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THE WHITE HOUSE

WASHINGTON

March 28, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: RON NESSEN

SUBJECT: Tax Cut Bill

I recommend you sign the Tax Cut Bill in a way that makes the following points strongly:

1. You should take full credit for initiating and pushing through a foot-dragging Congress a stimulative tax cut to pull the country out of recession.
2. The bill contains expensive, ill-advised, and ill-considered amendments, but the need for immediate stimulation outweighs these disadvantages. Congress already has wasted enough time and delayed taxpayers' getting their refund checks.
3. You are accepting the ill-advised Congressional amendments only with the understanding that you expect Congress now to act in a responsible way and not load any more stimulation onto the budget by running the deficit up to \$100 billion through spending programs which would raise interest rates, undermine the recovery, and bring inflation back at an even greater rate than before.

My observations are based on how I believe the public will perceive your action and not on an expert knowledge of economics. The psychological stimulation of a Tax Cut Bill signing can be magnified by the fact that it comes at the Easter season when the weather is turning good and the first glimmer of hopeful economic news is beginning to show up. This would be a welcome Easter present for the recession-plagued country.

On the other hand, a veto would have a psychologically discouraging effect, and would be difficult to explain to the average TV viewer. Even Fred Hickman conceded in his analysis that a veto, however right from an economic point of view, would be difficult to explain because it would be based on opposition to technical amendments about which the man-on-the-street has little understanding or involvement.

In addition, a veto now could raise doubts about the consistency of your economic policy and could be interpreted as stubbornness on your part. As Bob Hartmann pointed out the other day, in October you requested a 5% tax increase; in January you requested a 12% tax decrease; and with a veto you would be saying in March a tax cut can wait for Congress to try again. The general view is, as I detect it, that a new bill would be no better and possibly worse than the present one. On the other hand, if Congress overrode your veto, you would lose a considerable amount of authority in future veto confrontations.

Up to this point you have come across to the public as a forceful leader in the areas of the economy and energy, having scored considerable success despite the overwhelming Democratic majority in Congress. To veto this bill, and especially to be overridden, would damage that image. To sign the bill and then launch a new crusade against irresponsible Congressional spending would enhance that image.