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THE WHITE HOUSE

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by Paul O'Neil

We must exercise fiscal control and self discipline. Two simple actions by the Congress could and should be taken immediately to further these shared objectives.

First, the Congress should put into use now the tools it enacted last year to control federal spending and the budget deficit. Under the law, the provisions of the new act do not come into full force until next year. But we cannot wait until next year for the Congress to begin self-restraint in federal spending. All signs in the first three months of the year point to a Congress on a spending rampage.

If this rampage succeeds, enforcing control on Congressional spending next year will be like closing the barn door after the cows have left -- it will be too late to expect meaningful fiscal control for two or three years because we will be locked into ever higher federal spending.

Second, the Congress should stop dreaming up new ways to spend money we don't have and instead get on with the enactment of the \$349 billion budget I recommended in February.

No new spending programs and no additional spending for existing programs should be enacted now.

I am confident that if the Congress enacts the level of spending I proposed, that action, coupled with the effect of the tax bill will allow the economy to right itself without endangering a/resurgence of our economy.

Budget Options

Discussion - Assuming the Administration's tax proposals, the deficit for FY 1975 was estimated at \$41.0 B and that estimated for FY 1976 was \$57.8 B. These estimates include the effect of Congressional and Administrative actions undertaken since the Budget was submitted in February, but do not include the likely rejection of the Administration's budget cutting and energy proposals.

The Conference Committees' tax bill would add \$6.6 B to the FY 1975 deficit and \$0.6 B to the FY 1976 deficit. If the tax cut features of the Congressional bill become permanent, the FY 1976 deficit will be increased another \$5 B. The implied deficits will therefore be \$47.6 B in FY 1975 and \$63.4 B in FY 1976 (with permanent tax cuts). If the Administration's energy program is rejected, the FY 1976 deficit is lowered to \$58.3 B. These estimates do not take account of the stimulus to economic activity and the consequent increase in tax revenues resulting from the tax cut and certain other actions taken since the February budget, e.g., release of highway funds. With these "feedbacks" considered, the implied deficits without the energy program are \$46 B in FY 1975 and \$57 B in FY 1976. All of the options below assume that a tax cut bill of approximately the size passed by the Congress is accepted.

Options

1. Tough stance. (a) Continue to support cuts proposed in the February budget which have not yet been acted on by Congress, e.g., 5 percent cap on social security and Federal pay increases; (b) strongly oppose any other spending initiatives not already offered by Administration. Implied deficits are \$46 B in FY 1975 and \$61 B in FY 1976 with the Administration's energy program. Without the energy program the FY 1976 deficit estimate is \$57 B.

Pro

- . May produce somewhat lower rates of inflation and lower interest rates than implied by the March Troika forecast.
- . Strong position may forestall pressures for additional spending.

Con

- . Represents an unrealistic stance. Congress is very unlikely to accept most proposed cuts.
 - . Slower recovery is implied, probably leaving unemployment in excess of 8 percent at the end of 1976.
2. Semi-tough stance. (a) Continue to push legislative proposals for budget cuts contained in Option 1, and (b) propose expansion of unemployment benefits (as described in Tab C) but continue to oppose any other spending increases.

This would result in \$4 B addition to gross outlays in FY 1976. Implied deficits are \$46 B in FY 1975 and \$60 B in 1976, assuming tax cuts are made permanent and the energy program is rejected. With energy program the FY 1976 deficit is about \$64 B.

Pro

- . Is somewhat more realistic than Option 1 and shows special concern for unemployed.
- . Fiscal stimulus slightly higher than Option 1, although less than assumed in March Troika forecast.
- . Could reduce Congressional pressures for additional spending programs such as public service jobs.

Con

- . Increases deficit slightly and therefore adds to interest rate pressures.
3. More lenient stance. (a) Propose extended unemployment benefits and accept Congressional inaction on budget cuts, and (b) strongly oppose any other spending initiatives not already offered by Administration.

Implied deficits are \$47 B in FY 1975 and \$68 B in FY 1976 without energy program. With the energy program the FY 1976 deficit rises to \$72 B.

Pro

- . Realistically accepts what Congress is very likely to do anyway.
- . Fiscal stimulus is roughly as assumed in the Troika projections.
- . By accepting elimination of 5 percent caps and other budget cutting proposals, appears to be more compassionate toward those suffering economic distress.

Con

- . Many would argue that implied deficits create financing difficulties in calendar 1976. Especially, high risk created for housing industry.

Some, although not all, economists would argue argue that inflationary risks are intensified for late 1976 and early 1977.

4. Most lenient stance. In addition to programs in Option 3, propose additional spending to create jobs and alleviate problems of distressed sectors of the economy.

There is no shortage of candidates for additional spending and a deficit as high as \$100 B is possible in FY 1976.

Discussion - In selecting a package, it is desirable to choose components which do not commit us to increased outlays beyond the time when increased stimulus is needed. In addition it must be feasible to initiate the selected programs quickly without significantly reducing program efficiency. Candidates of varying degrees of desirability are as follows:

- (i) Spending would be accelerated in existing programs. A detailed description of these possibilities is contained in Tab D. Outlays would easily be increased by \$2.0 B in FY 1976.
- (ii) General Revenue Sharing payments could be accelerated adding \$1.5 B to outlays in FY 1975. Revenues could be made up by reducing payments in FY 1976 (see Tab E).

- (iii) A new program of counter-cyclical grants could be proposed for State and local governments to relieve the effect of recession on their budgets. Magnitude of increased spending could be selected over wide range, but to be meaningful program should spend at least \$2 B. Main disadvantages are: (a) Federal spending may simply substitute for State and local spending without providing much stimulus; and (b) legislation would be required and there is likely to be long delay while Congress argues over distribution formula. (See Tab F for additional details.)
- (iv) A program to rehabilitate railroad beds would add \$500 million to FY 76 outlays. Main disadvantage is that program implies additional expenditures of \$2.5 B after FY 76 when it is unlikely that additional stimulus will be desirable. Also requires legislation. (See Tab G for additional details.)
- (v) A variety of plans to stimulate housing are now before the Congress. Main disadvantage is that most imply increased spending after FY 1976. Also, housing has already been helped by Conference Committee tax bill. (See Tab H.)
- (vi) Employers could be provided with a tax credit for employment in excess of that in some base period. Cost depends on coverage and structure, but would be in neighborhood of \$5 to \$7 B for an employment effect possibly as high as 800,000 (see Tab I for pros and cons).

Pro

- . Appears to help sectors suffering as a result of the recession.
- . Adds to the speed of recovery, improving employment outlook beyond that in Troika forecast.

Con

- . Each dollar addition to deficit implies greater risk of reigniting inflation and disrupting capital markets.
- . No package will satisfy all interests who think that they need help.
- . Risk that Congress will expand such proposals and make increased spending permanent.

BUDGET OUTLOOK
(Dollars in billions)

	1975		1976	
	The Budget	Effect on borrowing a/	The Budget	Effect on borrowing
Original 1976 Budget:				
Receipts.....	278.8		297.5	
Outlays.....	313.4		349.4	
Deficit.....	-34.7	57.9	-51.9	78.9
Assured changes in deficit:				
Administration changes:				
Release of highway funds.....	-*		-1.0	
Request \$2.0 billion for public service jobs and summer youth.....	-.1		-1.8	
Food for Peace and other requests.....	-.3		-.1	
Congressional action on food stamp increases.....	-.2		-.6	
Loss of offshore oil and receipts.....	-2.5		--	
Court actions requiring fund release.....	*		-1.1	
Inaction on rescissions and overturn of deferrals.....	-.6		-.7	
Congressional action on Foreign Assistance Appropriation Act.....	.7		.5	
Deficit with assured changes.....	-37.7	60.9	-55.7	82.7
Revised estimates:				
Higher Food Stamp use.....	-.6		-1.5	
Increased GI bill participation and other veterans benefits.....	-.5		-.6	
Other changes (HEW, defense, etc.).....	-2.2		--	
Deficit with expected changes.....	-41.0	64.2	-57.8	84.8
Further changes under consideration in Congress:				
Inaction on "5%-cap legislation".....	--		-5.1 ^{b/}	
Inaction on other reduction legislation:				
Medicare cost sharing.....	-.3		-1.3	
Medicaid, social services, and other public assistance reform.....	-.3		-1.5	
Other reduction legislation.....	-.6		-3.4	
Tax bill:				
Larger tax cut than proposed by the Administration.....	-4.7		-5.6 ^{c/}	
\$50 payment to OASDI and SSI recipients	-1.7		--	
Additional unemployment benefits.....	-.2		--	
Emergency Employment Appropriation (House Appropriations Committee).....	-1.7		-1.4	
Rejection of President's energy proposals (other than \$1 import fee).....	--		5.1	
Outlays.....	(.5)		(7.0)	
Receipts.....	(-.5)		(-1.9)	
Health insurance for the unemployed (Recommended to House Budget Committee)	--		-1.5	
Anti-recession grants (JEC).....	--		-4.0	
Public service employment (new authorization--JEC).....	--		-7.2	
Improvements in unemployment compensation.....	--		-4.0	
Farm bill (as passed by Senate).....	--		-2.0	
Housing bills:				
H.R. 4485 mortgage market stimulus.....	--		-1.5	
Other (H.R. 34, H.R. 3573).....	--		-.4	
Veterans benefits (Recommended to House Budget Committee).....	--		-.8	
Education and Labor recommendations to House Budget Committee:				
New initiatives.....	--		-.3	
Existing programs.....	--		-.4	



Budget Outlook Continued
(Dollars in billions)

	1975		1976	
	The Budget	Effect on borrowing a/	The Budget	Effect on borrowing a
Small Business Committee recommendations to House Budget Committee.....	--		-.4	
Further increase for Postal Service (Recommended to House Budget Committee.....)	--		-.7	
Other recommendations to House Budget Committee for new initiatives.....	--		-.5	
Child nutrition (House bill).....	--		-1.4	
Overturn of highway fund deferrals (House bill).....	--		-.4	
Deficit with changes under consideration in Congress.....	-50.5	73.7	-96.5	123.5

a/ Includes total Federal and Federally assisted borrowing from the public.

b/ Based on the latest CPI projections--and excluding the price effect additional energy taxes--the outlay savings from the 5%-cap is estimated at \$5.1 billion rather than the \$6.1 billion reported in the budget.

c/ Assumes that many of the changes incorporated in the tax bill are made permanent at a later date. This increases the size of the tax cut by an estimated \$5.1 billion.

Fiscal Analysis Branch
Budget Review Division
March 27, 1975



THE WHITE HOUSE
WASHINGTON

TAX BILL SPEECH COPIES

Original and 7 xerox copies:

RTW

THE WHITE HOUSE
WASHINGTON

TO: Bob Hartmann

FROM: PAUL THEIS

In case you missed These —

see page 2 as one
argument for signing the
Tax bill.

Paul

The Harris Survey

For Release: Thursday, February 20, 1975

PRESIDENT FORD, A NICE GUY, BUT...

BY LOUIS HARRIS

Although a strong majority of Americans believes that President Gerald Ford is a "nice guy," many are doubtful about how strong and decisive he will be and how intelligently he will handle "issues facing the country."

Only 39 percent now feel Ford will become "a strong and decisive President," which represents a major drop in public confidence since last Sept., when 70 percent believed Ford would eventually become "strong and decisive."

Forty-one percent agree that Ford "does not seem to be very smart about the issues facing the country," compared to a small number of people, 18 percent, who thought so in Sept.

Although Americans don't have strong expectations about Ford's performance during his term in office, they are reluctant to go as far as calling him "weak and wishy-washy" or to believe that he "doesn't take decisive action" whatsoever. A 52-31 percent majority reject the charge that Ford is "wishy-washy," which was common in Dec. and early Jan., but apparently weakened by the vigor with which the President presented his new economic program.

As far as policies, Ford receives substantial confidence votes for his openness and his choice of people to fill the posts within the administration. A 70-16 percent majority agrees that Ford is running an open administration and listens to the people, and that is good." A 49-24 percent plurality believes he has named competent people to high office. But the votes Ford gains for his openness are offset by the 63-29 percent margin who believe "he did not do the right thing in giving former President Nixon a full pardon," up from the 59-35 percent majority who felt the same way just after Ford granted the pardon last September.

The public's view of Ford is nearly opposite that of his predecessor, former President Nixon. A substantial 77 percent believe Ford is a "man of high integrity," a 59-21 percent majority considers him "not very experienced in foreign affairs, his weak point." At the end of Nixon's tenure as President, a 53-35 percent majority doubted his integrity while 62 percent praised the way he conducted foreign policy.

Lopsided majorities have criticized both the Ford and Nixon Administrations for "not keeping the economy healthy" and for heading Republican administrations "too close to big business."

In a Harris Survey conducted just after Ford put forth his new economic program, a cross section of 1,543 households was asked:

"Let me read you some statements that have been made about President Ford. For each, tell me if you tend to agree or disagree. (READ STATEMENT)."

STATEMENTS ABOUT PRESIDENT FORD

	<u>Agree</u> %	<u>Disagree</u> %	<u>Not Sure</u> %
<u>POSITIVE</u>			
He is a nice guy.	78	6	16
He is a man of high integrity.			
Jan. '75	77	11	12
Oct. '74	75	13	12
Sept.	87	4	9
June	63	8	29
May	67	6	27
He is running an open administration and listens to people, which is good.			
Jan. '75	70	16	14
Oct. '74	67	18	15
Sept.	81	6	13
He appoints good people to high office.			
Jan. '75	49	24	27
He will surprise people by being a strong and decisive President.			
Jan. '75	39	36	25
Oct. '74	52	26	22
Sept.	70	11	19
<u>NEGATIVE</u>			
He did not do the right thing in giving former President Nixon a full pardon.			
Jan. '75	63	29	8
Oct. '74	59	35	6
He is not very experienced in foreign affairs, and that is his weak point.			
Jan. '75	59	21	20
Oct. '74	62	19	19
Sept.	52	26	22
He and the Republicans are too close to big business.			
Jan. '75	51	28	21
He does not seem to be very smart about the issues facing the country.			
Jan. '75	41	45	14
Oct. '74	32	52	16
Sept.	18	66	16
June	32	33	35
May	26	36	38
He is weak and wishy-washy and doesn't take decisive action.			
Jan. '75	31	52	17

The people react positively to Ford's personality and to the open climate of his administration, but they have been disappointed in his performance so far and seriously wonder whether Ford has the capability to handle the office or the kind of leadership qualities needed at this time.

The Harris Survey

For Release: Monday, February 24, 1975

THE IMPACT OF THE RECESSION

BY LOUIS HARRIS

Fears about unemployment and bankruptcy are sharply rising and are the highest ever recorded in a Harris Survey.

A 74 percent majority of Americans report that unemployment in their own communities is growing, compared to 58 percent who thought so last November.

--- A substantial 52 percent of the nation's families have been directly affected by the rising unemployment rate. Thirty percent said they or another family member had been laid off, 9 percent had lost overtime and 13 percent had had their work week cut back.

The previous high of those directly affected by a recession, 36 percent, was recorded in 1971, when 23 percent said they had faced lay-off problems, 5 percent had lost overtime and 8 percent had had their work week cut back.

The 30 percent lay-off figure adds another, more troubling dimension to the problem of unemployment. Although the present unemployment rate is only 8.2 percent, nearly one-third of the country's families are directly affected by it.

--- Hardest hit by the recession have been industrial workers, followed by white collar workers.

--- Fifty-five percent report that "the number of people and companies around here that are going into bankruptcy is increasing," which reflects majority concern over the grim prospect of national financial insolvency.

In January, the Harris Survey asked a cross section of 1,543 families nationwide:

"Have you or has anyone in your immediate family been laid off from work, lost overtime or had your work week cut back in the past few years, or hasn't that happened to you or to anyone in your family?"

IMPACT OF LAY-OFFS, LOSS OF OVERTIME, OR WORK CUT-BACKS ON OWN FAMILY

	<u>Laid Off</u>	<u>Lost Overtime</u>	<u>Work Week Cut Back</u>
	<u>%</u>	<u>%</u>	<u>%</u>
January, 1975	30	9	13
Nov., 1973	20	3	5
March, 1971	23	5	8
Jan., 1971	16	6	8
July, 1970	9	7	5

- OVER -

The number of those who have observed unemployment rising in their community has also risen sharply. The cross section was asked:

"Compared to a year ago, do you feel the number of people unemployed around here has increased, decreased or stayed about the same?"

UNEMPLOYMENT IN OWN COMMUNITY
COMPARED WITH A YEAR AGO

	<u>Increased</u>	<u>Decreased</u>	<u>Stayed Same</u>	<u>Not Sure</u>
	%	%	%	%
January, 1975	74	3	19	4
Nov., 1974	58	5	30	7
Oct.	43	7	41	9
Sept.	39	9	45	7
July	34	11	46	9
Jan.	44	11	37	8
Sept., 1973	22	16	52	10
March, 1972	46	8	39	7
June, 1971	70	5	22	3
Jan.	62	5	27	6

The only period comparable to today was 1971, when 70 percent of the families reported unemployment rising in their own neighborhoods.

When asked what they thought the unemployment picture would be a year from now, 43 percent of the public thought the rate would still be rising, 16 percent estimated it would decline and 31 percent believed that it would remain about where it is now.

By a narrow margin of 47-41 percent, a plurality of Americans believes that unemployment will top out at current levels, although most would not be surprised to see joblessness run well above today's levels.

There is no doubt now that the recession, particularly the loss of jobs and the worry about increasing unemployment, are the most pressing concerns of the American people, quite possibly because of the sharp increase of unemployment over a relatively short period of time.

The Harris Survey

For Release: Monday, February 17, 1975

RECESSION AND DEPRESSION: A HOPE AND A PRAYER

BY LOUIS HARRIS

The American people are more acutely aware of the ongoing recession than at any time in the recent past. But a plurality is convinced that there will be no depression in the country a year from now. This is a perceptible change from a month ago when public pessimism had reached a point where it anticipated a depression. What brought this slip about seems to have been President Ford's proposal for an immediate rebate of 1974 taxes.

Yet, public confidence in the new Ford program is not great enough to dispel the widespread feeling that the current recession will last deep into 1976. Before the Ford economic proposals for stimulating consumer demand were made, a 60-17 percent majority felt that there would be a recession for the next 12 months. Afterward, a 60-22 percent majority felt a recession will still exist by January of 1976.

The extent of people's awareness of their economic plight is evident in the results of this question asked of a cross section of 1,532 adults last month in a nationwide survey:

"Do you feel the country is in a recession today or not?"

IS COUNTRY IN RECESSION TODAY?

	<u>Is</u>	<u>Is</u>	<u>Not</u>
	<u>%</u>	<u>Not</u>	<u>Sure</u>
	<u>%</u>	<u>%</u>	<u>%</u>
January, 1975	85	8	7
Dec., 1974	80	11	9
Nov.	81	11	8
Oct.	74	17	9
Sept.	69	20	11
July	65	24	11
April	62	26	12
January	54	32	14
Nov., 1973	47	39	14
Sept.	39	44	17
Feb.	33	51	16
Dec., 1972	36	45	19
June	46	41	13
Dec., 1971	49	33	18
June	62	25	13

Since last July, the public has felt that the nation's economic condition was worse than in any period in modern times. They were convinced a recession has taken hold long before Administration leaders were willing to admit its existence.

A majority still hold the view, however, that America is not in a depression, although the number who think that it is continues to grow. People were asked:

"Do you feel the country is in a depression today or not?"

IS COUNTRY IN A DEPRESSION TODAY?

	<u>Is</u>	<u>Is</u>	<u>Not</u>
	<u>%</u>	<u>Not</u>	<u>Sure</u>
	<u>%</u>	<u>%</u>	<u>%</u>
January, 1975	33	50	0

The number of people who think the country is now in a depression has risen four points in three months. In January, one in every three families held that view. This means that most people feel the economic situation is likely to get worse in the short run before it gets better.

It is interesting to look at the changes over the past few years in the public's expectations about the direction of the economy. The question asked was:

"A year from now, do you feel the country will be in a recession or not?"

WILL COUNTRY BE IN RECESSION
A YEAR FROM NOW?

	Will Be <u>%</u>	Will Not <u>%</u>	Not Sure <u>%</u>
January, 1975	60	22	18
Dec., 1974	60	17	23
Nov.	59	20	21
Oct.	64	17	19
Sept.	54	22	24
April	47	25	28
March	59	18	23
Jan.	61	18	21
Nov., 1973	45	23	32
Sept.	40	29	31
Feb.	35	38	27
Dec., 1972	26	43	31
Dec., 1971	31	35	34

Expectations that the recession will continue are holding at the high level of 60 percent. It is revealing that this figure is just about the same as a year ago, when the public correctly forecast a continuing recession 12 months ahead.

There is a glimmer of hope, however, in the way the public has shifted its views about a depression. People were asked:

"A year from now, do you think the country will be in a depression or not?"

WILL COUNTRY BE IN DEPRESSION
A YEAR FROM NOW?

	Will Be <u>%</u>	Will Not <u>%</u>	Not Sure <u>%</u>
January, 1975	36	42	22
Dec., 1974	38	33	29
Nov.	36	43	21
July	28	54	18

It is possible that expectations of an imminent depression peaked in December, just before the President came up with his program to stimulate consumer spending in the economy. The balance is a delicate one and any kind of bad economic news could easily send people's pessimism soaring. As a steelworker in Youngstown, Ohio put it, "I'm lucky to be working without a break in the middle of a recession. I don't think there will be a depression, but if you want to know, that's more a hope and a prayer these days than anything else."

The Harris Survey

For Release: February 13, 1975

CIA COMMISSION: ANOTHER COVER-UP?

BY LOUIS HARRIS

Only one out of every three Americans believes that President Ford made the right decision in appointing Nelson Rockefeller head of a special commission to investigate alleged CIA domestic spying and electronic surveillance.

A plurality, 43-33 percent, suspects that the inquiry will "end up as another coverup."

"Those big shots in Washington never seem to learn," said a plant manager in Springfield, Mass. "I wouldn't be surprised if they tried to cover all this up just like Watergate."

A farmer in Princeton, Ill. said, "It looks to me like they caught the CIA at something they should not have been doing. But we'll probably never find out what happened. They'll try to cover up another mess."

In a recent Harris Survey, a cross section of 1,532 adults was asked:

"President Ford has appointed a high-level commission headed by Vice President Nelson Rockefeller to look into the charges of domestic spying by the CIA and to come up with recommendations on how the CIA can be made to live up to the letter of the law. In general, do you think President Ford took the right action to get recommendations from a special commission headed by his own Vice President, or do you think he should have appointed a commission completely independent of the White House?"

WAS FORD RIGHT TO APPOINT CIA COMMISSION WITH ROCKEFELLER AS HEAD?

	Total Public %
Ford took right action	35
Should have commission independent of White House	49
Not Sure	16

The People's skepticism of Rockefeller's appointment--and of government self-investigations in general--is evident in their prediction of the commission's findings:

"If you had to guess right now, do you think the special Rockefeller commission looking into suspected CIA irregularities will get to the root of any wrongdoing by the CIA, or do you think it will end up as another coverup all over again?"

EXPECTATION FROM ROCKEFELLER
COMMISSION INVESTIGATING CIA

	Total Public
	%
Will get to root of wrongdoing	33
Will end up as another coverup	43
Not Sure	24

Although a majority is unwilling to condemn the integrity of the Rockefeller commission before it has even begun to investigate, even those who place faith in the commission want to reserve judgement until the investigation is completed.

"After Watergate, I don't think they'd dare another coverup." said a teacher from Albuquerque, N.M. "but I'll have to judge that when their final report is made."

Such public skepticism of Rockefeller's intention and the success of the commission is probably due to a post-Watergate hypersensitivity to any threat to civil liberties.

A substantial, 62-21 percent majority feels that alleged CIA spying and electronic surveillance of U.S. citizens is wrong. A 61 percent majority of the public believes that real changes need to be made in the way the CIA operates, and 33 percent call for nothing less than a "drastic overhaul." In a previous Harris Survey, a two-thirds majority expressed disapproval of the CIA's intervention in the internal affairs of Chile during the Salvador Allende socialist regime. People were asked:

"The Central Intelligence Agency (CIA) has the power to conduct intelligence activities, including spying and electronic surveillance of individuals outside the United States. It is not allowed under the law to conduct spying or electronic surveillance on American citizens here in the U.S. Several newspapers have claimed the CIA monitored the activities of as many as 12,000 individuals here at home during the time of the anti-Vietnam war protests. If these charges prove to be true, do you feel the CIA was right or wrong to conduct such spying and electronic surveillance against U.S. citizens here at home?"

IF PROVEN TRUE, WAS CIA MONITORING
OF U.S. CITIZENS AT HOME RIGHT OR WRONG?

	Total Public
	%
Right	21
Wrong	62
Not Sure	17

Public awareness of the need to protect civil liberties has never been higher, and attempts by those in government to violate these rights has never been so subject to scrutiny. Given this public mood, nothing short of a thorough, tough and independent investigation of the CIA will satisfy the doubts of the American people.

Copyright: 1975 Chicago Tribune

OIL AND POLITICS: BLAMING THE PETROPOWERS

BY LOUIS HARRIS

Resentment against the oil producing countries, particularly the Arab nations, has now reached the point where three out of every four Americans blame them for both the inflation and continuing recession. The crisis in energy is now seen not simply as a threat to the supply of gasoline and fuel oil, but as a negative force which is costing people their jobs and bidding fare to wreck the economy.

The consequences of this prevailing mood are both substantial and significant:

— The number of people who now view the energy crisis as "serious" has risen from 67 to 84 percent since last July. Those who believe the shortage is "very serious" has jumped from 26 to 44 percent over the same period.

— Sympathy for Israel in the Middle East dispute with the Arabs has risen from 39 to 52 percent since November, 1973. By contrast, sympathy for the Arab cause has edged up from a lowly 4 to 7 percent this country. Contrary to the views of some who expected Arab prestige and support to go up as the dependence of the U.S. and the rest of the world on Arab oil increased, just the opposite has happened. It is now obvious that resentment against all oil producing countries has risen, with the Arabs doubly resented for not only raising oil prices, but in attaching political strings to their oil policies.

By a substantial 68-20 percent, a majority of the American people disagree with the statement that "We need Arab oil for our gasoline here at home, so we better find ways to get along with the Arabs, even if that means supporting Israel less." An even more lopsided 76-13 per cent agree that "if we yield to Arab restrictions over oil now, we will soon find the Arabs dictating much of U.S. foreign policy, and that is wrong." The number who agree with a majority in both cases has risen significantly since last June.

However, a better than 2 to 1 majority, 58-25 percent, would oppose the oil consuming nations turning to force to take over the Arab oil consuming nations turning to force to take over the Arab oil fields and internationalize them. If the current bitterness against the Arab oil producing countries continues at its present depth, then it can be expected that sentiment favoring war is likely to rise.

A cross section of 1,543 households was asked last month:

"Do you feel that (READ LIST) is a major cause of inflation, a minor cause, or hardly a cause of inflation at all?"

MAJOR CAUSES OF INFLATION

	Jan. '75	Sept. '74	April '73
	%	%	%
Foreign oil producing countries raising Prices on crude oil	76	X	X
Business raising prices	67	74	64
Shortages of gasoline and fuel oil	64	58	X
Middlemen price increases	63	65	60
Business profits	61	65	56
Federal spending	60	76	68
High interest rates on borrowing	59	62	X
Union wage demands	50	51	57
Defense spending	37	58	49
Welfare and relief payments	39	43	X
Spending by the public	31	39	35
Farm prices	22	37	25

Up and down the line, traditionally seen causes of inflation, such as federal spending, defense spending, raises of prices by business, business profits, and union wage demands all have fallen off since last fall. In contrast, energy shortages and price hikes, particularly by the oil-producing nations, have come up as the culprits for continuing inflation.

A similar pattern of pinning blame on foreign oil producing nations emerged when the public was asked who is to blame for the U.S. finding itself in a recession. People were asked:

"If you had to say, how much would you blame (READ LIST) for the country being in a recession today--very much, only some, or hardly at all?"

WHO BLAME FOR RECESSION IN U.S.

	<u>Very</u> <u>Much</u> %	<u>Only</u> <u>Some</u> %	<u>Hardly</u> <u>At All</u> %	<u>Not</u> <u>Sure</u> %
Foreign oil producing countries	64	22	8	6
Arab oil producers	63	24	8	5
Lack of leadership in country	58	28	8	6
High interest rates on loans and mortgages	58	29	7	6
Bad economic conditions world-wide	56	31	7	6
Major companies	50	36	8	6
Congress	48	37	8	7
Middlemen in business	40	39	14	7
Labor unions	39	38	16	7
The American people	25	41	29	5
Big farmers	22	39	32	7
The Ford Administration	20	37	34	8

Besides foreign oil producers, particularly the Arabs, singled out for blame in bringing about the recession is the "lack of leadership in the country". In the area of government Congress is blamed much more than the Ford Administration, which benefits from its relatively short time in office.

The oil tactics of the Arab oil producing nations have been costly in terms of underlying American sympathies in the Middle East dispute. People were asked:

"In the dispute between Israel and the Arabs, which side do you sympathize with more--Israel or the Arabs?"

UNDERLYING SYMPATHIES IN THE MIDDLE EAST CONFLICT

	<u>Jan.</u> <u>'75</u> %	<u>Nov.</u> <u>'73</u> %
Israel	52	39
The Arabs	7	4
Neither (vol.)	24	30
Both (vol.)	6	7
Not Sure	11	23

There is little doubt that among the American people, Israel is the beneficiary of resentment against Arab oil producing nations. This sympathy can be expected to rise in direct relation to resentment over oil prices, for, as a small businessman in Dubuque, Iowa put it, "Those Arabs are trying to put a gun at our heads with their oil. We'll never take blackmail like that. It's not the American way.

The Gallup Poll

Release THURSDAY, Feb. 20, 1975

Economic Discontent Is Key Factor

DISAPPROVAL SLIGHTLY OUTWEIGHS
APPROVAL IN FORD POPULARITY TEST

By George Gallup

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PRINCETON, N.J., Feb. 19 -- Disapproval of

The Gallup Poll

Release THURSDAY, Feb. 27, 1975

MAJORITY DESCRIBE FAMILY FINANCIAL
CONDITIONS AS 'ONLY FAIR' OR 'POOR'

By George Gallup

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PRINCETON, N.J., Feb. 26 -- A majority of Americans,

The Gallup Poll

Release SUNDAY, Feb. 23, 1975

(ITAL PRECEDE) The shape of the economy in the months ahead will depend to a considerable extent on the attitudes and behavior of the nation's consumers. Today's report is part of the Gallup Poll's continuing and comprehensive coverage of the economic scene. (END ITAL PRECEDE)

MAJORITY STILL PESSIMISTIC, BUT
ECONOMIC OUTLOOK SEEN BRIGHTENING

By George Gallup

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PRINCETON, N.J., Feb. 22 -- A majority of Americans

The Gallup Poll

Release THURSDAY, Feb. 27, 1975

MAJORITY DESCRIBE FAMILY FINANCIAL
CONDITIONS AS 'ONLY FAIR' OR 'POOR'

By George Gallup

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PRINCETON, N.J., Feb. 26 -- A majority of Americans,

The Gallup Poll

Release SUNDAY, Feb. 16, 1975

Many Say They Could Walk to Work

AMERICANS SEEN NOT WHOLLY
DEPENDENT ON AUTOMOBILES

By George Gallup

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PRINCETON, N.J., Feb. 15 -- The automobile, which

The Gallup Poll

Release THURSDAY, Feb. 13, 1975

More than Four Times 1942 Figure

TYPICAL U.S. FAMILY SPENDS

RECORD \$47 PER WEEK ON FOOD

By George Gallup

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PRINCETON, N.J., Feb. 12 -- The American family

RNC RESEARCH DIVISION

POLL SUMMARY

Harris
Survey

Released February 13, 1975

"43% See Coverup In CIA Probe"

Forty-nine percent believe that President Ford should have appointed a commission independent of the White House to investigate the charges of domestic spying by the CIA. Sixteen percent were undecided.

"President Ford has appointed a high-level commission headed by Vice President Rockefeller to investigate charges of CIA domestic spying and to make recommendations on how the intelligence-gathering agency can be made to follow the law. Do you think the President took the right action to get recommendations from such a commission, or should he have appointed a commission independent of the White House?"

	<u>Total %</u>
Ford took right action	35
Should have commission independent of White House	49
Not Sure	16

Forty-three percent think that the Rockefeller Commission will result in another coverup. Twenty-four percent are undecided.

"If you had to guess now, do you think the Rockefeller Commission investigating suspected CIA irregularities will get to the root of any wrong doing by the agency, or do you think it will result in another coverup?"

	<u>Total %</u>
Will get to root of wrongdoing	33
Will end up as another coverup	43
Not Sure	24

Sixty-two percent feel that the CIA was wrong to conduct domestic electronic surveillance and spying on American citizens.

"The CIA has the power to conduct intelligence activities, including spying and electronic surveillance of individuals outside the United States. Under the law, it is illegal for the CIA to conduct spying or electronic surveillance on American citizens within the U. S. Several newspapers have reported that the CIA monitored the activities of as many as 12,000 individuals within the U. S. during the time of Anti-Vietnam War Protests. If these charges are proved true, do you feel the CIA's conduct was right or wrong?"

	<u>Total %</u>
Right	21
Wrong	62
Not Sure	17

The Harris Survey polled a national cross-section of 1,543 households from January 16-20, 1975.

Gallup
Poll

Released February 9, 1975

"Local Business Conditions 'Not Good' With No Improvement Foreseen"

Fifty-six percent describe business conditions in their community as "not good" or "bad." Those in the South and West are the most positive, while sixty-five percent of those in the East are negative, professional and businessmen tend to be more optimistic, and clerical and sales workers more pessimistic.

"How would you describe business conditions in this community -- would you say they are very good, good, not too good, or bad?"

	<u>Nat'l</u>	<u>East</u>	<u>Mid- West</u>	<u>South</u>	<u>West</u>
Very Good	4	2	3	9	3
Good	37	31	35	40	43
Not too good	39	43	43	35	32
Bad	17	22	16	14	17
Don't Know	3	2	3	2	5

	<u>Nat'l</u>	<u>Prof. & Bus.</u>	<u>Clerk & Sales</u>	<u>Man. Wkers</u>	<u>Skilled</u>	<u>Unskilled</u>
Very Good	4	5	1	5	5	5
Good	37	46	37	35	40	33
Not too good	39	32	40	42	35	45
Bad	17	15	21	17	19	16
Don't know	3	2	1	1	1	1

Fifty-five percent of the sample predict that six months from now business conditions in their community will be either bad or not too good, Sixty-seven percent of those in the East agree, while those in the South and West are the most optimistic. Clerical/sales workers and skilled workers are the gloomiest.

"How do you think business conditions in the community will be six months from now -- very good, good, not too good, or bad?"

	<u>Nat'l</u>	<u>East</u>	<u>Mid- West</u>	<u>South</u>	<u>West</u>
Very good	5	3	2	11	5
Good	29	24	32	31	33
Not too good	33	35	34	33	26
Bad	22	32	19	15	22
Don't Know	11	6	13	10	14

	<u>Nat'l</u>	<u>Prof. & Bus.</u>	<u>Cler. & Sales</u>	<u>Man. Wkrs</u>	<u>Skilled</u>	<u>Unskilled</u>
Very good	5	7	2	5	4	5
Good	29	33	33	27	26	28
Not too good	33	35	37	33	35	32
Bad	22	20	25	23	28	21
Don't know	11	5	3	12	7	14

The Gallup Poll surveyed 1,038 adults, nationally, from January 10-15, 1975.

Gallup
Poll

Released February 6, 1975

"U. S. Family Of Four Needs Minimum Of \$161 A Week To Make Ends Meet"

An average family of four now needs a minimum of \$161 each week to get along in its community. The trend shows an increase of \$9 per week within the past year and a \$41 rise since 1969.

"What is the (set ital) smallest (end ital) amount of money a family of four (husband, wife, and two children) needs each week to get along in this community?"

	<u>Latest</u>	<u>1974</u>	<u>1973</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1967</u>	<u>1957</u>	<u>1947</u>	<u>1937</u>
Median Averages:	\$161	\$152	\$149	\$127	\$126	\$120	\$101	\$72	\$43	\$30

In the East and the West, the median average is \$198 per week, \$37 above the national average.

<u>Nat'l</u>	<u>East</u>	<u>Midwest</u>	<u>South</u>	<u>West</u>
\$161	\$198	\$152	\$150	\$198

Cities of one million and over register the highest median average of \$200 each week. The average cost of living drops with the decreasing size of the city.

City Size:

	<u>One Million & Over</u>	<u>500,000 -999,999</u>	<u>50,000 -499,999</u>	<u>2,500 -49,999</u>	<u>Under 2,500</u>
Median Average:	\$200	\$179	\$152	\$150	\$151

The Gallup Poll sampled a total of 1,519 non-farm respondents, nationwide, from January 10-13, 1975.

Harris
Survey

Released February 6, 1975

"U. S. Finds Justice In Watergate"

The U. S. system of justice receives a positive rating for most aspects of handling the Watergate case, with the exception of "President Nixon's involvement in the coverup." The sample was closely divided on the question concerning "those who authorized the original break-in" and "Judge Sirica freeing John Dean, Jeb Magruder and Herbert Kalmbach from prison."

"With the conclusion of the coverup trial, how would you rate the way the U. S. system of justice has worked in the case of (read list) -- excellent, pretty good, only fair, or poor?"

	<u>Good- Excellent</u>	<u>Only fair -Poor</u>	<u>Not Sure</u>
The Way Judge John Sirica Hand- led the Watergate Case	71	21	8
The Way Leon Jaworski Handled the Job of Special Prosecutor	67	21	12
The House Judiciary Committee Vote on Impeachment of President Nixon	66	25	9
The Men who broke into Democratic Headquarters	61	31	8
The Senate Watergate Hearings	61	31	8
Key Nixon Aides who participated in the Coverup	54	38	8
Those who authorized the Original Break-in	47	43	10
Judge Sirica freeing John Dean, Jeb Magruder, and Herbert Kalmbach from prison	45	43	12
President Nixon's Involvement in the Coverup	28	63	9

The Harris Survey interviewed a cross-section of 1,522 adults, nationwide, in January, 1975.

R. N. C. RESEARCH DIVISION

POLL SUMMARY

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Harris Survey	"Ford Still Holds '76 Edge"	1
Gallup Poll	"Americans, British most inclined to see 'international discord' in 1975"	1
Gallup Poll	"6 in 10 Americans think 1975 will be year of strikes"	
	"British and Canadians most pessimistic in 10-nation survey"	2
Gallup Poll	"Pessimism of Americans on jobs, prices matched by gloom abroad"	3

RNC RESEARCH DIVISION

POLL SUMMARY

Harris
Survey

Released January 20, 1975

"Ford Still Holds '76 Edge"

Senator Edmund Muskie trails President Ford by only one percentage point in a recent '76 presidential trail heat.

"If in 1976, the presidential race were between President Gerald Ford and Senator Edmund Muskie, if you had to decide right now, would you vote for Ford, the Republican, or Muskie, the Democrat?"

	Total %
Ford	46
Muskie	45
Undecided	9

President Ford maintains a five point lead over Senator Henry Jackson.

"If in 1976 the presidential race were between President Gerald Ford and Senator Henry Jackson, if you had to decide right now, would you vote for Ford, the Republican, or Jackson, the Democrat?"

	Total %
Ford	47
Jackson	42
Undecided	11

The Harris Survey interviewed a national cross-section of 2,164 likely 1976 voters from January 2-8, 1975.

Gallup
Poll

Released January 12, 1975

"Americans, British most inclined to see international discord in 1975."

Sixty-one percent of a Gallup Poll taken in the United States foresee a "troubled year with much international discord." In Great Britain, 69 percent predict a troubled year, and in Canada, 56 percent.

"Which of these do you think is likely to be true of 1975: A peaceful year, more or less free of international disputes, or a troubled year with much international discord?"

	<u>U.S.A.</u>	<u>Great Britain</u>	<u>Canada</u>	<u>Sweden</u>	<u>Switz.</u>
Troubled	61	69	56	41	36
Peaceful	29	14	30	42	52
No Opinion	10	17	14	17	12

The Demographic breakdown of the U. S. sample reveals those from 18-29 years to be less pessimistic than the older age groups. Republicans and Independents are more optimistic than Democrats, and those in the Midwest and South predict a better year than those in the East and West.

	<u>Nat'l</u>	<u>Rep</u>	<u>Dem</u>	<u>Ind</u>	<u>East</u>	<u>Mid- West</u>	<u>South</u>	<u>West</u>	<u>18</u>	<u>30</u>	<u>50</u>
Troubled	61	59	63	60	63	59	60	64	-29	-49	+
Peaceful	29	32	28	30	28	32	29	29	54	67	61
No Opinion	10	9	9	10	9	9	11	7	36	27	26
									10	6	13

The Gallup Poll surveyed a nationwide sample of 1,517 adults in the United States from December 6-9, 1974.

Released January 9, 1975

Gallup
Poll

"6 in 10 Americans think 1975 will be year of strikes."

"British and Canadians most pessimistic in 10-nation survey."

Sixty-three percent of a Gallup Poll taken in the United States predict "a year of strikes and industrial disputes." Eighty percent of those in Great Britain, 79 percent of those in Canada, and 64 percent of those in France agree.

"Which of these do you think is likely to be true of 1975: A year of strikes and industrial disputes or a year of industrial peace?"

	<u>U.S.A.</u>	<u>Britain</u>	<u>Canada</u>	<u>Sweden</u>	<u>France</u>	<u>Switz.</u>
Strikes	63	80	79	44	64	39
Peace	27	10	11	40	18	52
No Opinion/ Same	10	10	10	16	18	9

The demographic breakdown of the U. S. A. sample shows the East and the West to be more pessimistic than the Mid-West and South. The age groups reveal those 50 and older as much more optimistic than those under 30 years of age.

	Nat'l	East	Mid- West	South	West	Under 30	30-49	50+
Strikes	63	66	63	58	70	73	66	53
Peace	27	25	29	29	22	20	26	33
No Opinion/ Same	10	9	8	13	8	7	8	14

The Gallup Poll questioned a national sample of 1,517 adults in the United States from December 6-9, 1974.

Released January 5, 1975

"Pessimism of Americans on jobs, prices matched by gloom abroad."

Eighty-seven percent predict a year of rising unemployment in the United States. A majority in France (87%), Great Britain (80%), Canada (64%), and Switzerland (55%) agree.

"Which of these do you think is likely to be true of 1975: a year of full employment or a year of rising unemployment?"

	<u>U.S.A.</u>	<u>France</u>	<u>Great Britain</u>	<u>Canada</u>	<u>Switz.</u>
Rising Unemployment	87	87	80	64	55
Full Employment	6	7	7	22	37
No Opinion/ Same	7	6	13	14	8

Seventy-five percent foresee a year of rising prices in the United States. An overwhelming majority of those in Great Britain (95%), Sweden (90%), Switzerland (89%), Canada (82%), and France (82%) predict the same.

	<u>U.S.A.</u>	<u>Great Britain</u>	<u>Sweden</u>	<u>Switz.</u>	<u>Canada</u>	<u>France</u>
Rising Prices	75	95	90	89	82	82
Falling Prices	19	1	1	7	11	6
No Opinion/ Same	6	4	9	4	7	12

The Gallup Poll samples a national cross-section of 1,517 adults in the United States from December 6-9, 1974.

Bill [March 1975]

I would recommend signing the tax bill with a statement making the following points:

1. *It has a rebate - which is needed now.*
1. A tax cut is economic action of the right type -- stimulus through taxes rather than expenditures -- at the right time -- now.
2. It is a measure which will help to restore confidence.
3. It is the first step in your economic program as set forth in your State of the Union Message. Passage of the tax bill indicates that government is not stalemated but can act. We should take credit for the tax cut initiative.
4. It provides a foundation for the second step in your economic program -- no new spending programs. Signing the tax cut should be accompanied by a call for a three month observation period to permit us to see the effects of the stimulus.
5. The defects of the bill are not fatal because:
 - (a) It is a one year bill. The renewal should be meshed with overall tax reform measures providing an opportunity for change. Certain provisions are also involved in the energy program. You can call for these actions on the basis of the need for more deliberate decision making.
 - (b) The earned income credit, while undesirable, does have several good points:
 - (1) It requires work in order for individuals to qualify for payments. In this sense it does not represent a straight welfare program.

- (2) It does not entail the creation of a new agency or additional bureaucracy. It is a simply tax provision.
- (3) It may be useful in heading off much more expensive social programs.
- (c) The size of the tax cut -- \$22.8 billion -- is not large enough to in and of itself warrant a veto. The Labor-Management Committee recommended a tax reduction of \$20 billion.
- (d) The depletion battle is lost.

A veto would not accomplish your purpose and would entail significant problems.

1. The chances of a markedly better tax bill are slender -- especially a timely tax bill. The bad economic news has not ended. This will tend to encourage a larger tax cut.
2. The possibility of an override should not be discounted and, at this point, would hurt our chances in the real battle for the economy -- holding down federal spending.

I find great difficulty in writing a convincing veto speech.

- (1) Size - A veto based on the size of the tax cut would be effective only if we really want to argue that there should be no tax cut. It seems certain that there will ultimately be a tax cut whether or not we continue to support a cut.

- (2) Bad provisions - The provisions are simply not that bad unless the argument is made on depletion. A veto based on bad provisions in the bill would be difficult to explain to the public.
- (3) Permanence - A veto on the basis that the bill contains permanent provisions would be hard to make since technically virtually all the provisions (except for the investment credit which we support) are for one year.
- (4) No longer necessary - There is no compelling existing evidence that a tax cut is no longer necessary and its primary purpose is to speed the upturn in economic activity.
- (5) Prevents reform of tax and welfare systems - This is the most serious defect but it can be met by a challenge to the Congress to act responsibly in dealing with these issues when the provisions in the tax bill are up for renewal.

[March 1975]

SUMMARY OF FACTS ON TAX CUT BILL

1. Rebate of 1974 taxes

- rebate generally equals 10% of 1974 tax liability
- minimum rebate equals lesser of actual tax liability or \$100
- maximum rebate equals \$200, phased down to \$100 between AGI \$20,000 and \$50,000
- for married persons filing separately, \$50 minimum \$100 maximum and phase down between \$10,000 and \$15,000
- rebates disregarded for purposes of other benefit programs

COST: \$8.1 billion

2. Standard deduction changes

- minimum standard deduction (low income allowance) increased from \$1,300 per return (\$650 for married persons filing separately) to \$1,900 for a joint return or surviving spouse, \$1,600 for single persons, and \$950 for married persons filing separately
- maximum standard deduction increased from 15% of AGI (with a maximum of \$2,000, or \$1,000 for a married person filing separately) to 16% of AGI (with a maximum of \$2,600 for a joint return or surviving spouse, \$2,300 for a single person, and \$1,300 for married persons filing separately)
- effective for one year (generally 1975 calendar year)

COST: \$2.5 billion

3. Personal exemption tax credit

- new \$30 per exemption tax credit (except blind and aged exemptions) in addition to present law personal exemptions
- effective for one year (generally 1975 calendar year)

COST: \$5.3 billion

4. Earned income credit

- refundable credit equal to 10% of earned income of an eligible individual with maximum of \$400
- to be eligible, must maintain a household within the United States that includes a dependent child
- maximum credit phased down to zero between AGI \$4,000 and AGI \$8,000
- under AFDC provisions, the earned income credit is taken into account in determining AFDC eligibility
- effective for one year (generally 1975 calendar year)

COST: \$1.5 billion

5. Child care deduction

- increases the income level at which the phase out of the maximum allowable deduction (\$4,800) begins. The old phase out began at \$18,000, phasing down to zero at \$27,600. The new phase out begins at \$35,000, phasing down to zero at \$44,600 -- permanent change.

COST: \$0.1 billion annually

6. Sale of principal residence

- increases from 12 to 18 months the period during which the seller of an old principal residence must purchase a new principal residence, if he wishes to apply section 1034 to avoid recognition of gain. When construction of the new principal residence is begun by the taxpayer himself, the period is increased from 18 to 24 months.
- permanent change - COST: Nominal

7. House purchase credit

- new tax credit for purchases of a principal residence equal to 5% of the taxpayer's tax basis, with maximum credit of \$2,000. A taxpayer's tax basis in a new principal residence may be less than cost if, for example, he sold an old principal residence, avoided recognition of gain through the application of section 1034, and was required to reduce his basis in the new principal residence by the amount of gain not recognized.
- applies only to purchases of new houses (including mobile homes and residential units in condominiums or cooperative housing projects). That is, the taxpayer must be the first occupant.

- applies only to new houses, etc., the construction of which was commenced prior to March 26, 1975.
- purchaser must attach to his tax return a certification by the seller that the purchase price is the lowest price at which the residence was ever offered for sale. If the certification is false, the purchaser may recover, in a civil action, three times the difference between the purchase price and the lowest offered price (plus a reasonable attorney's fee) and the seller may be prosecuted.
- effective for acquisitions after March 12, 1975, and before January 1, 1977, but applies to 1976 acquisitions only if constructed by the taxpayer or acquired by the taxpayer under a binding contract entered into before January 1, 1976.

COST: \$0.6 billion

8. Withholding

- new withholding tables reflecting standard deduction changes, personal exemption tax credit, and earned income credit to take effect May 1, 1975. IRS advises that employers may be unable to meet that deadline even if new tables made available by IRS in record time.

9. Investment credit

- two year increase in investment credit from 7% (4% in the case of public utilities) to 10%. Upon lapse of the temporary increase, public utilities would again be eligible for a 4% credit only.
- additional 1% credit (for total 11% credit) during the two year temporary period for corporate taxpayers only and on condition that stock of the taxpayer (or a parent corporation) having a value equal to the tax savings generated by the additional 1% credit is transferred to an employee stock ownership plan (ESOP). No deduction is allowed to the employer for the transferred stock, and the employees are not taxed until they receive distributions from the plan. The plan may be a qualified or a nonqualified plan.

- for public utilities, increase in the portion of tax liability that may be offset by the investment credit from 50% to: 100% in 1975 and 1976, 90% in 1977, 80% in 1978, 70% in 1979, 60% in 1980, and back to 50% in subsequent years
- increase from \$25,000 to \$100,000 in amount of used property that may qualify for investment credit
- provision for credit to be allowed as progress payments are made, a permanent change

COST: \$3.3 billion

10. Corporate tax rate changes

- surtax exemption (which determines amount taxable at rates below 48%) increased from \$25,000 to \$50,000 of taxable income
- rate on first \$25,000 of taxable income reduced from 22% to 20% (second \$25,000 of taxable income will be taxable at 22% rate, balance of income at 48% rate)
- effective for taxable years ending in 1975

COST: \$1.5 billion

11. Accumulated earnings tax

- minimum accumulated earnings tax credit increased from \$100,000 to \$150,000
- permanent change - COST: Nominal

12. Work Incentive (WIN) Program Tax Credit

- win credit of 20% of wages paid to a new employee during first 12 months of employment extended to employment of welfare recipients if employment lasts at least one month. Under present law, the new employee must be a participant in the WIN program administered by the Departments of Labor and Health, Education and Welfare and must be employed for at least 24 months
- as under present law, the new employee may not displace another employee

- unlike present law, the expanded credit would apply to nonbusiness employees (e.g., domestics), but the maximum credit with respect to each such nonbusiness employee would be \$200
- employment of migrant workers not covered
- effective with respect to wages paid to employees hired after the date of enactment for services rendered between the date of enactment and July 1, 1976.

COST: Nominal

13. Certain Pension Plan Contributions

- for H.R. 10 plans, advanced by one year (to 1976 contribution for 1975 plan years) a provision permitting cash basis taxpayers to treat contributions made before April 15 as having been made in the preceding year.

14. Unemployment compensation

- extends the maximum period of benefits from 52 to 65 weeks, for weeks of unemployment ending before July 1, 1975.

COST: \$0.2 billion

15. Payment to Social Security Recipients

- provides \$50 payment to each individual who for the month of March, 1975, was entitled (without regard to sections 202(j)(1) and 223(b) of title II of the Social Security Act and without the application of section 5(a)(ii) of the Railroad Retirement Act of 1974) to (1) a monthly insurance benefit under title II of the Social Security Act, (2) a monthly annuity or pension payment under one of the Railroad Retirement Acts, or (3) a benefit under SSI
- payments to be made no later than August 31, 1975
- any individual entitled to only one such payment
- only United States residents are eligible
- payments to be disregarded for purposes of other programs

COST: \$1.7 billion

Note respecting permanence of changes

As noted above, virtually all of the tax changes and increased benefits are drafted as temporary changes and benefits effective for only one year or at most two years. The only permanent changes are: (1) the provision for the investment credit to be allowed on progress payments, (2) the raising of the phase-out level for the child care expense deduction, (3) the expansion of the tax-free rollover period for sales of a principal residence, and (4) the increase in the accumulated earnings tax credit.

16. Limitation on percentage depletion

- eliminated immediately for majors
- exception: 22% retained for all producers for regulated natural gas and natural gas sold under fixed contract
- royalty interest owners and independents (producers with no retail outlets who refine less than 50,000 bbl/day) have small production exemption
- small production exemption: 22% remains for 2,000 bbl/day and phases down 200 bbl/day each year for 5 years, then holds at 1,000 while rate phases down: 20% for 1981, 18% for 1982, 16% for 1983, so that for 1984 and thereafter the exemption is 1,000 bbl/day at 15% (applies alternatively at taxpayer's election to natural gas on 6,000 cu. ft.: 1 bbl. equivalence)
- for secondary and tertiary production at the rate under the small production exemption stays at 22% until 1984 when it drops to 15%
- except for new fields acquired in section 351 transfer or transfer at death, small production exemption applies to production from new fields only if discovered by taxpayer
- aggregation rules prevent multiple exemptions for related entities. Family members treated as one taxpayer
- depletion allowance under small production exemption limited to 65% of taxpayer's taxable income (computed without regard to any depletion on small production amount, capital loss or NOL carrybacks)

INCREASED REVENUE: \$1.6 billion

17. Foreign Oil-Related Income

- new limitation on foreign tax credits of oil companies to 110% of the U.S. rate in 1975 (52.8% of income); 105% of the U.S. rate in 1976 (50.4% of U.S. income) and 50% of U.S. income in 1977
- carryforwards from years prior to 1974 to years after 1974 will be computed as though the foregoing rules were in effect during those years
- excess credit resulting from the application of these rules can only be used to shelter other oil-related income, including income from shipping, refining, marketing, interest, and dividends
- requires for taxable years beginning after 1975, the use of the overall limitation in the computation of the foreign tax credits of oil companies
- new recapture rule for losses incurred in oil operations; foreign oil income earned after December 31, 1975, will be treated as U.S. source income to the extent of any oil-related losses sustained after that date
- bars use of tax credits with respect to the purchase of oil where the taxpayer does not have an economic interest in such oil and where such oil is not purchased and sold at its fair market value. This provision is effective for years after December 31, 1974

18. Deferral - Changes in Subpart F

- terminates the minimum distributions exception to subpart F (Section 963)
- terminates the exception to subpart F which allows deferral where tax haven income is reinvested in a less developed country corporation
- revises the present rule permitting deferral of tax on foreign tax haven income where less than 30% of such income is tax haven income to terminate such deferral where the tax haven income exceeds 10% of income
- terminates the exception to subpart F for shipping income except where such income is reinvested in shipping operations
- allows deferral of income on sales by a foreign sales corporation of agricultural products which are not grown in commercially marketable quantities in the U.S.
- all of the foregoing changes are effective in taxable years beginning after December 31, 1975

19. DISC

- terminates DISC deferral privileges for sales of energy resources such as coal, oil and uranium
- effective for sales made after March 18, 1975

20. Oil Rigs - Investment Tax Credit

- disallows investment tax credit for oil rigs used in international or territorial waters outside the northern portion of the western hemisphere effective for investments after March 18, 1975, unless made pursuant to contracts binding on April 1, 1974

ADDITIONAL REVENUES: (Sections 17, 18, 19 and 20 combined): \$0.1 billion first year, \$0.6 billion in following years

COMPARISON

Comparison of the effects on Fiscal Year Receipts of the President's Stimulus Package, The House Bill, The Senate Bill, and The Conference Bill

	: Fiscal Years	
	1975	: 1976
(. . . \$ billions . .)		
President's Stimulus Program ¹	-7.3	-9.0
House Bill	-10.0	-7.3
Senate Finance Committee Bill ²	-13.0	-16.5
Conference Bill ³	-10.7	-10.5
<hr/>		
Office of the Secretary of the Treasury		
Office of Tax Analysis		

¹Adjusted from original estimate for different timing on the first rebate payment.

²Excludes \$3.4 billion of payments to social security benefits and \$0.2 billion of unemployment payments.

³Excludes \$1.7 billion of payments to social security benefits and \$0.2 billion of unemployment payments.

Comparison of House, Senate and Conference Bills

(\$ billions)

Tax Reductions	:	:	:
	:	:	:
	House	Senate	Conference
I. Individuals:			
Refund of 1974 liability.....	8.1	9.7	8.1
Standard deduction increase.....	5.2	---	2.5
Credit.....	---	6.3	5.3
Tax rate reductions.....	---	2.3	---
Earned income credit.....	2.9	1.5	1.5
House purchase credit.....	---	1.1	0.6
Child care.....	---	1.7	0.1
Home insulation.....	---	0.7	---
Total individuals	<u>16.2</u>	<u>23.3</u>	<u>18.1</u>
Business:			
Investment tax credit.....	2.4	4.3	3.3
Corporate surtax exemptions.....	1.2	1.2	1.2
Tax rate reduction.....	---	0.7	0.3
Loss carryback, carry forward.....	---	0.5	---
Repeal truck excise taxes.....	---	0.7	---
Total business.....	<u>3.6</u>	<u>7.4</u>	<u>4.8</u>
II. Increased expenditures:			
\$100 payment to certain program beneficiaries	---	3.4	1.7
Emergency unemployment benefits...	---	0.2	0.2
Total increased expenditures....	---	<u>3.6</u>	<u>1.9</u>
III. Tax increases:			
Depletion	(2.2)	(1.7)	(1.6)
Foreign oil taxation	---	(1.5)	(0.1)
Deferral of foreign income	---	(0.5)	---
Total tax increases.....	<u>(2.2)</u>	<u>(3.7)</u>	<u>(1.7)</u>
 Total net revenue loss	 17.6	 30.6	 23.1

Office of the Secretary of the Treasury
Office of Tax Analysis

[March 1975]

My proposal
is a one-time
cut in spending
not a tax cut

I am writing to you before the Conference Committee on H. R. 2166 begins its work because I believe the action you take on this legislation will gravely affect our Nation's economic life this year and for years to come.

Two months ago, I asked the Congress to enact a simple tax cut as quickly as possible. The purpose was to stimulate the economy. I proposed temporary tax cuts totalling \$16 billion. My proposal was designed to provide maximum stimulus without setting the stage for a new inflationary spiral when the economy starts to recover. Reasonable men can differ on the exact size of the tax cut, but everyone agrees on the need for prompt action. I indicated my willingness to compromise within reasonable limits.

one-time
version of H.R. 2166

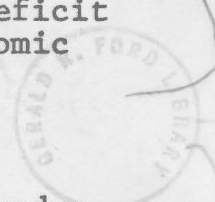
I regret that the Senate ~~bill~~ goes far beyond the purpose of providing a quick stimulus and mortgages our economic future in a way that is unacceptable. It is unacceptable because:

(1) ~~It Is Too Large.~~

to me, already far too high.

The Senate bill would increase the size of the tax reduction from \$16 billion to more than \$30 billion -- roughly doubling the impact on a budget deficit at an all-time high. That increase must be considered in the context of other Congressional actions and inaction. If Congress continues its present pattern of rejecting the spending cuts I proposed, the deficit would grow by an additional \$16 billion. And the ^{minimum} cost of the additional spending programs being ^{considered} initiated in the Congress would add still another \$20 billion. In combination, these Congressional actions would increase the deficit by \$50 billion over and above the tax cut I proposed.

Such an enormous increase in an already enormous deficit is not acceptable. It jeopardizes the prospect of economic recovery and makes us hostages to future inflation.



(2) ~~It Is Likely To Become Permanent.~~

Both bills incorporate billions of dollars of tax reductions which are formally temporary but which are of such a nature that they will undoubtedly continue next year and beyond. That is a sure formula for larger deficits and spiraling inflation for years to come, unless offset by other revenues or spending cuts. ~~my proposal was for a one-year stimulant of \$16 billion, any further tax cuts~~

limited to I do not believe

the economy will benefit from any larger figure than that of the House version of \$21 billion.

Against

(3) It creates new welfare programs and aborts tax reform.

It would raise major obstacles to sensible changes in the tax and welfare systems. I regard both tax reform and welfare reform as matters of high priority. Both require the most careful deliberation, *later in this session.*

The proposal for an earned income credit, which unfortunately is also a part of the House Bill, would add still another welfare program, to be administered by still another federal agency. It was adopted without public hearings or discussion and without consideration of its implications for the problems of our Social Security system and existing welfare programs, with which it is out of harmony. It would make solution of those problems more difficult.

used as first reason

Tax reform would be seriously set back. Provisions haphazardly adopted on the floor do not deal properly with complex problems. And we will not secure the less popular changes required for true tax reform, if we give away in advance all of the tax reductions.

(4) It is not equitable and eliminates a substantial additional number of citizens from paying any tax.

stet

January
My proposal would have distributed tax cuts evenly to those who now carry the taxload. I do not insist on it as the only possible formula. However, I do believe this legislation should concentrate on reducing taxes and should not be the vehicle for a new program of welfare-type handouts. We must not dismiss lightly the implications of relieving a very substantial part of the electorate from the responsibility of sharing in the tax burden. I ask you to review the bills before you *passage* to be sure that it does not discriminate against middle Americans.



income

they're ill-considered and costly

(5) It has several additional defective provisions,

In addition to the earned income credit, several other provisions of the bill would build major new defects into our system. They include:

--The proposed housing credit would be a wasteful multi-billion dollar subsidy. It would accomplish very little and pay largely for what would be done anyway.

--The special distribution to Social Security recipients cannot be justified. It would be a major new spending program, would in effect inject general revenues into the Social Security system for the first time, and would undermine the fundamental contributory principle of that system.

the net result of which would be to add to the many programs

which will not help the economy and recovery and may cost additional jobs +

--The foreign taxation provisions adopted on the Senate floor ~~are ill-conceived to deal with a complex situation. They are technically inappropriate and would undercut the ability of American companies to compete in foreign markets.~~

--The repeal of truck excise taxes would aggravate the fact that heavy trucks already pay less than their share of highway user taxes.

--The open-ended deductions provided by the child care proposal cannot be justified.

--The employee stock ownership proposals would coerce both employers and employees into compensation patterns which neither may desire.

I urge the conferees ^{basically} to accept the House bill with ~~elimination of the earned income credit, and other minor revisions. Though it may inconvenience all of us, I am ^{prepared} willing to stay and work with the Committees and the Congress to assure the American people of a tax cut which will stimulate the economy without jeopardizing our future.~~

reasonable

its

as long as necessary



Dear Mr. Speaker:

[March
1975]

I am writing you while the Conference Committee is considering the House and Senate versions of H. R. 2166, the tax cut which I urged last January to stimulate the economy. After taking ~~for~~ too long to do anything at all to reverse the recession, I am deeply concerned that the Congress is now trying to do too much.

I want the conferees and the Members to understand beyond any shadow of doubt that I will not accept a tax cut bill so loaded with extraneous amendments and of such deficit-increasing magnitude as to nullify the intended effect of a one-shot stimulant.

Two weeks

Two months ago, I asked the Congress to enact a simple tax cut as quickly as possible. The purpose was to stimulate the economy. I proposed temporary one-time tax cuts totalling \$16 billion. My proposal was designed to provide maximum stimulus without setting the stage for a new inflationary spiral when the economy starts to recover. Reasonable men can differ on the exact size of the tax cut, but everyone agrees on the need for prompt action. I indicated my willingness to compromise within reasonable limits.

I regret that the Senate version of H. R. 2166 goes far beyond the purpose of providing a quick stimulus and mortgages our economic future in a way that is unacceptable to me. It is unacceptable because:

Version

(1) The Senate ~~bill~~ would increase the size of the tax reduction from \$16 billion to more than \$30 billion -- roughly doubling the impact on a budget deficit already far too high. That increase must be considered in the context of other Congressional actions and inaction. If Congress continues its present pattern of rejecting the spending cuts I proposed, the deficit would grow by an additional \$16 billion. And the minimum cost of the additional spending programs being considered in the Congress would add still another \$20 billion. In combination, these Congressional actions would increase the deficit by \$50 billion ~~over and above the tax cut I proposed.~~

Such an enormous increase in an already enormous deficit jeopardizes the prospect of economic recovery and makes us hostages to future inflation.

(2) Both bills incorporate billions of dollars of tax reductions which are ~~formally~~ ^{technically} temporary but which are of such a nature that they will undoubtedly continue next year and beyond. That is a sure formula for larger deficits and spiralling inflation for years to come, unless offset by other revenues or spending cuts. My proposal was for a one-year stimulant limited to \$16 billion. An amount larger than the House bill could do more harm than good.

(3) The Senate version would raise major obstacles to sensible changes in the tax and welfare systems. I regard both tax reform and welfare reform as matters of high priority. Both require the most careful deliberation but not in this emergency legislation.

Anti-recession

*Bill Seidman
has seen
and approved*

Chas. Feinberg

AS

distributes the federal income tax burden uniformly by eliminating

(4) The Senate version ~~is not equitable and eliminates~~ a substantial additional number of citizens from paying any tax. My January proposal would have distributed tax cuts evenly to those who now carry the tax load. I ask you to review the bills before you to be sure that they do not discriminate against middle-income Americans, who already carry the major share of the tax burden. .

The Senate version, in particular,

(5) ~~It~~ has several ill-considered and costly provisions which will not contribute to economic recovery and may cost additional jobs. I have consistently urged an uncomplicated tax refund to put extra purchasing power in the hands of American taxpayers.

I urge the conferees basically to accept the House bill with minor revisions. I am prepared to work with the Committees and the Congress as long as necessary to assure the American people of a reasonable tax cut which will stimulate the economy without jeopardizing its future.

Dear Mr. Speaker:

[March 1975]

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Anti-McCormack

*Bill Seidman
has seen
and approved*

Handwritten signature

distributes the federal income tax burden unfairly by eliminating

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