

Minutes of the Cabinet Meeting  
September 17, 1975

The President entered the Cabinet Room at 11:03 a.m.  
The press arrived at 11:04 a.m.  
The press departed at 11:06 a.m.

The President opened the meeting with greetings and then mentioned several legislative items on which he wants action (Note Attachment at Tab A).

- Reauthorize Child Nutrition Programs
- Expand Crop Insurance Program and Eliminate the Costly Disaster Payment Program
- Executive Agency Regulatory Reform
- Foster Development and Production of Naval Petroleum Reserves
- Transfer PHS Hospitals to Communities
- Unfreeze Supplementary Medicare Insurance Premiums
- Enact Budget Reduction Legislation
- Consumer Assistance --

The President mentioned that last Spring he had directed individual agency consumer representation plans to be developed and submitted to Virginia Knauer by early October. He stressed that the reports need to be in by early October so Mrs. Knauer can present an overall plan to the Congress and demonstrate to the nation that the Administration is moving on consumer protection. This action will also assist the Administration in beating the Consumer Agency Bill which is pending, and which is going to directly involve each and every Cabinet officer. The President said the bill, if passed, would create serious problems and each Cabinet member would be sorry that he had been selected for his position.

The President then talked about the science and technology Bicentennial display at Cape Canaveral. The President is placing high priority on it and wants it to be successful. He has asked Cabinet officers and agencies to assist monetarily with personnel. Jack Marsh has the lead and is working closely with NASA and other groups to ensure there is an energy and technology exposition which will look to the future. Therefore, the Bicentennial will not be just a look at the Nation's history and tradition, but also will project the Country's future.



The President called on Secretary John Dunlop to discuss the movement in the grain situation.

Secretary Dunlop stated Meany's chief concerns were the uncertain and erratic sales to foreign markets, and the American labor supply. Principally, the cause is price instability; therefore, when Meany came to the White House, he did not present a list of demands; he was not strong in any way, but wanted the President to develop an over-all plan. The President had suspended sales after 10.3 million tons had been sold. There has been a strong feeling that there was a need to talk with the Soviets, to better forecast the year ahead crop, and to negotiate freight rates for American ships.

The first goal was to reach an interim agreement. The President made an announcement on September 9th, that shipping would be continued under an agreement which was reached. The Assistant Secretary of State Charles Robinson was sent to the Soviet Union to begin the negotiations with Foreign Minister Patolichev on a long term grain agreement. Robinson returned Tuesday night and will be reporting to Secretary Kissinger on Wednesday.

The President then called on Secretary Butz for a response.

Secretary Butz did not want the Cabinet or the Administration to be led into thinking that George Meany was solely concerned about protecting the American consumer. The Secretary mentioned that even if we shipped the maximum capacity out of U. S. ports, which would be 100 million tons annually, there would be record crops and a surplus. There is going to be 19% more corn, 17% more wheat, and all other crops are up substantially. Even though the maximum capacity could be moved out of U. S. ports, there will still be surplus this year. If the surplus gets too large however, the farmer will be very unhappy and upset over not selling more grain abroad. So there is a very fine line between the amount of surplus and that which is to be sold abroad. Secretary Butz did say that it is a highly emotional issue.

Secretary Morton then said that Maritime has a handshake agreement on a 16 dollar rate for shipping. That is up from the \$9.50 rate currently charged. The new rate will bring 30 ships out of layup and the agreement calls for 1/3 of all exports to be carried on U. S. ships.





Secretary Butz said the next crop forecast comes out on October 10, 11 and it appears the September/October forecast will be up substantially. Mr. Butz stressed once again that Meany is not the friend of the White House, the Republicans, or the American consumer and that we should not be patting Meany on the back, while slapping our friends, the American farmer, in the face.

The President's attention then turned to busing and he asked Attorney General Levi to give the Cabinet a report.

The Attorney General said busing was moving ahead; the attendance in the schools, both by teachers and students, has gone up measurably and in his judgement the U. S. marshals have done an outstanding job. He does anticipate difficulty in Dallas by mid-year, the approximate date being January 5th, when busing is to start. He further stated that he believes there are problems with the Esch Amendment. He thinks the list of priorities which are established in the amendment may not be realistic. It includes a large capital outlay for new schools. The Attorney General feels that many groups which originally supported busing, now have some doubts.

Secretary Mathews added to the discussion by stating that HEW was providing ESA money in Louisville (\$1.2 million). In Boston, HEW has contributed \$3.9 million, \$2.6 million of that being this year. There are supplemental grants available between \$1.5 and \$1.9 million; however, HEW cannot pay for the police cost of enforcing the busing.

Secretary Coleman also got into the discussion by asking the President to please listen to another point of view. He stated emphatically that where communities had anticipated school busing as a necessary process, the communities established task forces to work on the problem, and have done very well. He cited Pasadena, California, as a good example. School busing has worked without violence; quality education has not suffered, and the community has embraced the concept. There is a feeling by many, that Federal judges are now involved in the management of schools; however, Secretary Coleman said the Federal judge in Boston stepped in only after three years of begging and pleading with the community to take care of the problem themselves. Only then did the Federal judge feel compelled to set down the program



for busing. History will show, believes Secretary Coleman, that the Federal judges acted with great restraint, judgement, and wisdom in assisting the court ordered busing.

Attorney General Levi then said, we don't disagree.

The President then called on Richard Dunham to discuss the New York problem.

Mr. Dunham said New York City has moved off dead center by going to the State Legislature and it has in effect handed the problem to the Federal system. New York City's view is that as a City they have done all they can and it is now a Federal problem. In Dunham's view extensive short term borrowing will be necessary to get the City back on its feet.

The President then called on Alan Greenspan for an economic report relative to New York City.

Mr. Greenspan feels there is no immediate impact, erosion, or failure that will be felt on the big banks. However, there are some smaller banks which will need specific action and perhaps legislation to assist them. The psychological reaction is far greater than the actual response by institutions. He did state that there are two serious problems: First, Will there be market disruption limited in time and impact? To which he responded that he believes there will. And Second, The larger problem, if major disruptions do occur, What will the institutional reaction be? He believes that it can be handled within the confines of the institutions as now established with no assistance from the Federal government.

Jim Cannon did interject that the New York Congressional Delegation has no plan and is not preparing a plan for the assistance of New York City; in fact, the New York Congressional Delegation is very divided on how it should be handled. Therefore, he does not believe there is Congressional support to assist New York City, unless and until, the New York Congressional Delegation gets together, unanimously, on a plan.

Vice President Rockefeller then talked about the problem. He does not see a solution that will be reached in the next three months and all agreements will expire on December 31st, 1975. He believes the political impact is far more serious than anyone thinks. The impact in New York City and





State when there is no money to pay anyone, firemen, policemen, sanitation workers, could be very severe. He wanted to impress upon everyone the need to work toward a possible solution should that arise. He suggested to the President that a quiet task force be put together to study the impact if the worst happens.



He further stated that Congress should give the President authority to act so he could assist in transferring approximately 1/3 of their floating debt to long term debt by advancing medicaid payments. This should be done only if they get their house in order, and if they sincerely attempt to develop a plan which will allow for appropriate Federal involvement. Three point four billion dollars goes to New York City each year in Federal aid, so the Federal government has quite a lever from which to work. The Vice President thinks the President should only intercede if the Congress gives him that authority.

Mr. Dunham then added that a new budget by Mayor Beame is being developed and will be submitted in early October. When that is submitted, everyone will be able to see how sincere Beame and his people are in attempting to solve the problem or whether they are merely trying to put the burden on the back of the Federal government.

The Under Secretary of the Treasury Steven Gardner said that the only possible solution is to stretch out the short term debt to long term debt and that in the final analysis the courts will have to settle this problem.

Alan Greenspan then closed this discussion by saying the burden and impact of a bankrupt New York City will fall directly on the bond holders.

The President then called on the Vice President for discussion of Domestic Council forums.

The Vice President believes the country is in a social/political/economic dilemma and this group seeking domestic ideas will become very important. They will cover a wide geographic area over a five or six week period, in an attempt to assist the Executive Branch in the development of domestic programs.

The Vice President then reviewed the handout which he distributed. The Vice President believes this program of forums will allow the President to present an alternative

path for the country. It will present some very interesting choices to the country and it will allow the President in his State of the Union, to dramatically offer an alternative to a country which is not making hard, tough decisions. In the Vice President's judgement, the President's State of the Union speech could be an historic occasion in the Bicentennial year. (Note Attachment at Tab B.)

Director Lynn said his office is preparing a series of charts showing budgets, deficits, beneficiaries, and producers in program areas which crosscut departments. During the Domestic Council forums, it is possible to have these charts across the room, and it will dramatically illustrate the course this country is going. The evidence is so substantial that it would lead virtually anyone to believe that a restructuring of the Federal system, a regrouping on budget deficits and financing is necessary.

The President called on Alan Greenspan to give a quick wrap-up on the economy.

Mr. Greenspan made three points: First, there is increased output in the third quarter. Real GNP on an annualized basis, is 9+%. Second, inflation should come down over the next three to six months. And Third, if the budget deficit increases significantly, it will cause very severe problems.

The President then called on Frank Zarb to review the energy picture.

Frank Zarb said that there was a handout before every Cabinet officer and staff member (Note Attachment at Tab C). The hard issue Zarb said, was whether or not we have a national energy program which will diminish a need on foreign imports. The essence of that argument is the creation of American jobs and the decreased outflow of jobs and dollars to the OPEC countries. In his opinion the rate of imports has turned down very slightly over the last few months. The larger problem still remains, Congressional inaction.

The President then interrupted Zarb and said that the Senate will probably not grant an extension and the Administration will have to go along with no controls.

The meeting was closed at 1:00 p.m.

