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THE PRESIDENT HAS SEEN. *dy.*

THE WHITE HOUSE  
WASHINGTON

August 14, 1974

MEMORANDUM FOR THE PRESIDENT

FROM: KENNETH RUSH *K.R.*

SUBJECT: Public Service Jobs - Administration Position

Ken Cole and I both concur in the attached memorandum.

*We should continue  
examination of this option & my  
others*

Attachment:

OMB Memorandum dated August 13.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 13 1974

MEMORANDUM FOR THE PRESIDENT

FROM: Paul H. O'Neill

THROUGH: Roy L. Ash

SUBJECT: Public Service Jobs - Administration Position

Assuming acceptance of the budget now before the Congress, in combination with funds available from prior appropriations, the Federal Government will spend \$2.580 billion on manpower programs in FY 75. This level of funding will finance 442,000 man-years of training and work experience, 108,000 public service jobs and 710,000 summer jobs.

It has been proposed that this effort be augmented by \$4 billion of added support for public service jobs.

In my judgment, there are five factors that weigh heavily against this idea.

- 1) We do not have \$4 billion.
- 2) Experience with the Emergency Employment Program indicates that as the Federal Government provides money for public employment, State and local governments simply substitute Federal dollars for their own, reducing the intended effect of creating more jobs. This substitution effect is estimated at 20-40% after one year and 50-70% after two years.
- 3) While the cost is high, the effect on unemployment figures is not commensurate. If we ignore the substitution effect (#2 above) and assume that every job financed is a net addition to the economy, then the \$4 billion expenditure would reduce the unemployment rate by .5%. Realistically the reduction would probably be closer to .25% than .5%.
- 4) If we assume that we would reduce the budget in other places to make room for this expenditure, then we would be eliminating one set of jobs while trying to create new ones in State and local governments.

Reducing the budget by cutting Federal employees or by curtailing spending for defense procurement and public works would clearly and directly have this effect.

Reducing the budget by cutting entitlement programs (SSA, VA, etc.) would reduce private sector employment because the beneficiaries would have less funds to demand goods from the economy.

The alternative way to pay for more public service jobs would be to raise taxes, but of course this approach too would reduce private sector employment because we would be taking demand out of the private economy.

- 5) Experience has shown that any Federal program, once started, is extremely difficult to reduce or terminate. This program would be no exception. In fact, State and local governments would fight very hard to maintain the level of funding because it would represent a major source of funds; even greater than general revenue sharing.

Recommendation:

For these reasons, I strongly recommend that we not enlarge the current level of Federal effort in manpower programs.

THE WHITE HOUSE

WASHINGTON

August 16, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: KENNETH RUSH  
FROM: JERRY H. JONES  
SUBJECT: Public Service Jobs -  
Administration Position

Your memorandum to the President of August 14, on the above subject has been reviewed and the following notation was made --

"We should continue examination of this option and any others."

Please follow-up with the appropriate action.

cc: Al Haig  
Roy Ash  
Ken Cole  
Paul O'Neill