

The original documents are located in Box C26, folder “Presidential Handwriting, 8/25/1975 (1)” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

THE WHITE HOUSE
WASHINGTON

August 25, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM CANNON

FROM:

JIM CONNOR *fel*

SUBJECT:

Countercyclical Legislation

The President has reviewed your memorandum of August 12 and approved the recommendation to continue to oppose the pending countercyclical legislation.

Please follow-up with appropriate action.

cc: Don Rumsfeld

Jim

Should Marsh or
Friedersdorf be copied on
this?

Trudy

"No"

THE WHITE HOUSE

WASHINGTON

August 12, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

Rich Daubman

SUBJECT: Countercyclical Legislation

BACKGROUND

At a recent meeting at the White House with representatives of the U.S. Conference of Mayors, Secretary Simon and Director Lynn indicated that we would review our position on the pending countercyclical legislation. (S 1359 -- Intergovernmental Countercyclical Legislation Act).

Attached is a memorandum from Jim Lynn to you recommending your continued opposition to this proposal. Max Friedersdorf, Jack Marsh, Bill Seidman, Jim Falk, Counsel's Office (Lazarus), and I concur in this recommendation.

The recent Governors' Conference in New Orleans failed to adopt a countercyclical resolution for fear that it would jeopardize the pending legislation for the reenactment of general revenue sharing, and I believe this is a valid concern.

In the past few weeks, we have received a number of telephone calls from Mayors who have formerly supported countercyclical legislation, however, with the modified formula these Mayors are now saying privately that they are reluctant to support such legislation.

RECOMMENDATION

That you continue to oppose the pending countercyclical legislation.

Approve

JC

Disapprove

Attachments



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 5 - 1975

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN
SUBJECT: Reconsideration of the countercyclical assistance proposal

Following a commitment made to representatives of the U. S. Conference of Mayors at a White House meeting on July 10, we have reviewed our opposition to the countercyclical aid legislation currently before the Congress. We recommend continued opposition to this proposal.

This legislation (S. 1359, The Intergovernmental Countercyclical Assistance Act of 1975, introduced by Senators Muskie, Humphrey and Brock), would provide up to \$2 billion to state and local governments in anti-recession aid. In addition, the bill provides:

- A three-year authorization.
- A formula to determine the total amount of available funds based on national unemployment statistics. When national unemployment reaches 6 percent, the program triggers with authorized annual appropriations of \$500 million. For every increase of one percentage point in national unemployment the authorized level would rise by another \$500 million. The maximum amount available is \$2 billion (9 percent unemployment).
- A formula for distribution. One-third of the funds is available to state governments; two-thirds to local governments. These funds, in turn, are to be targeted to governments with excess unemployment above a base period (in the case of the states), or over 4.5 percent (in the case of local governments).
- A provision for evaluation of the new grant program by the Congressional Budget Office.

On July 29, the Senate passed the Muskie bill as an add-on to Senator Montoya's \$2.1 billion Public Works bill.

The Muskie countercyclical aid bill has been introduced in the House by Representative Moorhead and referred to the House Government Operations Committee. No hearings were scheduled in the House and, before Senate action, it appeared that there was little interest in countercyclical aid. The House had instead passed a \$5 billion Public Works bill.

The House Public Works Committee indicated prior to Senate action that its membership would move to strike countercyclical aid as "non-germane" if the public works bill went to conference.

Serious consideration of General Revenue Sharing extension will not be undertaken until September by the Government Operations Committees.

Sponsors of the bill and other supporters generally base their support of countercyclical aid on the following arguments.

- The program would help states and local governments maintain necessary levels of basic services and meet increased demands for other services brought on by the recession.
- The program would help offset the demonstrable tendency of state and local governments to take large sums out of the economy at the very time the Federal government is trying to pump money in.
- Assistance would be targeted to those places hard hit by recession.
- Funds would enter the spending stream quickly.
- The program would phase itself out automatically as the economy recovered from recession.

Our reasons for continued opposition to the bill are as follows:

- Our fiscal policy of stimulative deficits adequately addresses the problems of recession. Conversely, new spending programs pose grave risks of over-stimulation.

- Support grants, requiring Federal borrowing, could further divert available credit from the private to the public sector.
- State and local people and organizations are not uniformly supporting countercyclical grants - particularly governors who are concerned more about continuation of General Revenue Sharing.
- Unemployment data currently available are inadequate as a statistical base, and would be even more unreliable as a basis for allocation of grants to individual jurisdictions.
- Although there is a correlation (.8 - .9) between declining state revenues and unemployment, there is no information to demonstrate a similar correlation for local units of government that rely on property taxes rather than income taxes. Moreover, the gravity of state and local governmental revenue needs depends upon myriad factors including established taxing and spending policies.
- This proposal would commit future Congresses to uncontrollably rising and falling appropriations, inconsistent with the objectives of the Congressional Budget Act of 1974. Also, and despite the "automatic" phase-out, this program will move Federal assistance to a new and higher plateau from which--as a practical matter--it will be difficult to retreat.
- Such grants would likely be built into local government base programs and leave them in deficit status when the grants are phased out to the extent that local revenues do not increase as employment increases.

The Economic Policy Board concurs in the recommendation the Administration continue to oppose countercyclical assistance proposals.

Decision

☐ Agree ☐ Disagree ☐ See Me