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THE WHITE HOUSE

WASHINGTON

December 13, 1974

RECOMMENDED TELEPHONE CALL

TO: Senator James McClure (R-Idaho)

RECOMMENDED BY: William E. Timmons *fa*

PURPOSE: To discuss Senate amendment to Unemployment Compensation - Public Service Jobs bill which adds \$1 billion to EDA program.

- BACKGROUND:
- A. McClure called to request an urgent meeting with the President for himself and several other Republican Members from Committee on Public Works to explain their support for this EDA Amendment. Jim says it is consistent with Republicanism and conforms to GOP conference action, outlining an economic plan.
 - B. During floor action on S. 4079, the Special Employment Assistance Act of 1974, a floor amendment was adopted which added a new Title III. Title III amends the Public Works and Economic Development Act of 1965 by creating a new Title X - Jobs Opportunities Program. This new title authorizes appropriations of \$1 billion to be used by the Secretary of Commerce to assist programs or projects in EDA eligible areas to expand or accelerate their job creating impact. The Secretary of Commerce has the authority to increase the Federal share of such

programs or projects beyond the limit in the applicable statutory program -- up to 100 percent. The program is effective upon enactment and obligational authority ceases when the national rate of unemployment has receded below 6.5 percent for three consecutive months. Obligational authority terminates December 31, 1976.

TALKING POINTS:

1. Public works projects are not as effective as public service employment in dealing with the problems of short-term unemployment

In terms of capacity for generating new jobs quickly, the public service employment approach is more effective than the public works and economic development approach. Specifically, the public works approach suffers from the following deficiencies:

- Long Lead Time: Construction projects have notoriously long lead times. Job creation is typically not fully effective for 18 months. The cumbersome review process of Title III, coupled with the inherent long lead time, would delay the impact of any such projects for many months, perhaps even beyond the local need for such a project to alleviate unemployment in the area.
- Focus on Construction: Public works and economic development projects would not assist the broad spectrum of the presently unemployed.

-- Ill-conceived Projects. There is an implied promise of quick approvals and broad scattering of benefits under this emergency measure. However, to attempt to mount a public works program this rapidly would encourage marginal, hurriedly planned, environmentally damaging and uncoordinated projects.

-- Not restricted to Unemployed. The purpose of the Act is to focus assistance on those unemployed persons most in need of assistance -- specifically, unemployment insurance exhaustees, experienced unemployed workers not covered by unemployment insurance, and the long-term unemployed. Title III does not focus assistance on such persons; does not require that persons to be employed on such authorized projects have any prior attachment to the labor force; and does not even require that such employees be residents of the area receiving assistance.

2. Public Service⁴⁰ Employment is a better counter-cyclical strategy

What is needed most during the current period of economic downturn is a short-run counter-cyclical strategy such as immediate job creation through public service employment.

3. Public Service Employment is the least inflationary way of creating jobs.

Public service employment is labor intensive: a high proportion of Federal appropriations flow into direct wages and

salaries for new employees. Public works and economic development activities, even those that are envisioned under Title III, are more capital intensive. For example, Title III allows expenditures for such hardware as trucks, bulldozers and other heavy equipment.

4. Subsidiary Points.

In addition to the major deficiencies to Title III detailed above, there are a number of other problems with the title as presently drafted:

- It reverses decentralization approach; imposes rigid Federal control on matters that should be left to local determination.
- There is no objective allocation formula mandated under Title III. The distribution of funds is left solely to the discretion of the Secretary of Commerce.
- The overall administrative costs of the title are unacceptable. An expanded Federal bureaucracy would be required to implement the review and approval process of Title III.
- The role of the Secretary of Commerce under Title III is duplicative of existing responsibilities. All proposed Federal expenditures under all statutes authorizing Federal financial assistance to States and local communities (including, by implication, all Federal grant-in-aid programs regardless of purpose, general revenue sharing, etc.) must be reviewed by the Secretary of Commerce under this title. The Secretary would, in effect, have duplicative review authority over most of the domestic programs in the President's budget.