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To: J. Casper
7-2-76
2:30 p.m.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUL 2 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3201 - Public Works Employment Act of 1976
Sponsor - Sen. Montoya (D) New Mexico

Last Day for Action

July 7, 1976 - Wednesday

Purpose

Authorizes a \$2.0 billion program of aid to State and local governments for public works projects; authorizes \$1.25 billion in "countercyclical" aid to these jurisdictions based on revenue sharing entitlements and unemployment rates; and increases by \$700 million the authorization for the Environmental Protection Agency's wastewater treatment grants program.

Agency Recommendations

Office of Management and Budget	Disapproval (Veto message attached)
Department of Commerce	Disapproval (Veto message attached)
Department of the Treasury	Disapproval (Veto message attached)
Council of Economic Advisers	Disapproval
Department of Housing and Urban Development	Disapproval
Environmental Protection Agency	No objection
Department of Labor	Approval

Discussion

S. 3201 contains the same three major provisions as the bill you successfully vetoed last February (H.R. 5247), although at somewhat lower authorization levels. The bill you vetoed contained



appropriation authorizations totalling \$6.2 billion; the current bill's total is \$3.95 billion. As you know, the Administration has indicated to the Congress its continued opposition to new public works or subsidized jobs programs.

There are four major objections to this bill. They are:

- . fewer than 160,000 work-years of employment would be provided rather than the 325,000 that its sponsors claim;
- . each work-year created would cost over \$25,000;
- . the peak job impact would not occur until late in calendar year 1977 or early in 1978; and
- . it would increase Federal spending by as much as \$1.5 billion in fiscal year 1977 and about another \$1 billion in each of the next two years, and thus is an important component of the increased spending by Congress that precludes your proposed tax cuts and enhances the risks of inflation.



The conference report on the bill passed the Senate 70-25 and the House 328-83.

Title I of the enrolled bill would authorize a new \$2.0 billion program through fiscal year 1977 to provide Federal grants to State and local governments to cover 100 percent of the costs of constructing, repairing, or renovating public works projects. Grants would also be made to cover the State and local share of other federally assisted public works projects or the State or local share of public works projects authorized under State or local laws. The program would be administered by the Department of Commerce.

At least 70 percent of the funds under Title I would have to go to areas having unemployment rates in excess of the national average, but not less than one-half of one percent nor more than 12.5 percent could go to any one State. Priority would be accorded projects of local governments. The Secretary of Commerce would have to act on each application for assistance within 60 days of receipt or the request would be automatically approved. Grants would be made only if the Secretary received what he deemed as "satisfactory assurance" that, if Federal funds were made available, on-site labor could begin within 90 days of approval of the project.

This House-initiated Title is objectionable for several reasons:

- . Public works projects are a notoriously slow and costly means of creating jobs.

- . By the time the peak employment impact would occur, the economy will not require any additional stimulus.
- . This Title would not directly benefit geographic areas in which the need for jobs is in sectors other than construction -- e.g., manufacturing and services.
- . Resources would be directed into constructing public facilities which would have to be maintained or operated at public expense.
- . The requirement of 100 percent Federal funding reduces or removes State and local incentives to set investment priorities and to conduct careful project reviews.

Title II would authorize up to \$1.25 billion in "countercyclical" revenue sharing assistance to State and local governments for "maintenance of basic services" for the 5-quarter period beginning July 1, 1976. This assistance would be available quarterly as long as the national rate of unemployment exceeded 6 percent. For each quarter, this Title would authorize \$125 million plus \$62.5 million for each half percentage point that unemployment exceeded 6 percent. Based on current projections, most of the authorized funds would be utilized in the five quarters.

One-third of the funds would be distributed to the States and two-thirds to local governments. Allocations to all jurisdictions would be based on the size of their revenue-sharing entitlements and their rates of unemployment in excess of 4.5 percent. If the national rate of unemployment exceeds an average of 6 percent during a quarter -- and in the last month of that quarter -- then assistance would be available to the State and local governments in the quarter which begins 90 days later. For example, if a State and local government qualified during the quarter ending March 31, 1976, the funds, if appropriated, would be available July 1, 1976. The formula represents a substantial improvement over that in the bill you vetoed in that the latter was demonstrably heavily weighted toward a few cities, especially New York City.

However, this type of countercyclical aid could encourage the further expansion of spending by State and local governments, by reducing pressures on State and local governments to economize. When this proposed special assistance program nears expiration after five quarters, there would be strong pressures -- even if the national rate of unemployment had fallen -- to continue the assistance indefinitely.



In addition, data required for implementation of this Title in the first quarter of its effective period would not be available in time to meet the prescribed schedule. In the initial quarter, payments would also be delayed by the need to obtain appropriations, promulgate regulations, and obtain from thousands of jurisdictions the signed assurances required by the bill.

Overall, the fiscal condition of State and local governments has improved significantly and that improvement is expected to continue. Renewed growth in own-source receipts has been generated by the upturn in the economy. Continued major increases in Federal grants have also added to receipt growth. Given this improvement, the justification for a countercyclical program is inadequate.

At the time you vetoed H.R. 5247, you endorsed an alternative approach: countercyclical block grants based upon the existing Community Development Block Grant Program in HUD. That alternative would avoid many of the pitfalls of the approach in S. 3201 and would involve relatively little cost. However, while the House-passed "Housing Authorization Act of 1976" contained such a provision, it was deleted in conference and prospects for its passage this session are remote.

Title III of S. 3201 authorizes an additional \$700 million for EPA's wastewater treatment grants program and changes the formula for distribution of funds under this program to shift allocations from urban to rural States. The additional funds provided would partially hold harmless States receiving less funds under the new formula allocation.

This new authorization would have almost no impact on job opportunities in the near future due to the long lead time required in constructing wastewater treatment facilities.

Conclusion

Commerce, Treasury, CEA and HUD agree with our view that this bill should be disapproved. EPA has no objection to Title III because the agency believes there would be a positive effect on the environment and employment levels if that Title were enacted; the agency defers on Titles I and II.

In his attached letter, the Secretary of Labor states: "In my view, additional Federal programs to provide support for jobs through State and local governments are needed to address continuing unemployment problems." Although the Secretary indicates



that an alternative with a more substantial short-term impact may be preferable to S. 3201, we were told informally that the Secretary wishes to be recorded as favoring your approval of this bill.

The proponents of Title I argue that

- unemployment among certain groups, particularly construction workers, remains excessive;
- current programs which provide temporary jobs in public service employment are too limited in funding to provide adequate aid to the unemployed; and
- there is a substantial backlog of public works projects that have been delayed due to a lack of funding.

Proponents of Title II assert that the "countercyclical" assistance (1) would go quickly into the economy; (2) is targeted to go to only those governments substantially affected by the recession; (3) would phase out as the economy improves. Finally, it is argued that the amount and quality of governmental services at the State and local levels should not be determined by national economic conditions over which those governments have no control.

Proponents of the bill also point out that the bill is within the 1977 budget ceilings recently adopted by the Congress.

However, we believe that the argument for public works legislation is less persuasive now than it was last February when you vetoed H.R. 5247. Since last February, the unemployment rate has fallen .5 percent and 1.5 million more people have become employed. (This is about four and one-half times the number of jobs that even the proponents claim S. 3201 would generate.)

We believe it necessary to veto this bill if we are to maintain our position that the best way to decrease the size of the Federal deficit and achieve sustained noninflationary growth is to firmly resist additional spending.

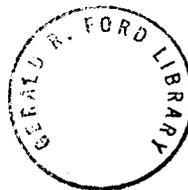
As you know, a number of similar "job-creation" bills are pending in Congress. A list is attached which shows the status of these bills.



We have prepared a draft veto message which is attached for your consideration. I would note that there are several bills which are likely to come to you for action in the next few days which you may wish to veto. You may want to consider a combined veto statement on a number of these bills.


James T. Lynn
Director

Enclosures



STATUS OF OTHER JOB CREATION LEGISLATION

Young Adult Conservation Corps (H.R. 10138)

Passed the House on 5/25/76 (291-70). The Senate Interior Committee ordered H.R. 10138 reported with technical amendments on 6/23/76.

The bill is designed to provide year-round employment for persons aged 16-23 in conservation and related projects and would essentially be an extension of the existing Youth Conservation Corps.

Humphrey-Hawkins (H.R. 50/S. 50)

H.R. 50 reported out of House Education and Labor Committee on May 15, 1976. Senate Labor and Public Welfare Committee held one day hearings on S. 50 on May 15, 1976. Current prognosis is that this bill will not be acted upon until after the Democratic Convention, if at all. Senator Humphrey is said now to be embarrassed at the opposition to the bill by Arthur Okun and Charles Schultze.

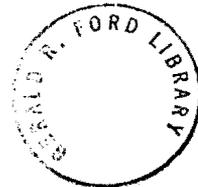
Esch-Kemp (Republican alternative to Humphrey-Hawkins)

The bill has not yet been introduced.

Public Service Jobs (H.R. 12987)

House passed H.R. 12987 (287-42) on 4/30 and the Senate Labor and Public Welfare Committee reported H.R. 12987, with substantial amendments on 5/14.

Would extend and amend Title VI of the Comprehensive Employment and Training Act (CETA) with "such sums" authorizations. The Senate Committee report indicates an intention to double the level of funding for public service jobs.



TO THE SENATE

I am returning without my approval S. 3201, the Public Works Employment Act of 1976.

It was slightly more than five months ago that the Senate sustained my veto of a similar bill, H.R. 5247, and the compelling reasons supporting that veto are even more persuasive today with respect to S. 3201.

I yield to no one in my concern over the effects of unemployment and my desire to increase the number of jobs available as rapidly as is prudently possible. At the same time, however, I have an obligation to the American people to reject what I believe to be ill-conceived legislation.

The American taxpayers are sick and tired of merely throwing money at problems, at promising more than the government can deliver, and of heavy-handed Federal programs. This bill represents election pork-barrel legislation at its worst.

When I vetoed H.R. 5247 last February, I pointed out that it was unwise to stimulate even further an economy which was showing signs of a strong and steady recovery. Since that time, the record speaks for itself: The rate of unemployment has continued to decline, now standing at 7.3 percent as compared to 7.8 percent at the start of this year. More importantly, one and one-half million more Americans now have jobs than was the case six months ago and this healthy trend in all likelihood will continue. We have accomplished this without a resurgence of inflation which plunged the country into the severe recession of 1975.



S. 3201 would authorize almost \$4 billion in additional Federal spending -- \$2 billion for public works, \$1.25 billion for "countercyclical" aid to State and local governments, and \$700 million for EPA wastewater treatment grants.

This bill:

- . Would not substantially affect unemployment. Claims are made that it would result in 325,000 new jobs. Based on past experience, a more realistic estimate is that fewer than 160,000 work-years of employment would be provided. Because the impact would be spread over three or four years, the increase in employment in any one year would be no more than 50,000-60,000.
- . Is poorly timed since the peak employment period would not occur until one-to-two years from now, when the worst of the unemployment problem will be well behind us. This is even more the case with the additional \$700 million authorized for EPA wastewater treatment grants. The long lead time needed to get this type of facility under construction is well known.
- . Is expensive, costing the taxpayers more than \$25,000 for each new year of employment created.
- . Is inflationary since it would increase Federal spending, and consequently the budget deficit, by as much as \$1.5 billion in 1977 alone, and possibly even more in subsequent years. The higher deficits coupled with the stronger inflationary pressures would



undoubtedly raise interest rates. This could lead to a reduction of investment spending which is ultimately necessary for us to obtain a high level of productive jobs.

This lower investment spending would reduce increases in productive capacity at a time when large increases are required for a strong recovery without inflation. A rekindling of inflation could easily throw us back into another recession, possibly more severe than the one we have just been through. Paradoxically, a bill designed to be a job creation measure may in the long run prove to be a job destruction bill.

The countercyclical revenue sharing program in this bill is just the sort of undesirable Federal spending we can ill-afford to indulge in if we are serious about bringing the Federal budget into balance by 1979. Rather than encouraging greater economies and more prudent fiscal management by States and cities, this measure would merely reinforce the tendency for growing public expenditures at these levels of government.

In returning S. 3201, I want to remind the Congress once again that it has failed to act on, or rejected, a series of recommendations I made to ensure that the private sector of our economy is free from unnecessary regulation and will have adequate supplies of capital so it can continue to create permanent and lasting jobs for all Americans. This process may not have the political glamour of more direct, interventionist schemes, but it is far more likely to result in significant and permanent improvements in the living standards of all our citizens.



I therefore urge the Congress to abandon the quick-fix approach embodied in this bill and instead adopt proposals which restrain the growth in Federal spending. If we are to have a healthy economy to deal with our employment problems, Federal Government borrowing to support deficit spending must be slowed. S. 3201 only accelerates it.

I cannot stress too strongly the importance of pursuing balanced economic policies that encourage the growth of the private sector without risking additional inflation. This is how the problem of unemployment is being overcome, and the only way it can be overcome for the permanent health of our economy.

THE WHITE HOUSE

July , 1976



Draft from Hartmann (Smith)
+ Research 3:20 pm
7.6.76 R.R.

TO THE SENATE OF THE UNITED STATES:

I am today returning without my approval, S. 3201,
the Public Works Employment Act of 1976

This bill would require ^{\$3.95}~~\$4.0~~ billion in Federal
spending above and beyond what is necessary. It sends
a clear signal to the American people that four months
before a national election, the Congress is ~~moving full~~ ^{enacting}
~~steam ahead on promises and giveaway programs.~~ ^{empty promises and larger and bigger} I will
not take the country down that path. Time and time again,
we have found where it leads: to ^{larger} ~~higher~~ deficits, higher
taxes, higher inflation and ultimately higher unemployment.

We must stand firm, ~~in principle~~. I know the temptation ^{to}
~~to seeking an easy solution to unemployment~~ ^{to}
~~to run in the other direction,~~ but I urge Members of
Congress to reconsider their positions and join with
me now in keeping our economy on the road to healthy,
sustained growth.

It was almost five months ago that the Senate sustained
my veto of a similar bill, H.R. 5247, and the reasons
compelling that veto are equally persuasive now with
respect to S. 3201. Bad policy is bad whether the inflation
price tag is \$4 billion or \$6 billion.



Proponents of S. 3201 argue that it is urgently needed to provide new jobs. I yield to no one in concern over the effects of unemployment and in the desire that there be enough jobs for every American who is seeking work. To emphasize the point, let me remind the Congress that the economic policies of this Administration are designed to create 2 - 2.5 million jobs in 1976 and an additional 2 million jobs in 1977. By contrast, Administration economists estimate that this bill, S. 3201, will create at most 160,000 jobs over the coming years -- less than 5% of what my own policies will accomplish. Moreover, the jobs created by S. 3201 would reduce national unemployment by less than one-tenth of one percent in any year. The actual projection is that the effect would be .06 percent at a cost of \$4 billion. Thus, the heart of the debate over this bill is not over who cares the most -- we all care a great deal -- but over the best way to reach our goal.



When I vetoed H.R. 5247 last February, I pointed out that it was unwise to stimulate even further an economy which was showing signs of a strong and steady recovery. Since that time the record speaks for itself. The rate of unemployment has declined to 7.5 percent as compared to 7.8 percent at the start of this year. The present 7.5 percent unemployment rate is a full one percent lower

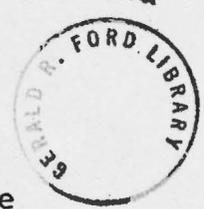
than the average unemployment rate of 8.5 percent last year. More importantly, almost three and a half million more Americans now have jobs than was the case in March of last year. We have accomplished this *while at the same time reducing*

~~without a resurgence of~~ inflation which plunged the country into the severe recession of 1975.

S. 3201 would authorize almost \$4 billion in additional Federal spending -- \$2 billion for public works, \$1.25 billion for countercyclical aid to state and local governments, and \$700 million for EPA waste water treatment grants.

Beyond the intolerable addition to the budget, S. 3201 has several serious deficiencies. First, relatively few new jobs would be created. The bill's sponsors estimate that S. 3201 would create 325,000 new jobs but, as pointed out above, our estimates indicate that at most some 160,000 work-years of employment would be created -- and that would be over a period of several years. The peak impact would come in late 1977 or 1978 and would add no more than 50,000 to 60,000 new jobs *in any year.*

Second, S. 3201 would create few new jobs in the immediate future. With peak impact on jobs in late 1977 or early 1978, this legislation would add further stimulus to the economy at precisely the wrong time: when the economy is already far into the recovery.



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

Fourth, this bill would be inflationary since it would increase Federal spending and consequently the budget deficit by as much as \$1.5 billion in 1977 alone. It would increase demands on the economy and on the borrowing needs of the government when those demands are least desirable. Basic to job creation in the private sector is reducing the ever increasing demands of the Federal government for funds. Federal government borrowing to support deficit spending reduces the amount of money available for productive investment at a time when many experts are predicting that we face a shortage of private capital in the future. Less private investment means fewer jobs and less production per worker. Paradoxically, a bill designed as a job creation measure may, in the long run, place just the opposite pressures on the economy.



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

Beyond my own budget recommendations, I believe that in addressing the immediate needs of some of our cities hardest hit by the recession, another measure before the Congress,

H.R. 11860 sponsored by Congressman Gary^R Brown and S. 2986 sponsored by Senator Bob Griffin provides a far more reasonable and constructive approach than the bill I am vetoing .

H.R. 11860 would target funds on those areas with the highest unemployment so that they may undertake high priority activities at a fraction of the cost of S. 3201. The funds would be distributed exclusively under an impartial formula as opposed to the pork barrel approach represented by the public works portions of the bill I am returning today. Moreover, H.R. 11860 builds upon the successful Community Development Block Grant program. That program is in place and working well, thus permitting H.R. 11860 to be administered without the creation of a new bureaucracy. I would be glad to accept this legislation should the Congress formally act upon it as an alternative to S. 3201.



The best and most effective way to create new jobs is to pursue balanced economic policies that encourage the growth of the private sector without risking a new round of inflation. This is the core of my economic policy, and I believe that the steady improvements in the economy over the last half year on both the unemployment and inflation fronts bear witness to its essential wisdom. I intend to continue this basic approach because it is working.

My proposed economic policies are expected to produce lasting, productive jobs, not temporary jobs paid for by the American taxpayer.

This is a policy of balance, realism, and common sense. It is a sound policy which provides long term benefits and does not promise more than it can deliver.

My program includes:

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

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

-- More than \$21 billion in outlays ^{in the year beginning Oct. 1} ~~next year~~ for important public works such as energy facilities, wastewater treatment plants, roads, and veterans' hospitals, representing a 17 percent increase over the previous fiscal year.

-- And a five and three quarter year package of general revenue sharing funds for state and local governments.

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





TO THE SENATE OF THE UNITED STATES:

I am today returning without my approval, S. 3201, the Public Works Employment Act of 1976.

This bill would require \$3.95 billion in Federal spending above and beyond what is necessary. It sends a clear signal to the American people that four months before a national election, the Congress is enacting empty promises and giveaway programs. I will not take the country down that path. Time and time again, we have found where it leads: to larger deficits, higher taxes, higher inflation and ultimately higher unemployment.

We must stand firm. I know the temptations, but I urge Members of Congress to reconsider their positions and join with me now in keeping our economy on the road to healthy, sustained growth.

It was almost five months ago that the Senate sustained my veto of a similar bill, H.R. 5247, and the reasons compelling that veto are equally persuasive now with respect to S. 3201. Bad policy is bad whether the inflation price tag is \$4 billion or \$6 billion.

Proponents of S. 3201 argue that it is urgently needed to provide new jobs. I yield to no one in concern over the effects of unemployment and in the desire that there be enough jobs for every American who is seeking work. To emphasize the point, let me remind the Congress that the economic policies of this Administration are designed to create 2 - 2.5 million jobs in 1976 and an additional 2 million jobs in 1977. By contrast, Administration economists estimate that this bill, S. 3201, will create at most 160,000 jobs over the coming years -- less than 5% of what my own policies will accomplish. Moreover, the jobs created by S. 3201 would reduce national unemployment by less than one-tenth of one percent in any year. The actual projection is that the effect would be .06 percent, at a cost of \$4 billion. Thus, the heart of the debate over this bill is not over who cares the most -- we all care a great deal -- but over the best way to reach our goal.



When I vetoed H.R. 5247 last February, I pointed out that it was unwise to stimulate even further an economy which was showing signs of a strong and steady recovery. Since that time the record speaks for itself. The present 7.5 percent unemployment rate is a full one percent lower

than the average unemployment rate of 8.5 percent last year. More importantly, almost three and a half million more Americans now have jobs than was the case in March of last year. We have accomplished this while at the same time reducing the inflation which plunged the country into the severe recession of 1975.



S. 3201 would authorize almost \$4 billion in additional Federal spending -- \$2 billion for public works, \$1.25 billion for countercyclical aid to state and local governments, and \$700 million for EPA waste water treatment grants.

Beyond the intolerable addition to the budget, S. 3201 has several serious deficiencies. First, relatively few new jobs would be created. The bill's sponsors estimate that S. 3201 would create 325,000 new jobs but, as pointed out above, our estimates indicate that at most some 160,000 work-years of employment would be created -- and that would be over a period of several years. The peak impact would come in late 1977 or 1978 and would add no more than 50,000 to 60,000 new jobs in any year.

Second, S. 3201 would create few new jobs in the immediate future. With peak impact on jobs in late 1977 or early 1978, this legislation would add further stimulus to the economy at precisely the wrong time: when the economy is already far into the recovery.

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

Fourth, this bill would be inflationary since it would increase Federal spending and consequently the budget deficit by as much as \$1.5 billion in 1977 alone. It would increase demands on the economy and on the borrowing needs of the government when those demands are least desirable. Basic to job creation in the private sector is reducing the ever increasing demands of the Federal government for funds. Federal government borrowing to support deficit spending reduces the amount of money available for productive investment at a time when many experts are predicting that we face a shortage of private capital in the future. Less private investment means fewer jobs and less production per worker. Paradoxically, a bill designed as a job creation measure may, in the long run, place just the opposite pressures on the economy.

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

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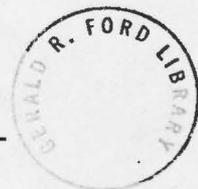
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2 | less than 5% of what my own policies will accomplish.

Moreover, the jobs created by S. 3201 would reduce national unemployment by less than one-tenth of one percent in any year. The actual projection is that the effect would be .06 percent at a cost of \$4 billion. Thus, the heart of the debate over this bill is not over who cares the most -- we all care a great deal -- but over the best way to reach our goal.

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than the average unemployment rate of 8.5 percent last year. More importantly, almost three and a half million more Americans now have jobs than was the case in March of last year. We have accomplished this without a resurgence of inflation which plunged the country into the severe recession of 1975.

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Second, S. 3201 would create few new jobs in the immediate future. With peak impact on jobs in late 1977 or early 1978, this legislation would add further stimulus to the economy at precisely the wrong time: when the economy is already far into the recovery.



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

Fourth, this bill would be inflationary since it would increase Federal spending and consequently the budget deficit by as much as \$1.5 billion in 1977 alone. It would increase demands on the economy and on the borrowing needs of the government when those demands are least desirable. Basic to job creation in the private sector is reducing the ever increasing demands of the Federal government for funds. Federal government borrowing to support deficit spending reduces the amount of money available for productive investment at a time when many experts are predicting that we face a shortage of private capital in the future. Less private investment means fewer jobs and less production per worker. Paradoxically, a bill designed as a job creation measure may, in the long run, place just the opposite pressures on the economy.



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

Beyond my own budget recommendations, I believe that in addressing the immediate needs of some of our cities hardest hit by the recession, another measure before the Congress,

GARRY

4
H.R. 11860 sponsored by Congressman Gary Brown and
S. 2986 sponsored by Senator Bob Griffin provides a far
more reasonable and constructive approach than the bill
I am vetoeing.

H.R. 11860 would target funds on those areas with the
highest unemployment so that they may undertake high priority
activities at a fraction of the cost of S. 3201. The funds
would be distributed exclusively under an impartial formula
as opposed to the pork barrel approach represented by
the public works portions of the bill I am returning
today. Moreover, H.R. 11860 builds upon the successful
Community Development Block Grant program. That program
is in place and working well, thus permitting H.R. 11860
to be administered without the creation of a new bureaucracy.
I would be glad to accept this legislation should the
Congress formally act upon it as an alternative to S. 3201.



The best and most effective way to create new jobs is
to pursue balanced economic policies that encourage the
growth of the private sector without risking a new round
of inflation. This is the core of my economic policy, and
I believe that the steady improvements in the economy over
the last half year on both the unemployment and inflation
fronts bear witness to its essential wisdom. I intend
to continue this basic approach because it is working.

My proposed economic policies are expected to produce
lasting, productive jobs, not temporary jobs paid for by the
American taxpayer.

This is a policy of balance, realism, and common sense. It is a sound policy which provides long term benefits and does not promise more than it can deliver.

My program includes:

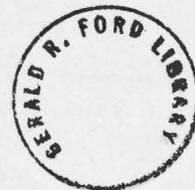
-- Large and permanent tax reductions that will leave more money where it can do the most good: in the hands of the American people;

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

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

-- And a five and three quarter year package of general revenue sharing funds for state and local governments.

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



THE WHITE HOUSE

WASHINGTON

July 6, 1976

MEMORANDUM FOR

JIM CONNOR

FROM:

BILL GOROG *WGS*

The attached statement was edited by the President, Dick Cheney, Dave Gergen, Jack Marsh, Jim Lynn, Jim Cannon and others attending the 10:30 meeting this morning.

The final draft was reviewed by Roger Porter, Paul O'Neill and me.



7/6

Non-

For the bill file

Kate

to Res
7/6 2:33
GAm

to DJS
7/6 3:23
GAm

ok
ok
ok

TO THE SENATE OF THE UNITED STATES:

I am today returning without my approval, S. 3201,
the Public Works Employment Act of 1976.

This bill would require \$4.0 billion in Federal
spending above and beyond what is necessary. It sends
a clear signal to the American people that four months
before a national election, the Congress is moving full
steam ahead on promises and giveaway programs. I will
not take the country down that path. Time and time again,
we have found where it leads: to higher deficits, higher
taxes, higher inflation and ultimately higher unemployment.

We must stand firm on principle. I know the temptations
all run in the other direction, but I urge Members of
Congress to reconsider their positions and join with
me now in keeping our economy on the road to healthy,
sustained growth.

It was almost five months ago that the Senate sustained
my veto of a similar bill, H.R. 5247, and the reasons
compelling that veto are equally persuasive now with
respect to S. 3201. Bad policy is bad whether the inflation
price tag is \$4 billion or \$6 billion.



Proponents of S. 3201 argue that it is urgently needed to provide new jobs. I yield to no one in concern over the effects of unemployment and in the desire that there be enough jobs for every American who is seeking work. To emphasize the point, let me remind the Congress that the economic policies of this Administration are designed to create 2 - 2.5 million jobs in 1976 and an additional 2 million jobs in 1977. By contrast, Administration economists estimate that this bill, S. 3201, will create at most 160,000 jobs over the coming years -- less than 5% of what my own policies will accomplish. Moreover, the jobs created by S. 3201 would reduce national unemployment by less than one-tenth of one percent in any year. The actual projection is that the effect would be .06 percent at a cost of \$4 billion. Thus, the heart of the debate over this bill is not over who cares the most -- we all care a great deal -- but over the best way to reach our goal.

When I vetoed H.R. 5247 last February, I pointed out that it was unwise to stimulate even further an economy which was showing signs of a strong and steady recovery. Since that time the record speaks for itself. The rate of unemployment has declined to 7.5 percent as compared to 8.5 percent at the start of this year. The present 7.5 percent unemployment rate is a full one percent lower



than the average unemployment rate of 8.5 percent last year. More importantly, almost three and a half million more Americans now have jobs than was the case in March of last year. We have accomplished this without a resurgence of inflation which plunged the country into the severe recession of 1975.

S. 3201 would authorize almost \$4 billion in additional Federal spending -- \$2 billion for public works, \$1.25 billion for countercyclical aid to state and local governments, and \$700 million for EPA waste water treatment grants.

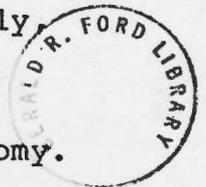
Beyond the intolerable addition to the budget, S. 3201 has several serious deficiencies. First, relatively few new jobs would be created. The bill's sponsors estimate that S. 3201 would create 325,000 new jobs but, as pointed out above, our estimates indicate that at most some 160,000 work-years of employment would be created -- and that would be over a period of several years. The peak impact would come in late 1977 or 1978 and would add no more than 50,000 to 60,000 new jobs.

Second, S. 3201 would create few new jobs in the immediate future. With peak impact on jobs in late 1977 or early 1978, this legislation would add further stimulus to the economy at precisely the wrong time: when the economy is already far into the recovery.



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

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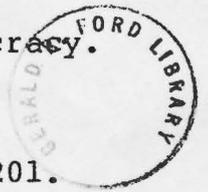


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