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THE WHITE HOUSE

WASHINGTON

March 28, 1975

MEMORANDUM TO: ROBERT T. HARTMANN

FROM: JACK CALKINS 

SUBJECT: To V or not to V?

We are supposed to be political, not economic, advisors, yet I have found my political consideration of the veto question constantly colored by the economic factors as I perceive them. Also, the political factors divide into two basic elements. One is the President's relations with the Congress, and particularly the Republicans. Second is political effect on the country at large.

Economically, it is my opinion that a veto is fully justified. It could be the basis for further anti-inflationary trends which have developed in the past few months and would certainly strengthen the dollar against other currencies. There have been encouraging turn-around signs in the economic indicators in the past few days indicating that perhaps the need for massive federally caused quick stimulation has diminished. Further, the actual effect of the tax reduction and rebate would not be felt for another sixty days at least. Therefore, the fiscal conservative in me says that the President should veto.

Politically, the question is much more difficult. The President first called for a tax cut and then repeatedly urged the Congress to take final action prior to April 1, which it has done. However, it has overstepped the limits set by the President by about 30 percent, and there are surely some sections of the tax bill which are abhorrent. The President could, of course, sign the bill with an accompanying statement that this is the absolute outer limit of revenue reduction and stimulation which our economy can stand and that any further spending or revenue reduction will almost automatically draw a veto. To veto this bill would presumably

make the President somewhat more popular with the right wing of the GOP and other conservatives as well. We have been looking for some broad action which would accomplish this.

With regard to the Congressional relations aspect, certainly a veto would support the position taken by a large majority of the Republicans on the Hill and to sign the measure would cause inevitable further erosion by Republican legislators in key votes in the future. Bob Michel told me yesterday that of the 55 Republicans who voted Yea, he believes half of them could be turned around on a veto override.

Combining all of the above elements, and in a very close call, it is my final opinion that the President should veto but not put his personal prestige too much on the line in the veto override vote fight, letting the Republican leadership carry the weight to see if they can carry out their goal of sustaining. I am not completely sure that they can do so. If a law is passed over the President's veto, then he still gets a measure of political credit for initially requesting the tax cut, but he does not have to assume the blame for any inflationary fire fueling which may result as a result of the cut being too large.

I have thought about this issue rather steadily for the past eighteen hours, and I am aware that my conclusion very likely does not agree with yours. Therefore, though you invited me to submit this memo, it is entirely within your decision whether you submit it to the President.

Thank you for giving me the opportunity to comment on this extremely important subject.

11.40 Am 3/28