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#7 meeting notes	meeting with Congressional Leaders <i>2 p - open</i>	9-22-83	NLJ 83-102
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FILE LOCATION

Meeting Notes File, Box 3

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NOTES OF THE PRESIDENT'S MEETING
WITH THE CONGRESSIONAL LEADERS

Handwritten notes:
10/10/68
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May 7, 1968
In the Mansion
8:30 a.m.

ATTENDING THE MEETING WERE:

- The President
- The Vice President
- Speaker McCormack
- Senator Mansfield
- Senator Long
- Senator Byrd
- Congressman Albert
- Congressman Boggs
- Budget Director Charles Zwick
- Mike Manatos
- Barefoot Sanders
- Joe Califano
- George Christian *gc*

Senator Byrd asked the President about the Pueblo. The President replied that incidents in Korea are increasing, and that the North Koreans are trying to milk as much propoganda as they can out of the ship and its crew. He reviewed briefly his meeting with President Pak in Honolulu, and pointed out that the U. S. is planning to put in \$100 million extra military assistance. The President said none of the military leaders recommended military action, since it would probably kill the crew of the Pueblo.

The President said the cable traffic indicated the Communists want to steam up things prior to the peace talks. He said the USSR, China and North Korea will join in this, and noted that the enemy had hit us in 110 places in South Vietnam over the weekend.

The President reviewed the offer of the Pope to use the Vatican as a location for peace talks, and said there had been other suggestions for Bucharest, Algiers and other places.

As for Paris the President said, "We think DeGaulle will be proper, but he doesn't want to see us come out with anything, because he didn't."

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SERVICE SET

The President said we didn't expect Hanoi to match our action of restraint, and they ought not to feel they can get away with hitting cities like Hue and Saigon without retaliation. He said in the last four months between 80,000 and 100,000 men have been sent toward and into South Vietnam, and there have been 35,000 detected since March 31.

The President reviewed charts showing corporate profits, personal income, tax receipts, and tax rates. These charts were later used in the Presidential remarks at the signing of the Veterans Loan Bill this day.

Senator Long questioned whether the charts are in constant details. He said the people are better off, but not as much better off as the charts indicate because population increases and other factors are not "cranked in." Mr. Zwick said this was correct, but the tax rates were the significant things.

The President said "We can't survive without more taxes." He pointed out that since World War II we have sent \$30.9 billion worth of food overseas. "Some think we ought to spend \$2 billion more now on food stuffs for our own poor people," he said. "We can't go that high, but we have to do something." stamps

The President said the worst thing that could be done would be to turn the appropriating authority over to the President.

On the proposal that expenditure cuts be increased from \$4 billion to \$6 billion, the President used the material in appendix A.

"We can live with \$4 billion," the President said. "You can have it 4 or 6, if we cut 6, I predict Congress by its own vote will put it back."

Senator Long expressed the view that Senator Williams is an adroit Republican who believes we must have a tax increase, but wants to do it in a way that will defeat the Democrats. Long said the Senate conferees cannot decline something that the Senate voted (\$8 billion), but the President pointed out that "you are getting \$18 billion in the other plan."

The President suggested that Senator Mansfield and the Speaker should give the conferees the alternatives of reducing the budget by the additional \$2 billion.

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PROGRAM REDUCTIONS REQUIRED
TO ACHIEVE AN ADDITIONAL \$2 BILLION
OF EXPENDITURE REDUCTION IN FY 1969*

An expenditure reduction of \$6 billion can be achieved in one or a combination of the following ways:

1. Take it out of the employees' hides, Highways, and Public Works

By postponing for one year the pay increase that becomes effective July 1, 1968, we could save \$1.6 billion in expenditures during the year. This would require Congress to enact new legislation postponing the provisions of existing law. The additional \$400 million might be obtained by a very drastic deferral of the trust fund-financed Federal Aid Highway Program. Since less than 20% of the commitments are spent in the first year, it would require a holdback of at least \$2 billion of budgeted new commitments to the States, starting almost immediately. (A holdback of \$600 million was already contemplated in the 1969 budget.)

Alternatively, the deferral of the pay raise (\$1.6 billion) could be combined with a \$1 billion additional holdback in highway funds (\$200 million) and a very restrictive policy on other public works which would include no new starts and shutting down those projects that are not more than 50% completed (\$200 million). This would, for example, close down 70% of the Corps of Engineers projects now underway.

* All of these cuts are on top of a \$4 billion FY '69 reduction.

SERVICE

2. Drastic reduction in credit programs

A \$2 billion reduction might be accomplished by a no-new-loans policy in the following loan programs:

- Farmers' Home Administration
- Small Business Administration
- Export-Import Bank
- VA loans
- REA loans

With credit tightening and marginal borrowers already finding it extremely difficult to continue in business, this is a very drastic action.

3. Take it out of the cities and key social programs

A \$2 billion reduction could be accomplished by severe reductions in social and urban programs. The following are examples by agency of the actions which will have to be taken.

Agriculture --

Hold the Food Stamp and direct food distribution programs to their 1968 levels or below.

Commerce --

Reduce economic development assistance to 1968 levels or below.

HEW --

Cut Elementary and Secondary Education grants below their 1968 levels. Curtail further loans to higher educational facilities, the scholarship program for needy students, and other higher educational activities. Slow down grants for Hill-Burton hospitals and medical and health care facilities.

HUD --

Hold such key social programs as Urban Renewal, Urban Mass Transportation, Model Cities Program, and Housing for the Elderly to levels lower than Congress will provide for in appropriation actions.

Interior --

Hold back on education and welfare programs for the Indians.

Labor --

Reduce Manpower Development and Training below levels contemplated in the budget.

OEO --

Reduce OEO programs to 1968 level or below. A \$6 billion reduction would probably require shutting down the new JOBS program.

In a \$4 billion reduction, an effort could be made to protect the above programs to a significant degree.