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20	1	01/18/1969	Letter	Letter from Arthur F. Burns to RN RE: Enclosed report on recommendations for early action. 1 pg.
20	1	01/18/1969	Report	"Recommendations for Early Action or Consideration: A Report to the President- Elect" submitted by Arthur F. Burns. Table of Contents and report pages 1-65. 72 pgs.

OFFICE OF THE PRESIDENT-ELECT

Richard M. Nixon

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January 18, 1959

The Honorable Richard M. Nixon
President-Elect
The Pierre Hotel
Fifth Avenue at 61st Street
New York, New York

Dear Mr. President:

The enclosed report presents recommendations for early action or consideration on your part. It is a revised and enlarged version of the tentative report that I submitted to you on January 6.

The present report, like its predecessor, is mainly directed to the legislative and executive tasks in the domestic sphere that will need to be faced in the first few months of your Administration. The report does deal, however, with some major problems in the international economic area.

I need hardly say that this report is merely the beginning of the work that will need to be done on drawing up a plan for legislative and executive actions. I trust that you will find it a useful beginning.

With every good wish, I am,

Sincerely yours,



Arthur F. Burns
Chairman, Program
Coordination Group

Enclosure

RECOMMENDATIONS
FOR
EARLY ACTION OR CONSIDERATION

A Report to the President-Elect

Submitted by

Arthur F. Burns
Chairman, Program Coordination Group

January 18, 1969

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The recommendations discussed in this report are identified by section and number. For example, the recommendation concerning Excise Taxes is the 5th item in Section IV (FEDERAL TAXATION) and will be referred to as IV-5.

The recommendations presented in one section are sometimes also pertinent to other sections. For example, when you study Section II, which deals with GOVERNMENT ORGANIZATION, you may wish to examine also the related items in other sections, as shown below.

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I - ELECTORAL REFORM

1. Electoral College

Experience over the years, and more particularly the recent election, demonstrates that the present electoral college system is dangerously inadequate. The country is definitely in the mood for electoral reform, and it seems highly important that you assume early leadership in this area.

The provisions of a constitutional amendment, so designed as to encompass your public expressions on the subject of electoral college reform, might run as follows:

- (a) Abolish the office of independent elector.
- (b) Retain the present number of electoral votes for each state.
- (c) Award the electoral votes in each state on a proportional basis.
- (d) The candidate who receives the largest number of electoral votes, provided that the number is (say) at least 40 per cent of the total electoral vote, will be declared the winner.
- (e) In the event that a candidate does not receive the required percentage of the total electoral vote, a runoff election between the two top candidates would be held as quickly as possible (say, within two weeks).

(f) The winning candidate in the regular election, or in the event of a runoff the winner of that election, would immediately be designated the President-Elect, and the present laws of succession would apply from that point on.

In considering the controversial subject of electoral college reform, it would be highly desirable to consult with Congressmen William McCulloch and Richard Poff, also with Senators Dirksen, Hruska, and Mundt.

2. Voting Age

A constitutional amendment, which would require the states to extend suffrage to all those of age 18 and above, deserves serious consideration. Your leadership in behalf of such a reform may help to dispel the sense of frustration that now characterizes so many of our young people.

However, before moving in this direction, you or the Attorney General will want to discuss this question thoroughly with Congressional leaders of the Republican Party. There appears to be limited support for a voting age amendment among Republican Congressmen.

3. Clean Elections

Republican-sponsored Clean Election Legislation was

reported by the House Administration Committee during the 90th Congress. However, it was never brought to the House floor.

The House Republican Leadership, the House Republican Policy Committee, and an overwhelming majority of the Republican members are committed to this legislation. It can be anticipated that it will be introduced early in the session.

It seems important that the Republican bill receive the support of your Administration. Congressman Glenard Lipscomb (ranking Republican on the House Administration Committee) and Senator Charles Goodell (who was a principal sponsor of this legislation when he was in the House) should be contacted at the earliest convenient date.

One possible point of embarrassment is the fact that a number of Republican Finance Committees were late in filing their reports under the requirements of the present law. This fact has been publicly noted by the Clerk of the House and he has forwarded this information to the (Johnson) Attorney General.

4. Congressional Redistricting

In the 90th Congress a Congressional Redistricting Bill was passed by the House but was not agreed to by the

Senate. This bill seeks to introduce the essential element of certainty into the presently troubled situation. It would establish temporary criteria to be effective during the 91st and 92nd Congresses and permanent standards for the 93rd and subsequent Congresses.

The permanent standards established by this bill are as follows:

- (a) Each state shall establish by law a number of districts equal to the number of authorized representatives.
- (b) Representatives shall be elected only from districts so established. Existing provisions for representatives-at-large in multimember states are eliminated.
- (c) Each district shall be composed of contiguous territory in as reasonably compact form as the state finds practicable.
- (d) The district with the largest population in a state shall not exceed by more than 10 per cent the district with the smallest population, as determined under the most recent decennial census.

Something in the nature of guidelines for the Courts should be enacted. A redistricting bill will undoubtedly be introduced again.

Although the redistricting problem will hardly merit

a high priority in your legislative plans, it would be well to call it to the attention of the Attorney General.

5. District of Columbia Representation

During the past several years, there has been an increasing demand for some type of Congressional representation for the District of Columbia. Three general plans have been advanced:

- (a) Grant the District a nonvoting delegate in the House of Representatives.
- (b) Consider the District of Columbia the same as a Congressional District for purposes of representation. This would give the District one and possibly two Representatives.
- (c) Consider the District of Columbia the same as a state for purposes of representation. This would give the District two Senators and one and possibly two Representatives.

The "nonvoting delegate" plan can be handled through a simple statutory change, while the other two plans would call for a constitutional amendment. Congressional hearings on these plans will probably be held in 1969.

In view of the political excitement surrounding the District of Columbia problem, it would be well to instruct the Attorney General to confer with the legis-

lative leaders from both the Judiciary and District Committees and also with appropriate District of Columbia officials.

II - GOVERNMENT ORGANIZATION

1. Reorganization Authority

The Reorganization Act of 1949 has just expired (December 31, 1968). This basic law gave the President authority to propose reorganization plans for Federal agencies, such plans to go into effect automatically unless vetoed within 60 days by either body of Congress.

The purpose of the original act was to promote efficiency and economy in government, and it has had bipartisan support through the years. In the last Congress, the House voted a two-year extension of the law but the Senate failed to act.

A special message should be sent promptly to the Congress requesting renewal of the President's general reorganization authority; that is, re-enactment of the statute that expired in December, 1968. *

In addition, the special message should request new discretionary authority to reorganize the Executive Office without further reference to Congress. At present, the President does not have formal reorganization powers for his own Executive Office which are comparable to those of cabinet officers in their separate departments. *

2. Hoover-type Commission

Your Administration faces numerous and difficult problems in the area of government organization. Several different approaches to restructuring of the government may be taken.

- (a) There is much to be said for a new "Hoover Commission." The various task forces have repeatedly raised serious questions about the organization of individual departments and agencies. There is extensive demand in the Congress for a new "Hoover Commission." You also promised to do this. ?
- (b) On the other hand, the Task Force on Organization of the Executive Branch argues cogently that an Advisory Committee on Government Organization, made up of distinguished private citizens and staffed by the Budget Bureau's Office of Executive Management, would be a more flexible device, especially since it would be able to attend to urgent problems without the long delays inherent in a single, massive reorganization study. For problems of unusual complexity, the Task Force recommends special commissions.
- (c) Still another approach has been suggested by

Mr. Ash in a memorandum that he prepared for you. Under his proposal, as described in that memorandum, reorganization problems as well as many other functions (including some undefined supervision of the Bureau of the Budget) would be handled in the White House by an Assistant to the President. Although this proposal cannot be lightly dismissed, its potential difficulties need to be recognized. First, it would involve the White House in some operating responsibilities and may therefore result in an embarrassingly large White House staff. Second, it carries the danger of alienating some of your most trusted colleagues and advisers. Third, it may be publicly challenged on the ground of over-centralizing authority in an official who has neither been elected by the people nor confirmed by the Senate. Frank Lindsay, Chairman of the Task Force on Government Organization, has carefully reviewed the Ash proposal and he completely agrees with the opinion here expressed.

- (d) Although the Task Force has argued against a new "Hoover Commission", and Mr. Ash also questions its usefulness, it is important to see

that the approaches which they prefer are not necessarily inconsistent with the "Hoover Commission" approach. Clearly, a comprehensive study of governmental organization does not rule out early action based on limited, special studies. As for the Ash proposal, a full and candid discussion with Mr. Ash has indicated that it too can be modified so that it will be free from the objections raised in this report.

It is critically important that you reach an early decision on the general approach you wish to take to the many and pressing problems of government reorganization. In making a decision, you should keep in mind that many Congressmen, both Republicans and Democrats, are in favor of a Hoover-type Commission; so that, if you delay a pronouncement on this subject, the Democrats will probably introduce such legislation and many Republicans would feel that they must go along.

3. Office of Executive Management

The Bureau of the Budget has long had responsibility for organization and management problems. In recent years, however, its capability for dealing with special problems has atrophied. An Office of Executive Management was established during the past year within the

Bureau for the purpose of restoring, broadening, and strengthening the management and program coordination role, but no head for this office has yet been appointed.

There is much to be said for building up the capability of the Bureau of the Budget to handle organization and management problems. This may be accomplished by establishing a second deputy directorship in the Bureau; by naming this Deputy Director as the head of the Office of Executive Management; and by assigning to this Office the responsibility of reviewing, evaluating, and coordinating Federal programs and of making sure that the executive departments make effective use of regional agencies, especially in their relation to state and local governments.

It would appear desirable to carry out this proposal whether or not you accept Mr. Ash's scheme. In any event, you will want to discuss rather promptly the present proposal with Mr. Ash and with the Budget Director.

4. Arms Control and Disarmament Agency

One way in which you could emphasize your great and enduring concern for the establishment and maintenance of peace is to endow the Arms Control and Disarmament Agency, which now has a very lowly status in the Federal establishment, with real prestige.

Any other upgrading approach?

This could be accomplished by announcing that the Director of the Agency is to be given Cabinet status, that he will become a member of the National Security Council, and that he will be expected to report to the President and the Cabinet on disarmament efforts in the context of the government's over-all efforts to achieve a durable peace.

A still more dramatic step might be to ask the Congress to absorb the Disarmament Agency in a new Department of Peace. Such a Department might absorb other governmental activities -- for example, the U.S. Information Agency, the Peace Corps, and the Food for Peace Program. There may be grave difficulties, however, in persuading the Department of State and the Congress of the wisdom of the proposal.

Either of the two suggested actions would be heartening, particularly to young people, both here and abroad.

5. Economic Policy Board

Governmental planning in the realm of national security is now coordinated through the National Security Council. There is a serious need for a corresponding mechanism for coordinating the many separate, and not infrequently conflicting, policies of the governmental departments and agencies concerned with economic matters.

It is recommended that you give prompt consideration to the establishment of an Economic Policy Board. The leading economic agencies -- say, the Treasury Department, Commerce Department, Labor Department, the Bureau of the Budget, the Council of Economic Advisers, perhaps also the Department of Health, Education and Welfare -- would have a permanent place on this Board. Other departments or agencies (notably the Federal Reserve Board) would send representatives when their range of activity was pertinent. The meetings would be scheduled on a regular basis, say, every other Monday. The Chairman of the Council of Economic Advisers could best serve as the Secretary of the Economic Policy Board. The President, of course, would preside over this Board.

A Board functioning along these lines would not only facilitate the coordination of economic policies and the early correction of mistaken policies; it probably would also economize on the President's time. However, the Economic Policy Board would not eliminate the need for the "troika" -- that is, for occasional meetings at which the Secretary of the Treasury, the Chairman of the Federal Reserve Board, and the Chairman of the Council of Economic Advisers would discuss sensitive financial questions with the President.

In view of the special role that the Council of

Economic Advisers would have under the present proposal, it is recommended that you discuss it with Mr. McCracken in the near future.

6. Post Office Department

In the 1968 Platform, a definite commitment was made in favor of "extension of the merit principle to postmasters and rural carriers." Also, full consideration of improvements in the nation's postal service, as recommended by the Commission on Postal Organization, was pledged. Then too, in the last Congress, the House Republican Policy Committee went on record as favoring the removal of politics from the Post Office, with rural carriers and postmasters specifically mentioned.

With the advent of a new Administration, an excellent opportunity is presented to reorganize the Post Office Department. A first step has been taken in the appointment of a businessman as Postmaster General.

As quickly as possible, discussions should be held with legislative and party leaders, so that the ramifications of a businesslike approach to the operation of the Post Office are clearly understood and appreciated.

7. Educational Activities

The Task Force on Education makes a strong plea for

the reorganization of the Federal government's educational activities, which it asserts are suffering because of "a multiplicity of uncoordinated, and sometimes conflicting, initiatives from many different departments and agencies of the Executive Branch and from the Congress." It notes that less than a third of total annual Federal expenditures on education of approximately \$12 billion is administered by the Commissioner of Education.

The Task Force calls attention to various reorganization possibilities, including creation of an independent Department of Education; but notes that it "did not feel qualified to pass judgment on them" or to decide precisely how much consolidation of Federal activities in this area is called for. It definitely favors, however, an upgrading of the post of Commissioner of Education, noting that "the rank and salary of the Commissionership are now totally incommensurate with the level of responsibility involved."

The Task Force's comments on the uncoordinated nature of Federal educational programs have obvious merit, and early consideration of this matter by a special commission seems indicated.

8. Health Activities

The Task Force on Health makes a variety of recommendations for reorganizing Federal activities relating to health programs. It argues for the creation of a separate Department of Health (something you have promised to consider), and also urges creation of a Council of Health Advisers within the Executive Office. These two recommendations are of such nature that they probably can be best considered either by a new "Hoover Commission" or by^a special Commission on the Organization of Federal Health Activities.

The Task Force makes other narrower proposals that could be acted on earlier if the Secretary of HEW agrees that they have merit. One of these is a recommendation that the administration of Medicaid and Medicare be put under the Assistant Secretary of Health and Scientific Affairs, who already has line authority over the Public Health Service and over-all responsibility for coordination of the health functions of the Social and Rehabilitation Service and the Office of Education. You should ask the Secretary of HEW to consider promptly the merits of this proposal, particularly because of the administrative deficiencies that now plague Medicare and Medicaid.

9. Internal Revenue Service

The Task Force on Federal Tax Policy recommends that you appoint an "advisory commission" to report to you within six to eight months the results of a study of the status and administration of the Internal Revenue Service.

As to status, the inquiry would consider whether the Internal Revenue Service should report directly to the President, as well as whether increased autonomy within the Treasury Department would serve the public interest.

As to administration, the inquiry would consider personnel needs, salary standards, and procedures respecting taxpayer compliance.

If you should decide on a Hoover-type Commission, it would concern itself as a matter of course with the Internal Revenue Service. On the other hand, if there is to be no new "Hoover Commission", you will want to consult with the Secretary of the Treasury and perhaps also with Congressional leaders on the proposal for a special study of the Internal Revenue Service. In this connection, note that the "advisory commission" suggested by the Task Force would not necessarily call for legislation.

10. A Labor Court

There is a growing awareness that a complete reor-

ganization of the labor laws and the method by which they are enforced may be necessary. All too often, Congressional action has been nullified through agency or departmental interpretations.

Certainly, labor-management laws should be interpreted and applied by persons of judicial temperament acting in an atmosphere that is well insulated from political and special interest pressures. The concept is thus being advanced that a labor court should have jurisdiction over all facets of the labor-management field.

Senator Griffin and seven other Senators, including Senator Percy, have introduced a bill that would abolish the National Labor Relations Board and establish in its place a 15-judge U.S. Labor Court similar in many respects to the U.S. Tax Court. Similarly, Senator Smathers has introduced a bill that would establish a U.S. Court of Labor-Management Relations with jurisdiction over labor disputes which result in work stoppages that adversely affect the public interest of the Nation.

The general concept of a Labor Court is intriguing, but this concept also raises questions concerning the machinery needed for investigatory work, prosecution, and so on. Preliminary discussions of this general concept should be held at an early date between the Secretary of Labor and the legislative leaders, including Senator Griffin.

III - FEDERAL EXPENDITURES

1. Revision of Budget for Fiscal 1969

Within the first week or two of your Administration, it would be desirable to issue an order to all department and agency heads requesting them:

- (a) to determine, after consultation with the Budget Director, which programs within their jurisdiction merit a low priority status;
- (b) to reduce or restrain at once the expenditures on low priority programs in this fiscal year (that is, between January and June 30, 1969).

The Budget Director should be requested to prepare a strong directive along these lines for your signature.

This action is needed in order to bring government expenditures under stricter control. It is also desirable to lay a foundation for a later reduction or elimination of the income tax surcharge -- if that should be decided upon.

2. Contingency Reserve for Fiscal 1969

The Revenue and Expenditure Control Act of 1968 established a ceiling on expenditures for fiscal 1969, subject to exemption for certain categories of expenditures.

You should request the Budget Director to determine at once whether existing plans provide reasonable assurance

of coming to the end of fiscal 1969 without having to request relief from the legislative expenditure ceiling. If such assurance does not exist, the Bureau should submit to you, by a very early date, a plan of further restraints in order to provide a margin for possible slippage of actual expenditures beyond stipulated targets.

Needless to say, it would be embarrassing to ask the Congress to lift the ceiling.

3. Revision of Budget for Fiscal 1970

There is a strong case, both political and financial, for revising thoroughly the budget that President Johnson will submit before leaving office.

You should hold a meeting rather promptly with the Budget Director (and perhaps others) to decide whether to reformulate the entire Johnson budget for fiscal 1970. If a more or less comprehensive revision of the budget is decided upon, it would probably have to be presented to Congress no later than April 1, 1969.

4. Revenue Sharing

A good deal of Congressional support has developed for the proposal that the Federal government share a portion of the revenues raised by the income tax with the

states and localities. This proposal, of course, is popular with governors and mayors.

Whatever the merits of any general revenue-sharing program may be, a decision should be deferred at this time because of budgetary constraints.

You should also keep in mind the fact that a revenue-sharing plan is bound to defer or limit future reductions of the Federal income tax.

5. Grant-in-Aid Programs

The existing categorical grant-in-aid system should be overhauled to give the states and localities more latitude in deciding on the specific uses of funds to achieve the general objectives the Federal government seeks to promote. The Task Force on Intergovernmental Fiscal Relations has made three main proposals to this end:

- (a) Congress should be requested to give the President authority to consolidate existing grant programs for related functions, subject to disapproval by either House within a limited period under the type of procedure used for reorganization proposals.
- (b) States and localities should be permitted to make single applications for joint funding of projects deriving funds from several Federal

sources.

- (c) States and localities should be authorized to transfer up to a specified proportion of funds received under one grant program to another program of the same Federal agency, provided the total amount of any Federal program does not exceed its authorized size.

You should ask the Budget Director and the Director of the Council for Urban Affairs to give you, by an early date, their reaction to these proposals.

IV - FEDERAL TAXATION

1. Commission on Federal Tax Policy

A thorough reexamination of the Federal tax system is long overdue.

The Task Force on Federal Tax Policy recommends that the new Administration request the Congress to establish a Commission on Federal Tax Policy, which would address itself to the task of formulating recommendations for a Federal tax system that "would be simpler, fairer, and more conducive to the economic advancement of all Americans."

The proposal is to request the Congress to establish a broadly based Commission, including members of the legislative and executive branches of the government.

Since at least a year would be required for the Commission's study, prompt action on this proposal is essential if basic tax legislation is to be attempted in 1970. You should discuss the proposed Commission with the Secretary of the Treasury and with Congressman Wilbur Mills at the earliest opportunity.

2. Income Tax Surcharge

Under present law, the 10 per cent surcharge on income tax expires on June 30, 1969. A decision whether to extend the surcharge in its present form, to reduce

it, or to eliminate it cannot be delayed beyond mid-April or thereabouts. Subject to this constraint, the decision should be delayed as long as possible, so that it can be made in the light of the latest information on (a) the outlook for the economy, (b) the state of the budget, (c) the war in Vietnam, and (d) international political and financial prospects at large.

Of course, if a decision is made to extend the surcharge, rather than to reduce or to eliminate it, the extension could be merely for a six-month period.

3. Business Income Taxation

The Task Force on Federal Tax Policy has submitted various technical proposals for changes in business income taxation, in the hope that they may be legislated (or revised by Treasury regulation) during 1969.

One proposal calls for the elimination of the "reserve-ratio test" in applying the depreciation guidelines promulgated in 1962. The suggested change would simplify the depreciation guidelines, and reduce the costs of compliance and administration. This change can be made by the Treasury directly.

Another proposal seeks to liberalize the legislation, enacted in 1958, which permits certain corporations meeting specified tests to elect to be taxed, in effect, as partnerships.

Other proposals, aiming to reduce obstacles under which American companies operate in the international sphere, call for revision of the tax treatment of business income derived from foreign sources.

Still other proposals aim to eliminate existing abuses by tightening the definition of capital gains, by revising the tax treatment of income from real estate investment, and by revising the tax rules regarding the timing of receipts and deductions.

Some of the recommended changes, such as the elimination of the "reserve-ratio test", are clearly desirable and raise few difficulties. Others are desirable in principle but require much additional study, and it is doubtful whether the Treasury can make firm recommendations in time to secure legislation in 1969. However, the sooner the Treasury turns to the thoughtful proposals of the Task Force the better. You should urge the Treasury to get on at once with the job of appraisal and drafting.

4. Personal Income Taxation

The Task Force on Federal Fiscal Policy recommends the following changes in the personal income tax:

- (a) increase the minimum standard deduction
- (b) simplify and liberalize tax treatment of

moving expenses of employees

(c) liberalize income averaging.

Under present law the minimum standard deduction on a joint return is \$200 plus \$100 for each exemption allowable to the taxpayer. The proposal is to increase the deduction to \$300 plus \$100 per exemption. The estimated revenue loss resulting from this proposal is \$350 million for fiscal 1970. This proposal would be advantageous to poor people, many of whom have been hurt by inflation. It has considerable merit.

The Internal Revenue Service now insists in many cases on taxing, as income to the employee, the major portion of the reimbursement of his moving expenses that he receives from his employer. In the interests of an efficiently operating economy, public policy should facilitate mobility of the work force.

You should promptly inform the Secretary of the Treasury of your reaction to the proposals of the Task Force concerning the minimum standard deduction and the liberalization of the moving expense allowance. You should inform him also of your own proposal for full deduction of drug and medical expenses on the income tax returns of the elderly. These proposals need to be considered in connection with the revision of President Johnson's budget for fiscal 1970.

The recommendation by the Task Force concerning income averaging raises some difficult technical problems, and you should merely request the Treasury to study it.

5. Excise Taxes

According to present law, the 10 per cent excise on telephone service will be automatically reduced to 5 per cent on December 31, 1969. Similarly, the 7 per cent excise on new passenger automobiles will fall to 5 per cent.

It seems reasonably clear that the government cannot afford the loss of revenue in fiscal 1970 that would result from present legislation.

Your recommendations on these excises should be made to the Congress at the same time as your decision on the income tax surcharge is transmitted to the Congress.

V - FEDERAL DEBT

1. Debt Ceiling

The ceiling on the Federal public debt at present is \$365 billion. But, under existing legislation, the ceiling will automatically drop to \$358 billion on June 30, 1969, then return on July 1 to \$365 billion.

If any revision of the debt ceiling is to be requested of the Congress, it would be advisable to move very quickly, so that the blame can be placed where it belongs. The Secretary of the Treasury should be asked to advise you promptly on this question.

There is another and more fundamental question raised by the debt ceiling. This year the Federal government is operating under an expenditure ceiling. The mood of the Congress appears to be to continue this practice. If that is done, there will no longer be any reason to have a debt ceiling. Logic, however, does not always prevail in governmental practice; and it is probably just as well not to raise the question openly this year.

2. Interest Rate Ceiling on Treasury Issues

The Treasury is prohibited by law from paying more than $4\frac{1}{4}$ per cent interest on securities issued with a maturity in excess of seven years (raised from five years

by legislation of June 1967). This ceiling should be raised or, better still, abolished.

The ceiling does not hold down the interest cost of the public debt. On the contrary, it forces the Treasury to borrow by issuing short-term securities, and under recent conditions this has served to raise the cost of borrowing. At present, the market interest rate on long-term Treasury securities, while above the $4\frac{1}{4}$ per cent ceiling, is below the interest rate the Treasury is forced to pay for its short-term borrowings.

More important still, since the Treasury has been unable to issue long-term securities in recent years, it has frequently been forced to come to market with large offerings to refinance the debt, and during the periods when the Treasury is in the market the Federal Reserve authorities cannot very well be expected to tighten credit conditions as the state of the economy might require. The frequency of large Treasury debt operations has been an obstacle to the conduct of a stabilizing monetary policy.

The proper timing of a request to the Congress for a revision of the interest ceiling is uncertain. You should discuss this question at an early date with the Secretary of the Treasury.

VI - FEDERAL CREDIT PROGRAMS

1. Reappraisal of Existing Credit Programs

A comprehensive reappraisal of the existing Federal direct loan and loan guaranty programs is needed. The Task Force on Federal Credit Programs recommends that a Cabinet Committee do this.

The Committee should consist of the Director of the Bureau of the Budget (as Chairman), the Secretary of the Treasury, the Chairman of the Council of Economic Advisers, and the Chairman of the Federal Reserve Board.

All of the Federal credit programs should be scrutinized by the Committee in the light of the principles set forth in the report of the Task Force on Federal Credit Programs. In particular, each agency involved in administering a Federal direct loan or loan guaranty program should be required to document the need for its program in the light of said principles.

2. Priorities in Credit Programs

The highest priority need for new and existing Federal loan and loan insurance programs is to meet the problems of the city -- urban renewal and development, decent housing for the poor, the financing of private

enterprise in the ghettos, elimination of air and water pollution, improvement of the transportation system, and other problems.

To the extent that loan insurance programs are used, private capital will be mobilized to do the job. To the extent, however, that loan insurance, which of itself can be a powerful device, is supplemented by enlarged Federal loan programs, it will be all the more necessary to cut back on Federal lending programs where there is no longer a high priority need. You should stress this basic rule of fiscal prudence when and if you proceed to appoint a Cabinet Committee to reappraise the government's loan and guaranty programs.

3. Relation of Credit Programs to Over-all Economic Policy

In the past there has frequently been poor coordination between Federal Reserve policy and the policies of other financial agencies -- for example, FIMA or the Federal Home Loan Banks. If the Economic Policy Board recommended in this report is adopted, you should immediately charge a sub-committee of this Board with the continuing responsibility of coordinating the activities of the Federal direct loan and loan guaranty programs, so that they can be fully responsive to the Administration's over-all economic policy. The Chairman of the

Council of Economic Advisers should serve as the chairman of this sub-committee, the other members being the Secretary of the Treasury, the Chairman of the Federal Reserve Board, and the Director of the Bureau of the Budget.

If decision on the Economic Policy Board is deferred, the Chairman of the Council of Economic Advisers should be requested to assume the responsibility of seeing to it that the activities of the Federal direct loan and loan guaranty programs keep generally in step with overall economic policy.

4. Coordination of Debt Issues

In the past, new debt issues of Federal credit agencies have often come to market without any apparent coordination with direct U.S. Treasury financing. One way to deal with this problem would be to establish an office within the Treasury whose responsibility would be to coordinate all agency borrowing and to plan such borrowing in the light of direct Treasury borrowing and general money and capital market conditions.

This suggestion should be promptly communicated to the Secretary of the Treasury.

VII - RESOURCES AND ENVIRONMENT

1. Population and Family Planning

The explosive increase of population among the poorer nations of the world and among our own poor people is a terribly serious but also a terribly neglected problem.

You may want to use something like the following paragraph in an early address:

"One of the great question marks overhanging the last third of this century is whether mankind's efforts to end privation and hunger will be defeated by excessive population growth. This danger is most acute in the less developed parts of the globe, and I pledge that this Administration will continue to expand efforts to give assistance to those governments that seek our help in developing family-planning programs. But the problem is not confined to foreign countries. Among this nation's own disadvantaged groups there are serious gaps in the availability of family-planning knowledge and assistance. I assure you that high priority will be given to the matter of determining how best these gaps can be removed."

A member of the White House staff should be assigned the task of developing, with the aid of appropriate officials in the Department of State and the Department of HEW, a specific program.

2. Oceanography

Late in the campaign you recommended an expanded effort in oceanography. This field offers an opportunity to develop at relatively low cost a program of exploration that could excite the imagination of the American people much as the space program has done.

Besides greater scientific knowledge, there are other potential benefits: new sources of food, untapped resources of oils and minerals, new kinds of recreation, and the possibility of opening up new fields of technological progress.

Beyond this, there is the question of national security. The Soviet Union, for example, continues to make swift progress in oceanography, with serious implications for underwater warfare. It is vitally important that we not fall behind.

In 1966, the Commission on Marine Science, Engineering, and Resources was established to make recommendations on the national oceanographic effort. The Commission's report, which has just been published, concludes that a national marine program will contribute to strengthening both the national economy and national security, calls for better coordination of efforts in the field of oceanography, and recommends the formation of a new, independent, Federal agency to be called the National

Oceanic and Atmospheric Agency.

The programs recommended by the Commission are estimated to involve an expenditure by 1960 of about \$1 billion per year over and above current outlays, which would amount to a doubling of the present outlay on oceanography.

The Commission's report will be controversial. Various departments and agencies are expected to express much concern over their loss of authority if the Commission's recommendations are carried out.

You should seek advice on the Commission's recommendations from the Secretary of the Interior, the Secretary of Commerce, and Congressman Charles A. Mosher. Should you have to comment at an early date on the Commission's report, you might confine yourself to restating your conviction that an expanded effort in oceanography is needed, and that a more coordinated effort in this promising field will be pursued by your Administration.

3. Agricultural Reforms

The Republican Platform and your address in Des Moines, Iowa during the campaign presented various proposals for agricultural reform. The following in particular deserve implementation:

- (a) Development of policies that enlarge the

farmer's opportunity to manage his own affairs and give him a greater voice in shaping his own future.

- (b) Revitalization of rural America through greater emphasis on vocational training and on economic incentives for industrial development.
- (c) Pursuit of an economic policy which protects American agriculture from unfair foreign competition, while increasing our overseas commodity dollar sales.
- (d) Development of a sound crop insurance program.
- (e) Reorganization of the management of the Commodity Credit Corporation's inventory operations.

You should ask the Secretary of Agriculture to evaluate and assume leadership in developing these and other proposals, with a view to possible presentation in a Presidential special message on agriculture. A provisional date for this should be set.

4. Economic Development Assistance Act

The extension of this Act is certain to arouse considerable controversy. For some time, Republicans have been concerned about the duplication and waste that has been associated with this program.

The Economic Development Assistance Act, the

Appalachian Regional Development Act, and the Model Cities Legislation -- all deal with many of the same areas and problems. Consideration should be given to how the overlaps of existing legislation can be eliminated. The provisions with the greatest degree of confusion are those dealing with water pollution control and sewage treatment.

As soon as possible, the Secretaries of the several departments involved in this program should consult the legislative leaders to determine a course of action.

5. Appalachian Development Program

A two-year appropriation that was voted in 1967 for the Appalachian Regional Development program expires June 30, 1969. This is an important matter which will require early attention within the White House office, not only as to future funding levels but also as to whether the Appalachian program should serve as a model for other new regional undertakings.

The White House must be the focal point of decision-making on this issue because Congress appropriates money for this program directly to the President, something that is unique in Federal assistance efforts. The usual procedure involves a funneling of Federal money to states and localities through an agency or department, which

then administers its use.

According to recent reports, many Governors view the Appalachian program (initiated in 1965) as a particularly promising innovation in inter-governmental relations. They regard the Appalachian Commission as providing true Federal-State partnership, something that they do not feel is achieved when Federal aid is disbursed by departments in the form of categorical grants. The fact that the Commission can exercise broad discretion in using Federal moneys means, according to its gubernatorial supporters, that program priorities can be set in a meaningful way. The contention also is made that much greater efficiency in the use of funds can be achieved with the Appalachian technique than when attempts at solving regional problems involve different Cabinet departments whose efforts often are not properly coordinated.

One significant feature of the Appalachian program has been its attempt to treat the problems of rural areas, towns, and cities on a coordinated basis. In particular, the migration of surplus farm population toward metropolitan centers, where unskilled jobs typically have not been available in large numbers, has been discouraged. This has been done by means of an educational thrust aimed at making rural citizens aware of job opportunities in middle-sized smaller centers that traditionally were bypassed in the move from farm to city.

Given the support which the Appalachian program enjoys, it seems probable that other parts of the country will urge that they too be accorded the benefits of similar arrangements. The merit of setting up similar regional programs embracing the entire country would seem to warrant early consideration. Specific attention should be given to the possibility of using the Appalachian Commission as a model for the regional undertakings that have been created under the Economic Development Act for which the Commerce Department has administrative responsibility. These are reported to have been less successful in their operations.

The Director of the Council for Urban Affairs and the Secretary of Commerce should be involved in the discussion of these issues, and so too should Governor Scranton, who is especially enthusiastic about the Appalachian Commission.

VIII - SCIENCE AND TECHNOLOGY

1. Organizational Changes

The Task Force on Science and Technology recommends a number of organizational changes pertaining to the Federal government's science activities. The objective is to give science and technology a "status" in government commensurate with their vital role in national life; to promote greater inter-agency cooperation and cross-fertilization in science activities; and to attract a larger number of senior scientists and technologists into government service.

One of the specific proposals made by the Task Force is that posts of Assistant Secretary for Science and Technology be established in the Departments of Interior, State, Justice, HUD, Agriculture, and the Post Office, and that appointees be given policy-making and line authority.

You emphasized the deficiencies of Federal science policy during the campaign, arguing that "the government... is not really in control of itself in this field." In view of your interest and commitment, you should seek at a rather early date Dr. DuBridge's advice on the various organizational proposals made by the Task Force.

You should also seek Dr. DuBridge's advice concerning the organizational changes proposed by the Task Force

on Space. The Task Force recommends that the administrative organization of NASA be changed to correspond to program objectives rather than to means of accomplishing them, and that there be a strengthening in the coordination of NASA and Department of Defense space programs.

2. National Science Foundation

Dr. Lee A. DuBridge makes a compelling plea for immediate relief to the National Science Foundation. He writes as follows:

"The expenditure ceiling imposed on the National Science Foundation for fiscal 1969 was extraordinarily damaging -- primarily because it forced NSF essentially to abrogate grants and agreements already made to many colleges and universities. It is one thing to cut the allocations to new grants or to renewals of grants; it is quite a different thing to say to an investigator and his university that he cannot spend money already granted. Since, when a grant is made, commitments to staff and equipment are frequently made well in advance, the expenditure ceiling forced universities either to abrogate such commitments or else to dip into their own funds to meet what they regarded as

either legal or moral obligations already undertaken.

"I suggest that immediately after January 20 the President request the Director of the Bureau of the Budget to add approximately \$25 to \$30 million to increase the authorized expenditure ceiling of NSF. This would immediately get many important scientific projects out of serious financial difficulties, would avoid serious damage to many important research programs, and, most of all, it would be an enormously important gesture for the new administration to make to win the confidence of scientists and educators throughout the country. It will tell the world of higher education that the new administration will not countenance abrogating agreements already made, even though budgetary tightness may sometimes force reductions in new agreements involving future plans. An increase in this expenditure ceiling is a trivial part of the total national expenditures, but is a very large factor in university research and graduate education programs."

You should promptly ask the Budget Director to check the facts reported by Dr. DuBridge. If they are found to be accurate, there is some urgency in granting immediate relief to NSF.

3. Military Research and Development

The Task Force on Science and Technology asserts that a mistaken policy with respect to the building of prototypes has contributed heavily in recent years in the nation's failure to make adequate progress in developing new weapons systems. "Beginning in the early 1960's," the panel states, "we began greatly to overemphasize paper-cost effectiveness studies, i.e., studies based on unproven assumptions regarding hardware performance and costs...", while simultaneously neglecting exploratory prototype construction. As a consequence of this penny-wise posture, we have often traveled long distances down unpromising roads at considerable expense before realizing mistakes. The Task Force argues for "a significant increase in the number of exploratory prototypes built in connection with new military systems, and a clear expectation that only a fraction will prove 'successful'".

Since the Task Force considers the prototype problem to be of "overriding importance", you should call it promptly to the attention of the Secretary of Defense.

4. Supersonic Transport (SST)

To date the Federal government has spent close to half a billion dollars on the development of the SST.

The original design has been scrapped, and Boeing will submit a complete redesign of the airframe on January 15, 1969. Under the terms of the contract, the government has up to 90 days to make a decision. There are several options open which range from determining that Boeing has defaulted on the contract to proceeding with the current program.

There are complex economic, scientific, and military questions involved in reaching a decision. For example:

- (a) Does the new design meet performance specifications?
- (b) Is the new design economically viable?
- (c) Does the SST now merit the high national priority that it had two years ago?

Because of the many serious, unresolved questions still surrounding the SST, and in view of the fact that almost half a billion has already been spent on this project, it is recommended that you immediately establish a committee to investigate the SST program and ask it to report its findings and recommendations within 60 days after the submission of the new Boeing design.

The membership of the committee might include scientists, aeronautical engineers, medical men, business executives, and military men with no vested interests. Among other

things, the committee should familiarize itself with a recent study by a scientific panel established by the Secretary of the Interior.

5. National Accelerator Laboratory

One of the items which the Task Force on Science and Technology singles out for early action is the provision of construction funds for the proton accelerator project at Weston, Illinois. Because of budgetary constraints, support for this project -- a fundamental research undertaking with regard to the nature of matter -- has so far been limited to relatively moderate planning appropriations. No funding provision has been made either for construction or for annual operating expenses.

The Task Force reports as follows: an immediate decision to fund \$100 million for fiscal 1970 is "necessary if the outstanding personnel already assembled...are to be held together. At stake here is the vitality of U.S. physical science...If we do not soon fund construction of the...accelerator, we risk not only our world leadership in this field [to the Soviet Union]...but our effectiveness in generating both basic knowledge and a corps of exceptionally valuable scientists."

You should seek an early assessment of this matter from Dr. DuBridge.

6. Post-Apollo Space Programs

One of the more important national issues that will have to be resolved very shortly is the scope and direction of U.S. space efforts now that the manned lunar-landing project, which has been the chief focus of non-military space activities throughout the 1960's, is approaching its end.

While there is general agreement in scientific circles that vigorous space efforts should continue, major differences exist with respect to both specific projects and the appropriate annual level of funding. The Task Force on Space believes that present annual outlays are "necessary and adequate"; and it recommends that NASA place primary emphasis in coming years on manned lunar exploration, on the so-called Apollo Applications Program, and on unmanned planetary probes. It does not believe that a commitment should now be made to more ambitious and costly undertakings, such as construction of a manned space station or a manned Mars mission. There is, however, some feeling within the Task Force in favor of more aggressive space activities.

It is recommended that you establish a high-level, inter-agency committee that would report its recommendations back to you within this calendar year. Your Science Adviser, the head of NASA, the Director of the Bureau of the Budget,

and a senior official from the Department of Defense / should serve on the committee.

7. Space Boosters

The Task Force on Space believes that a breakthrough may be near in achieving dramatic cost reductions in launching and boosting operations, with potential savings that "could total many billions of dollars over a 10-year period." It feels that "continued priority" should be given to studies of alternative approaches to cost savings and that "these studies should be augmented to provide a more complete understanding of the technical alternatives, and to make more complete economic comparisons for several different future levels of launching activity."

You should discuss with Dr. DuBridge the panel's specific recommendation that the Department of Defense and NASA coordinate their studies in this area so as to provide, about November 1, 1969, information upon which a joint DOD-NASA program decision could be made.

IX - TRANSPORTATION

1. Airport Development

In keeping with the campaign pledge you made to relieve the crisis that plagues air transportation, you should instruct the Secretary of Transportation to give very high priority to the preparation of an administration Airport Development bill.

Unavoidably, a substantial increase in Federal expenditures is going to be entailed (probably amounting to at least several hundred million dollars annually), but the budget impact can and should be completely offset by simultaneously instituting a variety of user charges. It makes sense to insist that the same pay-as-you-go principle apply here as in the case of the Interstate Highway System, and the device of earmarking user-tax collections and having them flow through an Airport Development Trust Fund should be considered.

A number of proposals for considerably expanding Federal assistance to airport development were introduced in the 90th Congress and these should be a helpful point of departure for the Secretary (especially S. 3641 approved by the Senate Commerce Committee on July 1, 1968).

2. Budget for Air Traffic Control

To dramatize further your concern with the problems

of air congestion and air safety, you should also ask the Secretary of Transportation to focus promptly on the outgoing Administration's fiscal 1969 and fiscal 1970 budgets for the air traffic control system and to advise you within 30 days whether any supplemental "emergency" funds should be sought. This, of course, would be a "stop-gap" move, pending completion of Congressional action on basic airport development legislation.

3. FAA Regulations

You should be aware that the FAA has recently promulgated regulations that will become effective next April 27, setting hourly quotas for use of the overburdened airports in New York, Washington, and Chicago. Strong opposition to these regulations can be expected from certain groups within the aviation industry, and it is not improbable that a campaign will develop to have them killed or substantially modified.

Given the acute problem of airport congestion, there is a strong presumption that the FAA regulations should stand, but you should ask the Secretary of Transportation to make an early appraisal of this matter.

4. Highway Program

You should direct the Secretary of Transportation to

make a specific early move to start rebuilding good working relations between Federal and state highway officials.

These relations appear to have deteriorated seriously and rapidly in recent years -- with the feeling now widespread among state officials that what used to be a partnership arrangement has become more and more Federal dictation. The grievances range over many particulars, embracing not only roadbuilding matters but also such things as Equal Employment Opportunity regulations.

As a starter, the Secretary and the new Highway Administrator might jointly communicate with all state highway departments, candidly acknowledging that a problem exists, inviting suggestions, and promising that known trouble-spots will be reviewed. One of the things the Secretary should specifically seek to determine is the extent to which the manipulation of Highway Trust Fund disbursements for economic stabilization purposes in recent years has frustrated the efficient and orderly management of construction projects on the Interstate System. In view of the interest of the Council of Economic Advisers in stabilization objectives, this agency should join the Department of Transportation in a review of actual experience and the delineation of a policy for the future.



5. New Canal in Central America

There are several powerful reasons for giving early consideration to a second ocean-to-ocean canal in Central America:

- (a) the nation's military vulnerability to a closing of the present canal,
- (b) its saturated capability, and
- (c) its inability to accommodate the current generation of oil tankers.

The Task Force on Science and Technology has called attention to the feasibility of a canal that would avoid conventional locks by selecting a route (already surveyed) involving a continuous one-way flow of water from the Pacific to the Atlantic. Selection of such a route, however, would have uncertain ecological consequences.

Because of the peculiar range of military, diplomatic, and environmental problems that are involved, an inter-departmental group (with representation from the Departments of Defense, State, HUD, and Commerce, and the Office of Science and Technology) should be asked to give you before the end of 1969 at least a preliminary assessment of the problems and costs that would be entailed in building a second canal. Significantly, construction of a second canal might afford an opportunity for the first dramatic nonmilitary use of atomic power.

6. Transportation Commission

A series of specific, well-publicized initiatives to demonstrate your concern with the nation's transportation problem seems particularly important because it looks as if it may take considerable time to fashion a coherent over-all approach to the full range of existing national transportation problems. The Task Force on Transportation has presented a number of interesting suggestions for actions in various areas, and these will be passed along for review by the Department of Transportation. On many vital issues, however, the Task Force report is more suggestive than definitive, and it therefore may be wise to create a National Commission on Transportation Needs and Policies.

Among other things the Commission should explore the desirability of allowing railroads greater freedom in setting rates, and of giving railroads as well as other transportation enterprises the power to engage in supplementary lines of business activity.

A Commission on Transportation would be in keeping with the commitments you made in the course of the campaign. Thus, you stated that "the proper role of the FAA would certainly be high on the agenda of an independent commission patterned on the Hoover Commission." Again, you promised an "immediate reevaluation" of the

Merchant Marine subsidies "in consultation with industry members and labor representatives, with the goal of providing incentives for productivity."

You should discuss the proposed Commission at an early date with the Secretary of Transportation. We need -- but are not anywhere close to having -- a national strategy pertaining to the balanced development of our various transportation components, with guidelines as to the Federal government's role.

X - MANPOWER POLICY

1. Modernized Employment Service

In our country, the matching of available jobs and unemployed workers often proceeds slowly and inefficiently. Fortunately, modern high-speed computers and telecommunication systems now make it possible to organize the labor market much more efficiently, thereby reducing unemployment and at the same time curbing inflationary pressures. During the campaign you called attention to the need for just such a job bank.

The Secretary of Labor should be directed to undertake a thorough study of how such a program could best be implemented in the near future. A date should be set for a draft of the legislation.

2. Job Vacancy Data

We now have reasonably good current information on unemployment -- that is, for the supply side of the labor market. However, there are no current or comprehensive records on job vacancies -- that is, for the demand side of the labor market.

Because of this serious gap in our economic intelligence system, it is often difficult to tell whether there is a surplus or deficiency in the aggregate demand for

labor, so that much of our monetary and fiscal policy-making proceeds in the dark. If a comprehensive system of job vacancy statistics were established, this difficulty would be remedied. Also, once the data are broken down by community and occupation, programs of vocational education, of job placement, and of guidance could be put on a much more rational basis.

It is recommended that legislation authorizing a national system of job vacancy statistics be requested at once.

3. Encouragement of Worker Migration

In order to stimulate unemployed people to move where they could find jobs, the government has conducted a pilot program under which moving allowances and subsidies have been granted to encourage migration. It would be desirable to request the Secretary of Labor to make an assessment of this activity with a view to judging its potential promise.

4. Mexican-American Conference

During the campaign you promised to convene a White House Conference "promptly after taking office in January" to discuss with Mexican-American leaders the numerous

problems surrounding the life and activities of Mexican-Americans.

The Secretaries of Labor and Commerce should be promptly requested to advise you, jointly, by an early specified date, on the participants, format, and issues of such a conference.

5. Remedial Manpower Programs

The Task Force on Labor, Incomes, and Manpower Policies finds that the priority need for remedial manpower programs is a comprehensive manpower bill which would consolidate the lessons of experience into a single manageable program offering remedial services adapted to community and individual needs.

The Secretary of Labor should be requested to prepare at once a suggested draft of such legislation, accompanied by an analysis of its prospective costs and benefits.

6. Transition from School to Jobs

Study of the composition of unemployment by age levels brings out the sharply higher rates for young workers, especially black teenagers living in central city areas. While a somewhat higher unemployment rate

for young workers is to be expected as they find their way in life, the present levels are excessive and constitute one of the most worrisome aspects of current unemployment.

A strong effort needs to be directed at the problem of the transition from school to work, or in many cases, the transition from idleness to work. An added dimension of the problem of transition results from the flow of young people from the Armed Services into civilian life and work activity. Special efforts must be made in such areas as training, counseling, and work-school programs. Obviously these are areas for cooperative work involving the various levels of government and private employers. In addition, a differential in the minimum wage should be considered, so that lower learner-rates, rising to the regular minimum by age 21, would open initial job opportunities on a wider scale for young workers.

The Secretary of Labor should be requested at once to prepare a report, together with a draft of proposed legislation, on ways of facilitating the transition of youth from school to useful jobs.

7. Minimum Wage Amendments

C
Congressman John Dent, Chairman of the Labor Subcommittee of the House Education and Labor Committee,

has indicated that hearings will be held early in the 91st Congress on proposals to raise the minimum wage per hour from \$1.60 to \$2.00, to increase overtime pay from time and one-half to double time, and to provide that overtime pay start after 35 hours (rather than the present 40).

In view of the continuing increase in the cost of living, there will be a great deal of pressure to get your Administration to sponsor these changes. From an economic standpoint, the wisdom of these changes is very questionable in the present environment. The Task Force on Inflation rightly urges you "to resist measures that impair incentives to hire, train, and upgrade labor, such as further increases in minimum wage rates or the broadening of its coverage."

You should advise the Secretary of Labor to discuss at the first opportunity this legislation with Congressional leaders, including Congressman Ayres and Senator Javits. The Secretary will undoubtedly want to use such an opportunity to take up the special problem of the teenager, where some relief from the present minimum wage is advisable.

8. Farm Workers Under Taft-Hartley

At the present time, farm workers are not subject

to the provisions of the Taft-Hartley Act. However, there has been a sustained effort on the part of trade unions and the Johnson Administration to remove this exemption. A bill that would place certain farm workers under the Taft-Hartley Act was reported by the House Education and Labor Committee but failed to get a rule from the Rules Committee.

There was a great deal of opposition to this bill from both Republican and Democratic Congressmen. The major argument against it was that farming does not lend itself to collective bargaining. The farmer is particularly vulnerable to strikes, for a whole crop could be lost if work was stopped at a crucial time.

As soon as possible, the Secretary of Labor and the Secretary of Agriculture should review this troublesome question.

9. Morale of Federal Employees

It is highly important that you make a special effort to win the full cooperation of Federal career employees who, in the end, execute decisions and determine the quality of government services.

Besides advising department and agency heads of your desires in this regard, it is recommended that you set a conspicuous example by arranging for an early

meeting with the Executive Officers Group. An association made up of top departmental administrators, this Group meets regularly and has a secretary in the Executive Office.

10. Disputes Involving Public Employees

A national policy with regard to unions of public employees and disputes involving public employees is urgently needed.

It would be desirable to establish, under the guidance of the Secretary of Labor, a special task force to make a searching examination of this problem. The availability and enforcement of state and local laws should be explored as well as the ramifications of a Federal intrusion. Although Federal employee strikes are not a problem today, they could become a problem in the proximate future. Hence, this potential problem area, and particularly the bearing of recent changes in Federal employer-employee relations on it, should also be studied in depth.

You should discuss the vexing problem of public employee disputes with the Secretary of Labor at an early opportunity.

11. All-Volunteer Armed Force

One of your strongest pledges during the campaign

was the eventual abolition of the draft. It is the major issue that you can use to establish a rapport with the youth of the country.

There is, of course, substantial opposition to such a move, partly on the ground that it may endanger national security and partly for budgetary reasons.

Thus, it is important that you work toward the objective of abolishing the draft, but that you do so in a manner that protects both the national security and the budget. This can be done by moving toward an all-volunteer armed force in a series of steps, evaluating the results of each before moving to the next, as follows:

- (a) Reaffirm your pledge to end the draft as soon as possible.
- (b) Increase the planned July 1, 1969 military pay raise of some \$2 billion to \$3 billion, concentrating the additional billion in the lowest enlisted ranks where the military-civilian pay discrepancy is greatest. This should induce a rise in enlistments and allow draft calls to be reduced.
- (c) Appoint a special Commission charged with the task of developing a detailed plan of action for ending the draft.
- (d) Request the Budget Bureau to evaluate the cost

required to replace the draft with an all-volunteer armed force. The Bureau should also be prepared to report the impact on enlistments of the higher military pay scale of fiscal 1970, and to recommend in the light of its findings any change in the pay scale for fiscal 1971. If the evidence indicates that enlistments are highly sensitive to increased pay scales, the move toward eliminating the draft can be accelerated at limited cost. On the other hand, if the evaluation indicates that very large costs are needed to assure a substantial increase of enlistments, a slower pace of implementation would be logical.

You should, of course, take into account the very real possibility that the military chieftains, perhaps with good reason, would raise a storm of protest about the narrowing of pay differentials between officers and privates. In any event, you will need advice on this whole problem from the Secretary of Defense, and you should communicate your interest to him promptly.

XI - EDUCATION

1. The Federal Role

The Task Force on Education expresses strong concern about your campaign pledge to press for "...a Federal program to turn back to state and local control, through block grants, such funds as are urgently needed to upgrade their educational performance."

This emphasis on general aid -- as contrasted with categorical grants for specific, narrowly defined purposes -- is worrisome to the Task Force for several reasons, but especially so because they believe that "it would probably reopen the Church-State issue in aggravated form."

The Task Force notes that the constitutions of thirty states (including New York, California, and Illinois) have provisions which tightly restrict aid by state bodies to parochial schools. Thus, it is considered probable that any attempt to turn Federal educational dollars (which at present do benefit sectarian-school children to some extent) into generalized state educational dollars would provoke bitter opposition from Catholic officials. This, the panel fears, might possibly unsettle the whole Federal educational effort. A companion danger, according to the Task Force, is that any distribution of general aid moneys to sectarian schools in those states where constitutional

restrictions do not exist would invite a spate of "establishment-clause" suits challenging the constitutionality of Federal educational aid.

Because of these considerations, the Task Force emphatically recommends that neither you nor any high official of your Administration "make any further allusions to block grants until the full implications of new methods of Federal financing of education in regard to the Church-State issue have been fully explored."

Indeed, the Task Force believes that even without any disturbance of present aid-distribution procedures there may well occur new legal challenges to Federal educational programs. Because of this, it recommends that you promptly set up a small study group "to review the consequences of a possible adverse decision by the courts on all existing Federal education legislation and to prepare proposals as to how such legislation might be revised should the need arise."

While the Task Force opposes any move toward "general aid", it does believe that the number of specific categorical educational grant programs is now unnecessarily large and that this fact creates burdensome operating and administrative problems for state and local officials and for educational institutions. It therefore recommends, as a matter of early "high priority", a thorough study of the possibilities for regrouping a number of present categorical

grant programs into "designated block grant programs" to afford recipients considerably more latitude and discretion than they now have in using funds. Discretion would not be so broad, however, as to make aid "general."

In a closely related recommendation, the Task Force calls for "study as quickly as possible" of all existing education legislation with a view to determining how it might best be reorganized and recodified to provide greater efficiency in administration. The Task Force points out that there are now operative 69 pieces of educational legislation and that in fiscal 1970 the Office of Education will be administering at least 113 programs. According to the Task Force, "there is a widespread belief, both at the state and local level, that the seeking of funds under this multiplicity of legislation is an unnecessarily burdensome and time-consuming business."

The Task Force on Science and Technology likewise recommends that procedures governing the distribution of Federal aid to institutions of higher learning be revised. It clearly would like to see a deemphasis on specific project grants and contracts, with less earmarking of moneys and with accountability for funds "limited to demonstration that they have been expended in a responsible manner." The departure from specific grants desired by this Task Force is so sweeping in fact that it may be