

Cabinet Meeting, October 8th, 1975  
The President arrived at 11:45 a.m.  
The press arrived at 11:46 a.m.  
The press departed at 11:48 a.m.

The President opened the meeting by greeting the Cabinet. He then stressed the need for continued momentum for the Tax Incentive Package proposed this week. He emphasized the importance of maintaining a posture of vetoing any tax extension if Congress refuses to put a ceiling on spending. The two proposals must be tied hand-in-hand or the President will veto. He praised OMB Director Lynn, Secretary Simon, and the work of the Economic Policy Board in preparing the package on which he addressed the American people.

The President believes that every tax payer understands the change in the family tax exemption, as each businessman knows of the corporate tax reduction. These two changes will bring the message home for many people. He urged the Cabinet to study, do their homework, and be prepared for a tough fight on the Hill, one that could drag on for several months.

Director Lynn stated that the new ceiling for all departments and agencies will be sent to them in the next few days. He indicated the desire to take care of the new ceiling within each agency or department. Exactly how that is achieved is not nearly as important as the fact that it be done. Therefore, the opportunity to use imagination and creative thought in application of budget ceiling is significant.

He feels the interest group reaction to the proposal will be very strong. The President clearly understands the role of interest groups and the proposals he is making; so, do not bow to the pressure of those groups, but rather deal with them effectively within your own agencies. There is a general impression that some people think the Congress cannot cope with tax reduction and a spending ceiling. However, the President says it can be done.

The President used the 1965 example of a President Johnson proposal where Wilbur Mills, after studying it carefully, conceded the two coupled together could be achieved by the Congress.

Director Lynn feels it is irresponsible to continue to address a ceiling on spending without the Congress totaling their budget figures. They continue to approach the budget





problem on a piece meal basis rather than totaling all of their figures and they have continually added to the 1976-77 budget figure that way.

Secretary Simon said Al Ullman when first appraised of the President's idea rejected it. However, he indicated to Simon that the more he sees of it, the more he likes it.

Alan Greenspan said that many people, both within and without the Congress, feel a need for more stimulation of the economy. Greenspan agrees but feels strongly that it should be done by tax reduction, not increased spending.

Director Lynn said one of the big problems with the Congress is that they are not showing the process as to how they arrive at certain figures. They are merely showing the end result. It is important the Cabinet stress this in hearings and probe the Congress on exactly how they arrived at their figures, what procedure they used.

Don Rumsfeld strongly stated his opinion about becoming reactionary to what the Congress may or may not do with the President's proposal. He feels it is essential for the Cabinet and the Administration to sell the President's program, the two proposals tied hand-in-hand. To sit around and speculate as to what the Congress might or might not do, what it can or cannot do, weakens the President's overall program. The basic issue is whether or not the American people will have a choice on how and where the growth takes place within the Federal budget. The President is attempting to shift the traditional argument away from the government making the decisions and more toward the citizen.

Vice President Rockefeller said he agreed with Rumsfeld and indicated the Domestic Council forums will address this very question. He hopes to be able to report back to the President with favorable news.

The President said the Appalachian governors, after a discussion of the spending ceiling, agree with him. There is a general consensus that the growth of the government must be cut back.

Frizzell said it's his opinion that the concept is very good, but it is little understood by the American people. The need to package it in terms that will be easily understood is essential. His idea is to use two phrases: The President is putting a lid on taxes and a lid on spending.





Secretary Schlesinger said there are other attendant problems with the President's program. The Defense Department has personnel and bases which they are prepared to close down and relocate if the Congress would merely approve it, but getting that to happen is very, very difficult. The feeling that the government could fire 10% of all the people and have increased efficiency is felt by many.

Vice President Rockefeller stated there is a Civil Service report coming out and it will strike at the very problem to which the Secretary is speaking and it should substantiate the President's position.

The President then turned his attention to Regulatory Reform and mentioned the legislation on railroads went to the Hill yesterday and the CAB Airline Proposal Package will be sent to the Hill today.

Secretary Coleman told the Cabinet and the President that he feels that it is very important for each agency and department to review its own statutes. In looking at regulatory reform, many agencies have allowed their statutory power to get out of control without adequate review. Therefore, in his department they are reviewing all legislation that is now pending as to how it fits with other previously passed statutes. They have found some amazing laws that are on the books that do not now apply.

The President asked Secretary Coleman if he is keeping any log of the changes which he is recommending?

The Secretary indicated that he is.

Secretary Butz said there are 80,000 employees in the Agriculture Department and 23,000 have a police function of some kind. Therefore, the Secretary has established three committees to review all police functions for updating, including all statutes which have been passed.

Secretary Dunlop, in his opinion, finds it necessary to differentiate between social regulation and economic regulation. It is important that Cabinet members watch their terminology as they speak to these two matters. Economic regulation is represented by tariffs, entrance and exit in the market place, rates, etc. Social regulation is health and employee benefits, minimum wage, and others. One half of all the employees at Labor are involved in regulation or police action.

The Secretary stated further that in his opinion when confronting crisis between two polarized groups, he has found it successful to sit down and talk with the two groups and get himself in-





involved in negotiations of differences. This can avoid legal problems and can assist in arriving at solutions at a very early date, thus eliminating the need for additional legislation.

The President then talked about his trip to Knoxville. The feeling he got there is that too many people think the government is their foe. When they think about dealing with the government, they have a negative opinion. A Harris Poll recently taken regarding institutions was very telling. The Congress, the Executive Branch, and the Military have all slipped substantially in approval by citizens. The President wants to embark on a serious effort to change the attitude about government, to change the peoples perception of government.

Rod Hills then talked on regulatory reform and reviewed the 4 points the President set forth at the Regulatory Reform Summit Meeting held several months ago. He reviewed briefly the legislation that is in line with reform views of the President. Hills felt that by this time next year, there will be a significant reform movement, not only within the government, but within the country as well.

Secretary Coleman asked the Cabinet's advice about the Concorde Problem which he is facing. They have requested clearance for two flights daily into Dulles Airport and four flights daily into New York City. There are three specific problems: 1) noise, 2) the ozone layering, and 3) foreign policy. The discussion turned back to the SST defeat in the House and Senate some time ago.

The President feels that it was one of the more serious wrong decisions that the Congress has made, but at that time, the environmentalists were much stronger than they are now. So the Concorde problem poses difficulties both domestically and in foreign policy terms.

Secretary Coleman asked the Cabinet members to give him any ideas they may have on it.

The President then asked General Scowcroft to comment.

General Scowcroft said the foreign policy side is whether or not we are going to allow a foreign country to market superior technology in the United States. Had the United States continued with the development of the SST, we would have maintained air superiority. We are now being replaced in this particular market by the Concorde; therefore, the problem is one of lack of entry to the U. S. market. If the decision is made not to disallow their entry, it will have

serious foreign policy implications.

Secretary Schlesinger, just as an aside, mentioned that the fastest rate of growth in any branch of government is in the Legislative Branch.

The Cabinet Meeting closed at 12:55 p.m.

