The original documents are located in Box 11, folder "Economic Policy Board (4)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

MINUTES OF THE ECONOMIC POLICY BOARD EXECUTIVE COMMITTEE MEETING

May 28, 1976

Attendees: Messrs. Seidman, Greenspan, Lynn, Usery, Cannon, Zarb, Dixon, O'Neill, MacAvoy, Malkiel, Paarlberg, Kasputys, Gorog, Moskow, Porter, Perritt, Penner, Sorenson, Lissy, Leach, Arena, Metz

1. Senate Finance Committee Tax Bill

The Executive Committee briefly reviewed action on the Senate Finance Committee tax bill and approved a statement for use by the White House Press Office indicating the President's disappointment in the Finance Committee's failure to adopt his deeper tax cut proposal and further indicating that we are studying closely the specific provisions in the bill.

Treasury will prepare an analysis of the provisions in the tax bill for Executive Committee consideration the week of May 31.

2. Emergency Jobs Program Extension Act of 1976

The Executive Committee reviewed a memorandum, prepared by the Department of Labor, on the public service employment legislation currently pending in the Congress. The discussion focused on the degree of flexibility and administrative discretion in the provisions in the Senate Committee bill, the relationship of this legislation to other employment-related legislation including countercyclical assistance bills and public works bills also pending in the Congress, and the potential budgetary impact of the legislation.

Decision

The Executive Committee requested that a decision memorandum be prepared on the position that the Administration should take on the jobs bills currently pending including the public service jobs bill for submission to the President next week.

3. Minimum Wage Legislation

The Executive Committee reviewed a memorandum, prepared by OMB and CEA, on minimum wage indexing and the Administration response to Congressional proposals for indexing.

Decision

The Executive Committee requested that a decision memorandum be prepared on the position that the Administration should take on proposals to increase or index the minimum wage for submission to the President the week of June 14.

4. Task Forces to Reduce Waste and Inefficiency in Regulations

Mr. MacAvoy presented the first report from the Task Forces to Reduce Waste and Inefficiency in Regulation. The discussion focused on the need for full Departmental and agency support for the effort if it is to succeed.

5. Report on Jobs Bill

The Executive Committee briefly reviewed the draft jobs bill consisting of a compilation of the previously announced Administration proposals to reduce unemployment. Executive Committee members were requested to provide their comments on the bill and any additional language changes to Mr. Gorog by c.o.b. May 28, 1976.

THE WHITE HOUSE

WASHINGTON

June 1, 1976

MEMORANDUM FOR: JAMES M. CANNON
JOHN O. MARSH
MAX FRIEDERSDORF

FROM: L. WILLIAM SEIDMAN LWS

SUBJECT: Memorandums on Administration Policy on Unemployment Legislation and Administration Response to Tax Legislation

Two draft memorandums which are in the final stages of consideration by the Economic Policy Board dealing with the Administration Response to Congressional Tax Legislation and with Administration Policy on Unemployment Legislation are attached.

We are scheduled to review these with the President at a meeting with the EPB Executive Committee on Thursday, June 3. I would appreciate very much your comments and recommendations no later than 2 p.m. Wednesday, June 2 so that they can be incorporated into the memorandums before they are sent to the President.

Attachments

THE WHITE HOUSE

WASHINGTON

DRAFT

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN

SUBJECT: Administration Policy on Unemployment Legislation

During the summer you may have to sign or veto as many as five major "job creation" bills which require outlays over the Administration budget. During the month of June you must also finalize your policy on the related issue of overall Federal spending and extension of the tax reduction. This memorandum seeks your guidance on the Administration's position on the first of these jobs bills likely to reach you, H.R. 12987, the Emergency Job Program Extension Act of 1976, in the context of the other potential "job creation" legislation.

General Approach

Two general approaches to guide formulation of the Administration's position on "job creation" legislation have been extensively discussed by the EPB Executive Committee. One approach would maintain our position of continuing to resist additional spending on the grounds that the best way to achieve sustained, non-inflationary growth is to reduce the rate of increase in government spending and the size of the Federal deficit and to permit more money to remain in private hands. Alternatively, we would use this opportunity to support one or more bills specifically designed to reduce unemployment in recognition of the fact that despite the strength of the recovery, unemployment is still high.

Since March 1975, employment has increased by 3.3 million and is now over 1 million above the pre-recession peak in the summer of 1974. Despite the encouraging employment figures, the unemployment rate is 7.5 percent, in part because of the large number of net new additions to the labor force and the extremely high labor participation rate which reached an all-time high last month. During the coming year we project an unemployment level of at least 6 million at a time when public service employment and temporary unemployment insurance programs are phasing out.

Despite the strength of the recovery, congressional interest in additional unemployment legislation remains strong, as evidenced by the number of "job creation" bills currently receiving serious consideration in the Congress.

POTENTIAL UNEMPLOYMENT LEGISLATION

The new congressional budget procedures permit a more certain assessment of possible initiatives through the balance of the year than has been possible in earlier years. Under the new rules (barring a waiver), authorization bills must be reported by May 15 in order to be considered for the upcoming fiscal year. Ambiguous language in the budget resolution and conflicting opinions among staff members make it difficult to estimate with precision the intended size of the public works and PSE programs. However, it appears that the budget resolution contains sufficient flexibility to fund any of the following bills, but not all of them.

Public Works and Countercyclical Revenue Sharing

Conference Committee consideration of public works legislation is scheduled to commence around June 9. Floor action could come the following week. The House version (H.R. 12972) contains authorizations for FY 1977 of $2.5 billion over the budget. The Senate bill (S.3201) authorizes $3.9 billion in various public works activities and, like H.R. 5247 which you successfully vetoed in February of this year, it also contains a $1.4 billion countercyclical revenue sharing provision. The Senate bill contains unemployment triggers; the House bill does not. It is expected that a bill similar to H.R. 5247 will emerge from conference and be passed by both houses.

Supplemental Community Development Act (Griffin-Brown Bill)

You endorsed the approach of the Griffin-Brown bill last February when you vetoed H.R. 5247. There has been no congressional action on the bill. Its major provisions have been incorporated in Section 19 of H.R. 12945, the Housing Authorization Act, which was passed by the House on May 26. The Senate counterpart to H.R. 12945, however, does not include the Griffin-Brown provision. It is unclear whether the Griffin-Brown provision will survive a conference.

Young Adults Conservation Corps

H.R. passed by the House on May 25 is designed to employ persons aged 19-23 in conservation and related projects and would be similar to and essentially part of the existing Youth Conservation Corps administered by the Departments of the Interior and Agriculture. It would give preference to youth in high unemployment areas (6 percent and over) and would provide 100,000 to 500,000 man-years of employment each year for the next 5 years at a total cost of $9.15 billion. Under the provisions of the House bill, no individual could receive employment in the program for longer than 12 months.

Hearings are scheduled on a similar bill, S. 2630, by the Senate Interior Committee. There is a possibility that a bill will be reported by the Senate Interior Committee and passed by the Senate prior to the July 2 recess. Senate consideration would require a waiver of the budget rules.

Humphrey-Hawkins

Floor action was expected in the House in early June, although it now appears efforts at rewriting the bill will delay floor action. Senate action could be completed between the July and August recess so it is possible that conference action could be completed prior to the October 2 adjournment.

The bill's sponsors reportedly are reconsidering the level of the unemployment target, the wage level prescribed for "employer of last resort" programs, and the absence of anti-inflation measures. The bill does not require outlays in FY 1977 but will undoubtedly mandate national economic planning.

Republican Alternative to Humphrey-Hawkins (Esch-Kemp)

The Administration has been working quietly with Congressmen Esch and Kemp in their effort to develop a Republican alternative which they intend to introduce to the Humphrey-Hawkins bill. A draft bill containing several initiatives already proposed by the Administration has been prepared. Congressmen Esch and Kemp are finalizing some additional initiatives which they plan to incorporate in the bill.

Public Service Employment

The Senate version of H.R. 12987 is a marked improvement over the House version of the Public Service Employment bill. Administration support would make adoption of the Senate version in conference more likely and could keep total outlays below the maximum contemplated in the congressional concurrent resolution.

The Senate version would authorize extension of the Emergency Public Service Program under Title VI of the Comprehensive Employment and Training Act (CETA) through the end of FY 1977. The bill contains no specific funding figure, but the Committee report specifies a job level of 520,000 (double the present program) and $3.5 billion over the $1 billion already scheduled to be spent in FY 1977. This sum, $4.5 billion, is the full amount of the budget resolution. To prevent an abrupt layoff of present participants on January 31, 1977, a FY 1977 budget supplement of about $700 million for phase-out is needed. The net outlay increase of the Senate bill is therefore about $2.8 billion if all of the money in the budget resolution is utilized.

The Senate provisions extend funding of the 260,000 public service employment jobs and add funding for specific projects limited to 1 year in duration. Any vacancies in existing PSE slots can be filled only in project related activities. Employment above the 260,000 existing jobs would generally be restricted to individuals in low income families ($6,700 per year) who either have exhausted their unemployment insurance benefits, have been unemployed for more than 15 weeks (whether or not they are eligible for unemployment insurance), or are currently benefiting from AFDC programs. In addition, the Secretary of Labor would be given greater flexibility to undertake demonstration programs and to reallocate funds geographically. The House bill also expands the PSE program but lacks provisions limiting the new positions. The House will almost certainly insist on an increase in the current 260,000 PSE jobs and is also likely to oppose the restrictions on eligibility for these new PSE positions in the Senate bill. Senate staffers believe that the number of additional PSE jobs is negotiable and that the prospect of Administration support for some increase could help secure House support for the Senate restrictions on eligibility for these jobs.

<u>OPTIONS</u>

Three options have been considered by the EPB Executive Committee:

<u>Option 1</u>: <u>Oppose any extension of Public Service Employment authority or funding increase beyond levels required to phase out the current program.</u>

Advantages:

- o Opposition to a continued or expanded PSE program is consistent with the objective of seeking to reduce the growth in Federal spending with primary reliance on job creation in the private sector.

- o There is serious question, due to the "displacement rate," regarding the actual impact on employment of additional public service jobs.

Disadvantages:

- o Administration support for the Senate version at this time could be decisive in restricting the size of the proposed increase in PSE jobs and in limiting additional PSE jobs to the long-term unemployed.

Option 2: Continue negotiations to influence the scope and structure of the public service employment extension bill with the understanding that you will support the bill if it incorporates the Senate Committee's restrictions on beneficiaries and if the authorization is less than the maximum funding level in the House bill.

Advantages:

- o Working to shape this bill and later supporting it serves as a specific program to address the problem of the long-term unemployed for the remainder of the recovery.

- o Expanding PSE involves less delay in actual job creation than many alternative forms of direct Federal action. The Senate restrictions are likely to reduce rehires of laid-off government employees which has been a principal reason for opposing PSE.

- o Additional PSE outlays forestalls a potential termination problem and expands an existing program rather than creating an entirely new one. The actual size of the appropriation could be left to later negotiation in conjunction with tax cut considerations.

Disadvantages:

- o The restriction of public service jobs to the long-term unemployed only applies to net additions to the existing 260,000 jobs that would be extended in the bill.

- o Negotiating on this bill represents a reversal of your opposition to additional spending bills and emphasis on tax reductions rather than outlays to stimulate employment.

- o Authorizing negotiations on this bill may encourage other congressional efforts to press for still further "job creation" legislation.

Option 3: Oppose the legislation extending the PSE authority but actively explore the possibility of supporting one of the other "job creation" initiatives.

Advantages:

- o Other initiatives such as the Supplemental Community Block Grants, the Young Adults Conservation Corps, or the Esch-Kemp bill may offer the opportunity of supporting additional legislation that is more in keeping with your philosophy.

  The minority in the Congress feel very strongly that some alternative to Humphrey-Hawkins is needed and desire your support, although not necessarily for the PSE extension legislation.

Disadvantages:

- o Most of the other alternative "job creation" legislation entails higher authorization levels than the PSE bill.

  The Esch-Kemp and Humphrey-Hawkins bills are still in a state of flux at this time but would likely have smaller outlay prospects in FY 1977 than the PSE extension bill.

Decision

Option 1 ________ Oppose any extension of Public Service Employment authority or funding increase beyond levels required to phase out the current program.

Supported by:

Option 2 ________ Continue negotiations to influence the scope and structure of the Public Service Employment Extension Bill with the understanding that you will support the bill if it incorporates the Senate Committee's restrictions on beneficiaries and if the authorization is less than the maximum funding level in the House bill.

Supported by:

Option 3 _________ Oppose the legislation extending the PSE authority but actively explore the possibility of supporting one of the other "job creation" initiatives.

Supported by:

THE WHITE HOUSE

WASHINGTON

May 31, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN
PAUL O'NEILL

SUBJECT: Administration Response to Congressional Tax Legislation

The Senate Finance Committee has virtually completed markup of the tax bill (H.R. 10612). The House bill, as marked up by the Finance Committee, is a mixture of some very desirable features, some extremely undesirable features, and a great quantity of other features ranging from simple provisions which are neutral from a policy standpoint to provisions which add complexity to the Internal Revenue Code with doubtful justification from a policy standpoint. Unfortunately, some of the desirable features are so interlaced with undesirable features that it will be difficult to separate them.

Until the Committee concludes its action (many effective dates for certain tax provisions will be determined at a June 4 Committee meeting) revenue estimates cannot be made on the bill the Committee will report out. Following the conclusion of the Senate Finance Committee's action on the bill, a decision memorandum will be prepared to obtain your guidance on Senate floor and possible conference committee strategy. Senate floor debate is presently scheduled to commence June 9 or 10 and extend through June 18. The mixture of desirable and undesirable provisions in the bill are illustrated at Tab A.

The bill, as marked up by the Senate Finance Committee, is both complicated and disjointed. During the afternoon of May 27, 65 miscellaneous amendments were considered by the Committee. During some of the session, only two Senators were present. The differences between the House and Senate versions of the bill are so great, not only on subjects considered by the House but on new subjects added by the Finance Committee, that a thoughtful and rational resolution of the differences is unlikely to emerge from the conference committee in time for passage of a bill by both houses by the end of June. The multitude of amendments will doubtlessly be increased still further when the bill is considered on the Senate floor. Senate liberals have announced their intention to attempt many floor amendments. Thus, if there is a bill by the end of June it will necessarily be one that is ill-considered in many significant respects unless its provisions are confined to tax reductions alone and possibly a very few other selected noncontroversial subjects.

In deciding ultimately whether to accept or reject the bill, it will be necessary to evaluate the mix of its provisions. The attached summary (Tab A) is a preview of much that it may contain.

The Congressional budget reduction calls for tax reform measures to raise $2 billion. It seems likely that the final tax measure to emerge from the Congress will only meet that goal through legislative chicanery. For example, the Senate Finance Committee bill does not contain tax reform measures raising anything like $2 billion, but they raise net revenues by allowing certain tax cuts to expire on June 30, 1977. If this provision survives final passage, the Congress might be accused of merely deferring a tax increase until after the election.

So far, the Congress has ignored the "dollar for dollar" principle that you proposed October 6, 1975, and that you confirmed in the 1977 budget. That principle, though qualified, was also adopted by the Congress in a Declaration of Policy (attached at Tab B), when, after your successful veto of a full year tax cut extension, they passed a 6-month extension on December 23, 1975.

Your dollar for dollar principle stated that any tax cut from 1974 levels should be accompanied by an equal outlay cut from $423 billion--our October estimate of FY 1977 outlays without any spending reductions. The Congressional Budget Resolution provides for a budget ceiling of $413 billion or a $10 billion reduction. It also provides for a simple tax cut extension costing approximately $17 billion on a full year basis, offset by $2 billion in tax reform, for a net tax reduction of $15 billion. Hence, there is a $5 billion discrepancy between your dollar for dollar principle and the Congressional Budget Resolution. To reconcile the two, either outlays would have to be held to $408 billion or the net tax cut from 1974 levels would have to be lowered from $15 billion to $10 billion. Since the current tax level is about $17 billion below 1974 levels, the latter implies tax increases on June 30, including those resulting from tax reform, of $7 billion.

The actions of the Congress therefore raise a number of issues for your consideration.

Issue 1: Should you make a strong statement this week attacking the Congressional Budget Resolution and the evolving tax legislation?

Option 1: Issue a statement this week attacking congressional actions on tax legislation.

A summary of points that might be included in such a statement is attached at Tab C.

Advantages in issuing a statement:

- o The Congress is clearly vulnerable. They have rejected your call for a deeper tax cut and your dollar for dollar principle even though earlier they gave it a qualified endorsement.

- o A statement would also help reinforce your position of favoring tax reductions as opposed to the congressional preference for increased spending.

Option 2: Do not issue a statement on congressional action on tax legislation.

Advantages in not issuing a statement:

- o The most effective attack on the Congress would utilize your dollar for dollar principle. However, events since the October 6 speech have made that principle murky. In particular, we have requested a number of budget supplementals which should theoretically reduce our proposed tax cut according to our dollar for dollar principle. In addition, the Congress has failed to accept certain savings which have already raised 1977 outlays. These two factors have raised our current estimate of outlays close to $397 billion, and that total is growing constantly. In other words, our proposed deeper tax cut should be reduced by over $2 billion if we are to adhere strictly to the dollar for dollar principle. However, changing economic conditions are constantly altering our estimates of outlays and receipts, thus lending further ambiguity to the dollar for dollar concept.

- o A vigorous attack would create a mood of confrontation with the Congress which may hamper our ability to bargain effectively on the many undesirable provisions now contained in the House and Senate versions of the tax bill.

- A rigid stance now could also make it more difficult to bargain flexibly on bills such as public service employment which exceed your budget.

Decision

Option 1 __________ Issue a statement this week attacking congressional action on tax legislation

Supported by:

Option 2 __________ Do not issue a statement on congressional action on tax legislation

Supported by:

Issue 2: What stance should you take regarding a simple tax cut extension?

Thus far, you have maintained a flexible stance, stating that you will not decide whether to sign or veto a tax cut extension until the detailed bill is presented to you. Your statement on this issue at the press briefing on the Budget is attached at Tab D. Assuming that you wish to maintain this stand and that you do not wish to give a sign or veto signal now, this issue does not have to be decided until the Congress completes, or more nearly completes, its work on the tax bill. Therefore, the options below are presented only for your preliminary consideration.

Option 1: Acquiesce in the tax cut extension and drop the dollar for dollar concept, stating that you will judiciously use the veto to curb the rate of growth of outlays but do not state an outlay target.

Advantages:

- As noted above, the dollar for dollar concept has become terribly ambiguous.

- This option would continue to allow the promise of a deeper tax cut if spending can be curbed sufficiently, while the elimination of the dollar for dollar concept would allow much more flexibility regarding the timing and the design of the deeper tax cut.

Disadvantages:

- By dropping the dollar for dollar concept, you may be accused of inconsistency and a lack of leadership.

- This may be interpreted by the Congress as a weak stance and make it harder to sustain vetoes on spending bills.

Option 2: Acquiesce in a tax cut extension but retain the dollar for dollar concept and attempt at least to achieve an implied outlay ceiling of about $408 billion. (The exact target would depend on the revenue loss in the tax measures ultimately enacted.) You would state that a deeper tax cut is possible if outlays are kept below $408 billion.

Advantages:

- Demonstrates flexibility on the tax cut issue while maintaining a commitment to the dollar for dollar concept.

Disadvantages:

- Setting a specific outlay target ignores the ambiguities now afflicting the dollar for dollar concept.

- Many of the outlay savings recommended in the Budget require affirmative action by the Congress in restructuring programs. It may be unrealistic to believe that your spending target could be achieved solely by using vetoes.

Option 3: Veto a tax cut extension.

Advantages:

- Demonstrates the strongest possible determination to achieve fiscal prudence.

Disadvantages:

- It is unrealistic to expect that a veto that would raise taxes to 1974 levels could be sustained.

- A veto battle over the tax cut extension immediately before the current law expires would generate uncertainty for consumers and businesses.

A

Mixture of Desirable and Undesirable Provisions
of the Tax Bill

The Senate Finance Committee markup of the tax bill (H.R. 10612) is a mixture of desirable and undesirable provisions. The following summarizes the provisions of the bill (as of May 27, 1976). Some changes may result from a Committee meeting June 4.

Tax shelters and minimum tax provisions are substantially watered down from the Administration's proposals and they impact differently and less desirably than the Administration's proposals do.

The 10 percent investment tax credit has been made permanent as the Administration proposed and, in addition, is to be refundable if unused at the end of the carryover period. But the Finance Committee has added an extra 2 percent credit for companies that adopt an employee stock ownership plan (ESOP). Treasury tacitly went along with a 2 percent tax credit ESOP for the electric utilities in order to induce the adoption of the Administration's 6-point utility package (recommended by the Labor-Management Committee) and in order to induce the adoption of the Administration's proposal for broadened stock ownership plans (BSOP). The Finance Committee, however, extended the 2 percent tax credit ESOP across the board, did nothing with the utility package, and did not adopt the BSOP.

The benefit to exporters of the DISC provisions has been cut back by both the House bill and the Senate Finance Committee. The Administration favors continuation of DISC in its present form, but certainly it is better to have it as cut back than to lose it entirely--a hazard confronting it on the Senate floor under attack which is likely to come from Senator Kennedy and others.

The Administration favored repeal of the withholding tax on interest and dividends paid to foreign investors in order to give our businesses access to foreign capital markets on a competitive basis with other seekers of capital. The House rejected the repeal, but the Finance Committee approved repeal of the withholding of tax on interest payments but not on dividend payments.

A desirable feature is extension of the 50 percent maximum tax on earned income to include a 50 percent maximum tax on other income as well, if it does not exceed $100,000 or the amount of earned income. Another desirable feature is removal of the House bill's $12,000 limit on the deduction for nonbusiness interest (such as interest on a home mortgage or personal loan).

An extremely undesirable feature is the Ribicoff proposal adopted by the Finance Committee to deny benefits (a) of the foreign tax credit, (b) of deferral of tax on unrepatriated earnings of controlled foreign corporations, and (c) of DISC tax deferrals to companies who participate in the Arab boycott of Israel. Purely as a matter of tax policy, the Ribicoff antiboycott proposal is highly offensive. Both Treasury and State spoke strongly in opposition to it at the markup session.

Another undesirable feature is the Harry Byrd proposal adopted by the Finance Committee to deny the benefits of the foreign tax credit, deferral and DISC to companies which pay bribes. The Byrd proposal goes far beyond that and is very bad tax policy.

B

"Revenue Adjustment Act of 1975"

Section 1A. DECLARATION OF POLICY

(a) Congress is determined to continue the tax reduction for the first 6 months of 1976 in order to assure continued economic recovery.

(b) Congress is also determined to continue to control spending levels in order to reduce the national deficit.

(c) Congress reaffirms its commitments to the procedures established by the Congressional Budget and Impoundment Control Act of 1974 under which it has already established a binding spending ceiling for the fiscal year 1976.

(d) If the Congress adopts a continuation of the tax reduction provided by this Act beyond June 30, 1976, and if economic conditions warrant doing so, Congress shall provide, through the procedures in the Budget Act, for reductions in the level of spending in the fiscal year 1977 below what would otherwise occur, equal to any additional reduction in taxes (from the 1974 tax rate levels) provided for the fiscal year 1977: PROVIDED, HOWEVER, That, nothing shall preclude the right of the Congress to pass a budget resolution containing a higher or lower expenditure figure if the Congress concludes that this is warranted by economic conditions or unforeseen circumstances.

CALL OF THE HOUSE

Mr. NEDZI. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

Without objection, a call of the House is ordered.

There was no objection.

The call was taken by electronic device, and the following Members failed to respond:

[Roll No. 826]

Addabbo	Hastings	Reuss
Badillo	Hebert	Rhodes
Beard, Tenn.	Heckler, Mass.	Risenhoover
Bell	Hinshaw	Roe
Bingham	Holland	Rosenthal
Bonker	Horton	Rostenkowski
Brown, Calif.	Jarman	Runnels
Burton, John	Johnson, Calif.	St Germain
Carney	Jones, Okla.	Scheuer
Chappell	Karth	Schroeder
Clay	Kindness	Shuster
Conyers	Landrum	Sikes
Daniels, N.J.	Leggett	Skubitz
Davis	McCloskey	Stark
Diggs	Macdonald	Steelman
Dingell	Melcher	Steiger, Ariz.
Drinan	Mikva	Stephens
Edwards, Calif.	Mineta	Stuckey
Erlenborn	Montgomery	Sullivan
Esch	Mosher	Symington
Eshleman	Moss	Talcott
Evins, Tenn.	Mottl	Teague
Foley	Murphy, N.Y.	Thompson
Ford, Mich.	Myers, Ind.	Udall
Fraser	Nichols	Vander Veen
Fuqua	Ottinger	Waxman
Gaydos	Patman, Tex.	Wilson, C. H.
Gibbons	Pepper	Wilson, Tex.
Gilman	Poage	Winn
Hanley	Preyer	Yates
Harrington	Pritchard	Yatron
Harsha	Randall	Young, Alaska

The SPEAKER. On this rollcall 338 Members have recorded their presence by electronic device, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Sparrow, one of its clerks.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 2718) entitled "An act to improve the quality of rail services in the United States through regulatory reform, coordination of rail services and facilities, and rehabilitation and improvement financing, and for other purposes."

The message also announced that the Senate had passed with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 9968. An act to amend section 103 of the Internal Revenue Code of 1954 with respect to certain obligations used to provide irrigation facilities.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 726. An act to direct the Secretary of the Interior to convey, for fair market value, certain lands to Valley County, Idaho;

S. 1187. An act to authorize the documentation of the vessel, *Bruja Mar*, as a vessel of the United States with coastwise privileges;

S. 1689. An act to amend the Pennsylvania Avenue Development Corporation Act of 1972 (Public Law 92-578), as amended; and

S. 1941. An act to increase the protection afforded animals in transit and to assure the humane treatment of animals, and for other purposes.

PERSONAL STATEMENT

Mr. PATMAN. Mr. Speaker, I desire to have my presence recorded on the last two quorum calls. I was here and recorded my presence, but I am recorded on only one of them.

SENATE AMENDMENTS ON H.R. 9968, AMENDING SECTION 103 OF INTERNAL REVENUE CODE

Mr. ULLMAN. Mr. Speaker, I move to suspend the rules and take from the Speaker's desk the bill (H.R. 9968) to amend section 103 of the Internal Revenue Code of 1954 with respect to certain obligations used to provide irrigation facilities, with the Senate amendments thereto, and concur in the Senate amendments with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert: Page 1, strike out all after line 4, over to and including line 10 on page 2 of the Senate engrossed amendments, and insert:

SEC. 1A. DECLARATION OF POLICY.

(a) Congress is determined to continue the tax reduction for the first 6 months of 1976 in order to assure continued economic recovery.

(b) Congress is also determined to continue to control spending levels in order to reduce the national deficit.

(c) Congress reaffirms its commitments to the procedures established by the Congressional Budget and Impoundment Control Act of 1974 under which it has already established a binding spending ceiling for the fiscal year 1976.

(d) If the Congress adopts a continuation of the tax reduction provided by this Act beyond June 30, 1976, and if economic conditions warrant doing so, Congress shall provide, through the procedures in the Budget Act, for reductions in the level of spending in the fiscal year 1977 below what would otherwise occur, equal to any additional reduction in taxes (from the 1974 tax rate levels) provided for the fiscal year 1977: *Provided, however*, That nothing shall preclude the right of the Congress to pass a budget resolution containing a higher or lower expenditure figure if the Congress concludes that this is warranted by economic conditions or unforeseen circumstances.

Resolved, That the House agree to the amendment of the Senate to the title of the bill.

The Clerk read the title of the bill.

The SPEAKER. Is a second demanded?

Mr. STEIGER of Wisconsin. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER. The gentleman from Oregon is recognized for 40 minutes.

Mr. ULLMAN. Mr. Speaker, let me explain briefly what the situation is. As the Members know, we passed the tax reduction, and it was vetoed, and we failed to override the veto.

The Senate took exactly the same bill we passed, with no changes whatsoever insofar as the tax features are concerned, and added a very short amendment that gives some assurance that we would attempt to offset future tax reductions with expenditure reductions.

We have carefully examined that amendment. We have found that it would not meet, as it was written, with the approval of the members of the committee on this side in the House. We did however agree to the basic substance, and so we have redrafted the Senate amendment after consultation with the leadership, extensive consultation, I might say, and after extensive consultation with the majority members of both the Ways and Means Committee and Budget Committee and with the Speaker being in touch with the President by telephone. We were also in touch with Senator LONG and the people on the Senate side.

We have come up with substitute language which, according to our best tax people, makes no substantive changes in what the Senate has passed and sent over here and which the President had agreed to.

At the present moment I must say that the President has been given this full information. He has the text. He is studying it. I cannot conceive that he would not approve of it because substantively it does the same thing as the amendment he had previously agreed to.

But let me read it to the Members, and I know the Members all have copies. It begins:

Congress is determined to continue the tax reduction for the first 6 months of 1976 in order to assure continued economic recovery.

I do not think anybody here can contest that. That is the most important reason we are passing the bill, and it is just a statement of the purpose as to why we are passing the bill. I cannot see anything that would cause anybody to be concerned about that language.

The second paragraph says:

Congress is also determined to continue to control spending levels in order to reduce the national deficit.

I do not think anybody here would object to that language. I think everybody here would want to be associated with that language.

Then the third paragraph says:

Congress reaffirms its commitments to the procedures established by the Congressional Budget and Impoundment Control Act of 1974 under which it has already established a binding spending ceiling for the fiscal year 1976.

I do not think anybody here could object to that in any manner, shape, or form. That is exactly what we have done. We have established our spending ceiling under the act.

The next paragraph goes on, and this is the one that contains the same basic procedural formula that was adopted by the Senate and agreed to by the President. Substantively, we think we made no changes in it; but there have been slight adjustments in phraseology. It reads:

If the Congress adopts a continuation of the tax reduction provided by this Act beyond June 30, 1976, and if economic conditions warrant doing so, Congress shall provide, through the procedures in the Budget Act, for reductions in the level of spending in the fiscal year 1977 below what would otherwise occur, equal to any additional reduction in taxes (from the 1974 tax rate levels) provided for the fiscal year 1977.

Then the final proviso:

Provided, however, That nothing shall preclude the right of the Congress to pass a budget resolution containing a higher or lower expenditure figure if the Congress concludes that this is warranted by economic conditions or unforeseen circumstances.

That proviso was lifted almost entirely, with one minor change, from the language in the Senate bill that was approved by the President.

Now, Mr. Speaker, we have had this matter before us for a long, long time. I had been prepared to go home, having done all that we could possibly do, and tell the people that Congress simply had exhausted its remedies and there was no way to keep in place the tax reductions in January. I think most of the Members on this side were resigned to that same attitude and ready to go home and take that position.

Mr. Speaker, last night there was a movement over on the Senate side following a meeting, a leadership meeting. The Speaker and Senator MANSFIELD and the Senate leaders came over. They started a movement to try and work out some kind of compromise language that the President would accept. That resulted then this morning that the Senate confirmed that action and passed the bill with the amendment and sent it over here.

So I say that this language that we have worked out does not violate in any way the basic principles and purposes and procedures that were set forth in the Senate language that was approved by the President.

Mr. Speaker, I strongly urge that all of us vote overwhelmingly, both Democrats and Republicans, and accept this language, send the bill down. I cannot conceive that the President would not sign it.

Before I conclude, I want to say that I understand that both the Senate and the President have had trouble with some of the changes that we have made in the Senate language in our policy statement. I want to say that the changes are not intended to be substantive, and I do not believe they are. Let me go through some of them with you.

For example, I understand that some object to adding the language "and if economic conditions warrant doing so" at the beginning of the third paragraph. I would like to point out that this phrase is almost the same as that provided in the proviso at the end of the third paragraph. There, it is indicated that nothing would preclude the right of Congress to change the expenditure figure if this is warranted by economic conditions. As far as I am concerned—and I speak as chairman of the committee—this means nothing more by adding that material at the beginning of the paragraph. Therefore, it really is simply a redundant statement. However, some of the House Members felt that it was important to have this phrase appear up above to be sure that no one misunderstood that there was a condition that if economic conditions change, the commitment specified might have to be modified.

I know, also, that there are some that think that the omission of this word "changing" in front of economic conditions at the end of the third paragraph had some significance. I do not believe that there is any substantive effect occurring from this omission. I believe that it is clear that the economic conditions existing today do not warrant departing from the commitments specified, and I believe that it is only if economic conditions were to change that this would be true.

Also, I know of no other circumstances at this time which would require a change from this commitment. Of course other circumstances which are unforeseen at the present time may ultimately require such change.

I understand, also, that some question has arisen where we made reference to "additional reduction in taxes." It was the intention of all of us to refer to any reduction in taxes which occurs after June 30, 1976, even though it is the same amount of reduction which is already provided for in the period up to June 30, 1976. In other words, an extension of the existing tax reduction beyond June 30, 1976, would give rise to the requirement of an equal reduction in spending to offset a tax reduction.

The determination to control spending is, in my opinion, a determination which the Congress shares with the President. I know of his interest in reducing the national deficit, and I can assure him that Congress shares this determination with him, and that the statements we are making in this tax bill reinforce that determination.

Mr. Speaker, I yield to my distinguished colleague in this effort, the chairman of the Budget Committee, the gentleman from Washington (Mr. ADAMS).

Mr. ADAMS. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I want to state that I support the remarks of the chairman of the Committee on Ways and Means and to indicate that during the course of this day the President has indicated that he wanted to compromise his differences that he had stated in the past and the Senate had done so. We are trying to reach such an accommodation. I think in doing this, we have done so.

Mr. Speaker, the Senate amendment has been redrafted to meet the procedures of the Budget Control Act. The House under the Budget Control Act will be examining any stimulus by tax reduction, the terms of the stimulus, with the economic programs that require spending. We have done this in the past, but we have affirmed it in this particular language, so the President and the Nation know we will be doing it in the future.

Please notice that the Senate had sent over and had requested that there be no flat money ceiling figure there. I agree with that, because we have established a ceiling already for the fiscal year 1976 and we will establish a ceiling for fiscal year 1977, as provided under the Budget Act and as affirmed in this resolution.

So that I hope the Members, both Republicans and Democrats, will vote for the amendment as introduced by the chairman of the Ways and Means Committee so that we may send this to the President, and I am very hopeful that we will have this matter behind us.

Mr. ULLMAN. Mr. Speaker, I reserve the balance of my time.

Mr. STEIGER of Wisconsin. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Nebraska (Mrs. SMITH).

(Mrs. SMITH of Nebraska asked and was given permission to revise and extend her remarks.)

Mrs. SMITH of Nebraska. Mr. Speaker, I would like to add my voice in strong support of the tax reduction-spending limitation compromise reached this afternoon.

The agreement reached is highly responsible, taking, as it does, the best of both sides of this lengthy dispute. Taxes will continue to be collected at reduced levels as a stimulant to bring us out of an unpleasant recession, yet the spending limitation being put into effect will prevent the reduction in revenue from fueling another round of cruel inflation. This is sound policy, and is a policy that will benefit both individuals and the Nation as a whole.

Mr. STEIGER of Wisconsin. Mr. Speaker, I yield such time as he may consume to the gentleman from Florida (Mr. FREY).

(Mr. FREY asked and was given permission to revise and extend his remarks.)

Mr. FREY. Mr. Speaker, today is an important day in the history of our Nation. For the first time in years we have recognized the principle that you cannot have it all; that if we are to cut taxes, we must reduce spending on a dollar-for-dollar basis. For the first time there is hope that our Nation will not go the way of New York City. There is also hope because a small but effective group of Congressmen, both Republican and Democratic, put what is right in front of what is politically wise.

Hopefully, people will no longer be bought with their own money. Hopefully, we can move towards a balanced budget and fiscal sanity. Hopefully, the country will return to a philosophy of "We the people" recognizing both rights and responsibilities. It is long overdue.

Mr. STEIGER of Wisconsin. Mr. Speaker, I yield 5 minutes to the distinguished gentleman from Pennsylvania (Mr. SCHNEEBELI).

(Mr. SCHNEEBELI asked and was given permission to revise and extend his remarks.)

Mr. SCHNEEBELI. Mr. Speaker, the Members on this side much prefer the Senate version of this approach to the problem. It is a lot more specific and has fewer conditions. We like some of

CALL OF THE HOUSE

Mr. NEDZI. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

Without objection, a call of the House is ordered.

There was no objection.

The call was taken by electronic device, and the following Members failed to respond:

[Roll No. 826]

Addabbo	Hastings	Reuss
Badillo	Hebert	Rhodes
Beard, Tenn.	Heckler, Mass.	Risenhoover
Bell	Hinshaw	Roe
Bingham	Holland	Rosenthal
Bonker	Horton	Rostenkowski
Brown, Calif.	Jarman	Runnels
Burton, John	Johnson, Calif.	St Germain
Carney	Jones, Okla.	Scheuer
Chappell	Karth	Schroeder
Clay	Kindness	Shuster
Conyers	Landrum	Sikes
Daniels, N.J.	Leggett	Skubitz
Davis	McCloskey	Stark
Diggs	Macdonald	Steelman
Dingell	Melcher	Steiger, Ariz.
Drinan	Mikva	Stephens
Edwards, Calif.	Mineta	Stuckey
Erlenborn	Montgomery	Sullivan
Esch	Mosher	Symington
Eshleman	Moss	Talcott
Evins, Tenn.	Mottl	Teague
Foley	Murphy, N.Y.	Thompson
Ford, Mich.	Myers, Ind.	Udall
Fraser	Nichols	Vander Veen
Fuqua	Ottinger	Waxman
Gaydos	Patman, Tex.	Wilson, C. H.
Gibbons	Pepper	Wilson, Tex.
Gilman	Poage	Winn
Hanley	Preyer	Yates
Harrington	Pritchard	Yatron
Harsha	Randall	Young, Alaska

The SPEAKER. On this rollcall 338 Members have recorded their presence by electronic device, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Sparrow, one of its clerks.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 2718) entitled "An act to improve the quality of rail services in the United States through regulatory reform, coordination of rail services and facilities, and rehabilitation and improvement financing, and for other purposes."

The message also announced that the Senate had passed with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 9968. An act to amend section 103 of the Internal Revenue Code of 1954 with respect to certain obligations used to provide irrigation facilities.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 726. An act to direct the Secretary of the Interior to convey, for fair market value, certain lands to Valley County, Idaho;

S. 1187. An act to authorize the documentation of the vessel, *Bruja Mar*, as a vessel of the United States with coastwise privileges;

S. 1699. An act to amend the Pennsylvania Avenue Development Corporation Act of 1972 (Public Law 92-578), as amended; and

S. 1941. An act to increase the protection afforded animals in transit and to assure the humane treatment of animals, and for other purposes.

PERSONAL STATEMENT

Mr. PATMAN. Mr. Speaker, I desire to have my presence recorded on the last two quorum calls. I was here and recorded my presence, but I am recorded on only one of them.

SENATE AMENDMENTS ON H.R. 9968, AMENDING SECTION 103 OF INTERNAL REVENUE CODE

Mr. ULLMAN. Mr. Speaker, I move to suspend the rules and take from the Speaker's desk the bill (H.R. 9968) to amend section 103 of the Internal Revenue Code of 1954 with respect to certain obligations used to provide irrigation facilities, with the Senate amendments thereto, and concur in the Senate amendments with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert: Page 1, strike out all after line 4, over to and including line 10 on page 2 of the Senate engrossed amendments, and insert:

SEC. 1A. DECLARATION OF POLICY.

(a) Congress is determined to continue the tax reduction for the first 6 months of 1976 in order to assure continued economic recovery.

(b) Congress is also determined to continue to control spending levels in order to reduce the national deficit.

(c) Congress reaffirms its commitments to the procedures established by the Congressional Budget and Impoundment Control Act of 1974 under which it has already established a binding spending ceiling for the fiscal year 1976.

(d) If the Congress adopts a continuation of the tax reduction provided by this Act beyond June 30, 1976, and if economic conditions warrant doing so, Congress shall provide, through the procedures in the Budget Act, for reductions in the level of spending in the fiscal year 1977 below what would otherwise occur, equal to any additional reduction in taxes (from the 1974 tax rate levels) provided for the fiscal year 1977: *Provided, however*, That nothing shall preclude the right of the Congress to pass a budget resolution containing a higher or lower expenditure figure if the Congress concludes that this is warranted by economic conditions or unforeseen circumstances.

Resolved. That the House agree to the amendment of the Senate to the title of the bill.

The Clerk read the title of the bill.

The SPEAKER. Is a second demanded?

Mr. STEIGER of Wisconsin. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER. The gentleman from Oregon is recognized for 40 minutes.

Mr. ULLMAN. Mr. Speaker, let me explain briefly what the situation is. As the Members know, we passed the tax reduction, and it was vetoed, and we failed to override the veto.

The Senate took exactly the same bill we passed, with no changes whatsoever insofar as the tax features are concerned, and added a very short amendment that gives some assurance that we would attempt to offset future tax reductions with expenditure reductions.

We have carefully examined that amendment. We have found that it would not meet, as it was written, with the approval of the members of the committee on this side in the House. We did however agree to the basic substance, and so we have redrafted the Senate amendment after consultation with the leadership, extensive consultation, I might say, and after extensive consultation with the majority members of both the Ways and Means Committee and Budget Committee and with the Speaker being in touch with the President by telephone. We were also in touch with Senator Long and the people on the Senate side.

We have come up with substitute language which, according to our best tax people, makes no substantive changes in what the Senate has passed and sent over here and which the President had agreed to.

At the present moment I must say that the President has been given this full information. He has the text. He is studying it. I cannot conceive that he would not approve of it because substantively it does the same thing as the amendment he had previously agreed to.

But let me read it to the Members, and I know the Members all have copies. It begins:

Congress is determined to continue the tax reduction for the first 6 months of 1976 in order to assure continued economic recovery.

I do not think anybody here can contest that. That is the most important reason we are passing the bill, and it is just a statement of the purpose as to why we are passing the bill. I cannot see anything that would cause anybody to be concerned about that language.

The second paragraph says:

Congress is also determined to continue to control spending levels in order to reduce the national deficit.

I do not think anybody here would object to that language. I think everybody here would want to be associated with that language.

Then the third paragraph says:

Congress reaffirms its commitments to the procedures established by the Congressional Budget and Impoundment Control Act of 1974 under which it has already established a binding spending ceiling for the fiscal year 1976.

I do not think anybody here could object to that in any manner, shape, or form. That is exactly what we have done. We have established our spending ceiling under the act.

The next paragraph goes on, and this is the one that contains the same basic procedural formula that was adopted by the Senate and agreed to by the President. Substantively, we think we made no changes in it; but there have been slight adjustments in phraseology. It reads:

If the Congress adopts a continuation of the tax reduction provided by this Act beyond June 30, 1976, and if economic conditions warrant doing so, Congress shall provide, through the procedures in the Budget Act, for reductions in the level of spending in the fiscal year 1977 below what would otherwise occur, equal to any additional reduction in taxes (from the 1974 tax rate levels) provided for the fiscal year 1977.

Then the final proviso:

Provided, however, That nothing shall preclude the right of the Congress to pass a budget resolution containing a higher or lower expenditure figure if the Congress concludes that this is warranted by economic conditions or unforeseen circumstances.

That proviso was lifted almost entirely, with one minor change, from the language in the Senate bill that was approved by the President.

Now, Mr. Speaker, we have had this matter before us for a long, long time. I had been prepared to go home, having done all that we could possibly do, and tell the people that Congress simply had exhausted its remedies and there was no way to keep in place the tax reductions in January. I think most of the Members on this side were resigned to that same attitude and ready to go home and take that position.

Mr. Speaker, last night there was a movement over on the Senate side following a meeting, a leadership meeting. The Speaker and Senator MANSFIELD and the Senate leaders came over. They started a movement to try and work out some kind of compromise language that the President would accept. That resulted then this morning that the Senate confirmed that action and passed the bill with the amendment and sent it over here.

So I say that this language that we have worked out does not violate in any way the basic principles and purposes and procedures that were set forth in the Senate language that was approved by the President.

Mr. Speaker, I strongly urge that all of us vote overwhelmingly, both Democrats and Republicans, and accept this language, send the bill down. I cannot conceive that the President would not sign it.

Before I conclude, I want to say that I understand that both the Senate and the President have had trouble with some of the changes that we have made in the Senate language in our policy statement. I want to say that the changes are not intended to be substantive, and I do not believe they are. Let me go through some of them with you.

For example, I understand that some object to adding the language "and if economic conditions warrant doing so" at the beginning of the third paragraph. I would like to point out that this phrase is almost the same as that provided in the proviso at the end of the third paragraph. There, it is indicated that nothing would preclude the right of Congress to change the expenditure figure if this is warranted by economic conditions. As far as I am concerned—and I speak as chairman of the committee—this means nothing more by adding that material at the beginning of the paragraph. Therefore, it really is simply a redundant statement. However, some of the House Members felt that it was important to have this phrase appear up above to be sure that no one misunderstood that there was a condition that if economic conditions change, the commitment specified might have to be modified.

I know, also, that there are some that think that the omission of this word "changing" in front of economic conditions at the end of the third paragraph had some significance. I do not believe that there is any substantive effect occurring from this omission. I believe that it is clear that the economic conditions existing today do not warrant departing from the commitments specified, and I believe that it is only if economic conditions were to change that this would be true.

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The determination to control spending is, in my opinion, a determination which the Congress shares with the President. I know of his interest in reducing the national deficit, and I can assure him that Congress shares this determination with him, and that the statements we are making in this tax bill reinforce that determination.

Mr. Speaker, I yield to my distinguished colleague in this effort, the chairman of the Budget Committee, the gentleman from Washington (Mr. ADAMS).

Mr. ADAMS. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I want to state that I support the remarks of the chairman of the Committee on Ways and Means and to indicate that during the course of this day the President has indicated that he wanted to compromise his differences that he had stated in the past and the Senate had done so. We are trying to reach such an accommodation. I think in doing this, we have done so.

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Please notice that the Senate had sent over and had requested that there be no flat money ceiling figure there. I agree with that, because we have established a ceiling already for the fiscal year 1976 and we will establish a ceiling for fiscal year 1977, as provided under the Budget Act and as affirmed in this resolution.

So that I hope the Members, both Republicans and Democrats, will vote for the amendment as introduced by the chairman of the Ways and Means Committee so that we may send this to the President, and I am very hopeful that we will have this matter behind us.

Mr. ULLMAN. Mr. Speaker, I reserve the balance of my time.

Mr. STEIGER of Wisconsin. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Nebraska (Mrs. SMITH).

(Mrs. SMITH of Nebraska asked and was given permission to revise and extend her remarks.)

Mrs. SMITH of Nebraska. Mr. Speaker, I would like to add my voice in strong support of the tax reduction-spending limitation compromise reached this afternoon.

The agreement reached is highly responsible, taking, as it does, the best of both sides of this lengthy dispute. Taxes will continue to be collected at reduced levels as a stimulant to bring us out of an unpleasant recession, yet the spending limitation being put into effect will prevent the reduction in revenue from fueling another round of cruel inflation. This is sound policy, and is a policy that will benefit both individuals and the Nation as a whole.

Mr. STEIGER of Wisconsin. Mr. Speaker, I yield such time as he may consume to the gentleman from Florida (Mr. FREY).

(Mr. FREY asked and was given permission to revise and extend his remarks.)

Mr. FREY. Mr. Speaker, today is an important day in the history of our Nation. For the first time in years we have recognized the principle that you cannot have it all; that if we are to cut taxes, we must reduce spending on a dollar-for-dollar basis. For the first time there is hope that our Nation will not go the way of New York City. There is also hope because a small but effective group of Congressmen, both Republican and Democratic, put what is right in front of what is politically wise.

Hopefully, people will no longer be bought with their own money. Hopefully, we can move towards a balanced budget and fiscal sanity. Hopefully, the country will return to a philosophy of "We the people" recognizing both rights and responsibilities. It is long overdue.

Mr. STEIGER of Wisconsin. Mr. Speaker, I yield 5 minutes to the distinguished gentleman from Pennsylvania (Mr. SCHNEEBELI).

(Mr. SCHNEEBELI asked and was given permission to revise and extend his remarks.)

Mr. SCHNEEBELI. Mr. Speaker, the Members on this side much prefer the Senate version of this approach to the problem. It is a lot more specific and has fewer conditions. We like some of

C

Points That Might be Included in a Statement
Attacking Congressional Actions on Tax Legislation

- o The Congress has rejected your proposed reforms of government programs that would save money and make the programs more rational. By their action they have prevented the American people from enjoying a tax cut which would yield the family of four earning $15,000 an extra $227 per year.

- o In December the Congress accepted your principle that a tax cut extension would only be provided for a full year if spending could be curbed significantly. Their Budget Resolution rejects this principle. Granted they left themselves a loophole. They said that they would not follow the principle if dropping it was "warranted by economic conditions" or "unforeseen circumstances." But now that the economic recovery is progressing more rapidly than most expected in December, it is fair to ask the Congress what there is in the economic conditions that warrants dropping the principle. What "unforeseen circumstances" have occurred?

- o It could be noted that the Senate Finance Committee has not only rejected your request for a deeper tax cut, they have even rejected their own Budget Resolution's call for $2 billion of tax reform. They only meet the Budget Resolution's revenue target by setting the stage for a tax increase after June 30, 1977.

D

Question and Answer From
Presidential Budget Briefing
January 20, 1976

* * * *

QUESTION: Mr. President, only a month or two ago you were quite insistent that Congress commit itself to a specific spending ceiling as a precondition of any tax cut, yet last night when you proposed your additional $10 billion tax cut you made no mention of a requirement for such a spending ceiling. Could you explain?

THE PRESIDENT: I think if you will re-read the message you will find that I do say, or did say, rather in that message that if we restrain Federal spending we can have a tax reduction on a dollar-for-dollar basis. I cannot remember the page, but it is in the message that I read to the Congress last night.

QUESTION: Well, yes, sir, but I take it you are no longer insisting on the specific ceiling approved by Congress as a precondition to that extra $10 billion.

THE PRESIDENT: Well, we say that the ceiling is $394.2. Now, there are uncertainties that take place as we move along and we have 5-1/2 months before July 1, 1976. So there has to be some flexibility. I have picked the ceiling. I have said

THE WHITE HOUSE

WASHINGTON

June 2, 1976

MEMORANDUM FOR: JIM CANNON

FROM: PAUL LEACH Paul

SUBJECT: Memorandum on Administration Policy on Unemployment Legislation and Administration Response to Tax Legislation

I was only able to review this very briefly and my comments should be viewed with that caveat.

The Unemployment Legislation memorandum, I would favor option 3, "Oppose the legislation extending the PSE authority but actively explore the possibility of supporting one of the other 'job creation' initiatives".

The Tax Legislation memorandum, I would favor option 1 on issue 1, "Issue a statement this week attacking congressional actions on tax legislation", and option 2 on issue 2, "Acquiesce in a tax cut extension but retain the dollar for dollar concept and attempt at least to achieve on implied outlay ceiling of about $408 billion. (The exact target would depend on the revenue loss in the tax measures ultimately enacted.) You would state that a deeper tax cut is possible if outlays are kept below $408 billion".

If we had a reasonable amount of time to respond to this memorandum,I think more thoughtful comments could be made.

Paul OK Thanks

7/23/76
Paul -
I talked
w/ Bill -
Pls see
me
Jim

Bill - EPB
Why can
Simon send
a designee
but Domestic
Council
cannot?

THE WHITE HOUSE

WASHINGTON

July 22, 1976

MEMORANDUM FOR: JIM CANNON

FROM: PAUL LEACH Paul

SUBJECT: EPB Meeting on Thursday, July 22

At your request and as I have done on a number of occasions in the past, I attended today's EPB meeting which was "Principals Only". It was my understanding that representatives of "Principals" were permitted to attend if their Principals were not able to do so themselves. I have done this for you in the past, others have done it in the past and at today's meeting Secretaries Simon and Kissinger were represented by others.

However, today, contrary to precedent and inconsistent with the fact that Secretaries Simon and Kissinger were represented by others, Bill Seidman singled me out in the meeting, indicated that it was "Principals Only" and asked me to leave. While I indicated to him that I was there as your representative, I, of course, left.

However, as you might expect, this was a most embarrassing moment and one which was totally unnecessary. In addition, this "public" action does little to enhance my credibility with George Dixon (Treasury) or Elliott Richardson, with whom I must deal from time to time. Nor, did the action help in achieving the coordination between EPB and the Domestic Council which is essential if the White House staff is to function effectively.

Since this action was contrary to precedent, inconsistent, opposed to your understanding with Bill Seidman, detrimental to White House staff coordination and an unnecessary embarrassment to both you and me, I think it is appropriate that Bill Seidman apologize to both you and me and do this in a way which is communicated to the people in attendance at today's meeting.

I hope you can take this up with Bill upon your return and I would like to chat with you about it at your convenience.

cc: Bill Seidman

THE WHITE HOUSE

WASHINGTON

July 27, 1976

TO: WILLIAM SEIDMAN

FROM: JIM CANNON

SUBJECT: Wage Settlements Memo

Options 3 and 4 are not mutually exclusive. We support both.

THE WHITE HOUSE

WASHINGTON

July 27, 1976

MEMORANDUM FOR: JIM CANNON

FROM: PAUL LEACH
DAVID LISSY

SUBJECT: Wage Settlements Memo

On issue one we recommend that you support options 3 and 4.

On issue 2 we believe that options are not well stated. Under option one, for example, unless there is some proposed draft language to review, the terms "mild" or "strong" are meaningless. We believe that the Administration should take some public position but the real question is not whether we take a position but what we say and that is not addressed in either of the two options.

A proposed statement should point out the inflation effects of both the teamsters and the GE workers settlements. However, we should come clearly short of advocating an incomes policy, wage or price controls, or jawboning. Furthermore, the statement would have to be carefully worded so as not to appear to be in conflict with the positions that Secretary Usery has taken on these settlements.

DRAFT
July 26, 1976

THE WHITE HOUSE

WASHINGTON

Lissy —
comments
by 4 pm

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN

SUBJECT: Wage Settlements

As you requested, the Council on Wage and Price Stability has analyzed the collective bargaining settlements for the teamsters and the electrical workers. The Teamster Collective Bargaining Agreement, signed April 3, 1976, provided for increases in total compensation of 9.9 percent in the first year, 11.3 percent in the second year, and 9.9 percent in the third year (assuming 6 percent inflation). Over the life of the contract, total compensation would rise by 34.3 percent, or an average annual rate of 10.5 percent, if inflation is 6 percent.

General Electric signed an agreement on June 27, 1976, with several unions raising wages by 14.9 percent in the first year, 7.8 percent in the second year, and 7.2 percent in the third year (assuming 6 percent inflation). Over the life of the contract wages would increase by 32.7 percent, or an average of 9.9 percent per year, assuming 6 percent inflation. The cost of living clause could raise the second and third year wage increases under the teamster and GE agreements if inflation exceeds 6 percent, but the increases would be smaller if the rate of inflation is less than 6 percent.

When the Administration makes public its analysis of the teamsters and electrical workers settlements, questions will certainly be raised regarding the Administration's view of the inflation impact of these settlements.

The Economic Policy Board Executive Committee has discussed the issue of whether a statement should accompany release of the analysis of the settlements or whether Administration officials should merely respond to questions. Any Administration statement or comment could impact on the collective bargaining negotiations still in progress or scheduled for later in the year.

A number of major settlements remain during 1976, including rubber, where a strike has been in progress for about three months, and automobiles.

It is important to put the teamster and GE workers settlements into perspective. For major collective bargaining settlements negotiated in 1976, first year increases were 8.8 percent and 8.2 percent in the first and second quarters, respectively. The average increases over the life of the contract (excluding cost of living adjustments in the second and third years) were 7.4 percent and 6.6 percent, respectively. Compensation per man-hour for private nonfarm workers increased at an annual rate of 7.5 to 8.0 percent in the first half of the year. The adjusted hourly earnings index increased at an annual rate of 6.4 percent in the first six months of the year. These increases are at least 1.0 to 2.0 percentage points below the CEA forecasts made in December 1975. It is a typical cyclical pattern for major union settlements to show larger wage increases than the economy as a whole during years of high unemployment. The reverse occurs during years of low unemployment.

The Troika forecasts increases in output per man-hour of about 3.0 percent in CY 1976 and 1977. This would be inconsistent with a 6 percent rate of inflation if compensation per man-hour increased by more than 9 percent per year. The experience thus far suggests that compensation per man-hour can be expected to be less than 8.0 percent for 1976 and around 8.0 to 8.5 percent in 1977. Thus, when viewing the wage rate picture as a whole, wage increases are <u>not</u> likely to generate inflationary pressures in excess of 6 percent and are likely to be consistent with a 5 percent rate of inflation.

The prospect of what some believe may be a built-in wage inflation on the order of 6 percent each year has generated renewed interest on the part of many economists for some type of incomes policy. Both Governor Carter's economic policy statement and the Democratic Party platform include language sympathetic to the notion of some form of an incomes policy, although neither spells out what this would mean in practice.

<u>Issue 1:</u> <u>What should be the Administration's policy regarding wage settlements?</u>

The EPB Executive Committee has discussed a variety of alternative policies regarding the role the Administration should play with respect to wage settlements.

anti-inflation ?

Option 1: Announce an "incomes policy."

Advantages:

- An incomes policy would visibly demonstrate Presidential concern.
- An incomes policy would assist employers in resisting large wage increases with an additional element of moral suasion.
- To the extent the policy is successful, it would result in a lower rate of wage increases.

Disadvantages:

- An incomes policy would ultimately require mandatory authority to successfully implement.
- An incomes policy would need a guideline on prices, profits, and interest rates to appear even-handed.
- Almost any numerical guideline selected for either price or wage increases would look very high and may tend to set a floor rather than a ceiling.
- There is a high risk that labor and business would perceive an incomes policy as a first step back into controls, and would encourage high wage and price increases in anticipation of controls.
- A single numerical guideline would almost certainly emerge, if only informally, yet no single guideline is appropriate for efficient resource allocation throughout the economy.
- The Administration has often said that the controls of the early 1970's reduced investment and generated inefficiencies which helped to produce the current recession.

Option 2: Attempt to influence the outcome of upcoming settlements through jawboning.

Advantages:

- Active jawboning would visibly demonstrate Presidential concern.

- o Presidential jawboning requests could be tailored so that responsiveness by the parties was possible given the bargaining relationship.

Disadvantages:

- o Jawboning is unlikely to have a significant favorable effect on wage settlements, and may have adverse effects.
- o Failure of jawboning would lead to pressure for a more mandatory incomes policy.
- o Unless handled properly, jawboning attempts could seriously interfere with the bargaining process and lead to worse strike activity.
- o Jawboning would require selecting guidelines for increases in wages, with all of the disadvantages outlined in Option 1.

<u>Option 3</u>: <u>Emphasize in public statements the inflationary effect of wage settlements which consistently exceed productivity increases.</u>

Advantages:

- o A highlighted statement would visibly demonstrate Presidential concern.
- o A public statement should promote public understanding of the relationship between wage increases and inflation.

Disadvantages:

- o A statement on wage increases would almost certainly require similar statements on price increases in excess of cost increases, at a time when increased profits are needed for stimulating investment.
- o Past erosion of real wages, such as in the rubber industry, makes settlements in excess of productivity increases in 1976 virtually inevitable.

Option 4: Stress the need in public statements and speeches for overall economic policies which reduce the incentives for cost push inflation and which emphasize the need for restraint in wage negotiations on the part of both management and labor.

Advantages:

- This approach represents sound economics and sound policy.
- It is consistent with our past emphasis on the need for reducing inflation.

Disadvantages:

- Emphasis on wage restraint might appear inequitable unless accompanied by a call for similar restraint on the price side.
- A general statement could appear unresponsive to the emerging desire for strong action with respect to specific short-term wage increases.
- If not accompanied by a statement on price increases, a statement on wage restraint could be used by the labor leadership as evidence of Administration hostility to the rank and file worker.

Option 5: Maintain the present posture of active mediation of disputes and post-settlement analysis by the Council on Wage and Price Stability without a judgment on the merits of the settlement. Continue to stress that collective bargaining is properly a private sector activity and that government should not attempt to effect the outcome.

Advantages:

- It is consistent with the Administration position that government interference in the collective bargaining process should be kept to a minimum and with our more general posture of limited governmental intrusion in economic activity in the private sector.

o Any action beyond our present posture runs the risk of stimulating pressure for greater specificity and intervention.

Disadvantages:

o The Administration may be criticized as unresponsive to the growing concern over the size of recent labor settlements.

o Our present posture does not directly address the problem of potential or built-in inflation from long-term wage settlements in excess of productivity.

Issue 2: How should the Administration make public its policy regarding wage settlements?

Option 1: Issue a statement or mildly cautionary cover letter on the teamsters and/or electrical workers settlements.

Advantages:

o Upon release of the CWPS analysis the Administration will most certainly be pressured to comment on it. A statement or cautionary letter would permit greater precision and consistency in the Administration's response.

o A statement would permit greater clarity in focusing concern on the indirect impact of upcoming negotiations.

Option 2: Do not issue a statement or mildly cautionary cover letter on the teamsters and/or electrical workers settlements.

Advantages:

o The Administration has generally followed a "hands off policy" with regard to commenting on the results of collective bargaining. Were the Administration to comment on a particular settlement there would be considerable pressure for the Administration to comment on all future major collective bargaining settlements.

o A practice of speaking out on wage and benefit increases would bring about pressure to evaluate specific price increases also, thus increasing even more the Administration's intervention into the market economy. The 1971-74 experience revealed that guidelines and other limited types of intervention yield great pressure for more detailed and mandatory controls. Even if we resist those pressures, the press will speculate about a return to controls, exacerbating business uneasiness and anticipatory wage and price increases.

o The perception by labor and management that the Administration was adopting a more activist policy would affect our ability to assist collective bargaining in a mediation capacity. Management would likely request us to intervene at an early stage in the bargaining process in the expectation that we would try to reduce union wage demands to levels consistent with the perceived guideposts. At the same time, labor would understandably be more reluctant to request our assistance in settling disputes if they thought the Administration was seeking to bring about a settlement at or below a particular level.

Tab A

In May the Troika had forecasted increases in output per man-hour of about 3.5 percent in CY 1976 and 2.9 percent in 1977. However, more recent data indicate a faster rate of growth in labor productivity, 4.4 percent in the first half of this year. If the Troika forecast holds for the rest of the year, output per man hour will grow by 3.7 percent in CY1976. Although compensation per manhour increased by 8.9 percent in 1976 I - II, unit labor costs increased by only 4.3 percent. Unit labor costs have been growing less rapidly than had been anticipated.

EPB

THE WHITE HOUSE

WASHINGTON

November 9, 1976

MEMORANDUM TO EPB EXECUTIVE COMMITTEE

FROM: WILLIAM F. GOROG WG

SUBJECT: PRESIDENT'S ANNUAL INTERNATIONAL ECONOMIC REPORT

Your attention is invited to the following key dates in the schedule for production of the President's Annual International Economic Report:

- November 18 & 19 -- Turnover of Agency drafts to CIEP
- December 2 to 9 -- Agency review of consolidated draft
- January 17 -- Transmission to the Congress of printed copies

For your reference, attached is a listing which indicates Agency responsibilities for the various sections of the Report and their corresponding CIEP contact persons.

Attachment

CIEP Staff Liaisons and Lead
Agencies for 1976 International Economic Report

PART I

	Lead Agency	CIEP Staff Liaison	
U.S. Position in the World Economy - 1976			
Introduction	CIEP		
World Economic Conditions	Treasury	Samuel Rosenblatt	456-2777
World Trade and Payments	Treasury	Gus Weiss	456-6257
International Financial Developments	Treasury	Wilbur Monroe	456-6287
U.S. International Economic Position			
Balance of Payments	Commerce	Joseph F. Lackey	456-6597
Merchandise Trade	Commerce	Joseph F. Lackey	456-6597
U.S. International Economic Policy Developments			
Developing Nations	State	Gerald Kamens	456-2825
Energy	State	Douglas Metz	456-6426
Agriculture	Agriculture	James Murphy	456-6420
East-West	Treasury	David Evans	456-2975
Trade	STR	Samuel Rosenblatt	456-2777
Monetary System	Treasury	Wilbur Monroe	456-6287
Multinational Corporations	State	Michael Granfield	456-2273
Law of the Sea	State/NSC	Michael Granfield	456-2273

PART II

	Lead Agency	CIEP Staff Liaison	
1. North-South Economic Relations	State	Gerald Kamens	456-2825
2. Energy Resources	State	Douglas Metz	456-6426
3. Agriculture	Agriculture	James Murphy	456-6420
4. Financing East-West Trade	Treasury/Commerce	Donald Businger	456-2932
5. Export Promotion and Market Development	Commerce	Wilbur Monroe	456-6287
6. Trade Restraints	Commerce	John Bennison	456-2923
7. International Labor Comparisons	Labor	Joseph F. Lackey	456-6597
8. Foreign Investment Policy	Treasury	John Bennison	456-2923
9. Multinational Corporations and Questionable Payments Abroad	State	Michael Granfield	456-2273
10. Air Transportation and Tourism	Transportation/Commerce	W. Stephen Piper	456-6782
11. Ocean Shipping	Commerce/Transportation	Samuel Rosenblatt	456-2777
12. Science and Technology	Commerce	Gus Weiss	456-6257
13. Environmental Problems and Practices	CIA	Gus Weiss	456-6257