

THE WHITE HOUSE

WASHINGTON

April 1, 1969

MEMORANDUM FOR THE PRESIDENT

FROM: Arthur F. Burns

SUBJECT: Outline of a Basic Paper on Domestic Policy

Ten (?) weeks have elapsed since I assumed the Presidency.

During this period, I have devoted much of my energy to building the peace that the American people so devoutly desire.

The many domestic problems that our nation faces have not, however, been neglected.

I turned first to improving the machinery of governmental decision-making -- by revitalizing the National Security Council, which must relate foreign policies to our domestic goals and strength; by organizing an Urban Affairs Council so that the multiplying problems of our cities can be judged in clearer perspective; by establishing a Cabinet Committee on Economic Policy to help manage our nation's prosperity on a coherent basis; by organizing a more systematic approach to environmental problems; and by reorganizing Federal regional offices so that they can assume larger responsibility,

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function more speedily, and avoid unnecessary bureaucratic expense.

Concurrently with this effort, I issued approximately 100 directives to the heads of the various departments and agencies, seeking their advice and recommendations on numerous issues of domestic policy. It will still be months before the full harvest of this deliberate approach to government is reaped.

However, the structure of this Administration's domestic policy has by now become sufficiently clear to justify a broad outline of the goals that we have set and how we intend to pursue them.

I. Inflation

The most serious economic problem now facing our nation is the inflation that has been allowed to run into its fourth year, and which has already caused grave distortions in our economy.

Hard decisions are unavoidable if we are to win the fight against inflation. I have already informed the Congress and the nation of the course that we must follow:

- (a) The restrictive monetary policy that the Federal Reserve authorities are now pursuing must for a time be continued.
- (b) Federal expenditures in fiscal year 1970 must be brought significantly below the figure previously recommended by President Johnson.

(c) Meanwhile, Federal revenues will need to go up:

- (1) The income tax surcharge must be continued for another year.
- (2) The scheduled reductions in the telephone and passenger car excise taxes must be postponed.
- (3) User charges equal in revenue to those now in the budget will need to be enacted.
- (4) Postal charges on letters and other mail will need to be raised.

II. Student Disorder

A most troublesome social problem now facing this nation and other nations is student disorder.

- (a) The loss of faith of some of our sensitive young people in schools and colleges requires careful rethinking of educational policies and practices on the part of all of us.
- (b) The problem of maintaining order in our schools is the responsibility of school and college authorities, and the government must scrupulously avoid hasty or repressive measures.
- (c) However, those who reject the rule of reason forfeit the right to be members of the academic community. They

should be reminded of this in unmistakable terms by college authorities.

- (d) As far as the Federal government is concerned, there is no reason why public funds should continue to be spent on financing students who engage in violence on college campuses. A law enacted by the 90th Congress provides for the withdrawal of Federal support from students who are found guilty of violation of criminal statutes in connection with campus disorders. Henceforth, this law will be strictly enforced.

III. Crime

Student disorders are merely the most disturbing phase of the disregard for law that has gripped our nation in recent years. During the election campaign, I dwelt repeatedly on the urgent need to make our streets and parks safe once again. I shall redeem that pledge.

- (a) The one branch of government which I am exempting from the strict rule to cut expenditures in fiscal 1970 below previously budgeted levels is the Department of Justice. To engage in an effective war on crime, larger expenditures are now essential. These expenditures will rise in fiscal

1970, and they must go up by a full one billion dollars in fiscal 1971.

(b) I have already announced detailed plans for coping with crime in the District of Columbia. These plans are being implemented. The nation's capital must become a model city of law observance and law enforcement.

(c) At my request, the Attorney General is now preparing legislation:

- (1) To increase substantially the number of Federal judges, so that the huge backlog of court cases may be eliminated and new cases brought to trial more speedily.
- (2) To reform present procedures in granting bail, so that dangerous criminals may be kept off the streets while awaiting trial.
- (3) To amend the Wagering Tax Act, so that the government can prosecute those involved in crime more effectively.
- (4) To carry out a comprehensive revision of existing legislation on narcotics and dangerous drugs, so that illicit traffic will be drastically reduced.
- (5) To protect minors against the receipt of obscene material through the mail.

- (6) To establish a unified corrections service, so that wrongdoers -- particularly juvenile delinquents -- may be better equipped for normal civilian life upon release.

IV. Urban Problems

The sharp increase in crime of recent years is a symptom of the pathology that now afflicts many of our cities.

- (a) There is a limit to what we can accomplish by new legislation on crime or by better law enforcement. We need to recognize, moreover, that crime prevention -- no matter how effective -- will not of itself improve sufficiently the quality of life for many of our citizens.
- (b) What we need is a determined and fundamental attack on the economic and social problems that frequently surround our inner cities -- slums, ghettos, poor education, teenage unemployment, poor health, inadequate mass transportation, traffic congestion, air and water pollution, deafening noise, as well as unsafe streets. These problems have accumulated over many years. They have been intensified by swift advances in technology and by the massive migration

of people from farms and rural areas to the larger cities.

- (c) In recent years, the Federal government has tried to solve these problems by spending large and rapidly increasing sums of money -- by developing hundreds of specific grant-in-aid programs dealing with health, education, transportation, and other local needs; by establishing regional commissions to seek more balanced economic development and social improvement; through the Economic Development Administration to aid local communities, both urban and rural, that suffer from excessive unemployment or inadequate incomes; and most recently, through the Model Cities Program. By proceeding in all these directions, we have created a governmental maze that involves much duplication and confusion, often hampers the constructive efforts of local officials, and -- worst of all -- practically defies proper understanding or evaluation.
- (d) The task of rationalizing governmental procedures for dealing with the pressing problems of our cities will not

be easy or cheap. Clearly, we need to eliminate the programs that have failed, preserve what has worked well, and -- most important of all -- recognize that very inadequate results have been achieved despite massive Federal expenditures and that it is therefore necessary to try new approaches.

- (e) This Administration plans four new approaches to urgent local problems, both urban and rural. They have this basic feature in common: greater involvement of private citizens and local government officials in solving the problems of their communities.

- (1) First, we shall soon launch, under my active leadership, what I expect to become a vast voluntary program in which many millions of private citizens will make a concerted effort to improve living conditions in their communities -- by providing more jobs for disadvantaged people, by expanding training programs for uneducated and unskilled workers, by supplementing the education furnished by our schools to youngsters, by counseling the managers of new business enterprises in ghettos

and other poverty areas, and in numerous other ways.

(2) Second, I shall soon ask the Congress for legislation to undertake a substantial experiment with tax credits that are especially designed to stimulate:

(i) The training and employment of disadvantaged people by smaller enterprises.

(ii) Private business investment in new plant and equipment in poverty areas.

(3) Third, I intend to ask the Congress, at the earliest practical opportunity, to inaugurate a system of revenue sharing with the states. The amount to be distributed may be initially quite small, but it should grow as our financial capability improves and as emphasis on categorical grants-in-aid is reduced. The states which receive Federal aid should have very broad, but not unlimited, authority on the way the funds are disbursed, and they should be expected to maintain at least their present effort to finance local needs through local taxes.

(4) Fourth, I shall request the Congress to move, as far as feasible, away from categorical grants and toward block grants for broad functional areas, such as health services, education, manpower training. Categorical grants often restrict the ability of local officials to deal with the specific problems of their own communities. They are often poorly understood, especially by officials in the smaller communities. They also lead to unnecessary multiplication of governmental staffs and paperwork. By giving greater authority to local officials who are close to the problems that need to be solved, we can save money and also move faster toward the objectives that we seek to promote.

(i) The Administration has already affirmed this policy position:

a. By proposing amendments to the Hill-Burton Act which call for block grants for the construction and modernization of hospitals and health centers.

- b. By seeking from the Congress a single grant to replace four categorical grants for elementary and secondary schools.
- c. By promoting joint funding legislation to facilitate the handling of existing categorical grants.

(ii) I plan to send a message to the Congress that will call for a comprehensive revision of our manpower services system. From their modest beginning in the early 1950's, Federal manpower programs have assumed major proportions and currently involve an annual expenditure of approximately \$3.5 billion. The manpower programs have been developed through a long series of legislative enactments with little effort at coordination. This piecemeal approach has resulted in a patchwork of programs and responsibility both within and between agencies. The time is ripe for the establishment of a manpower services system that will provide for broad local initiative, a simplified funding

procedure, and a coordinated system for improving the quality of the nation's manpower.

(iii) I also plan to request of the Congress a grant consolidation authority, under which the President may order individual grants to be combined under provisions of law similar to those of the Reorganization Act.

(f) Help for disadvantaged groups will remain a basic part of this Administration's manpower policy. Indeed, we intend to enlarge the training facilities for needy individuals, particularly youngsters who experience difficulty in making the transition from school to work. We should not, however, continue programs, such as the Job Corps, that have proved fantastically expensive without achieving significant improvement either in the employment or the income of troubled youth. I shall, therefore, propose legislation:

- (1) To close down those Job Corps centers which have neglected remedial education and skill training.
- (2) To administer the remaining camps and centers as an integral part of the Manpower Administration.

- (3) To establish new residential skill centers in inner cities or near cities for youngsters who need a place to stay while undergoing practical job training.
- (g) The fundamental purpose of the government's Manpower Program is, of course, to help men and women of all ages, whether employed or not, to find a more useful and dignified place in their communities. The modern computer can aid this objective. We have been much too slow in recognizing its capacity to match people seeking jobs with the jobs that are seeking people. By building on experience to date, we can gradually enlarge the scope of computer job banks so that they can operate on a nation-wide scale and thus become a significant instrumentality for reducing spells of unemployment for the individual. I shall ask the Congress to provide the funds needed to bring the computer job bank to full fruition.
- (h) This Administration will also provide leadership in handling other troublesome problems of our cities, among which better housing -- especially for low income recipients -- deserves a particularly high priority.

- (1) The Housing and Urban Development Act of 1968 provides the legislative basis for a much needed expansion of home building. But to realize its great promise, the cost of construction of housing for families with low or only moderate incomes will have to be reduced sharply. The Department of Housing and Urban Development is now working with manufacturers, builders, trade unions, building code specialists, and local government officials to bring the advantages of mass production to the housing industry.
- (2) Last year's legislation authorized rent subsidies for low-income tenants as well as interest subsidies for those low-income families that aspire to home ownership. I shall seek funds from the Congress for both purposes, but especially to promote home ownership which, by enhancing pride and ambition, can become a major force in lifting families from the ranks of poverty.
- (3) I shall also press for practical legislation for better control of air and water pollution. This Administration

is now supporting legislation that is designed to prevent the pollution of our water, shorelines, and beaches, and to facilitate the immediate cleanup of such areas in the event of a discharge of oil or other dangerous pollutants.

- (4) However, in view of the overlapping urban programs that are now in force and the new approaches that this Administration is taking, I deem it only prudent to proceed very cautiously with the Model Cities Program until its financial cost, which could prove enormous, and its implications for our Federal system of government are better understood.

V. Floor of Economic Security

- (a) While the critical condition of many of our cities necessitates major attention to urban problems, we need to keep in mind that rural blight can be no less serious than urban blight and that unsatisfactory living conditions in rural areas have played a large role in driving people to the big cities, thus complicating their problems. It is because of this interrelation that I have invited the Secretary of

Agriculture to be a full member of the Council for Urban Affairs. It is because of this interrelation, also, that Federal manpower, education, health, and other basic programs must deal with the needs of rural as well as urban areas.

- (b) Moreover, we need to strengthen the floor of security for all our people, no matter where they work or dwell.
 - (1) Inflation has been eroding social security benefits, and I shall, therefore, propose legislation to raise benefits sufficiently to allow for the advance in consumer prices that has occurred since the last adjustment.
 - (2) In view of the crying need to improve health and safety standards in coal mines, I have already sent to the Congress an urgent message on coal mine safety.

In the near future, I shall also request the Congress to deal more comprehensively with the problem of safety by adopting legislation to enhance occupational safety and health in industry at large.
 - (3) There is no longer room in America for discrimination against any individual on grounds of race, color, or

religion. The Equal Employment Opportunity Commission should, therefore, be provided by Congress with the power to enforce its rulings by bringing action against all violators in Federal courts.

- (4) The Medicare and Medicaid programs need careful review. In view of rapidly rising health care costs, it will be necessary to reach an early decision on the premium rate for the medical insurance part of Medicare. Medicaid has an additional cost problem which arises from the fact that liberalization of eligibility standards or expansion of benefits, through action of the individual states, results in uncertain but potentially great increases in coverage of the program. This Administration is committed to the concept of achieving a program of general care for the medically indigent, but I firmly believe that the Congress should set standards for State action in order to control Medicare program growth.
- (5) Although the unemployment insurance system has served our nation well over the years, we have failed during

the past decade to attend to some necessary improvements. I shall, therefore, recommend:

- (i) Benefit levels that are at least equal to 50% of regular earnings for the great majority of covered workers.
- (ii) An automatic extension of the duration of benefits if unemployment should rise above specified levels.
- (iii) That state laws which disqualify workers undergoing practical training not be permitted.
- (iv) That coverage of the system be extended to many more workers.
- (v) That, however, eligibility standards be set so as to minimize the drain of seasonal and intermittent workers on unemployment insurance funds.
- (vi) And that unemployment insurance in no case be paid to workers while they are engaged in a strike.

VI. Economic Growth

- (a) Even as we wrestle with the problems of Vietnam, inflation, student disorders, and other pressing issues, we cannot neglect the needs of the longer future. To extend our

national prosperity and advance the general welfare, our public affairs must be so managed that the private economy continues to grow, to become more efficient, and to generate the jobs required by our expanding labor force.

(b) Peace in Vietnam and a cooler economy will bring blessings to our people, but we should prepare properly for the great opportunities that will come in an economy that is free from the disturbances of war and inflation. That is why I have deemed it so important right after assuming the duties of the Presidency:

- (1) To establish better machinery for economic policy making.
- (2) To appoint a Cabinet Committee to develop specific plans for dealing with the transition from war to peace.
- (3) To request the Labor Department to establish the comprehensive system of job vacancy statistics which our country has long needed for proper management of its economy.
- (4) To release previously impounded funds to the National

Science Foundation, so that basic research in the sciences could continue to go forward in our universities.

- (c) If our economy is to grow and prosper, as it both can and should, the Federal government must remain ready to make larger investments in improving the productive quality of our people. That is why, even at this time of financial stringency, I shall see to it that the budget now undergoing revision will not skimp on essential research, education, or training programs. That, also, is why I have instructed the appropriate agencies of the government to promote through grants, guaranteed loans, or other devices the development of autonomous two-year community colleges in the many cities of our country that still lack this highly useful instrumentality for vocational training.
- (d) The long-term growth of our economy clearly requires attention to modernizing and improving our transportation system.
- (1) I shall soon appoint a Commission to work out a national strategy for the balanced development of our

various transportation components, with guidelines as to the Federal government's role.

- (2) We cannot, however, afford to delay action on airport development. Our airport facilities are overburdened and in urgent need of rapid expansion and improvement. Air navigation facilities and equipment are being stretched to the point where air travel safety is in danger of being compromised, besides causing delay and inconvenience for millions of travelers. I shall, therefore, propose legislation to provide for a 10-year program of airways and airport development, and accompany this proposal with a revenue measure to establish user charges that would largely defray the cost of these facilities. It is only proper that those who use the airways and airports should pay for them.
- (e) Moreover, the long-term growth of our economy requires vigorous competition, with free markets open to all who aspire to make their way in the business world. The sharp upsurge of mergers in recent years is traceable to many causes, among which the constant striving of American

businessmen for greater efficiency is undoubtedly one of the most important. There are grounds for concern, however, that some recent corporate developments may pose a threat to the competitive business environment that is our country's greatest economic asset.

- (1) That is why the Justice Department is now looking into the implications of some of the eccentric conglomerates that have recently sprung up.
- (2) That is why, too, this Administration has proposed legislation which, by restricting one-bank holding companies to financial activities, will preserve our traditional separation between banking and business. Unless this legislation is passed, there is a danger that our economy might come to be dominated in another ten or twenty years by a relatively small number of industrial-financial power centers. That would be entirely undesirable both for American businesses and for the American people.
- (f) The preservation of free markets requires that we not permit special circumstances to divert us from the basic

path of a liberal commercial policy. Freer international trade is vital to the economic health and growth of our country. As trade barriers fall and trade expands, the American people will benefit by more jobs, larger profits, and cheaper consumer goods. The United States has historically led the way to freer trade, and its role of leadership should continue. I shall ask the Congress:

- (1) To renew the Trade Expansion Act, so that the President will be able to make limited adjustments in tariffs in the course of negotiations to reduce trade barriers.
- (2) To abolish the American Selling Price System, under which certain chemical imports are valued above the actual price of the goods to the importer. Once we eliminate this system, other countries will follow by reducing some present barriers to American exports.
- (3) To liberalize adjustment assistance to workers and businesses that are injured by increased imports.
- (g) Finally, we must be especially careful that taxes and other burdens imposed by government on individuals and

corporations do not weaken the incentives to effort, enterprise, and innovation -- which are essential to our nation's long-term economic growth. The surcharge on income taxes, while unavoidable now, must be removed at the earliest practical opportunity. Not only that, much of our tax system needs reexamination from the viewpoint of equity as well as from the viewpoint of its bearing on individual effort and business enterprise. I shall propose modest but significant tax reforms to the Congress this session, and they will be followed by more far-reaching proposals early next year.

VII. Individual Freedom

- (a) Economic improvement is merely one goal of the American people. Above everything else, ours is a moral nation, dedicated to the principles of democracy, equality of opportunity, and freedom for the individual. With the rapid industrialization and urbanization of our society, the government has perforce assumed larger functions and responsibilities. However, in an age when many nations of the world have succumbed to authoritarian

rule, we have managed to keep any tendency toward paternalistic government within bounds, have preserved the essentials of freedom, and indeed have enlarged it in some directions -- particularly for minority groups.

(b) The personal freedom that Americans enjoy has long been and must remain a source of hope and encouragement to people throughout the world. To be true to our heritage and historic mission, we must not only seek to preserve our freedom, but indeed be alert to every opportunity to enlarge it.

(c) The Voting Rights Act of 1965 was passed by the Congress to insure that none of our citizens will be hampered in their right to register and vote. Certain key provisions of the Act expire in 1970. I shall, therefore, ask the Congress to extend the key provisions of this salutary legislation without delay.

(d) We have lived with the military draft so long that many of us now regard it as normal. There can be no escape, however, from the fact that the draft impinges harshly and capriciously on the lives of our young men, that it imposes a huge hidden tax on them, and that it violates

our national traditions of freedom. After careful consideration of the problem, I have reached the conclusion that our national interest requires that we explore at once the specific steps that will need to be taken to enable us, once expenditures on Vietnam are substantially reduced, to move to an all-volunteer armed force. On March 27th, I appointed a Commission of outstanding citizens to study a broad range of possibilities for increasing the supply of volunteers, to develop detailed plans for moving toward an all-volunteer armed force, and to report to me this November.

- (e) In the interest of protecting our balance of payments, the government has imposed during the past few years severe controls on the investing and lending that Americans can do abroad. These restrictions, too, are a violent departure from our traditions of freedom. Although they may bring some relief to the balance of payments in the short run, they are bound to prove self-defeating in the long run. In view of the steps that this Administration has already taken to cool off the economy, it is appropriate

that we now move gradually but purposefully to dis-
mantle the controls. I shall outline the necessary
steps in an early message on the balance of payments.

VIII. Good Government

- (a) I come finally to the goal of good government. Unless this goal is achieved, none of our objectives will be sufficiently realized. Good government has always been of vital significance to the American people; but it is more important now than ever since many citizens -- especially among our young people -- have become quite skeptical or even cynical about the integrity of government.
- (b) I deem it essential to the future of our country that this Administration do what it can to rebuild faith in the institution of government. To help restore faith in the governmental process, I have:
 - (1) Instructed the Members of the Cabinet and my staff that I insist on running an open Administration, that I want the American people to be accurately informed of what this government is doing, and that I shall not tolerate any attempt at management of the news.

- (2) Informed the Congress that I intend to put an end to the patronage system that has long burdened our Post Office Department, and that all postmasters are henceforth to be appointed on a strict merit basis.
- (3) Instructed the heads of the government's statistical offices to speed up the publication of current statistics and to put an end to the manipulation of release dates.
- (4) Established an Office of Intergovernmental Relations, with the Vice President in charge, to work closely with the Governors and Mayors, thereby strengthening our efforts to make the Federal Government more responsive to the will of the people.
- (5) Urged the Congress to modernize the process of choosing a President by abolishing individual electors, and allocating the electoral votes to the Presidential candidates in a manner that may closely approximate the popular vote.
- (6) Instructed the Attorney General to prepare for early

submission to the Congress new legislation to restrict political contributions and insure their proper reporting.

(7) Instructed all Members of the Cabinet to streamline their Departments so that their programs may be better understood and lend themselves more readily to objective evaluation.

(c) In subsequent messages to the Congress, I shall develop in detail the outline of domestic policy that I am presenting today. I also plan to take up additional issues -- such as farm policy and welfare programs -- which call for reform but require more study before I can confidently recommend new directions of policy.