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WHM, 9/19/80

EPB MEETING

Tuesday, February 17, 1976

9:00 a.m.

Roosevelt Room

THE WHITE HOUSE

WASHINGTON

February 13, 1976

FOR ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE

The attached will be discussed at the Tuesday,
February 17 EPB Executive Committee meeting.

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W. H. M. 9/19/80

THE WHITE HOUSE

WASHINGTON

FOR EPB EXECUTIVE COMMITTEE MEMBERS

The attached materials are for your
information.

2/10/76

Secretary of the Treasury, William E. Simon, today called for the broadening and intensification of an Internal Revenue Service drive to uncover tax evasion and avoidance through the improper deduction of bribes and similar wrongful payments both abroad and in the United States. He said he intends to see to it that all those who have made improper payments and bribes do not profit through reducing their Federal tax liabilities. Secretary Simon considers this action essential for the protection of the integrity of the tax system and of the U.S. business community.

The Internal Revenue Service has been working closely with the Department of Justice and the SEC to deal with tax evasion and avoidance through the improper deduction of bribes and other wrongful payments to or for government officials both abroad and in the United States. Commissioner Alexander assured the Secretary that the IRS will give this investigation increased and vigorous emphasis.



February 13, 1976

Office of the White House Press Secretary

NOTICE TO THE PRESS

The President has designated Frederick B. Dent, Special Representative for Trade Negotiations, to serve as a member of the President's Economic Policy Board. Ambassador Dent was appointed March 26, 1975.

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FOR IMMEDIATE RELEASE

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

As I have indicated on a number of occasions, the small business sector of our economy is vital to private job creation, technological innovation, competition and individual liberty. In this era of bigness, our Nation must maintain an environment in which small businesses can flourish.

To foster innovation and productivity gains, it is important that we have a dynamic economy in which new enterprises can be formed and will prosper. Without the ongoing search for new ideas and better ways of doing things, our competitive system would become progressively less efficient. Our historical experience indicates that innovative ideas often originate in the laboratories and workshops of small businesses. New enterprises are a basic source of innovative ideas and serve to push the entire economic system to higher levels of efficiency, thereby enhancing our competitive position in world markets. The strength of small business must be preserved if this innovative climate is to be maintained.

In addition to its economic role, small business provides the entrepreneur with a means of self expression. The chance to create, own and manage a business is one of our most important freedoms. My Administration considers the healthy individualism of the small business entrepreneur an essential element in our economic and political system. The freedom to create and operate one's own business does not exist in many parts of the world. Because of its value to our free society, this avenue for individual opportunity must be nourished and promoted.

The largest corporate complexes started as small businesses, but most small businesses never become international, billion-dollar companies. Rather, most small firms are likely to remain relatively small. In many communities throughout our Nation, the small businessman provides the leadership so vital to community life. Since this involvement in community affairs is of great value to the quality of life in our country, I am committed to the continued health and vigor of small businesses.

At a time when we so urgently need increased private job creation, I am particularly impressed by the fact that our 9.4 million small business firms employ about 55 percent of the private sector labor force in this country and produce about 48 percent of our gross business product. The continued growth and prosperity of this vital sector is critically important if we are going to generate the expanding number of private, productive jobs required in the coming years.

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The Small Business Administration was created in 1953, during the Eisenhower Administration, to provide small businessmen with advice and assistance and to promote the interests of the small business community. The intent of this legislation was to "aid, counsel, assist and protect...the interests of small business concerns in order to preserve competitive enterprise as the basis for economic well-being and the security of the Nation." The SBA is the primary instrument of the Federal government in promoting the important interests of the small business community. I supported the creation of SBA in 1953 and strongly support it today. As evidence of this commitment, my fiscal year 1977 budget requests an increase of 33 percent in the SBA's major loan guarantee program. This will increase the ability of the SBA to assist in financing the many small businesses which cannot obtain needed financing in commercial markets.

In addition to supporting the work of the SBA, my Administration is taking a variety of actions to foster a strong small business community. Of paramount importance, of course, is our effort to achieve sustained economic growth without inflation by moderating the increases in Federal spending and by reducing our budget deficit. To also provide additional funds for business investment and growth, I have proposed a permanent extension of the corporate surtax exemption and the 10 percent investment tax credit currently in effect and have also called for a reduction in the maximum corporate tax rate from 48 to 46 percent.

I have proposed changes in the estate tax laws to encourage expansion in family businesses. This reform will help ensure the survival of smaller businesses for future generations and allow them to expand their current operations.

Vigorous competition is necessary if small businesses are to expand and flourish. Accordingly, I have increased the antitrust resources for the FTC and the Department of Justice and emphasized the importance of vigorous antitrust enforcement.

I consider it essential to reduce the burden of government imposed regulation and paperwork. I have, therefore, initiated a comprehensive review of all Federal regulation and paperwork in order to eliminate or improve those requirements and rules which are outdated or unnecessary.

I will designate Mitchell Kobelinski, our new Administrator of the Small Business Administration, as a member of the Economic Policy Board. This will help ensure small business participation in the formulation of our economic policies. It will also help provide me with the advice and expertise of the Small Business Administration in my consideration of economic policy issues.

These initiatives and efforts represent important and necessary improvements in the environment for small businesses in America.



February 13, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

BACKGROUND INFORMATION

REASONS FOR THE PRESIDENT'S VETO
TO H.R. 5247, THE
"PUBLIC WORKS EMPLOYMENT ACT OF 1975"

Summary of Reasons for the Veto:

The President opposes this bill for the following principal reasons:

- It would not be effective in creating jobs for the unemployed.
- . Relatively few new jobs would be created. The estimates by the bill's sponsors that it will create 600,000 to 800,000 jobs are not supportable. A more realistic estimate is a total of 250,000 person-years of employment spread over a number of years, with a peak impact of only 100,000 to 120,000 jobs.
- . By comparison, the employment statistics for January 1976 showed a one month increase in employment of 800,000, and a reduction of over 450,000 in the number of unemployed in the labor force.
- . Most of the relatively small number of new jobs produced by these programs would come in late 1977 and 1978, not now. Because public works projects are notoriously slow in creating jobs, the peak impact would occur in late 1977 or in 1978, when the economy will be well along the road to full recovery and the added stimulus is likely to be counterproductive.
- . The cost to the taxpayers of producing jobs under this bill would be unreasonably high, probably in excess of \$25,000 per year of employment.
- . Many of the jobs funded under this bill would simply replace jobs funded from other sources, without a real increase in employment.
- . Excessive Federal spending as represented by this kind of bill can close the door on reducing income taxes of families and businesses, which is a far more effective way of stimulating the economy and investment and creating good jobs, both in construction and in the production of goods and services.
- . This bill will contribute significantly to excessive Federal deficits, which draw capital resources away from the private sector, due to increased Federal borrowing, and inhibit the growth of private employment which is needed to sustain economic prosperity.



- The direct cash assistance to State and local governments under Title II of the bill would provide undesirable incentives and is inequitable.
 - . It addresses the cyclical problems of State and local governments just at the time when those problems are beginning to abate, and when, generally, the revenues of those governments will be rising faster than their expenditures.
 - . It gives preference to those with the highest taxes and the biggest budgets, without any distinction between those jurisdictions which have and those which haven't been efficient in holding down costs. This could weaken incentives to improve government productivity and end low-priority spending.
- The proposed public works programs would result in a poor allocation of capital resources.
 - . Unlike construction in the private sector, public works construction does not add to the tax base of the communities.
 - . Although it won't speed up the creation of jobs, the premium on speed in obligating the funds will encourage many to apply for money for projects which are of low community priority but which can be quickly packaged into a grant request.
 - . The 100% Federal funding of specific public works may encourage irresponsibility by State and local officials who would not have to account to their constituents for the construction of unnecessary or extravagant public facilities with Federal funds.
- The bill would authorize funding which would push Federal spending to even higher levels.
 - . 1977 spending could be increased by about \$2.5 billion. 1978 spending could grow by over \$1 billion, and spending in 1979 and beyond would be increased by another \$1.5 billion or more.
 - . Although over 90% of the outlays from the bill would occur after fiscal year 1976, Congress has proposed this without considering the total budget picture for 1977 and beyond. Congress has not identified acceptable program reductions that could offset the cost increases of this bill.
- Much of the bill is completely unrelated to current unemployment problems.
 - . The allocation formula for Title II does not limit the grants to areas of very high unemployment. The rate of local taxation is a large part of the allocation formula.

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- . The \$1.4 billion increase for wastewater treatment facilities grants is not an anti-recession action. It would have no impact on jobs now. With the current legislation expiring, it is important that the Congress consider the Administration's proposals for program reforms before authorizing additional funds.
- . The \$100 million for an urban renewal program to be administered by the Commerce Department clearly would have no short-term impact.
- The bill would be almost impossible to administer effectively.
 - . Effective allocation of \$2.5 billion for Title I public works on a project-by-project basis would take many months or years.
 - . The provision that project requests be approved automatically unless the Commerce Department acts within 60 days will preclude any useful review of the requests, and prevent a rational allocation of funds.
 - . The bill extends the Job Opportunities program, which is almost impossible to administer effectively due to the complex process for allocating funds through other Federal agencies on a project-by-project basis.
 - . The provision in Title III to permit interest subsidy grants to private businesses provides no criteria for allocating this subsidy. It would be very difficult, if not impossible, to provide this subsidy only to those firms which need it in order to maintain or increase their employment levels.
- The bill would resurrect an ineffective urban renewal program in the Commerce Department.
 - . It would create a new categorical grant program for urban renewal less than two years after the Congress replaced a nearly identical program, and others, with the broader, more flexible Community Development block grant program.
 - . All activities and cities eligible under the proposed program already are eligible under the block grant program; the bill merely duplicates existing authorities.
 - . The Commerce Department has no experience with urban renewal, and is not equipped to effectively administer such a program.
 - . The current program of the Commerce Department to assist economic development activities in areas of chronically high unemployment or low income would be disrupted and distorted.
- The President has proposed realistic alternatives to overcome the unemployment problems and avoid a new round of inflation. These proposals will avoid the problems mentioned above.

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- The 1976 Budget includes more than \$18 billion in outlays for important public works such as roads, energy facilities, wastewater treatment plants, and veterans' hospitals. The 1977 Budget will increase spending for these public works by more than \$3 billion, or nearly 17%. The spending level already included in the Budget for 1977 will finance public works that are really needed and which can be funded efficiently in the next 15 to 18 months.
- Tax incentives are proposed for private construction initiated in the next year in areas of high unemployment which will result in much quicker and much more effective creation of jobs.
- Renewal of the General Revenue Sharing program will permit State and local governments to maintain employment in basic services.
- Additional permanent income tax reductions of over \$10 billion will permit a quick and major increase in take-home pay, in buying power and in private investment, all of which will create real, rewarding jobs in the private sector.
- The 1977 Budget provides \$3.2 billion for Community Development block grants to States and local governments -- about \$450 million more than in 1976. These grants are allocated on the basis of relative need, and permit the States and local governments to carefully plan for the use of these funds.
- Tax incentives are proposed for investment in residential mortgages by financial institutions, to stimulate capital for homes rather than for public monuments.
- Tax incentives are proposed to induce broader ownership of common stock to stimulate investment which will provide long-term productive jobs, rather than increasing public, make-work jobs.
- The President's economic policies are expected to foster the creation of 2 to 2.5 million additional jobs in 1977. This will include jobs for nearly one million of those now unemployed, as well as about 2.5 million jobs for workers who will be entering the labor force during this period.

-- In his veto message, the President indicated that he believes an alternative proposal before the Congress, H.R. 11860, represents a more reasonable approach in addressing the immediate needs of those areas of the country with exceptionally high unemployment rates.

- Under H.R. 11860, the funds would be provided to communities with unemployment in excess of 8% and would provide them in direct proportion to unemployment beyond 8%. The program would be in effect only as long as national unemployment exceeds 7%.

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- Also under H.R. 11860, funds would be provided for distribution each calendar quarter in an amount determined by multiplying \$15 million times each 1/10 of 1% by which unemployment in the next preceeding quarter exceeds 7%.
- The Community Development Block Grant Program is already in place with an experienced staff and regulations and could be administered without the creation of a new bureaucracy and without the delay which would be encountered under H.R. 5247.
- The program would fund eligible activities based on priorities identified by local governments as part of their community development programs.

The following paragraphs discuss several of the above points in more detail.

Public Works Construction Is Not Effective in Creating Jobs Quickly

The bulk of the funds that would be authorized by this bill would be used for public works, including \$2.5 billion for Title I, \$1.4 billion for EPA wastewater treatment facilities and \$600 million for other Commerce Department public works programs.

For more than four years the Economic Development Administration has been trying to find the fastest ways to create jobs through public works projects. This effort, the Public Works Impact Program (PWIP), has shown the difficulty of quickly creating jobs for the unemployed by funding public works.

The facts are as follows. During the year in which the funds are appropriated for accelerated public works, only 10% of the funds are actually spent. During the full second year after appropriations, half of the funds are used. And after four years, 10% of the funds are still not spent for the approved projects.

It is very time consuming for the Federal government to allocate a large amount of money on a project-by-project basis. Even with the small PWIP program, it has required about 9 months to allocate the funds to individual projects. It has taken about 17 months from the time of appropriation to get all of the approved projects under construction. And two years after appropriation of funds, only about 60% of the projects were completed.

Although Title I of the bill requires that the Commerce Department must approve or reject applications for funding within 60 days of receipt of the applications, this will not assure speedy allocation of these funds. The bill provides that appropriations may be provided at any time through the end of fiscal year 1977, which may delay

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allocations. Applications for funding may straggle in over a period of many months. Many of the initial applications might have to be rejected and resubmitted due to inadequate information. Accordingly, even with the 60 day approval or rejection requirement, it could take 18 months or longer to allocate all of the funds.

Once the funds are allocated, it can be expected that startup and construction of the projects will be no faster, and more likely slower, than the experience with PWIP projects.

Thus, we can expect that it would be late 1977 or early 1978 before all of the projects to be authorized by this bill will be under construction. It will be 1980 or later before all of the projects are completed.

Appendix A is a table that provides the most optimistic estimate of the speed with which the funds would be spent. It is likely to be more realistic to move most of these spending estimates to about one year later than shown on the table.

Estimate that 600,000 to 800,000 Jobs Would be Created is Unfounded

Sponsors of the bill have asserted that it would provide work for 600,000 to 800,000 people, primarily as a result of public works projects. This estimate is entirely unrealistic. A much more likely estimate is 250,000 years of employment over the next five years with a peak of about 100,000 to 120,000 in 1977 or early 1978.

When the House acted on its original bill to provide \$5 billion for public works grants, it was estimated by the Congress that it would produce about 250,000 jobs. We now have a \$6.3 billion bill, which includes \$1.5 billion in programs with almost no new job impact, and yet the employment estimates have suddenly increased by 320%.

Although there are no firm figures on jobs generated by construction, studies of employment in construction conducted by the Bureau of Labor Statistics show that a \$1 billion (1974 dollars) public works program would provide only about 40,000 years of employment, off-site and on-site. Including multiplier efforts there would be 60,000 years of employment created by \$1 billion in public works spending. Based on the optimistic spending estimates shown in Appendix A, the peak spending for public works in 1977 would produce a maximum of about 90,000 years. Since construction wages and other costs will be higher in 1977 and beyond than they were in 1974, these estimates of jobs could be high.

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It is very difficult to estimate the number of jobs that would be created by the \$1.6 billion in countercyclical grants (Title II).

There is substantial indication that State and local governments would not use much of these funds to hire additional personnel. Studies of revenue sharing have shown that State and local governments increased their purchases of goods and services by roughly one-third of the amount they received. The remainder was used to repay debt and reduce taxes. In addition, recent experience with public service employment indicates that, after the first year of funding, State and local governments may increase employment by only 10 to 40 percent of the number of public service jobs directly funded by the Federal government. Despite numerous regulations to make it difficult to substitute public service employment for regular employment, the practice is widespread. Title II of this bill would contain no requirements that these funds be used for additional jobs or even to maintain existing jobs.

The maximum expected payment under Title II of the bill is \$375 million per quarter. If as much as 50% of this were used for added jobs, it might create as many as 75,000 jobs. Given the experience with similar programs, it is more likely that only 10 to 20% of the funds would be used for added jobs, providing only 15-30,000 new jobs.

In summary, the peak employment impact is unlikely to exceed about 150,000, and is more likely to be near 100,000 to 120,000 sometime in fiscal year 1977 or 1978. Total employment is likely to be about 250,000 years, spread over five years or more.

If the bill provided a total of 250,000 years of employment, the average cost per job would be about \$25,000.

The Title II Countercyclical Assistance Grants Would Encourage Government Inefficiency and Would be Inequitable

The recent financial difficulties which have been facing many cities and other local governments have forced many to undertake a long-needed examination of their spending programs to identify the excesses and the inefficiencies. There is no doubt but that some local governments had reached a spending level that they simply will be unable to sustain in the long-term.

Title II allocates funds in large part on the basis of what the governments spend rather than what they need. More funds would be provided to those States and local governments with higher taxes, including those which have been least efficient in holding down costs. The proposed countercyclical assistance grants would take pressures off those States and local governments to more carefully evaluate their activities in terms of benefits produced. If the program becomes permanent, it will allow those governments to avoid economy measures, and then to further expand their programs as their tax revenue increases with the resurgence of the economy. They would be led to expect still more Federal assistance the next time they are in financial difficulty.



The estimates of allocations to specific states and cities clearly show some of the distortions created by the formula. Eight States would receive about 65% of the Title II funds, including both the local and State allocations. This is over \$1 billion of the \$1.6 billion estimated for the Title. Also the program would disproportionately aid New York City, which would receive about \$150 million of the total of \$1.6 billion. This is more than three times as much as any other city would receive. New York City already is receiving special Federal assistance to alleviate its financial problems.

In addition to the above problems with the program, it would be very costly to administer. The Treasury Department's preliminary estimates show that it would require approximately 750 additional employees and approximately \$43 million to administer the countercyclical aid program, as contrasted to 110 employees and \$11 million currently devoted to administration of the entire General Revenue Sharing program.

\$1.4 Billion for EPA Sewage Treatment Grants is Unneeded and Irrelevant to Current Unemployment Problems

The purpose of this provision of the bill is completely unrelated to the purported desire to create jobs quickly for the unemployed.

Even if EPA were to use these added funds now, they would have almost no job creating impact in the next two years. It is simply not practical to significantly accelerate the construction of such facilities.

The real purpose of this provision is to change the formula for the allocation of funds under the wastewater treatment grant program of EPA. This would provide an additional \$1.4 billion to a large number of states without having considered essential reforms to the current law which could require an expenditure of at least \$333 billion to fully implement.

It Would Be Administratively Impossible to Effectively Allocate Over \$3 Billion for Public Works Projects Quickly

This bill requires that the Commerce Department attempt to allocate over \$3 billion, on a project-by-project basis, in a matter of a few months. All past experience would force a conclusion that this would be reckless and irresponsible.

Even without any substantive review of requests for funding, it is highly unlikely that the Department could physically process the tens of thousands of requests and the thousands of awards that would be involved, in less than nine months.

The Department's recent experience with the Job Opportunities program illustrates the point. After its initial experience in allocating \$125 million, it still required six months for Commerce and the cooperating agencies to allocate the additional \$375 million. Also, that allocation was done with only a minimum amount of substantive review of the proposals by the agencies.



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The Department received a good deal of criticism from Congress for relying too heavily on objective criteria to make the \$375 million allocation, rather than reviewing each particular project.

With over \$3 billion to award, the Department is likely to be faced with the choice of taking many months to do a responsible job, or taking nine months or more to throw Federal tax dollars at projects as they come through the door.

Large Amounts for Spending on High Priority Public Works are Already In the 1976 and 1977 Budgets

The attached table shows the amounts of expected spending for public works in the President's Budgets for 1976 and 1977. In 1976, a total of over \$18 billion is provided. This includes over \$11 billion in grants to state and local governments. In 1977, the spending for public works would increase by 17% or by over \$3 billion.

The spending for public works in the Budget is focused on the highest priority national needs, including energy, pollution abatement, flood control, and transportation. The Budget estimates reflect expected spending on projects which are already in the planning stages or under construction. Therefore, the \$3 billion increase will be providing jobs in 1977, rather than in 1978 or 1979. These projects will be helping us achieve important national objectives while at the same time providing employment opportunities.

There are adequate spending levels already in the 1977 Budget for those public works projects that are really needed.

Additional stimulus to private sector employment also would be provided by a 23% increase in spending in the 1977 Budget for major equipment purchases. Spending for this purpose is to increase by \$3.9 billion over 1976, to \$20.7 billion.

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Changes in Public Works Outlays, Fiscal Year 1976-77
(in millions of dollars)

<u>Description</u>	<u>1976</u>	<u>1977</u>	<u>Change</u>
<u>Direct construction</u>			
Civilian programs:			
FAP: Strategic petroleum storage.....	11	164	153
Agr: Forest Service roads and trails and other.....	135	173	38
Corps of Engineers: construction and flood control.....	1,367	1,424	57
Int: Bureau of Reclamation.....	410	507	97
Bonneville.....	135	150	15
NPS, BIA, and other.....	273	252	-21
HEW: Indian health facilities, NIH, other.....	162	138	-24
DOT: Coast Guard facilities.....	78	63	-15
FAA airway systems.....	231	236	5
ERDA: Plant, capital equipment, other..	439	672	233
NASA: Plant and equipment.....	115	126	11
VA: Hospitals and other.....	186	303	117
TVA: Power facilities.....	1,038	1,137	99
All other.....	174	165	-9
Subtotal, civilian programs.....	<u>4,754</u>	<u>5,510</u>	<u>756</u>
Defense programs:			
DOD: Military construction.....	1,713	1,710	-3
Family housing.....	320	287	-33
ERDA: Plant and equipment.....	204	215	11
Subtotal, defense programs.....	<u>2,237</u>	<u>2,212</u>	<u>-25</u>
Total, direct construction.....	<u>6,991</u>	<u>7,722</u>	<u>731</u>
<u>Grants to State and local governments</u>			
FAP: Appalachian regional development..	248	242	-6
Agr: Water and waste disposal, rural development, conservation.....	198	190	-8
Com: EDA and other.....	183	154	-29
HEW: Health.....	213	184	-29
Education and other.....	51	36	-15
Int: Land and water conservation and other.....	274	275	1
DOT: Airports.....	375	355	-20
Highways.....	6,202	6,711	509
Mass transit.....	573	1,179	606
EPA.....	2,350	3,770	1,420
All other.....	563	442	-121
Total, grants to State and local governments.....	<u>11,230</u>	<u>13,538</u>	<u>2,308</u>
Total public works.....	<u>18,221</u>	<u>21,260</u>	<u>3,039</u>

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Estimates of Outlays
Local Public Works Capital Development and
Investment Act (H.R. 5247)

(Dollars in Millions)

<u>Program</u>	<u>Total Amount Authorized</u>	<u>Outlays^{1/}</u>				
		<u>1976 & TO</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>After 1979</u>
Title I, Public works grants ^{2/}	2,500	248	1,230	638	137	247
Title II, Countercyclical grants	1,625 ^{3/}	750	875			
Title III						
. Interest subsidies ^{4/}	125	5	25	25	25	45
. Job opportunities grants ^{5/}	500	50	246	128	27	49
. Urban Development ^{6/}	100	1	19	29	22	29
. EPA wastewater treatment facility grants ^{7/}	1,418	0	30	300	700	388
Total	6,268	1,054	2,425	1,120	911	758

- ^{1/} The outlay estimates assume that initial appropriations would be provided by about March 1, 1976.
- ^{2/} This assumes that all funds would be obligated between May 1 and September 30, 1976. Since appropriations are authorized through fiscal year 1977, it may not be realistic to assume that all of the funds would even be available by September 30, 1976. In any case, it would be very difficult, if not impossible, to allocate this sum in such a short time, on a project-by-project basis. The estimate of outlays is based on four years of actual experience with EDA's Public Works Impact Program, which provides for accelerated public works to create temporary jobs. Considering the large size of this proposed program, and the likely resulting delays in starting projects, it would be more likely that the outlay peak would occur in 1978 rather than 1977.
- ^{3/} This amount would depend on national unemployment rates. This estimate is based on the rates used in the 1977 Budget projections.
- ^{4/} The outlays for this interest subsidy program would likely be spread out over the terms of the loans being guaranteed. It is assumed that loans would have terms of about 5 years.
- ^{5/} In view of the changes in the Job Opportunities program in this bill, it is expected that most of these funds would be used for public works. The outlay estimate assumes the same spending rate as for Title I projects.
- ^{6/} This program would have the same timing characteristics as EDA's regular development programs. The outlay estimates are based on actual experience with EDA's regular public works programs.
- ^{7/} This estimate assumes that these funds would be obligated in 1977 and that outlays would occur approximately at the same rate as for the current EPA grants.

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February 13, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE HOUSE OF REPRESENTATIVES:

I am returning without my approval H.R. 5247, the Public Works Employment Act of 1975.

Supporters of this bill claim that it represents a solution to the problem of unemployment. This is simply untrue.

The truth is that this bill would do little to create jobs for the unemployed. Moreover, the bill has so many deficiencies and undesirable provisions that it would do more harm than good. While it is represented as the solution to our unemployment problems, in fact it is little more than an election year pork barrel. Careful examination reveals the serious deficiencies in H.R. 5247.

First, the cost of producing jobs under this bill would be intolerably high, probably in excess of \$25,000 per job.

Second, relatively few new jobs would be created. The bill's sponsors estimate that H.R. 5247 would create 600,000 to 800,000 new jobs. Those claims are badly exaggerated. Our estimates within the Administration indicate that at most some 250,000 jobs would be created -- and that would be over a period of several years. The peak impact would come in late 1977 or 1978, and would come to no more than 100,000 to 120,000 new jobs. This would represent barely a one tenth of one percent improvement in the unemployment rate.

Third, this will create almost no new jobs in the immediate future, when those jobs are needed. With peak impact on jobs in late 1977 or early 1978, this legislation will be adding stimulus to the economy at precisely the wrong time: when the recovery will already be far advanced.

Fourth, Title II of the bill provides preferential treatment to those units of government with the highest taxes without any distinction between those jurisdictions which have been efficient in holding down costs and those that have not.

Fifth, under this legislation it would be almost impossible to assure taxpayers that these dollars are being responsibly and effectively spent.

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Effective allocation of over \$3 billion for public works on a project-by-project basis would take many months or years. The provision that project requests be approved automatically unless the Commerce Department acts within 60 days will preclude any useful review of the requests, and prevent a rational allocation of funds.

Sixth, this bill would create a new urban renewal program less than two years after the Congress replaced a nearly identical program -- as well as other categorical grant programs -- with a broader, more flexible Community Development block grant program.

I recognize there is merit in the argument that some areas of the country are suffering from exceptionally high rates of unemployment and that the Federal Government should provide assistance. My budgets for fiscal years 1976 and 1977 do, in fact, seek to provide such assistance.

Beyond my own budget recommendations, I believe that in addressing the immediate needs of some of our cities hardest hit by the recession, another measure already introduced in the Congress, H.R. 11860, provides a far more reasonable and constructive approach than the bill I am vetoing.

H.R. 11860 targets funds on those areas with the highest unemployment so that they may undertake high priority activities at a fraction of the cost of H.R. 5247. The funds would be distributed exclusively under an impartial formula as opposed to the pork barrel approach represented by the bill I am returning today. Moreover, H.R. 11860 builds upon the successful Community Development Block Grant program. That program is in place and working well, thus permitting H.R. 11860 to be administered without the creation of a new bureaucracy. I would be glad to consider this legislation more favorably should the Congress formally act upon it as an alternative to H.R. 5247.

We must not allow our debate over H.R. 5247 to obscure one fundamental point: the best and most effective way to create new jobs is to pursue balanced economic policies that encourage the growth of the private sector without risking a new round of inflation. This is the core of my economic policy, and I believe that the steady improvements in the economy over the last half year on both the unemployment and inflation fronts bear witness to its essential wisdom. I intend to continue this basic approach because it is working.

My proposed economic policies are expected to foster the creation of 2 to 2.5 million new private sector jobs in 1976 and more than 2 million additional jobs in 1977. These will be lasting, productive jobs, not temporary jobs payrolled by the American taxpayer.

This is a policy of balance, realism, and common sense. It is an honest policy which does not promise a quick fix.

more



My program includes:

-- Large and permanent tax reductions that will leave more money where it can do the most good: in the hands of the American people;

-- Tax incentives for the construction of new plants and equipment in areas of high unemployment;

-- Tax incentives to encourage more low and middle income Americans to invest in common stock;

-- More than \$21 billion in outlays for important public works such as energy facilities, wastewater treatment plants, roads, and veterans' hospitals representing a 17 percent increase over the previous fiscal year;

-- Tax incentives for investment in residential mortgages by financial institutions to stimulate capital for home building.

I have proposed a Budget which addresses the difficult task of restraining the pattern of excessive growth in Federal spending. Basic to job creation in the private sector is reducing the ever-increasing demands of the Federal government for funds. Federal government borrowing to support deficit spending reduces the amount of money available for productive investment at a time when many experts are predicting that we face a shortage of private capital in the future. Less investment means fewer new jobs and less production per worker.

Last month, under our balanced policies, seasonally adjusted employment rose by 800,000. That total is almost three times as large as the number of jobs that would be produced by this legislation and the jobs those men and women found will be far more lasting and productive than would be created through another massive public works effort.

I ask the Congress to act quickly on my tax and budget proposals, which I believe will provide the jobs for the unemployed that we all want.

GERALD R. FORD

THE WHITE HOUSE,

February 13, 1976.

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Business Conditions Report

February 13, 1976



U.S. Department of Commerce
DOMESTIC AND INTERNATIONAL
BUSINESS ADMINISTRATION
Bureau of Domestic Commerce

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For further information contact:

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Enquiries and suggestions are welcomed.

INDUSTRY HIGHLIGHTS

AUTOMOBILES: JANUARY NEW CAR SALES UP, IMPORTS DOWN

- During January 21-31 U.S. car makers delivered 279,300 units, up 17 percent from 238,300 cars sold in rebate-influenced comparable 1975 period.
- U.S. make car dealers delivered a total of 587,800 cars in January, up 27 percent from 462,800 units sold in January 1975. Foreign car dealers sold some 90,500 units, down 21 percent from 114,500 a year earlier.
- Decline in import sales suggests that imports are encountering same customer resistance to small cars that is responsible for domestic factory shut-downs planned for February to adjust inventories. (See Business Conditions Report January 27, 1976.)
- If recent upturn in truck sales continues, GMC Truck and Coach Division plans to recall 500 hourly workers at its Pontiac, Michigan plant. Additionally, GM cancelled plans for a 1-week closing of an assembly line at Pontiac.

STEEL MILL PRODUCTS: SHIPMENTS INCREASE IN DECEMBER

- CURRENT
- Domestic: Steel mill product shipments increased 6 percent in December, 1975 to 6.1 million tons from low of 5.7 million tons shipped in November. December shipments were 17 percent below 7.4 million tons shipped a year ago.
 - 1975 total shipments at 79.96 million tons were down 27 percent from 109.47 million tons shipped in 1974.
 - In January 1976, raw steel production increased weekly, averaging 2.24 million tons, up 10 percent from 2.04 million tons produced on average weekly basis in December. Through week ended January 31, raw steel production in 1976 was 9.82 million tons, 14 percent below 11.47 million tons produced in comparable 1975 period.
 - Inventories of producing mills increased again in December to 16.7 million tons from 16.4 million tons as of November 30.

- ° Steel mill shapes in hands of consumers continued declining to 10.5 million tons in December from 10.8 million tons in November. Steel service center inventories also continued their decline in November (latest monthly data available) to 6.5 million tons from 6.7 million tons in October.

Foreign:

- ° Imports of steel mill products rose in December for third consecutive month to 1.15 million tons, up 28 percent from 0.9 million tons imported in November. Imports in December, however, remain 40 percent below 1.91 million tons imported in December 1974.
- ° 1975 total imports dropped 25 percent to 12.01 million tons from 15.97 million tons imported in 1974.
- ° Steel mill product exports in December dropped to 182,000 tons. This is 1 percent below previous lowest monthly export tonnage during 1973 to 1975 period and represents a 61 percent drop from the 470,000 tons exported in December 1974.
- ° Total 1975 exports of 2.95 million tons declined 49 percent from 5.83 million tons exported in 1974.

AUTOMOTIVE REPLACEMENT BATTERIES: SHIPMENTS DOWN IN 1975

- ° Shipments of replacement automotive batteries totaled 4.5 million units in December 1975, up 13.1 percent from November, and up 17.3 percent from December 1974 shipments of 3.8 million units.
- ° Total shipments for 1975 declined 21 percent from 1974, from 44.4 million units to 39.3 million units.
- ° Decline is generally attributed to less severe weather conditions and longer life batteries.

BANKING: BANK HOLDING COMPANIES TO DIVEST TRAVEL AGENCIES

- CURRENT
- ° Travel agencies have been removed from list of permissible Bank Holding Company (BHC) activities by the Federal Reserve.
 - ° BHCs which acquired travel agencies after June 30, 1968 must divest them by December 31, 1980. Travel agencies acquired before 1968 are considered grandfathered.

- ° There are 150 banks, or less than 1 percent of all banks, that offer travel agency services. 66 percent of these travel agency services were established within the past 15 years.
- ° Activities under consideration as permissible activities by BHCs are armored car services, mortgage guarantee insurance, savings and loan associations, and underwriting and dealing in U.S. Government and certain municipal securities.

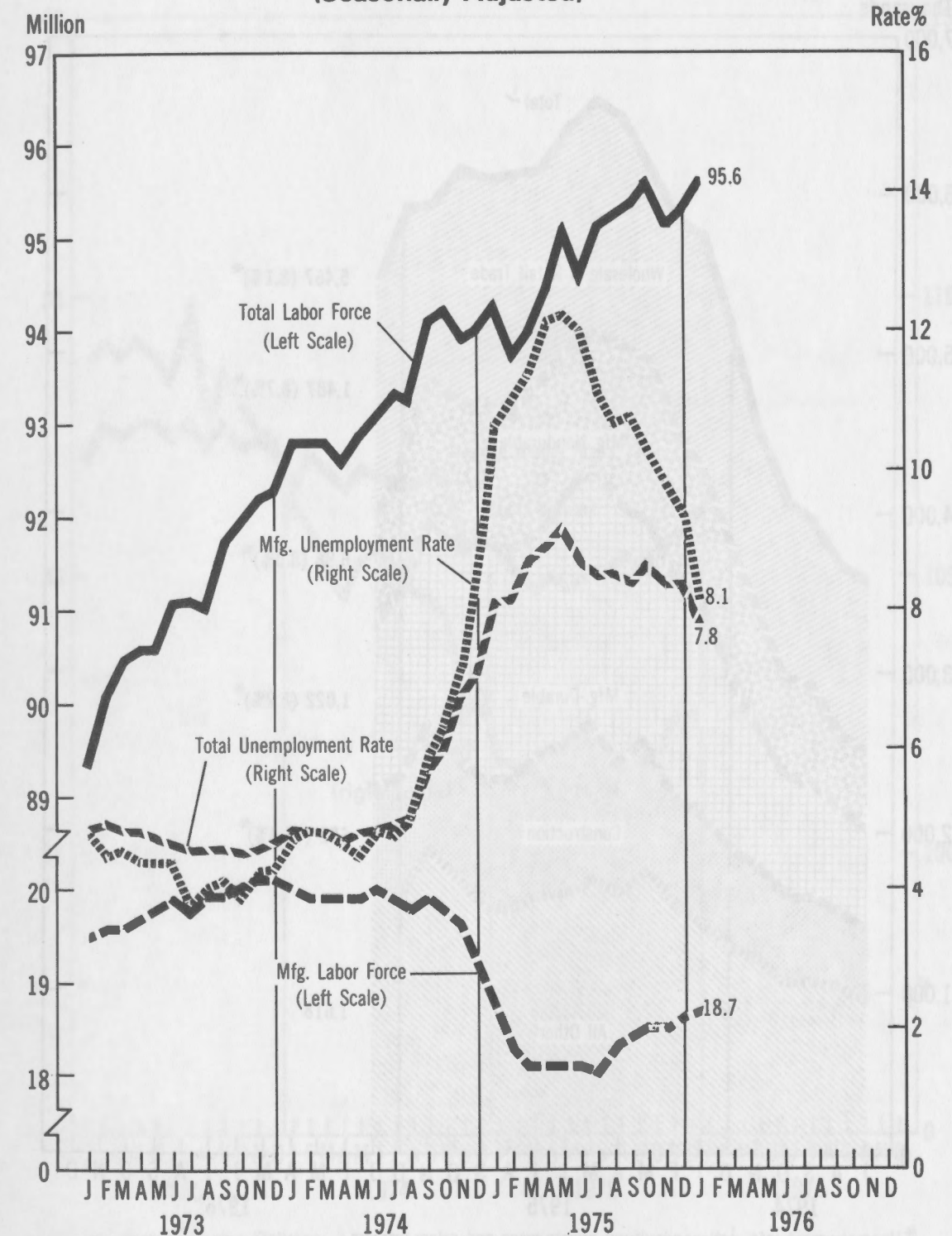
AUDIO-VISUAL EQUIPMENT: BICENTENNIAL CONTRIBUTES TO GROWTH

- ° Sales of equipment and supplies for the audio-visual industry grew at average annual rate of 10 percent from 1967 to 1974, reaching \$1.1 billion in 1974.
- CURRENT
- ° In 1975, sales rose 14 percent over 1974, to \$1.25 billion. Greatest growth was in sales to community agencies, which rose 20 percent to \$175 million.
 - ° Industry attributes much of this increase to preparation of film presentations by local historical societies, libraries, cultural centers, museums and other community organizations, focusing on the history of the country or locality.

BUSINESS INDICATORS

LABOR FORCE AND UNEMPLOYMENT RATES

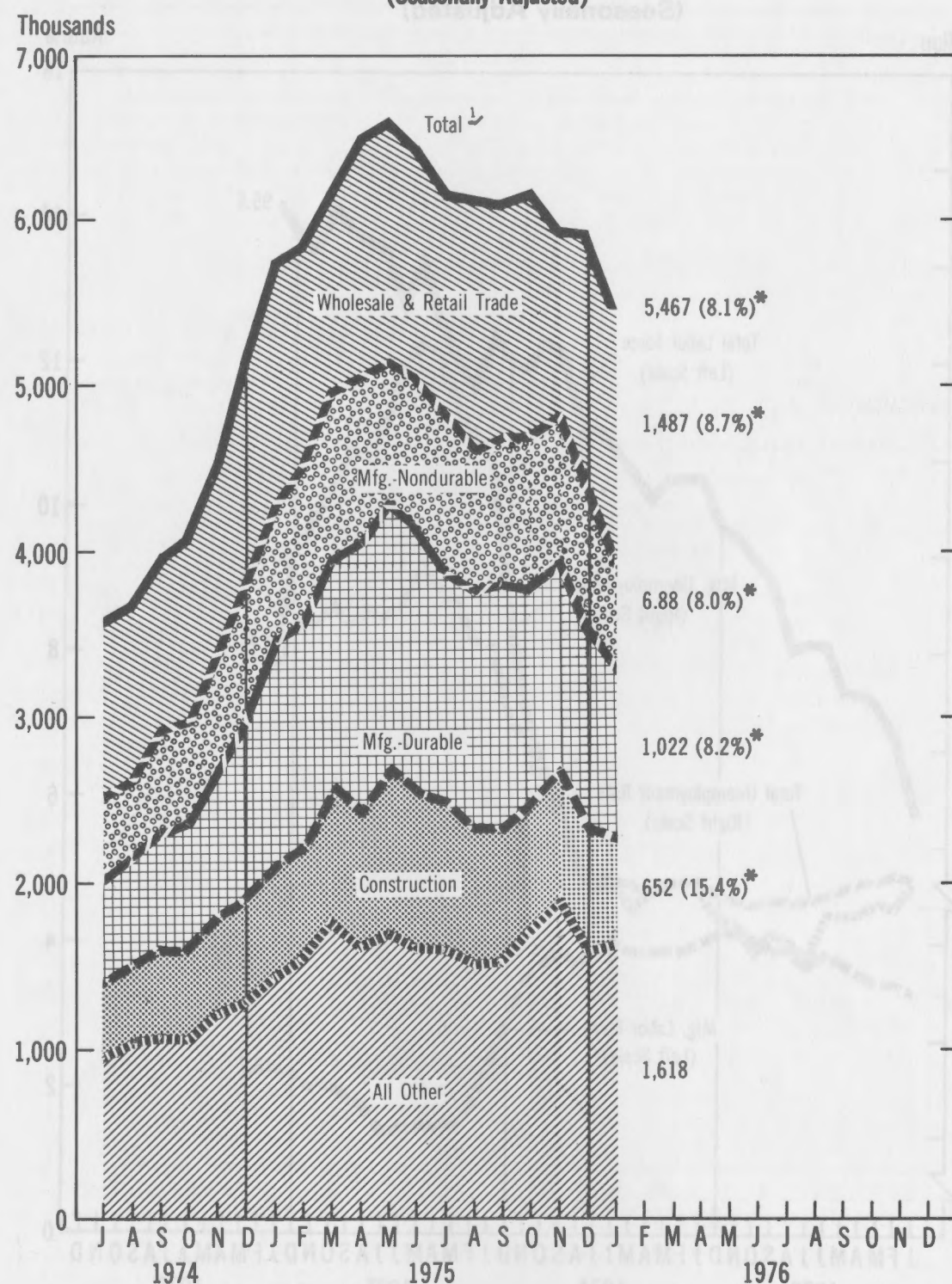
(Seasonally Adjusted)



Source: Bureau of Labor Statistics

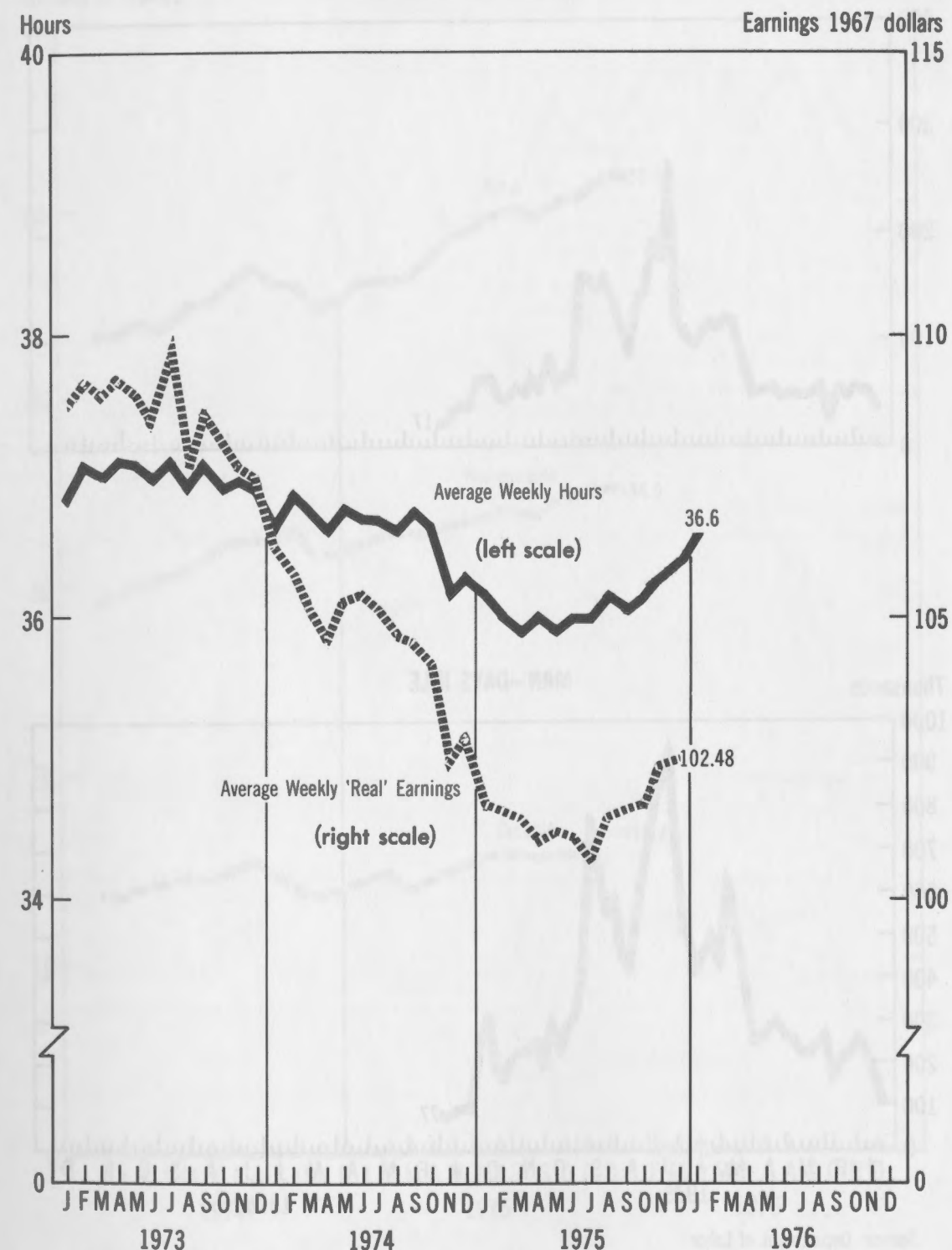
UNEMPLOYMENT - SELECTED INDUSTRIES

Household Data
(Seasonally Adjusted)



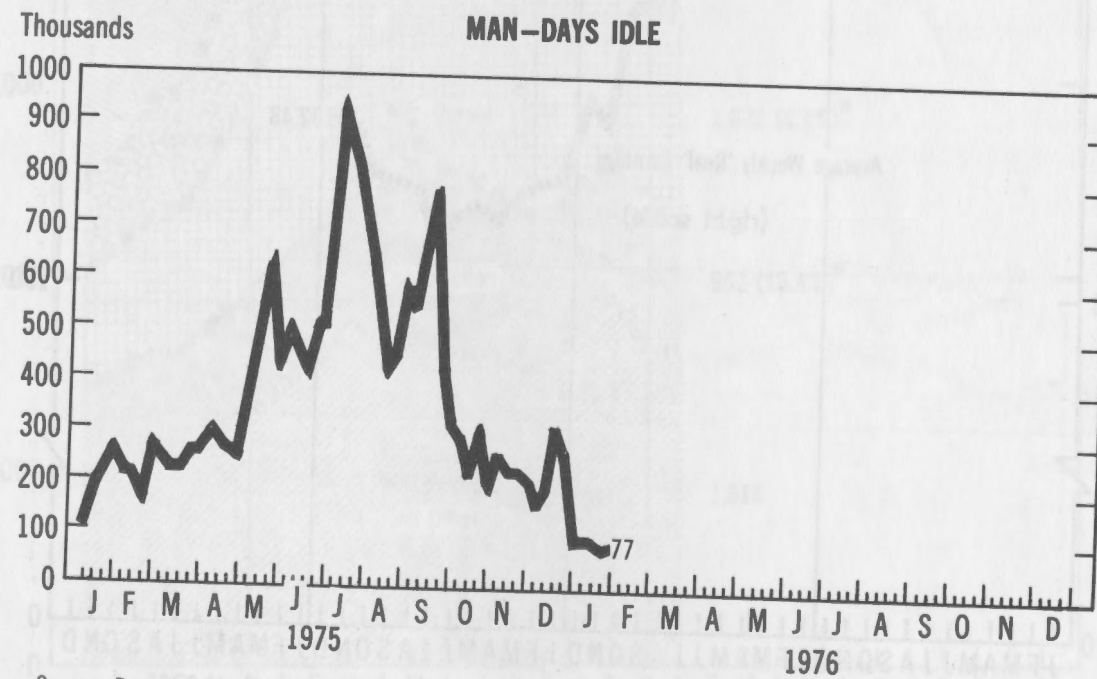
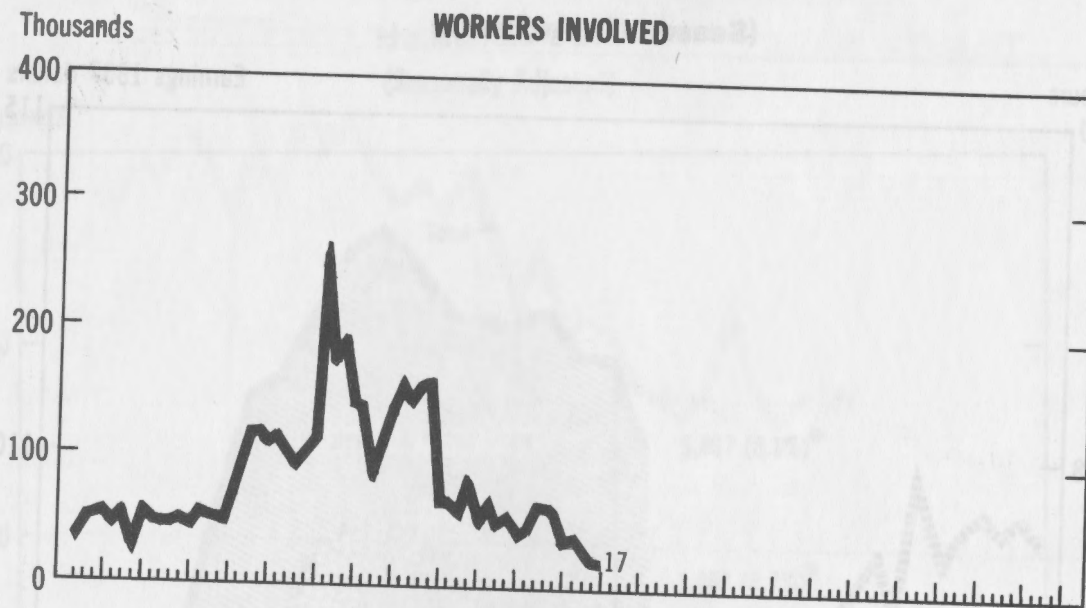
WEEKLY HOURS AND EARNINGS

(Seasonally Adjusted)



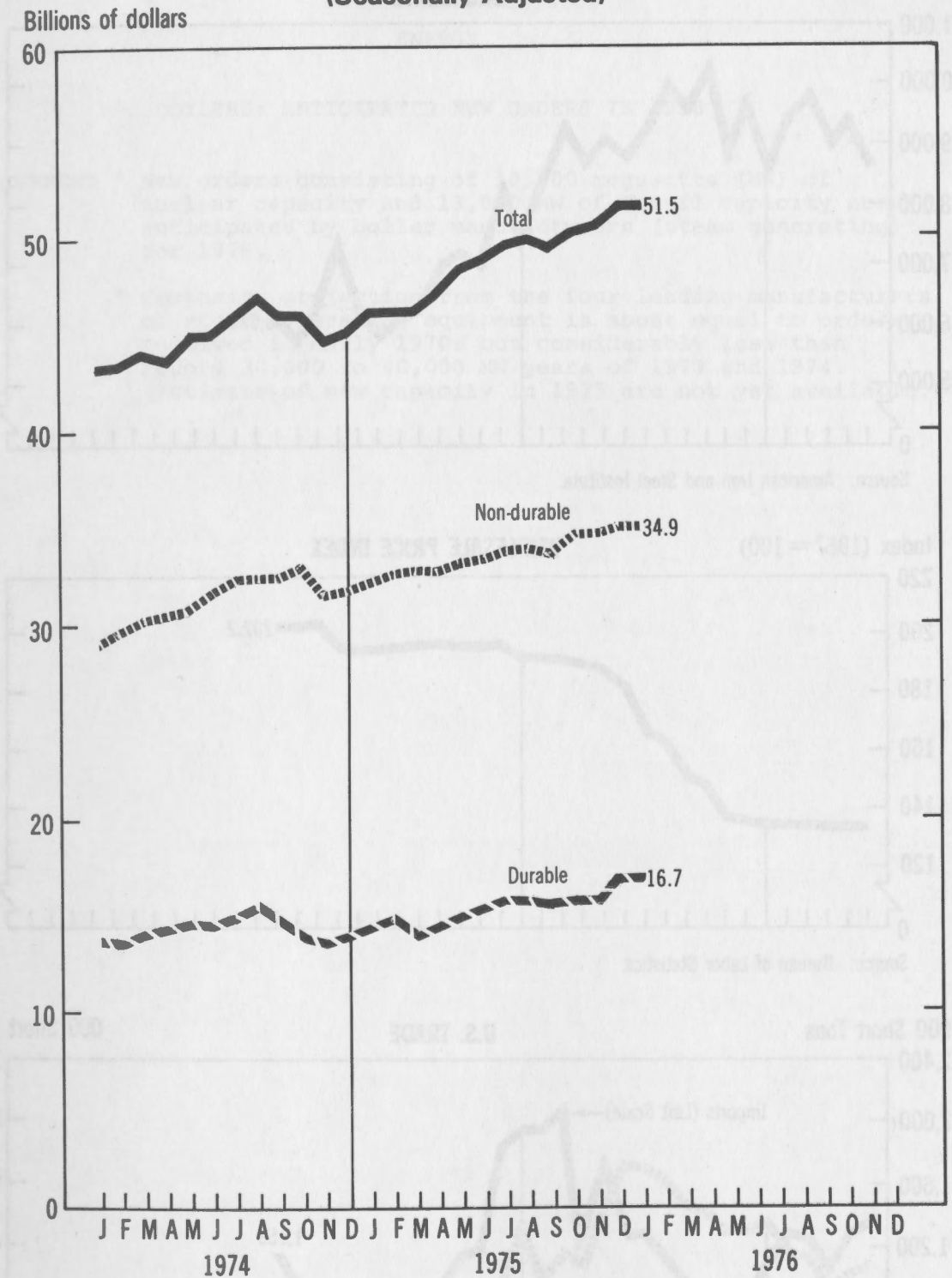
Source: Bureau of Labor Statistics

WORK STOPPAGES DURING WEEK



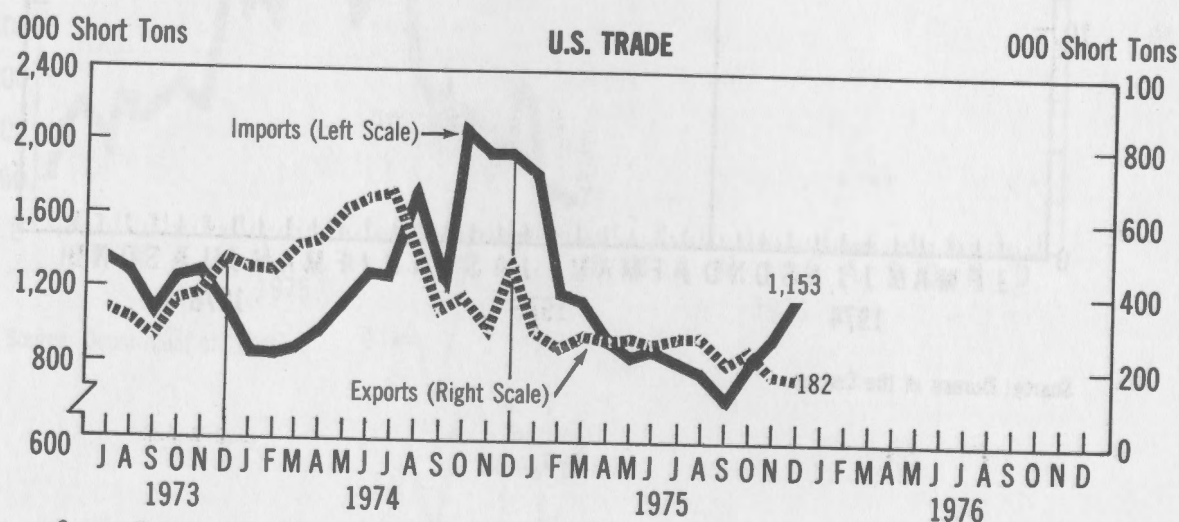
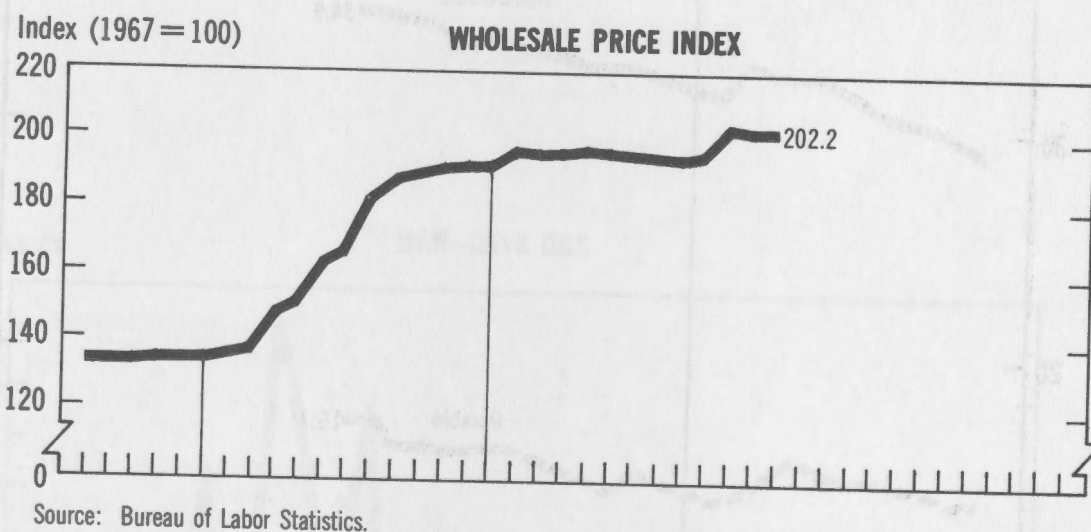
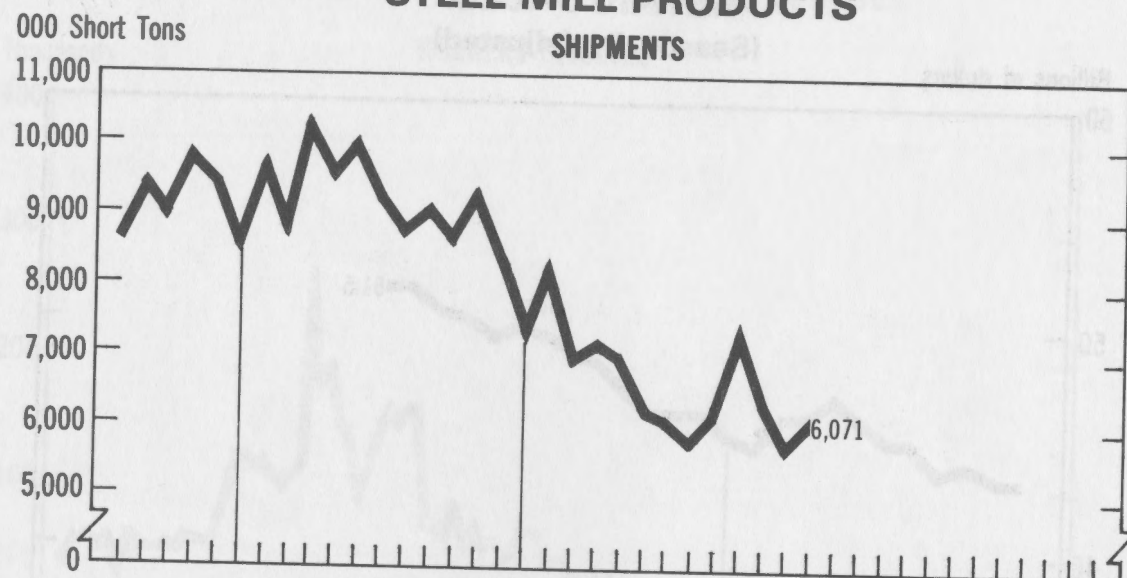
Source: Department of Labor

RETAIL SALES (Seasonally Adjusted)



Source: Bureau of the Census

STEEL MILL PRODUCTS



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ENERGY

BOILERS: ANTICIPATED NEW ORDERS IN 1976

- CURRENT
- ° New orders consisting of 10,000 megawatts (MW) of nuclear capacity and 13,000 MW of fossil capacity are anticipated by boiler manufacturers (steam generating) for 1976.
 - ° Composite projection from the four leading manufacturers of steam-generating equipment is about equal to orders received in early 1970s but considerably less than record 30,000 to 40,000 MW years of 1973 and 1974. (Estimates of new capacity in 1975 are not yet available.)

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SUPPLY

STEEL RAILS: POSSIBLE CAPACITY SHORTAGE

- ° Steel rail production, limited to three domestic producers, has been below capacity in recent years despite deterioration of much installed U.S. trackage.
- ° Due to railroad industry economics, rail was not ordered and replaced as needed and substantial backlogs of necessary repairs were accumulated, even by the more solvent roads.
- ° With the recent enactment of the \$6.4 billion Railroad Revitalization and Regulatory Reform Bill on February 5, 1976, large sums may be available to rehabilitate much of the northeastern right-of-way, as well as to improve the Boston-Washington high-speed passenger corridor.
- ° \$1.6 billion is also authorized to assist other railroads to enlarge their rehabilitation and maintenance programs. As a result, there could be insufficient rail production to meet this increased demand.
- ° On January 29, Colorado Fuel & Iron Company, one of the three producers, announced a \$60 million rail production expansion program to increase finishing capacity by 50 percent at their Pueblo, Colorado mill. An additional blooming mill, more heating capacity, and greater finishing and straightening capability are contemplated in this three-year program.
- ° The other two producers, U.S. Steel and Bethlehem, have announced no expansion plans but are studying options.

CHLORINE: DECLINE IN OUTPUT TIGHTENS CAUSTIC SODA SUPPLY

- ° Chlorine, a major chemical building block, is used to produce organic chemicals, including solvents (47 percent); vinyl chloride (19 percent); pulp and paper (15 percent); inorganic chemicals (10 percent); and for miscellaneous uses (9 percent).

- ° Chlorine, which is produced as a coproduct with caustic soda by the electrolysis of brine, was in short supply through most of 1974, but demand for chlorine fell considerably in 1975 as output of solvents, other chlorinated chemicals, and pulp and paper dropped.

CURRENT ° Output of chlorine gas in 1975 amounted to 9.28 million tons or 14.8 percent below 1974 production of 10.89 million tons, according to Chlorine Institute.

- ° During same period, capacity increased 9.7 percent, from 11.36 million tons in 1974 to 12.47 million tons in 1975.

- ° As a result, capacity utilization rate fell from 95.8 percent in 1974 to 74.4 percent in 1975.

- ° Production reached a record high average of 31,274 tons per day in November 1974, fell continuously in early 1975, and bottomed at 22,958 tons per day in July 1975.

- ° Although output rose again in the latter part of the year, there was evidence of a leveling off in September-December 1975, when output averaged 27,406 tons per day, roughly 10 percent below the corresponding 1974 period.

- ° The reduction in output of chlorine resulted in a similar drop in production of caustic soda, which continued to be in tight supply. Substitution of soda ash for caustic soda in some applications has kept the supply of caustic soda from becoming critical.

QUARTZ CRYSTALS: STRONG DEMAND CREATES SUPPLY PROBLEM

- ° Synthetic quartz crystals are used to maintain correct frequencies in citizens' band (CB) radio equipment and as time base standards in electronic watches.

CURRENT ° Continued high consumer demand for electronic watches, and rapid growth of the market for CB equipment have resulted in a temporary tight supply situation for quartz crystals.

- ° Crystal buyers are reportedly double-ordering and some hoarding has reportedly developed.

- ° Producers of quartz crystals are carefully screening orders and writing non-cancellation clauses into contracts in an effort to keep crystals within legitimate channels, stop hoarding, and minimize market disruption.

- ° Problem is expected to diminish as production increases, however a 90 to 120 day lead time is required to grow crystals.

- ° Although watch and radio manufacturers produce many of their own components, quartz crystals are usually purchased from specialized outside sources, because of the difficult production process involved.

FERTILIZER: SUPPLY CONTINUES TO EASE

- ° Until early 1975 nitrogenous and phosphatic fertilizers were in short supply. In 1975, due to high fertilizer prices and lower crop prices, U.S. farmers applied less fertilizers to crops.

- ° Two phosphate plants were closed due to high costs of operation (see Business Conditions Report, January 23, 1976).

- ° Potash consumption in the 7-month period (July through January) of the 1976 crop year is 16 percent below the comparable 1975 period.

- ° Nitrogen sales are reported to be lower than in the 1975 crop year.

- ° 70 percent of all fertilizers is traditionally sold in the February-June period of the year. Despite slow start in 1976, some industry sources are projecting a 12 percent increase in fertilizer sales over 1975 crop year, with total sales equal to record level in 1974 crop year. Other industry sources feel that this is optimistic.

CURRENT ° At the annual winter meeting of the Fertilizer Institute in Chicago last week, an optimistic attitude toward greatly increased sales was not generally apparent among the 900 attendees. There were indications of price discounts being offered in order to move materials.

- ° Price decreases were officially announced by the government-owned Moroccan phosphate rock companies. These reductions have been met by the Phosrock U.S. Export Association.



LABOR

WAGES: CONSTRUCTION UNIONS AGREE TO PAY CUTS

- CURRENT ° Some construction local unions are accepting pay cuts or foregoing negotiated wage increases to compete for nonunion **contract bids**.
- ° In Dallas-Fort Worth area, union masonry contractors and Bricklayer, Laborers, and Operating Engineer local unions entered into one-year experimental agreement which lowers wages to make union masonry bids more competitive with nonunion bids. Agreement also affects certain work rules and restrictive practices.
 - ° "Operation Top Notch" in Indianapolis is a cooperative effort of construction unions, general contractors, and suppliers to create more productive market in central Indiana.
 - 21 management and labor organizations signed the memorandum of understanding. Unions pledged not to strike or picket to settle jurisdictional disputes, to cut back on overtime, and eliminate some work rules. Contractors agreed to make work assignments to the proper craft.
 - ° In Pittsburgh, 20 building trades unions and 200 contractors joined to make union construction more competitive with open shop construction in a three-state area. Union leaders agreed to management proposals to cut costs and increase productivity.
 - Proposals agreed upon include uniform contract expiration dates, no organized coffee breaks, termination for just cause, elimination of non-working stewards, and uniform starting and quitting times.
 - ° New York City Metropolitan Bricklayers agreed to 25 percent cut in wages and reduction in fringe benefits in construction of small residences and shopping centers. Seven local unions and the Associated Brick Mason Contractors of Greater New York amended their present three-year contract in this effort to stimulate construction.

NEGOTIATIONS: FIRST FARM WORKERS CONTRACTS
UNDER NEW CALIFORNIA LAW

- United Farm Workers and the Western Growers Association settled the first contracts negotiated under new California agricultural bargaining law.
- Three-year pacts cover 2,000 lettuce workers at Interharvest, Inc., and 500 workers at Meyer Tomatoes.
- United Farm Workers reached identical contracts with 14 other smaller growers employing 20 to 30 workers each.
- Workers in lowest job classifications will receive \$3.10 per hour, compared to previous \$2.37 at Interharvest and \$2.95 at other companies.
- New agreements provide second and third year increases of 12.5 cents per hour, and benefits in health, accident, and vacations.

AUTO WORKERS: ANTICIPATED RECALLS IN 1976

- Some 180,000 auto workers are presently on indefinite layoff, 32,650 from Ford, 137,000 from General Motors, 8,300 from Chrysler, and 1,773 from American Motors.
- Anticipated 1976 production of 8.5 million passenger cars should result in recall of 140,000 workers, leaving 40,000 unemployed, according to an industry publication.

NEW AND SETTLED MAJOR STRIKES

(Source: Federal Mediation and Conciliation Service)

- New: There have been no new strikes in major and/or significant category since last week's report.
- Settled: Peabody Coal Company and the SEIU Louisville, Kentucky (Muhlenberg County and Hopkins City, Kentucky, and Ohio)
1,160 employees (Bargaining unit consists of 40 employees. Another 1,120 employees honored picket line); 1/21/76 through 2/4/76

City of Newark and the Newark Teachers Union Newark, New Jersey
4,000 employees; 2/2/76 through 2/8/76

PRICES

SOFTWOOD LUMBER AND PLYWOOD: UPWARD PRICE TREND CONTINUES

- CURRENT ◦ During January, softwood lumber and plywood mill prices continued upward trend that began in October 1975.
- Bellwether softwood lumber price movements are:
 - average of eleven Western softwood lumber items increased 29 percent from \$124 per thousand board feet (MBF) in October to \$160 per MBF in early February; and
 - average price of two Southern pine lumber items increased 20 percent from \$121 per MBF in October to \$145 per MBF in early February.
 - Bellwether softwood plywood mill price changes are:
 - 1/2-inch standard exterior sheathing increased 26 percent from \$130 per thousand square feet in October (MSF) to \$164 per MSF in early February; and
 - interior 1/4-inch AD sanded mill prices increased 24 percent from \$134 per MSF in October to \$166 per MSF in early February.
 - Price increases are attributed to improved housing market, reduced seasonal production, and apparent anticipated curtailment of raw material supply from U.S. National Forests resulting from the Monongahela Court Decision. (See related article in Issues.)

POLYETHYLENE: PRICES TO INCREASE

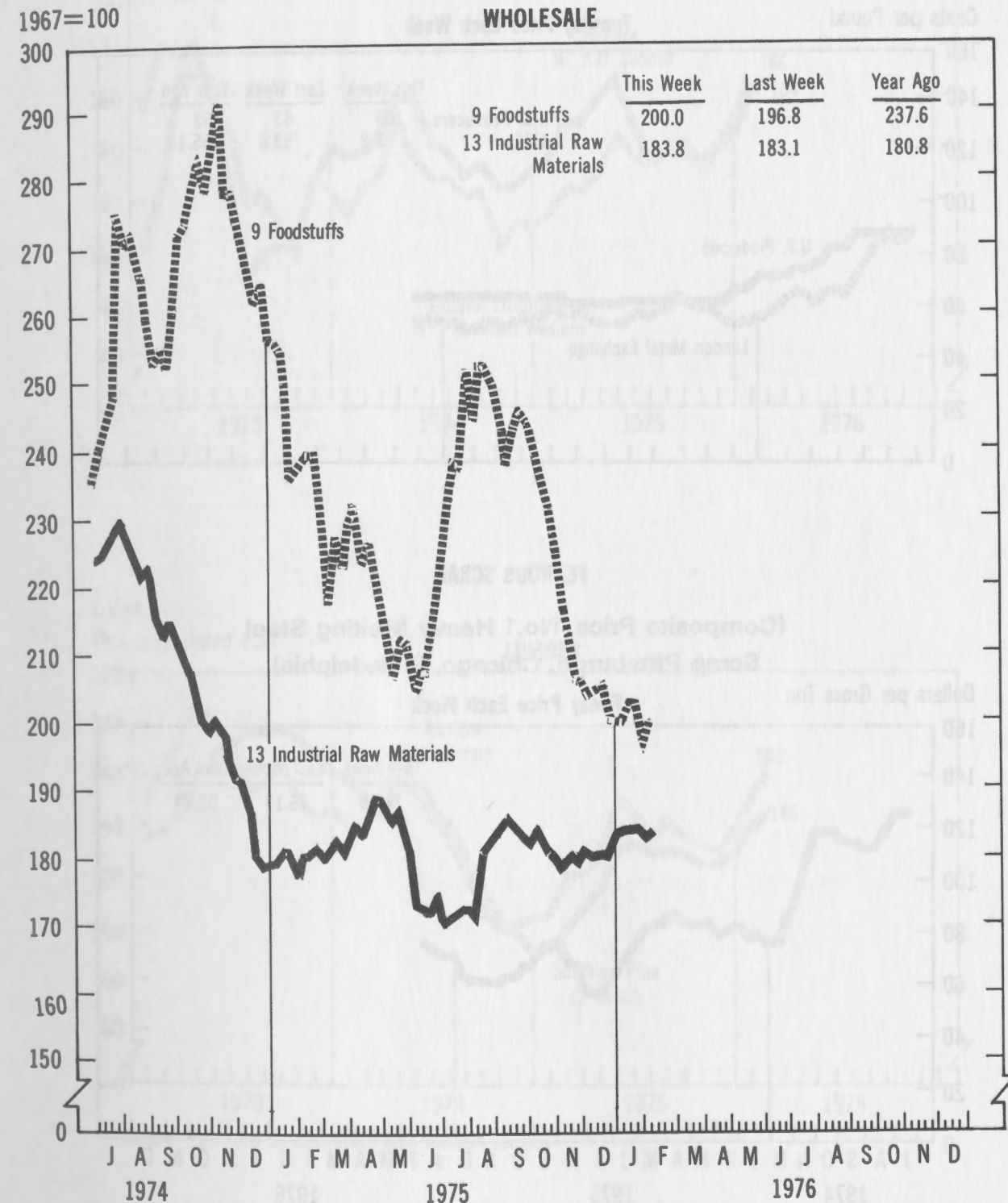
- Polyethylene (PE) is used for film and sheet, bottles and containers, furniture, housewares, laboratory ware, toys, disposables, wire and cable coatings, etc.
- Although PE production in 1975 amounted to 7.2 billion pounds, 18.6 percent lower than in 1974, production and sales progressively improved on a monthly basis, during 1975 and into 1976.

- CURRENT ° Effective March 1, Union Carbide will raise low density PE prices by 9 percent or 2.5 cents to 29.5 cents per pound for general purpose grade. High density PE will be raised by 8 percent or 2 cents to 30.5 cents per pound for general purpose grade.
- ° Union Carbide attributes increase to continuing higher costs for hydrocarbon materials, energy, production and distribution. (Three years ago ethylene, raw material for PE, was priced at 3 cents per pound and is now 11 cents per pound.)
 - ° These increases could affect polypropylene (PP), a plastic material which competes in some of the same markets and is priced at 26 cents per pound. (Propylene, the raw material for PP, price was 3 cents per pound three years ago and is now around 7.5 cents per pound.)

PHOSPHOROUS: HIGHER ENERGY COSTS RAISE PRICES

- ° Elemental phosphorous is used to produce high purity phosphoric acid from which sodium phosphates (used for detergents, food, toothpaste and animal feeds) are derived. Merchant sales are relatively small.
 - ° Production of phosphorous in recent years has exceeded 500,000 short tons. No new capacity has been added in a number of years.
 - ° Industry has been facing environmental problems and higher energy costs. Producers have passed on increases in energy costs on several occasions since price decontrol.
- CURRENT ° Monsanto Chemical Company and other producers have announced an increase of 1.7 percent or \$1.00 per 100 pounds, bringing bulk material price to \$61.00 per 100 pounds and \$66.00 per 100 pounds for drums in carload lots.
- ° Producers attribute these increases to higher costs of energy used in phosphorous production.

PRICE INDICATORS TUESDAY SPOT PRICES



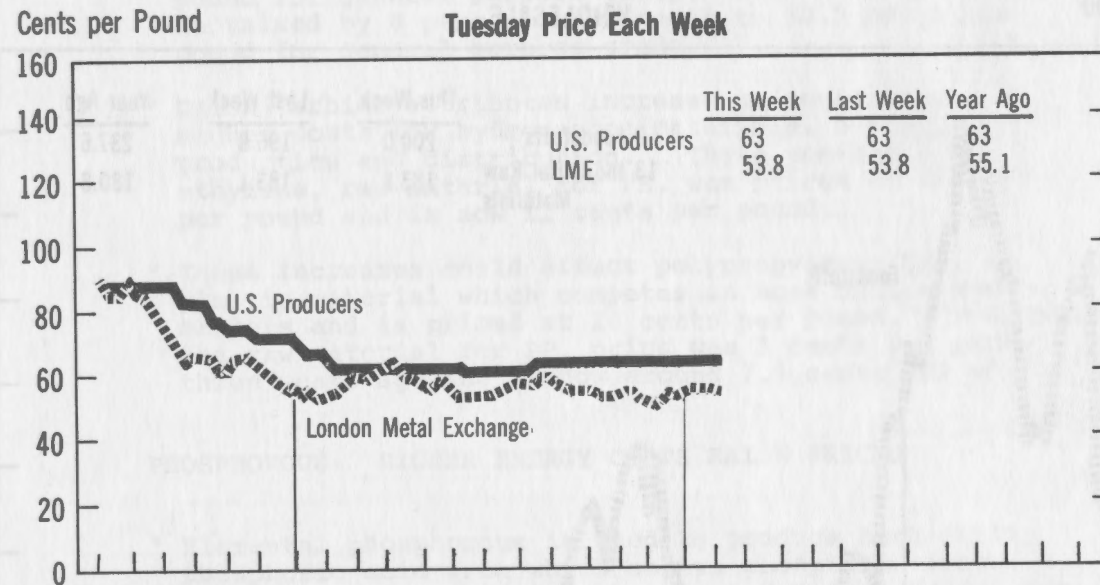
Source: Department of labor

KEY COMMODITY PRICES

COPPER PRICES

(Wirebar Basis)

Tuesday Price Each Week

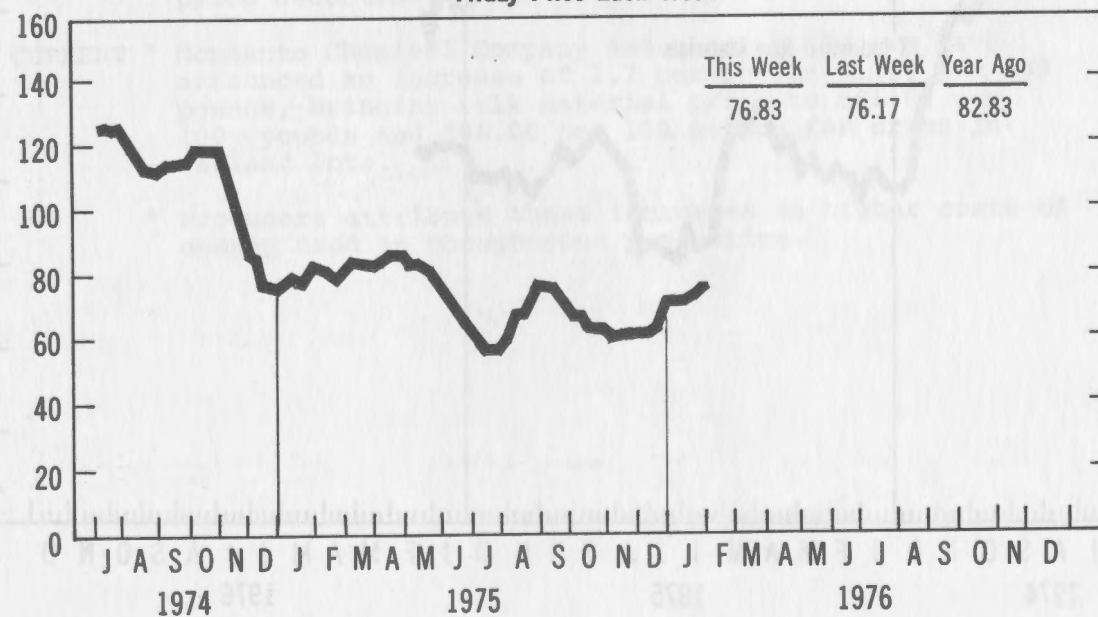


FERROUS SCRAP

(Composite Price, No.1 Heavy Melting Steel
Scrap Pittsburgh, Chicago, Philadelphia)

Dollars per Gross Ton

Friday Price Each Week



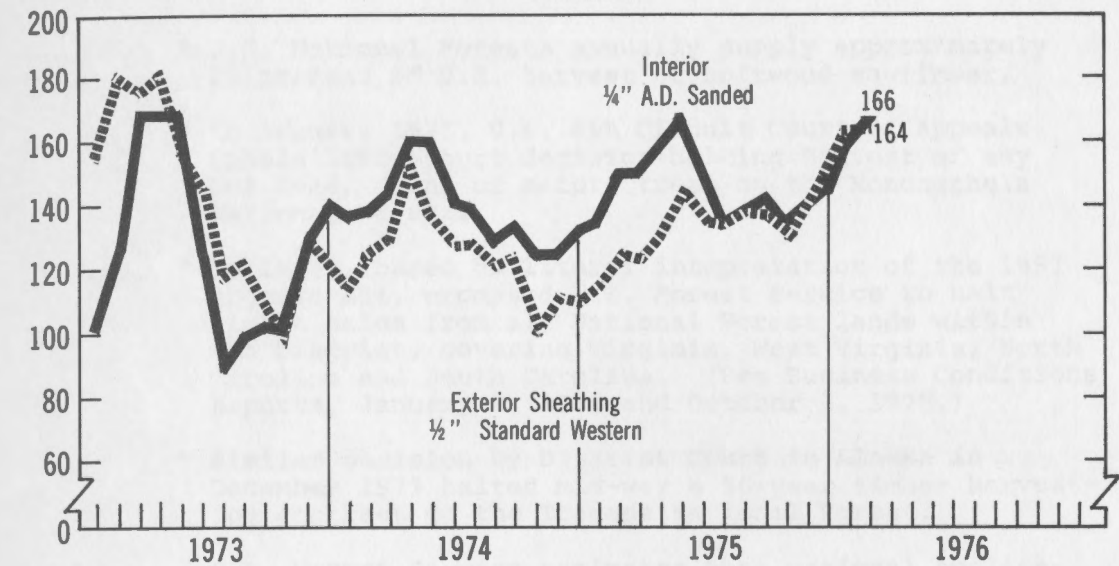
Source: American Metal Market

SOFTWOOD PLYWOOD AND LUMBER PRICES

(As of First Week in Month)

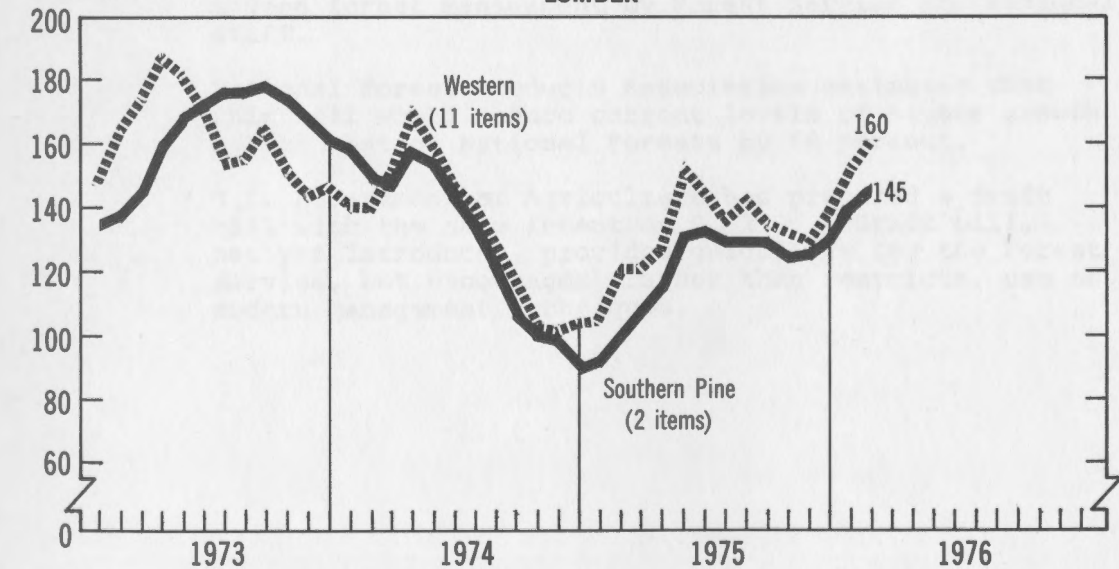
Dollars per
Thousand Square Feet

PLYWOOD



Dollars per
Thousand Board Feet

LUMBER



Source: Compiled by BDC/OBRA from Random Lengths

ISSUES

CONSTRUCTION AND FOREST PRODUCTS INDUSTRIES:
MONONGAHELA DECISION LEADS TO LEGISLATION PROPOSALS

- ° U.S. National Forests annually supply approximately 25 percent of U.S. harvest of softwood sawtimber.
 - ° In August, 1975, U.S. 4th Circuit Court of Appeals upheld lower court decision halting harvest of any but dead, dying or mature trees on the Monongahela National Forest.
 - ° Decision, based on literal interpretation of the 1897 Organic Act, prompted U.S. Forest Service to halt timber sales from all National Forest lands within 4th District, covering Virginia, West Virginia, North Carolina and South Carolina. (See Business Conditions Reports, January 9, 1976 and October 3, 1975.)
 - ° Similar decision by District Court in Alaska in December 1975 halted mid-way a 50-year timber harvesting contract on the Tongass National Forest.
 - ° U.S. Forest Service estimates that national application of Monongahela Decision would reduce harvest on U.S. forests by 75 percent annually.
- CURRENT
- ° On February 4 a bill (S.2926) to regulate Federal timber management was introduced. Intent of bill is to end disputes and controversies resulting from recent interpretation of the Organic Act of 1897.
 - ° Key provisions would greatly restrict practice of modern forest management by Forest Service professional staff.
 - ° National Forest Products Association estimates that this bill would reduce current levels of timber growth and harvest on National Forests by 60 percent.
 - ° U.S. Department of Agriculture has prepared a draft bill with the same intent as S. 2926. Draft bill, not yet introduced, provides guidelines for the Forest Service, but encourages, rather than restricts, use of modern management techniques.

MOBILE HOMES: NEW HUD REGULATIONS COULD FURTHER
DEPRESS SALES

- ° Mobile home shipments peaked in 1972 at 575,940 units. Shipments in 1973 declined 2 percent to 566,920, and dropped 42 percent in 1974 to 329,300 units.
- ° 1975 shipments of 215,920 units was lowest total for any year since 1964, 34 percent below 1974 shipments and 63 percent under 1972.
- ° Factors contributing to 1975's severe decline include national recession, limited and expensive financing (primarily in first half of year), energy situation, growing inventory of used and repossessed units, and some loss of consumer confidence in product.

- CURRENT ° Industry and Government forecasts indicate 1976 shipments rising 39 percent to 300,000 units.
- ° A primary industry concern for 1976 is possible impact of new Department of Housing and Urban Development mobile home standard, to become effective in June 1976, as well as impact of proposed new Federal Trade Commission regulation.
 - ° Industry contends that some provisions of the FTC regulation overlap the already approved HUD standard and will unduly raise mobile home costs, thus diminishing their market appeal.

NEWSPAPER PRINTING: IMPACT OF PROPOSED OSHA LEAD STANDARDS

- ° While most newspapers use phototypesetting and offset and plastic plates as technological replacements for the lead process, lead continues to be used by most of the nation's largest daily newspapers.
- CURRENT ° Occupational Safety and Health Administration (OSHA) has proposed a set of standards for airborne contaminants, particularly lead, which could adversely affect the employment of typesetters in the U.S. newspaper publishing industry.
- ° The OSHA lead standards include:
 - monitoring the workplace with particular instrumentation;
 - installing engineering controls and requiring personal protective equipment, clothing and laundering, all at company expense; and
 - compulsory medical examinations, taken during company time.

- ° New lead regulations would apply to approximately 1,600 newspaper plants or 20 percent of all U.S. newspapers.
- ° Industry analysts view these standards as unnecessarily stringent and feel that they could ultimately force replacement of the lead process. This would force newspaper conversion at costs in excess of \$25 million and eliminate jobs for many employees who are not presently in truly hazardous occupations, according to the analysts.

SECONDARY MATERIALS: RECYCLING IMPEDIMENT TO BE INVESTIGATED

- ° For a number of years the secondary materials industries had sought legislation to remove the present Interstate Commerce Commission rate structure which they considered a major economic barrier to expanded recycling.
- CURRENT ° Pursuant to the Railroad Revitalization Act, ICC is required to determine whether present rate structure is unjustly discriminatory or unreasonable with respect to recyclable or recycled materials.
- ° If the structure is determined to be unjustly discriminatory or unreasonable, ICC is further required to issue orders to rectify the deficiencies.

PRODUCT LABELING: EXTENSION GRANTED ON
DRAINED WEIGHT PROPOSAL

- ° In November, Food and Drug Administration issued a proposal requiring canned fruit and vegetable processors to indicate drained weight on product labels. (See Business Conditions Report, November 7, 1975.)
 - ° FDA, estimating that proposal compliance would result in \$16 million in increased product costs, requested comments and data from interested parties to allow it to evaluate costs/benefits to consumers.
- CURRENT ° Responding to request from the National Canners Association (NCA), FDA has granted a 90 day extension of original February 5 comment filing deadline.
- ° A reliable over-all compilation and analysis of data could not be completed by close of original comment period, according to NCA.

POTASH: SASKATCHEWAN CONTINUES MOVE
TOWARD EXPROPRIATION

- ° Canadian Province of Saskatchewan has announced intentions of expropriating some or all potash companies, whose assets are valued at about \$1 billion, 70 percent owned by U.S. companies.
- ° Announcement followed several years of higher taxes and legal battles between Province and potash companies. (See Business Conditions Report, December 12, 1975.)
- ° Province has passed two enabling bills. One would set up provincially owned company which would presumably run the expropriated companies; the other permits expropriation of the companies and payments.

CURRENT ° Industry sources report that the company which may be first in line for expropriation may not be International Minerals & Chemicals Corporation, which would go to court, but may be another of the nine mines which would more readily accept payment for expropriation.

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