Exhibit D

REPORT BY THE DIRECTOR OF GOVERNMENT RELATIONS

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MARCH 1 CHEMICAL FORUM FEATURES CONGRESSMAN PAUL ROGERS

The next MCA CHEMICAL FORUM luncheon will be held Tuesday, March 1, 1977, at the Washington Hilton Hotel, Washington, D. C. Speaker and guest of honor will be the Honorable Paul G. Rogers, U. S. Representative from Florida, Chairman of the Subcommittee on Public Health and Environment, House Committee on Interstate and Foreign Commerce. Congressman Rogers will speak to us on the legislative program and plans of his Subcommittee for the 95th Congress.

The jurisdiction of the House Subcommittee on Public Health and Environment is extremely broad, encompassing all matters of public health, with the exception of the Medicare program. The Subcommittee also has jurisdiction over the Clean Air Act and will begin consideration of amendments to this important legislation in the near future. Representative Rogers was a principal author of the 1970 Act and will again exert a strong leadership role in the development of the forthcoming legislation. He is expected to introduce his own comprehensive bill which will be the subject of House hearings likely to be held in late February.

We expect that the appearance of Congressman Rogers at the MCA CHEMICAL FORUM on March 1 will generate considerable interest within our own industry, the business community at large, and among representatives of the media. We hope that many members of the Board of Directors will find it possible to be in Washington to attend.

PRESIDENT CARTER'S ECONOMIC RECOVERY PROPOSAL

The President's proposed economic recovery package contains a combination of job-creation and tax reduction provisions aimed at sparking the economy and reducing unemployment. The main components of the two-year program are:

- an increase of $4 billion in authorizations for local public works;

- an expansion of public service employment by 415,000 jobs;
- an expansion of training and youth programs under the Comprehensive Employment and Training Act by 346,000 positions;
- a $50 rebate on 1976 taxes for each taxpayer and dependents up to the limit of the taxpayer's liability;
- a permanent increase in the standard deduction to $2,800 for couples and $2,400 for single persons;
- an optional credit against income taxes equal to four percent of the payroll <u>or</u> an additional two percent investment tax credit for corporations.

The House Ways and Means Committee began six days of hearings on the tax aspects of the President's program February 4. Two days were devoted to receiving testimony from government witnesses. Friday, the Committee heard the views of a panel of independent experts and this week they are receiving testimony from the general public.

MCA will submit a written statement February 9, setting forth the Association's views on the need for tax incentives to stimulate capital investment. Basically, our position is the same as that presented by F. Perry Wilson, on behalf of the Association, at the Senate Finance Committee tax reform hearings last year. That is, that the chemical industry requires large amounts of capital to modernize plants and equipment, increase its productivity and improve its competitive capabilities. We support the increase in investment tax credit to 12%, but recommend that the increased credit be made permanent.

We also suggest that longer-range solutions are needed and that Congress consider taking additional steps such as (1) reducing the corporate tax rate, (2) reducing double taxation of corporate earnings, (3) changing the capital recovery system so that the cost of manufacturing facilities can be recovered over a shorter period of years and (4) modifying the present methods of taxing capital gains.

From comments in recent days by Chairman Al Ullman and other Members of the Ways and Means Committee, it appears that that Committee may make substantial changes in the Administration's proposals for business tax credits. In place of the option giving business either a four percent payroll tax credit or an increase in the investment tax credit to 12%, a number of Committee Members favor credits going to business only on the basis of new hirings.

Other aspects are controversial as well, with both Democrats and Republicans differing over the merits of the $50 rebate approach. The current winter weather crisis has also raised questions as to the appropriate magnitude of the stimulus package, and how best to insure that its impact is not lost as the Nation seeks to cope with the high energy costs and job slow-downs resulting from the cold snap.

PROFILES OF KEY CARTER ADMINISTRATION FIGURES

Thomas Bertram Lance, Director of the Office of Management and Budget, has a priceless asset in the Carter Administration: he is widely known as one of the four persons with the most influence on the President (the others being Charles Kirbo and two members of his law firm, Messrs. Bell and Alston).

A self-styled country banker, Bert Lance was in fact president of the sixth largest bank in Georgia. He has supported Carter ever since the latter's first, and unsuccessful, run for the Georgia governorship in 1966. During Carter's 1971-1975 term as governor, he was commissioner of transportation, and played a key role in the governor's highly-touted reorganization of the state government. He was Mr. Carter's personal choice for governor in the 1974 primary, but finished last in a three-man field.

Mr. Lance calls himself a "fiscal conservative", and will be a strong and persuasive voice urging President Carter to speak and act so as to win and hold the confidence of the business community. He is firmly committed as the President himself to holding down the cost of Federal government and balancing the Federal budget by 1980. Within such constraints, there will be little scope for costly new social legislation.

Like other high Carter appointees, Mr. Lance has taken an early and firm position against wage and price controls.

Dr. Charles L. Schultze, Chairman of the Council of Economic Advisers, so impressed President-elect Carter that a high post for him in the new Administration was a certainty. After being mentioned for the top jobs at Defense and the Treasury, he wound up as Chairman of the Council of Economic Advisers, where he had been a staff economist from 1953 to 1959. Rejoining government under President Kennedy, he was later appointed by President Johnson as Director of the Bureau of the Budget in 1965 at age 40, the youngest person ever to hold his post. He moved to Brookings in January, 1968.

In testimony before the Senate Banking Committee, Dr. Schultze said that the Carter Administration hasn't decided on anti-inflationary measures yet. When pressed on the subject, he mentioned an "informal incomes policy" and a more active Council on Wage and Price Stability.

He said that international and domestic economic policy would be formulated together, since the two form a "seamless web". He saw no reason for major restrictions on multinationals, nor measures to curb imports which compete with U. S. goods. "The way to attack the problem", he said, "is not to devise protectionist measures but to expand the economy to the point where all who seek work can find it".

It appears that Dr. Schultzemay have moderated his early liberalism considerably. His critical testimony with regard to the Humphrey-Hawkins full employment bill was, in fact, substantially responsible for side-tracking that measure in the last Congress.

Dr. W. Michael Blumenthal, the Secretary of the Treasury, is a man of such drive and ambition and so skilled a bureaucratic infighter that he will run the whole Administration if the President permits him.

Growing up as a German exile in Shanghai, he seized the first opportunity to move on to the United States, where he rose rapidly in the academic, business, and government worlds, serving in the Kennedy-Johnson Administration as Deputy Assistant Secretary of State and as Deputy Special Representative for Trade Negotiations. In the latter post he was the U. S. official in Geneva responsible for conducting the Kennedy Round.

As a former CEO of a multinational corporation (Bendix), Dr. Blumenthal can be relied upon to defend the interests of the MNC's against attack in most essentials. However, in testimony before the Senate Finance Committee, he strongly endorsed the intention of the Tax Reform Act of 1976 to withdraw certain tax benefits from American companies cooperating in the Arab boycott of Israel.

He also came down hard in opposition to wage and price controls, "indexing" taxes or other payments in the economy according to some measure of inflation, and any alteration in the independence of the Federal Reserve System, including a change in the term of the chairman to make it begin and end simultaneously with the four-year Presidential term -- a change endorsed by President Carter during his campaign.

As head of Bendix, he took pride in operating abroad without resort to bribes and urged his fellow business leaders to do likewise. He has strong support from labor, which has enabled him to rise to his present position (his third choice, after State and Defense) despite having been a Jackson supporter in the primaries.