, 1975

TAX CUT SPENDING CEILING
ECONOMIC EFFECT

Q: What economic effect do you believe your tax cut spending ceiling will have in the short run?

A: My proposal to reduce taxes and curb the growth of expenditures was not designed for its short term economic effects. As I have stated earlier it is not aimed at affecting the economy in any significant way during early 1976.

Unless the growth of Federal outlays is slowed the choice in future years will be between higher taxes and highly inflationary budgets. My proposal to reduce the rapid growth in expenditures would reduce the tax burden of the American people but in a manner which would also reduce the inflation risks. We have become so accustomed to looking at the near term and assessing the short term benefits and costs of what governments do that we often lose sight of where we are heading and the costs we impose upon the American people and upon the productivity of our economic system. It is time to stand back and take stock of where we are going.

The short term effects of my proposal, in any event, would be minor. There would be a slightly larger deficit during the first three quarters of next year. Standard methods of analysis would suggest a slightly more rapid increase in production and employment early next year--but these effects would be small in any event. I would also point out that the larger deficit early next year would not arise if the Congress would adhere more closely to my budget proposals for the present fiscal year.

CEA
October 16, 1975

WHAT EXPENDITURES SHOULD BE CUT FROM THE
VIEWPOINT OF REDUCING INFLATION

Q: One of the goals of your proposal is to cut the rate of inflation. Yet many people believe that some types of spending have a greater effect on inflation than others do. Have you taken this difference into account in your recommendations for spending cuts?

A: I am aware of the argument that specific types of expenditures are more inflationary than others. Although there may be some truth to the argument, it is pretty hard to distinguish major differences.

I believe that the problem is somewhat different. The inflation problem is more a question of total spending and the overall budget while the choices between the various types of programs and outlays is more a matter of which programs are essential and which are of lesser importance. These are difficult choices, as will become evident in my budget proposals, but it is also the job of the Congress to assist in making the hard choices.

CEA
October 16, 1975

TAX CUT SPENDING

Q: What economic effect will there be if you veto a tax cut bill, and Congress sustains your veto so that nothing happens: there is no tax cut and no ceiling on spending?

A: As I have said on a number of occasions, my proposals were not undertaken to affect the economy in the short run. Therefore, I would not expect Congress' rejection of the proposals to have a major short run impact on the economy. However, in the longer run, unless the growth of Federal outlays is slowed the choice in future years will be between higher taxes and highly inflationary budgets. My proposals would restrain the rapid growth of Federal expenditures while reducing the burden on the American taxpayer in a manner which would also reduce the inflation risks.

CEA
October 16, 1975

B

NATURAL GAS

- Q. Jack Anderson recently charged that the gas producing companies are deliberately withholding supplies of natural gas and that your Administration is working hand in glove with them in order to raise prices. Is that true?
- A. After Mr. Anderson's column appeared on Monday, October 13, I asked FEA Administrator Frank Zarb to look in to his specific allegations.

Unfortunately, the "confidential memo" of a House of Representatives subcommittee quoted by Mr. Anderson has not been provided FEA despite repeated attempts to acquire it. Therefore, it is not possible to specifically respond to its conclusions and allegations.

More specifically, however, the Federal Power Commission and the U.S. Geological Survey has investigated the question of shut-in reserves, and both have issued public reports. While those investigations are continuing neither indicate any conspiracy to withhold natural gas. Should that investigation, or any evidence supplied by a Congressional committee, indicate a conspiracy, I will ask the Justice Department to prosecute any legal violations to the fullest extent of the law.

CR/10-16-75

ENERGY INDEPENDENCE ADMINISTRATION

- Q. Your proposal to create an Energy Independence Authority has come under fire from liberals, conservatives, environmentalists, industry officials, and Members of the House and Senate. What chances do you see for Congress -- which has not passed most of your energy proposals -- to approve this one, and when do you expect final action?
- A. I proposed the Energy Independence Authority because I feel strongly that such an Authority fulfills a critical need in the energy area. I see it as being a complementary addition to the energy program I proposed last January. While I recognize that some parts of this proposal are controversial, I cannot stress enough the importance of Congress acting quickly and favorably on this legislation. I sincerely hope that it could be enacted into law by early 1976.

CR/10-16-75

DRUG TASK FORCE REPORT

- Q. Do you go along with the Domestic Council's Task Force report on drugs recommendation that the government's "war" on drugs de-emphasize anti-marihuana efforts and concentrate on such drugs as heroin, amphetamines and mixed barbituates?
- A. The task force's recommendation is actually a good deal more cautious than has been reported in the press. It recommends continuing our policy of de-emphasizing simple possession and use of marihuana in Federal law enforcement efforts and concentrating our attention and resources on those drugs which cause the greatest social harm -- a policy which has been in effect for several years. However, the task force also recommends that vigorous law enforcement aimed at major marihuana traffickers be continued, and concludes that marihuana "use should be strongly discouraged as a matter of national policy."

I endorse that moderate view.

Background

Specifically, the task force report states:

"A great deal of controversy exists about marihuana policy. On the one hand, recent research indicates that marihuana is far from harmless, and that chronic use can produce adverse psychological and physiological effects. Therefore, its use should be strongly discouraged as a matter of national policy.

However, in light of the widespread recreational use -- and the relatively low social cost associated with this type of use -- the Federal Government has been de-emphasizing simple possession and use of marihuana in its law enforcement efforts for several years. For example, very few persons are arrested by Federal agents for simple possession and use; those who are charged with this offense normally are also being charged with some other, more serious offense as well. However, vigorous law enforcement aimed at major traffickers has been and should continue to be undertaken at the Federal level.

The task force endorses this moderate view and expects the lower priority that has been established for marihuana will also be reflected in our demand reduction efforts by the elimination of many non-compulsive marihuana users now in our treatment system."

September 29, 1975

MEMORANDUM TO:

DONALD RUMSFELD
RICHARD CHENEY
JAMES CAVANAUGH
DAVID LISSY
TERRELL BELL
HAROLD HODGKINSON
VIRGINIA TROTTER
JAMES CANNON
JAMES LYNN
PAUL O'NEILL

FROM:

ROBERT GOLDWIN

SUBJECT:

Quality Education

The attached Wall Street Journal article on public education reports on the relative significance of expenditures, class size, and teachers and principals in attaining quality education.

TEACHERS AND PRINCIPALS

The level of funding "had little or no effect" on results of innovative school projects. In getting results with such projects, "the most important elements were high teacher morale and willingness to do extra work, and the support of principals, as well as district officials." (A study by the Rand Corporation)

"The morale of teachers is a vital element in the quality of the experience the kids get and this is being very seriously undermined by a feeling that support of the public is lost." (Professor Harold J. Noah, Teachers College, Columbia University)

"The individual teacher makes an enormous difference." (Professor Noah)

"Not that money isn't important, but the important variables are the caliber of instruction, the feeling of the school--the climate of learning rather than the hardware." (Paul Houts, National Association of Elementary School Principals)

MONEY

"I think we had a great misuse of money. People wanted to put money into quick changes and there aren't any. Poorly researched projects are often to blame." (Daniel E. Griffiths, Dean of the School of Education, New York University)

"People have become disenchanted with the ability of money alone to make major changes in educational quality." "People know that school costs have increased considerably faster than the cost of living. Now they are getting a lot of information about how poor the results are for many children." (George Weber, Council of Basic Education)

CLASS SIZE

"The pupil-teacher ratio in instruction . . . showed a consistent lack of relation to achievement among all groups under all conditions." (James S. Coleman and others, Equality of Educational Opportunity)

"If you get down to class sizes of ten, then clearly you are making a tremendous difference." But such classes are unlikely in public schools and studies show that differences in class size within the 25 to 35 student range aren't important. (Professor Noah).

"Research on the effects of class size on pupil achievement is contradictory and inconclusive." "Class size may have no effect at all upon achievement. Much of the research upon class size finds that students in large classes achieve more than those in small classes." "Class size had no consistent effect on the gain, even between classes of 24 students or less and classes of 34 students or more." (The New England School Development Council).

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FRIDAY, SEPTEMBER 12, 1975

Crowding the Classrooms

By Roger Piccolo

The school is an hour and a half from
since the local golf course looks like a
camp and the main station belongs in a

class size is also a key issue. For decades
teachers and parents alike have fought for
small classes. Now the issue is even more
important to teachers because small class

Using a complex statistical formula,
Coleman concludes that variations in in-
structional expenditure were responsible
for less than 1% of the variance in achieve-

October 16, 1975

PANAMA

Q: What are the prospects of concluding this year a new treaty for submission to the Congress?

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

I have no intention of proposing to the Congress any agreement with Panama, or with anyone else, that would not protect our vital interests. Naturally, any treaty we reach will be submitted to the full constitutional process, including Senate approval, and we will be consulting closely with Congress as the discussions continue.

FYI: General Omar Torrijos, chief of the Panamanian government said in Costa Rica Wednesday, October 16 that he believes the new Panama Canal Treaty will be signed in 1977. You will not want to commit yourself to any timetable more specific than outlined above.

CUBA

Q: Secretary Kissinger and State Department officials have said we are ready to begin conversations with Cuba to normalize relations. Have contacts already been made or do you expect them soon?

A: As has been said on a number of occasions, we see no advantage in perpetual antagonism between our selves and Cuba. There are, however, a number of complex problems at issue between us. We would be willing to enter into discussions about these issues but only on a basis of complete reciprocity. I wouldn't want to speculate on when or whether it might prove possible to begin to work out these problems.