Agnew to Democrats: Back Nixon Program

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SAN JUAN, Sept. 13—Vice President Agnew today challenged the Democratic Party's governors to "put away partisan jockeying" and support President Nixon's economic policies.

The Democrats went into a huddle tonight to frame their response, but its likely tone was indicated by Gov. Milton Shapp of Pennsylvania, who said, "Patriotism is no substitute for a program of substance. President Nixon hasn't faced economic reality yet."

The economic argument dominated a full day of private and public discussions among administration officials, congressional leaders and state executives here for the 63d annual National Governor's Conference.

Among the main developments:

Long-time advocates of revenue-sharing here were cheered by reports that House Ways and Means Committee Chairman Wilbur Mills (D-Ark.) might approve a version of that plan — not called by that name — which would put $5 billion a year in state and local treasuries.

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Mandel elected to head Democratic governors' caucus. Page C1.

Agnew Seeks Help for Nixon Program

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Agew signaled an administration willingness to compromise with Senate Finance Committee Chairman Russell B. Long (D-La.), who laid down a major attack on the Nixon welfare reform bill in a speech to the governors this morning.

Representatives of the administration lobbied behind the scenes to keep the Democrats, who took over majority control of the conference in last year's elections, from scuttling its support of Mr. Nixon's two key programs, revenue-sharing and welfare reform.

And Gov. George C. Wallace of Alabama served notice he will try to bring the controversial busing question before the conference at its final session on Wednesday.

Fund Breakthrough

What some governors hailed as a breakthrough in the long fight for revenue-sharing was a staff proposal, drawn up by Mills' aides, for a two-part package of new federal aid to states, counties and cities.

As circulated here, one part would provide $3.5 billion a year to cities and counties for the next three to five years, for use at their discretion in certain broad areas of public need, excluding education.

The second part would be a permanent appropriation to the states, starting at $1.5 billion a year and possibly increasing as federal revenues increase, for any use they decide.

Govenors who had been briefed on the plan said they had been told Mills indicated it might pass the Ways and Means Committee as early as next month.

Others, who recalled similar optimistic reports from Washington at previous governors' conferences, said they were skeptical that all the necessary agreements had bee secured.

Representatives of the U.S. Conference of Mayors here, for example, said their organization had no accepted a provision that would reportedly permit a state to preempt 20 per cent of the local funds for a coordinated attack on regional problems.

The companion measure on the Nixon domestic program, welfare reform, was also the subject of a tug-of-war today. The Governors' Conference in the past has endorsed a phased federal takeover of all welfare costs and most of its members have supported the Nixon plan as a step in that direction.

But Long, whose Finance Committee holds the immediate fate of the house-passed measure in its hands, told the governors in strong terms today that the Nixon plan would not solve the problem of fraud or put welfare clients back to work, as most of them would like done.

Second Thoughts

His attack appeared to strengthen a wave of second thoughts about the Nixon plan, involving governors of both parties.

Long advocated his own alternative to the President's proposals — involving a range of subsidies to people who take low-wage jobs and quit the welfare rolls. Long also favors tax deductions for families who hire domestics at high enough wages to bring them above the welfare cutoff.

Comments from the governors after the speech indicated many of the conservatives shared his approach, but Massachusetts Gov. Francis W. Sargent (R) urged his colleagues to stay behind the Nixon plan, or to seek to increase its benefits, in hopes "we can get the states out of the welfare business."

Agnew, who followed Long to the podium at today's meeting, took a conciliatory line toward the Finance Committee chairman.

"There's a very distinct possibility, Senator," he said, "that we might find the middle ground." Agnew said that under any program of welfare, the administrators would have to confront the "public attitudinal problems which prevent the investigation of fraud . . . and be very courageous to take the steps to protect the taxpayers from abuses."

Then the Vice President made his plea to the governors —obviously aimed mainly at the new Democratic majority —that they not let "blind negativism" dominate their response to Mr. Nixon's new economic policy.

Praise for All

Praising labor, business and all elements of the public for "cooperating with the President" in the start of the 90-day wage-price freeze, Agnew sought to rebut three major arguments that Democratic economists and politicians have raised against the Nixon package.

The argument that an investment tax credit is not needed when American industry is operating at 73 per cent of capacity ignores the fact that "the unused capacity . . . for the most part is old, outmoded and inefficient," Agnew said.

Calls Package Balanced

In contradiction to those who claim the President's package gives more benefits to business than consumers, Agnew described it as "a balanced tax package" which "reduces taxes paid by individuals by $3.3 billion, and offers a tax credit of $2.7 billion to industry . . . and relieves consumers from some $2 billion in excise taxes."

"I do not see how, under any circumstances, the 'trickle down' appellation applies," Agnew said.

Finally, rejecting the suggestion that profits should be frozen along with wages and prices, Agnew asserted that "rising corporate profits are good for the average man and are needed more than ever by the poor." He explained that the higher profits would build federal revenues, financing national programs and "helping a great many people who could use the help."

Ridiculed by Shapp

In advance of the Democratic caucus, Shapp, who as governor of Pennsylvania heads the largest state under Democratic control, ridiculed the Nixon program as one "which tries to solve the problems of the 1970s with the techniques of the 1960s."

A millionaire businessman before election to his first public office last November, Shapp predicted twin failure for the Nixon plan — saying any guidelines adopted in Phase 2 would have to bend enough to allow the inflationary wage settlements already negotiated in long-term labor contracts, and arguing that neither the consumer nor investment tax cuts will spur the boom Mr. Nixon predicts.