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cc: DAVID LISSY
cc: BILL DIEFENDERFER



OFFICE OF THE VICE PRESIDENT
WASHINGTON

July 2, 1976

MEMORANDUM FOR JIM CANNON
BILL SEIDMAN

FROM: JACK VENEMAN

SUBJECT: California Cannery/Teamsters Labor Negotiations

For several weeks, negotiations between the California Cannery and the Teamsters Union have been underway over the renewal of their contract. The contract was due to expire on June 30 but has been extended until Wednesday, July 7 at 6:00 a.m.

California Cannery are represented in collective bargaining by California Processors, Inc., a non-profit corporation representing 28 canning companies which operate 74 plants in California.

Labor is represented by the State Council of Cannery and Food Processing Unions, which consists of 13 local unions of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America.

The major processing period for California fruit and vegetables began about July 1. The harvest of apricots is near its peak, peach and tomato processing has also begun. If a strike takes place, and if it were to last until July 17, it is projected that over 23,000 tons of apricots, 31,000 tons of cling peaches and 96,000 tons of tomatoes could be lost. Some 50,000 cannery workers, up to 110,000 farm workers, as well as truckers and other related industries, would be affected.

The Cannery and Teamsters are still far apart in their negotiations. On a current base hourly wage of \$4.93 (\$5.66 per hour with benefits), the cannery have offered 95¢ to \$1.40 per hour over three years plus benefits. The Unions are asking for \$3.50 per hour over three years plus benefits. The Teamsters announced that 90% of their members have voted to go out on strike.



Congressman Sisk's office has asked if the Administration would declare a national emergency and invoke Taft-Hartley if the strike took place. If no action is taken by the Administration, Sisk can be expected to introduce legislation. Secretary Usery is fully aware of the situation.



THE WHITE HOUSE
WASHINGTON

CC: Roger Porter
CANNON RL
Byi

July 2, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF *M.L.*
SUBJECT: Senator Bob Griffin/Jobs Bill

Senator Griffin phoned today prior to his press conference with the Michigan press to make certain the White House was aware that he was going to make an announcement in support of the Jobs Bill.

Senator Griffin's statement is attached.



THE JOBS BILL

Remarks by

U.S. SENATOR ROBERT P. GRIFFIN

in the United States Senate

July 2, 1976

Mr. President, for many months, Congress and the President have been sparring over an issue of major importance to millions of citizens -- the problem of severe unemployment that continues to plague some of our major urban areas.

The problem is particularly acute in cities like Detroit with complex, diversified industrial economies which were hit hard by the deep recession.

Recent economic indicators have been encouraging. Total employment has been going up, the jobless rate has been very gradually moving down, and inflation has been slowed.

These national trends are in the right direction. But while there has been impressive recovery in some areas of the country, stubborn pockets of unemployment still remain in other areas. Unfortunately, my own



State of Michigan is one of the latter.

The jobless rate in Michigan now stands at 9.7 per cent. And in Detroit, home of the auto industry, the unemployment rate is 13.4 per cent.

But statistics are not very meaningful to the person who cannot find work. The tragedy of unemployment is a personal one for millions of Americans without jobs. It is also a community tragedy when falling tax revenues eventually force cities to cut back on services and to lay off their own municipal employees.

That is the situation in Detroit, and it is particularly acute. Detroit's Mayor Coleman Young has been forced to trim back the city's budget by \$46 million and to institute drastic cutbacks in essential services. Just yesterday, 1,000 police officers -- nearly one-fifth of the police force -- were laid off.

Unlike New York City, Detroit cannot be accused of irresponsibility in the handling of its fiscal affairs. As best I can determine, Mayor Young and his Council have worked diligently to stay within the bounds of fiscal responsibility.

Needless to say, the President and the Congress have had serious differences of opinion about methods for combating severe unemployment. President Ford sincerely believes that the best approach is through the private sector; that the role of government should be to provide a climate that encourages job creation in the private sector.



On the other hand, the controlling majority in Congress has preferred the approach of creating jobs in the public sector. Last January, this Congress sent to the White House a \$6.2 billion jobs bill. It was vetoed, and the veto was sustained in the Senate by a close vote.

I opposed that costly bill and worked hard to sustain the President's veto. I believed that the bill was too inflationary -- that it would actually damage the economy in the long run.

At that time, along with Congressman Garry Brown of Michigan, I proposed an alternative jobs bill that was less costly and that would have been more effective in creating private sector jobs in areas of highest unemployment.

Unfortunately, the Griffin-Brown jobs bill did not receive enthusiastic acceptance by this Democratic Congress. Instead, another jobs bill has been developed and passed, which now awaits action by the President.

In one respect the President and those who supported his earlier veto have won an important victory. I refer to the cost of this legislation.

On reconsideration, it has been revised downward from \$6.2 billion to \$3.9 billion -- a savings of \$2.3 billion that would avert a budget crisis and ease the inflationary impact of the spending involved.



Significantly, the cuts have come primarily in the public works and related sections -- which the Administration most strenuously opposed as the least effective approach -- and not in counter-cyclical aid sections, which would quickly channel urgently needed funds to Detroit and other cities with severe unemployment problems.

I understand that the amounts authorized in the current legislation are within spending targets set by the first Congressional budget resolution and should be close to limits that the President could accept.

Time is fast running out for cities like Detroit and for thousands of unemployed. Regardless of our personal preferences, we know that if this bill does not become law, it would be extremely difficult, if not impossible, to enact a third bill in this session of Congress.

Of course, my primary and most solemn responsibility is the one I owe to the people I represent in Michigan. I would be remiss if I did not recognize how vital this legislation is to my State.

For these reasons, I have urged President Ford to sign this legislation. If he does not, I will vote to override the veto.

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THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 2

Time: 300pm

FOR ACTION: Bill Seidman
Steve McConahey
Paul Leach
Dick Parsons
George Humphreys
Lynn May

cc (for information): Jack Marsh
Paul Myer Jim Cavanaugh
David Lissy Ed Schmults
Max Friedersdorf
Ken Lazarus
Robert Hartmann (veto message att.)
Alan Greenspan (veto message)

FROM THE STAFF SECRETARY

DUE: Date:

July 3

Time:

2:00pm

SUBJECT:

S. 3201 - Public Works Employment Act of 1976

ACTION REQUESTED:

____ For Necessary Action

____ For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

☒ For Your Comments

____ Draft Remarks

REMARKS:

please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon
For the President





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.

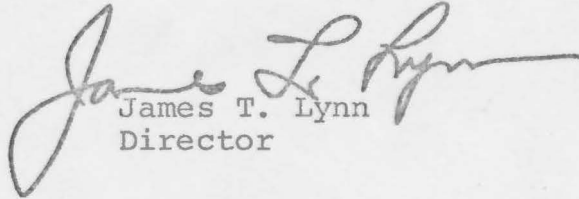
However, we believe that the argument for public works legislation is less persuasive now than it was last February when you vetoed H.R. 5247. Since last February, the unemployment rate has fallen .5 percent and 1.5 million more people have become employed. (This is about four and one-half times the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





GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE
Washington, D.C. 20230

JUN 29 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning S. 3201, an enrolled enactment

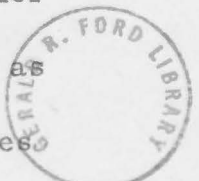
"To authorize a local public works capital development and investment program, to establish an anti-recessionary program, and for other purposes."

Title I, the public works portion of the bill, contains provisions that are unacceptable. The bill requires 100% federal funding of any project funded. This would include projects which had been partially funded under other laws--federal, or state and local--and would constitute a bad precedent and a departure from the local participation financial concept contained in the Public Works and Economic Development Act and other laws. The effect of this bill would be to amend other laws and establish a precedent for elimination of matching shares which were designed to assure a local stake in the project.

In addition, Title I contains unsatisfactory procedural provisions. For example, projects would be automatically approved if not acted upon by the Secretary within 60 days and regulations would be required to be prescribed within 30 days after the enactment of the Act.

We recommend a veto because the economic impact of the entire bill could be highly inflationary. We have enclosed for your consideration a draft veto message.

Existing and potential upturns in the economy reduce the need for such a bill. The unemployment rate has dropped since the veto of H.R. 5247 and there has been a rise in the gross national product, as well as a continued rise in capital spending. However, there are continued weaknesses in the economy. Particularly, there continues

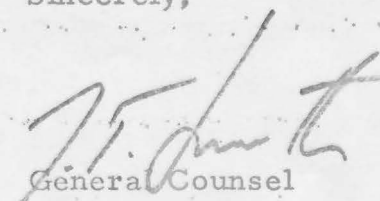


to be high unemployment in the construction industry. The importance of the public works portion of the bill is that it is meant to increase employment in the construction industry. While an increase in employment in this depressed industry would not appear to add to undesirable economic pressures, nonetheless, we believe that such a significant increase in publicly funded construction would have an inflationary effect. Furthermore, such an approach to unemployment is, as we have discussed in the veto message, relatively ineffective.

In addition, we believe that other features of the bill, such as the counter-cyclical provisions of Title II, indicate the economic wisdom of a veto. In the event the President decides to veto this bill, we suggest that with reference to Title I particularly, the enclosed proposed draft of the veto message be considered.

Also enclosed is an outline-analysis of the public works portion of the bill.

Sincerely,


General Counsel

Enclosures





THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

JUN 28 1976

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of S. 3201, "To authorize a local public works capital development and investment program, to establish an antirecessionary program, and for other purposes."

The Department is opposed to the antirecession provision in title II of the enrolled enactment and recommends that the enrolled enactment be vetoed by the President.

The enclosed Treasury Memorandum provides language which the Department recommends be included in a veto message on the bill.

Sincerely yours,



George H. Dixon

Enclosure



Treasury Memorandum

Title II would authorize the Secretary of the Treasury to make payments to States and to local governments when the national rate of unemployment exceeded six percent. This program is often referred to as "countercyclical assistance". There would be authorized for the emergency grants for five calendar quarters, \$125,000,000 plus \$62,500,000 for each one-half percent that unemployment exceeds six percent. The aggregate amount could not exceed \$1,250,000,000.

Specific Federal actions directed toward achieving economic recovery and mitigating the effects of unemployment provide a better approach than would countercyclical assistance toward correcting the fiscal difficulties faced by State and local governments. Such actions will ameliorate the underlying reasons for the problems that exist. Federal initiatives, such as extended unemployment compensation and tax reduction, will be much more effective in achieving economic recovery than would be setting up a broad, automatic intergovernmental assistance program.

Enactment of countercyclical assistance as a new spending program, in addition to those resources already committed in our attempt to return to economic stability, would both further add to the serious Federal deficits we face this year and next year. At the same time, because changes in the rate of unemployment tend to lag several quarters behind changes in the level of economic activity, use of the unemployment rate as a spending trigger for the program would extend economic stimulation beyond the early stage of recovery, thereby generating or accelerating inflationary pressures.

Furthermore, the measure would add one more uncontrollable program to the Budget, reducing flexibility of both the President and the Congress.

The General Revenue Sharing program, which currently provides over \$6 billion a year to State and local governments, is effective in providing a reasonable level of general fiscal assistance to governments throughout the Nation. When considered along with categorical and block grants presently going to State and local governments, the total amount of Federal aid committed under existing programs is the maximum that the Federal Government can responsibly provide, given the existing economic and fiscal conditions.



THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 28, 1976

Dear Mr. Frey:

This is in response to your request for our views on the bill "Public Works Employment Act of 1976." I believe this bill would be inefficient and would make the Administration's program of achieving a sustained and durable recovery more difficult. I therefore recommend that it be vetoed.

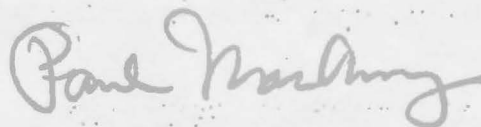
The purpose of the "Public Works Employment Act of 1976" is to expand employment by increasing grants to State and local governments for public works. Grants may be used for new projects or to expand the Federal share of projects qualifying for grants under other legislation to 100 percent. One of the problems with such an approach is that it will take several months for the projects to be approved and the jobs created. Employment is currently expanding rapidly in response to the strong economic recovery. The major impact of the expanded employment from this bill will occur in 1977 when private demand for labor is expected to be strong. Thus the policy will not take effect at a time when it is really needed. Construction projects take time and public works programs once initiated are difficult to terminate. Thus this bill could pose serious problems as the economy moves closer to full employment. Finally, grants under section 104 would increase the Federal share of projects authorized under other legislation. Some projects are currently available to State and local governments with Federal monies covering a large portion of the total cost. One reason a governmental unit may decide not to undertake such a project even with a large Federal subsidy, is that it is not deemed valuable enough to justify the spending of even a limited amount of local funds. To the extent that such projects are now made costless to State and local governments, a number of projects may be undertaken that are viewed as largely worthless to the local population. This is an extremely unproductive use of resources.



Title II of the Act would authorize grants automatically when the unemployment rate exceeded 6 percent in a given State. This provision would seriously weaken the incentives for fiscal prudence on the part of State and local governments. These governments currently plan operating surpluses during periods of high activity to build reserves to help them through more difficult times. In the aggregate State and local governments were able to generate operating surpluses by the third quarter of 1975 when the national unemployment rate was still about 8-1/2 percent. Guaranteeing a Federal bail-out whenever the unemployment rate exceeds 6 percent will weaken the rewards for fiscal responsibility.

The private sector has already demonstrated that it can produce the necessary opportunities for productive employment. The appropriate countercyclical measures are those that foster the growth of the private sector rather than those which create low productivity make-work jobs.

Sincerely,



Paul W. MacAvoy
Acting Chairman

Mr. James Frey
Assistant Director
for Legislative Reference
Office of Management and Budget
Washington, D. C. 20506





THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

June 30, 1976

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Attention: Miss Martha Ramsey

Dear Mr. Frey:

Subject: S. 3201, 94th Congress
Enrolled Enactment

This is in response to your request for the views of this Department on S. 3201, the proposed "Public Works Employment Act of 1976".

This enrolled bill contains two major titles whose primary purpose is to reduce unemployment while stimulating national economic recovery by providing Federal funds to States and localities for public works projects (title I) and for maintenance of basic governmental services (title II).

This Department believes the enrolled enactment has many serious weaknesses. Title I would distribute funds without determination of need. Only a relatively small portion of the enormous total cost of S. 3201 would be available in the short-term, with title I of the enrolled bill requiring continuing outlays for many years, regardless of the condition of the economy.

Specifically, title I would authorize funds for public works until 1977, but such funds would not be utilized, given the long lead times for such projects until late 1977, 1978, or beyond, when the present economic recovery is anticipated to be in full swing. Additionally, title I would authorize



what is essentially a new categorical public works grant program at a time when the Administration has been actively advocating consolidation of such programs in order to allow communities to address their greatest needs.

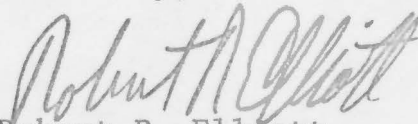
Further, title II, a public service employment program, would base formula allocations on the amount of State and local revenue sharing amounts. As a result, fund allocations would not be strictly related to actual needs. Moreover the statutory eligibility requirement of a four percent local unemployment rate would provide much of the available funding to cities without serious economic problems at the expense of those with the most pressing needs. Title II also might encourage escalation in State and local public employee wage settlements, since part of the cost of such settlements would in effect be paid by the Federal government for as long as the relevant unemployment rate remained above 4.5 percent. And, as noted above, it could be difficult to terminate a public service employment program when the need for such a program ended, since termination could mean politically sensitive layoffs of public employees. The continuation of widespread but unneeded public employment could fan inflation and lead to renewed municipal fiscal crises. Finally, the bill mandates the expenditure of these counter cyclical funds on public service employment, barring localities from using these funds for other anti-recessionary measures that the local government might consider more crucial.

In our enrolled enactment report on H. R. 5247, 94th Congress -- a bill which contained provisions substantially similar to titles I and II of S. 3201 -- we proposed, and the President mentioned approvingly in his veto message, an alternative approach, built upon the existing Community Development Block Grant Program. The alternative was designed to address the problems toward which measures such as H. R. 5247 and S. 3201 are directed in a constructive manner and at a relatively low cost, while avoiding their many pitfalls. A provision embodying this anti-recession revenue sharing concept was passed by the House (section 18 of S. 3295) but it appears



that prospects for favorable action on this alternative, in view of the fact that it has been deleted in conference, are likely to be remote during the present Congressional session, unless this enrolled bill is successfully vetoed. Although S. 3201 does attempt to address problems facing many communities, the measure contains so many deficiencies in approach, we recommend that the President disapprove this enrolled enactment.

Sincerely,


Robert R. Elliott





UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUN 30 1976

OFFICE OF THE
ADMINISTRATOR

Dear Mr. Lynn:

This is in response to your request of June 24, 1976, for the Environmental Protection Agency's views and comments on S. 3201, an enrolled bill, cited as the "Public Works Employment Act of 1976."

The purpose of this bill is to authorize a local public works capital development and investment program. Title I would allow the Secretary of Commerce acting through the Economic Development Administration to make both direct and supplemental grants to State and local governments for the construction, renovation, repair, or other improvement of public works projects. Consideration will be given to the extent and duration of unemployment in the project areas.

Title II contains antirecession provisions. This title declares that a program of emergency assistance to States and local governments will prevent those governments from taking budget related actions which undermine Federal Government efforts to stimulate economic recovery. The State and local governments for which certifiable unemployment data now exist under the Comprehensive Employment and Training Act (CETA) program would be eligible for this assistance.

Title III of the bill provides, for the fiscal year ending September 30, 1977, an authorization not to exceed \$700 million (subject to such amounts as are provided in appropriation Acts) for the construction of sewage treatment facilities under Title II of the Federal Water Pollution Control Act. These funds are to be in addition to funds otherwise authorized to carry out that title. States eligible for these funds are those which would have received larger allotments had the \$9 billion in impounded funds been allocated on the basis of a formula which weighted the projected 1990 population and the 1974 "Needs" equally. Funds received under this provision of S. 3201 will be available until expended.

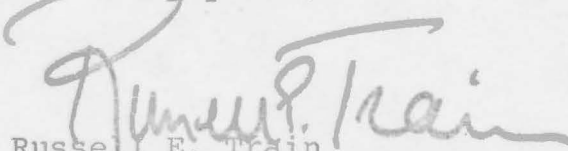


The Environmental Protection Agency defers to the Department of Commerce and other appropriate Federal departments and agencies for comment on Titles I and II of S. 3201.

With respect to Title III of the enrolled bill, if this funding were expended on the construction of sewage treatment facilities, we believe there would be a net positive effect on the environment as well as on employment levels.

In view of this the Environmental Protection Agency has no objection to S. 3201.

Sincerely yours,


Russell E. Train
Administrator

Honorable James T. Lynn
Director, Office of
Management and Budget
Washington, D.C. 20503



U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

JUN 30 1976

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

This is in response to your request for our views on S. 3201, an enrolled bill cited as the "Public Works Employment Act of 1976."

Title I of the bill would authorize the Secretary of Commerce to make grants to State or local governments for the construction of public works projects. Up to two billion dollars would be authorized to be appropriated for this purpose.

Title II of the Act would provide emergency financial assistance to State and local governments during periods of high unemployment. It would assist financially hard-pressed State and local governments so that they would not offset national economic policy in times of recession by increasing taxes and decreasing State and local government employment.

The program would trigger off for a calendar quarter when the average rate of national unemployment during the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 6 percent, and the rate of national unemployment for the last month of such period did not exceed 6 percent. A State or local government whose unemployment rate dropped below 6 percent would not receive assistance.

One-third of the funds would go to State governments and two-thirds to local governments on the basis of an allocation formula based on the State or local unemployment rate and the State or local revenue sharing amount. Up to \$125 million would be authorized to be appropriated for each of



5 succeeding calendar quarters beginning with July 1, 1976. For each one-half percentage point of unemployment over 6 percent, an additional \$62.5 million would be authorized for that quarter. The total authorization cannot exceed \$1.25 billion for the 5 calendar quarters.

Title III of the Act would authorize up to \$700 million in additional funds for title II of the Federal Pollution Control Act.

One aspect of the enrolled bill is of particular concern to the Department of Labor. The bill transfers responsibility for determination of the adequacy of State and local unemployment data to the Secretary of Commerce. Not only would this involve duplication of staff and government funds, but it would destroy the credibility of the local area labor force statistics. The Secretary of Labor, under CETA, would allocate funds in accordance with unemployment rates produced under methods prescribed by the Bureau of Labor Statistics, the agency with methodological and analytical responsibility in this field, while the Secretary of Commerce, under this bill, could develop an entirely different system. Further, unemployment statistics may be furnished under this bill by State and local jurisdictions in addition to the Federal government. The bill fails to provide statistical standards to be used in these determinations. The credibility of government statistics would be seriously affected. Moreover, the definition of local areas is vague. The failure to define precisely what constitutes a local area makes it difficult to develop adequate statistics.

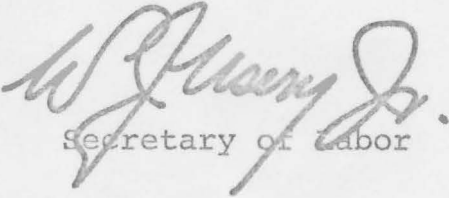
Nevertheless, the bill is intended to provide a direct stimulant to the economy by creating a program of federally financed public works projects and federal aid to State and local governments. In my view, additional Federal programs to provide support for jobs through State and local governments are needed to address continuing unemployment problems.

While this bill has substantial job-creating potential, it may not represent sound short-term countercyclical policy during a period in which economic recovery is underway. Public works programs can often be effective in creating jobs; however, the results are generally long-term. The implementation of such a \$2.0 billion program now would not



bear results until much later, when recovery of our economy is even further advanced. Thus an alternative with a more substantial short-term impact may be preferable.

Sincerely,


Secretary of Labor



TO THE SENATE OF THE UNITED STATES:

I am today returning without my approval, S. 3201, the Public Works Employment Act of 1975, and I am announcing my intention to veto three other measures now on my desk:

H.R. 14236, Public Works and ERDA appropriations;

H.R. 14239, State, Justice, and Commerce appropriations;

H.R. 14237, Agriculture and related Agricultural

Appropriations.

These bills would require ~~\$5.6~~ billion in Federal spending above and beyond what is necessary. Together, they send a clear signal to the American people that four months before a national election, the Congress is moving full steam down the road of ~~pork barrel politics~~ *to add to inflation and take the country*.

I will ~~not follow the Congress~~ 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 stop ~~this kind of election-year foolishness~~ *spending money we don't have*.

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.



In the next few days, I will send additional messages to the Congress outlining the specific reasons for my opposition to the three appropriations bills. Today I want to direct my attention to S. 3201, the Public Works Employment Act.

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 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 coming years -- less than 5% of what my own policies will accomplish.



at a cost of 66

Moreover, the jobs created by S. 3201, would reduce national unemployment by far less than one-tenth of one percentage point in any calendar year. ~~For~~ 606. ~~Brooklyn~~ Thus, the heart of the debate over S. 3201 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, ~~(one and one-third million)~~ ^{3 1/2 %} more Americans now have jobs ^{new jobs since} than was the case six months ago. We have accomplished this ^{While the rate has gone down} ~~without a resurgence of inflation which plunged the country into the severe recession of 1975.~~ ^{work 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, this will create few new jobs in the immediate future. With peak impact on jobs in late 1977 or early 1978, this legislation will be adding 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 is 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. ^{private} Less 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.

Gulfport
Brown
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, 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 an ~~sound~~ ^{sound} policy which does not promise a quick fix. ?

at long
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;

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

-- ~~tax incentives to encourage more low and middle income~~



OU 1/16 9/30/77

~~Americans to invest in common stock.~~

-- More than \$21 billion in outlays 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 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.



Sent 7/7

THE WHITE HOUSE
WASHINGTON
July 6, 1976

TO: DAVID LISSY
FROM: JIM CANNON

Let's discuss this.

cd



8/13me

THE WHITE HOUSE
WASHINGTON

Date 6/23

TO: *Jim Cannon*
FROM: DAVID LISSY

*I understand from
DOH that you have
discussed this with
Bill Usery.
[Signature]*



THE WHITE HOUSE
WASHINGTON

June 21, 1976

MEMORANDUM FOR:

JIM CANNON
JIM CAVANAUGH
ART QUERN
STEVE MCCONAHEY

FROM:

DAVID LISSY

SUBJECT:

Advance Alert -- CETA Year End
Evaluation

DOL will release tomorrow, as required by law, the year end evaluation of all CETA prime sponsors. It will show that 25 (of the approximately 450) of the prime sponsors have "unsatisfactory" ratings. The problems are in fiscal and general management.

All 25 have known for 2 weeks of their status but tomorrow will be the first public release. Although under the law an "unsatisfactory" status could lead to a fund cut-off, Bill Kolberg says that in reality that is not even a remote likelihood.

Among the 25 prime sponsors are some which may attract some attention:

Boston, Mass.
Massachusetts (Governor's program)
Rhode Island (Governor's program)
Newark, New Jersey
Trenton, New Jersey
Prince George's County, Maryland (described to me as the worst)
Detroit, Michigan

Also on the list is Mayaguez, Puerto Rico.

cc: Bill Diefenderfer



*Don't -
of "unsatisfactory."
why don't we
cut them
off?*

[Signature]

THE WHITE HOUSE
WASHINGTON

July 13, 1976

TO: JIM CANNON

FROM: BILL DIEFENDERFER

Unemployment statistics for cities and states are compiled by the individual states. The States compile statistics by tabulation of U. I. benefits claims. This in itself takes awhile.

Also DOL checks State figures to make sure they are reasonable. States and cities can benefit by having unemployment statistics higher than actual experience.

OK, Bill



THE WHITE HOUSE
WASHINGTON

July 6, 1976

MEMORANDUM FOR:

JAMES CANNON

FROM:

BILL DIEFENDERFER

RE:

Unemployment Rates: 25 Largest SMSA's

BLS receives these statistics from the individual states. There is about a two month time lag in reporting. I will continue to provide you with this information on a monthly basis.

Why so long?

	<u>February</u>	<u>March</u>	<u>April</u>
1. New York	10.6	10.2	10.3
2. Chicago	N/A	8.1	6.9
3. Los Angeles-Long Beach	10.0	9.7	9.3
4. Philadelphia	9.0	8.8	8.0
5. Detroit	11.8	11.5	10.4
6. San Francisco-Oakland	11.6	11.4	11.3
7. Washington, D.C.	5.7	5.7	5.4
8. Boston	10.0	9.2	8.5
9. Nassau-Suffolk, N.Y.	8.0	7.8	7.3
10. Dallas-Fort Worth	4.9	N/A	N/A
11. St. Louis	7.8	7.4	6.6
12. Pittsburgh	8.7	8.2	7.2
13. Houston	5.0	N/A	N/A
14. Baltimore	8.0	N/A	N/A
15. Newark	10.4	10.2	9.7
16. Cleveland	7.7	7.3	6.5
17. Minneapolis-St. Paul	N/A	6.8	6.3
18. Atlanta	8.9	8.1	7.4
19. Anaheim-Santa Ana	7.6	7.3	6.8
20. San Diego	12.4	11.9	11.3
21. Milwaukee	7.3	6.6	5.8
22. Seattle-Everett	9.6	9.4	8.9
23. Cincinnati	8.6	8.0	7.4
24. Denver-Boulder	6.9	7.4	N/A
25. Miami	11.5	11.3	10.7

cc: Art Quern





OFFICE OF THE VICE PRESIDENT
WASHINGTON

July 14, 1976

Locke
Many Thanks
Jim

MEMORANDUM FOR JIM CANNON
BILL SEIDMAN

FROM: JACK VENEMAN 

SUBJECT: Report on California Cannery-Labor Negotiations

The Cannery and the Union are meeting every day and seem to be in a holding pattern. Apparently the Union announced on Saturday that they would be coming in with a lower offer, but now appear to be stalled. It is being speculated that there may be one of three reasons labor is not announcing their lower package:

1. There is dissension within the Union and the leadership may not have the fortitude to tell their members.
2. Apparently the strike benefit fund has limited reserves and they could be holding off until the fund increases.
3. They could be holding off until the harvest is further underway. By the end of this week the processing of peaches, pears and tomatoes will be in progress.

Apparently labor lacks a decisive leader. It has been reported that with every suggested modification during the negotiations, the labor representatives must caucus.



THE WHITE HOUSE
WASHINGTON

July 23, 1976

Daniel
Victory Bargaining
ASAP
Telephone - house - dehum
Jim

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: California Cannery Workers Strike Update

Secretary Usery informs me that management and union representatives met with the Federal Mediation and Conciliation Service yesterday from 10:00 a.m. until 5:00 a.m. this morning. They are resuming their discussions at 10:00 a.m. this morning with the focus on economic issues. There was apparently no significant progress in the discussions yesterday.

Secretary Usery also informs me that Governor Brown has called a meeting of the presidents of the nine largest canning companies in California to determine what can be done. Governor Brown seems intent on playing an active role in this matter.

Secretary Butz is sending a team of USDA officials to California to determine the crop losses that could occur from a strike of one week, two weeks, three weeks or more as well as the effect of a strike on food prices. This information is essential if there is to be adequate information upon which to base a request for a Taft-Hartley injunction. As you remember from the teamsters strike, the procedure for obtaining a Taft-Hartley injunction is a rather complicated one and in essence requires that the Federal Government provide a Federal District Court with evidence that the strike or continuation of the strike would endanger the national health or safety.

I will continue to keep you posted on this matter.

cc: James Cannon



JUL 19 1976



OFFICE OF THE VICE PRESIDENT
WASHINGTON

July 19, 1976

*USery
Reported
to President*

MEMORANDUM FOR JIM CANNON
BILL SEIDMAN

FROM: JACK VENEMAN

SUBJECT: Report on California Cannery/Labor Negotiations

The cannery workers are scheduled to go out on strike tomorrow morning (Tuesday, July 20) at 10:00 am. Negotiations are continuing today. The processors report that there is little prospect of settlement. There are still come 20 outstanding issues and the two parties are about \$2.00 apart on a wage scale.

Gene Berry, Regional Director of the Federal Mediation and Conciliation Service in San Francisco, and Bill Sabatino, are following the negotiations closely.

Four major crops are being harvested this week -- apricots, cling peaches, tomatoes and pears. The processors estimate that 300,000 tons of fruits and vegetables would be lost during the next week.

Representatives of the processors and growers have suggested two courses of action that could be taken immediately by the Federal government:

1. Immediately send an investigative team to California to verify the potential losses. This team could begin to assemble the necessary information in the event Taft-Hartley is ultimately imposed.
2. Call to Washington representatives of the Teamsters and the processors to meet with the Federal Mediation and Conciliation Service and announce this publicly. The meeting could be called by either Secretary Usery of the President.

I talked to Tally Livingston, Deputy to Jim Searce. He has been advised by his regional people that there is still a possibility that the walk-out tomorrow morning can be avoided. He indicated that they are looking at alternate courses of action, including the possibility of bringing the parties to Washington.



THE WHITE HOUSE
WASHINGTON

July 20, 1976

TO: JACK VENEMAN

FROM: JIM CANNON

Bill Seidman tells me that Bill Usery
is in close touch with these negotia-
tions and reported them to the President
last week.

cc: David Lissy





Labor-Jobs

OFFICE OF THE VICE PRESIDENT

WASHINGTON

July 21, 1976

File

MEMORANDUM FOR THE VICE PRESIDENT

FROM : Peter J. Wallison

SUBJECT: Humphrey-Hawkins bill: A strategy for the 1976 Campaign.

The Humphrey-Hawkins bill, which is summarized below, is shaping up as the major confrontation between the President and Congress prior to the November elections.

For reasons outlined in this memo, I think a prolonged and well-publicized debate over this measure could have substantial political benefits for the President.

Summary of Humphrey-Hawkins bill

The purpose of the bill is to institutionalize "full employment" (defined as 3% unemployed) as the principal domestic priority of the Federal Government.

In order to achieve full employment within four years (the goal of the bill) the measure provides among other things that

-- The Federal Government will become the employer of last resort for all adult Americans (defined as 16 years or older in the House version).

-- Wages offered by the Federal Government must equal or exceed the higher of the Federal minimum wage, or prevailing wage levels paid by State or local government for equivalent work; in the construction trades wages must be at Davis-Bacon levels.



-- The President must submit to Congress, with his annual economic report, numerical goals for employment, production and purchasing power as well as programs to achieve these goals as rapidly as possible without inflation.

-- The President must also submit to Congress each year a plan for full employment and balanced economic growth, setting forth long-term goals for full employment, production and purchasing power, and spelling out specific programs to achieve these goals.

-- Within 180 days of the bill's enactment, the President must submit to Congress

- a counter-cyclical program of public service employment, standby public works projects, and anti-recession grants to state and local governments;

- a loan program to develop inner cities and depressed areas;

- a comprehensive youth employment program.

-- The Federal Reserve Board must justify any deviation from the President's proposals, and the President can make recommendations to the Board to assure consistency with his proposals.

The Impact of Humphrey-Hawkins

Considering its far-reaching character, there has been relatively little attention paid to the bill. However, it would be no exaggeration to concur in Congressional Quarterly's statement that if Humphrey-Hawkins is enacted "most observers agree the result will be a fundamental change in the economic framework of the country."

The brief summary of the bill, above, suggests a few of its problems.

-- Setting wages for "last resort" jobs at the Federal minimum wage or above would mean that



anyone could leave a lower-paying private sector job to claim a "last-resort" job. This would raise all wage levels nationwide at one stroke to at least the Federal minimum, increasing inflation and forcing small businesses out of the market.

-- The taxes required to meet these wage levels would reduce purchasing power and could bring about a new recession. Estimates of the cost of the program range from \$20 to \$40 billion annually.

-- The obvious effect of the bill will be to lure people away from productive but low-paying private sector jobs into non-productive, high-paying "last resort" jobs. This will reduce national productivity and economic growth.

-- The requirement that the President set numerical short-term and long-term goals for production implies national economic planning and government allocation of resources.

-- The independence of the Federal Reserve Board would be severely compromised.

Political Implications

For a considerable period, the bill was given little chance of passage in Congress and this could account for its relative obscurity.

However, on May 4, the bill was favorably reported to the House by the Education and Labor Committee, following a Committee vote which split almost entirely along party lines. In late April, again principally on a party line vote, the House rejected an amendment to delete start-up costs for the program from the House budget resolution. Backers of the proposal believe this vote indicates that it will be passed by the House.

Action has been slower in the Senate, where it is still in Committee, but the strong support it



has received from Democrats (it has 112 sponsors in the House) indicates that it is likely to come to the floor in both Houses before November.

In April, after his "ethnic purity" remark, Jimmy Carter joined all the other Democratic candidates in supporting the bill, and Senator Mondale can be presumed to support it, although he has not made a public statement on the bill.

The Democratic platform does not endorse the bill by name, but did pledge to support legislation "that will make every responsible effort to reduce adult unemployment to 3 percent within 4 years" -- the key goal of Humphrey-Hawkins.

All this suggests that the bill is very likely to become a major issue -- if not the major issue -- in the Fall campaign.

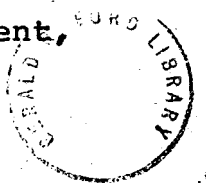
I think that this has advantages for the President which are so substantial that it would be in his interest to precipitate a national debate over the bill.

Advantages of Humphrey-Hawkins for the President's Campaign.

Clearly, the jobs issue will be a major item of debate in the Fall campaign. Carter and the Democrats will cite an unemployment rate of 7.5 percent, and the President will point to the sharp decline in unemployment -- and the increase in employment -- during the past year.

Assuming, then, that the jobs issue will be brought forcefully before the American people, the question for the President is how to turn the issue most effectively to his advantage in the campaign.

If Humphrey-Hawkins is passed by Congress and presented to the President as a jobs measure, his objections to the bill will not have much impact; no matter what he says in his veto message, the headlines will say that the President vetoed a jobs bill.



On the other hand, if the President were to take the initiative in opposing the bill as highly inflationary and excessively centralizing in its effect, he could put the Democratic Congress and Jimmy Carter on the defensive. They would be forced to justify the foreseeable effects of the proposal.

In the ensuing debate the President would have some unexpected allies. Because of its inflationary tendencies, the Humphrey-Hawkins bill has recently drawn the opposition of a number of well-known and respected liberal democratic economists: Charles L. Schultze of the Brookings Institution (and former head of the Bureau of the Budget under Johnson); Arthur Okun, former Chairman of the Council of Economic Advisers under Johnson; Franco Modigliani of MIT (former member of CEA); James Tobin of Yale; Otto Eckstein of Harvard (former member of CEA under Johnson); and even John Kenneth Galbraith.

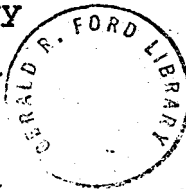
The Washington Post has opposed Humphrey-Hawkins editorially, again because of its inflationary potential. A copy of the Post editorial, and the Charles Schultze article it refers to, are attached at Tab A.

Thus, by attacking the Humphrey-Hawkins bill as a highly inflationary measure, the President might be able to turn the terms of debate on the jobs issue from whether 7.5 percent unemployment is satisfactory (a losing issue) to whether the Democrats can be trusted to hold down inflation if they achieve power (a winning issue).

There are at least three other respects in which the Democrats are vulnerable on Humphrey-Hawkins.

First, the bill implies a great deal of national economic planning, much higher taxes, and the allocation of resources in the private sector by the Federal Government.

In a year in which the intrusion of the Federal Government into the lives of the American people



is an important issue, Humphrey-Hawkins calls for a massive new centralization of decision-making power in Washington. Even the independence of the Federal Reserve Board is sacrificed.

The increase in taxes alone, which will be required to meet the \$20 to \$40 billion annual cost of the bill, can be made a significant issue.

Second, depending on whether Jimmy Carter supports or rejects the proposal, a portion of his coalition will be disappointed. If he endorses it (favored by labor), he will lose support in the South (including Texas, Florida, Tennessee and other "swing" states); if he opposes it he will lose labor and liberal support.

In addition, if it is true as some suggest that the differences between Carter and Mondale on policy are substantial, there could be no better vehicle than this bill to bring these differences to the surface.

If Carter supports the measure he puts himself unequivocally in the labor-liberal camp; if he opposes it, he must explain his previous expression of support, his statement that he and Mondale have virtually the same views on the issues, and the position expressed in the Democratic Platform.

If he waffles on the point, it will add to the public impression that he is fuzzy on the issues.

Third, the proponents of the bill have been unable to estimate its costs. If Carter supports it, he will be caught in a position similar to that of George McGovern in 1972, when he was unable to estimate the cost of his "\$1,000 plan."

Indeed, the Humphrey-Hawkins bill has the potential to become Jimmy Carter's "\$1,000 plan" -- an issue that will haunt him throughout his campaign.

Presidential Initiative

For the reasons outlined above, I think the President should promptly take the initiative on Humphrey-Hawkins. He should outline the extraordinary



provisions of the bill, and say that it offers the American people a choice, calling it a watershed issue through which the American people can decide in November between centralized, Federal Government solutions to economic problems -- with higher taxes and inflation -- or his own policy of steady growth through increasing private sector purchasing power and restraint on Government spending.

At the same time, he should call for a clear statement from Jimmy Carter of Carter's position on this key issue -- asking Carter to confirm that he stands by his previous expressions of support, the position of his Vice Presidential choice, and the Democratic Platform.

An initiative of this kind by a President is not unprecedented. In 1948, President Truman called Congress back into session and challenged the Republicans to enact their platform. Their inability to do so became an important part of the Truman campaign.

If the issue catches hold, it would put Carter and the Democrats on the defensive, give the President a strong issue position for the November election, and take him into the Republican Convention as the leader of his Party.



Labor Unions
cc: Lister
Leach

THE SECRETARY OF AGRICULTURE
WASHINGTON

July 26, 1976

The President
The White House
Washington, D. C.

Dear Mr. President:

Transmitted herewith is the report of the California Canning Strike Evaluation Team which was dispatched to California on Friday, July 23.

The team consisted of Mr. Charles Brader of AMS, Dr. Edward Jesse of ERS, and Mr. Everett Rank of ASCS.

They worked diligently all day Saturday and Sunday and returned to Washington on the overnight flight from California.

I think the report is a very objective summary of the losses that are being incurred because of the current strike.

A copy of this letter is also being sent to Secretary Bill Usery.

Sincerely yours,

Earl L. Butz

EARL L. BUTZ

The Honorable James M. Cannon



Report of California Canning Strike Evaluation Team
Observations July 24-25, 1976

Our evaluation of the strike impact is concentrated on those most directly and immediately affected -- growers, field workers, truckers, and cannery workers. Appraisal of potential consequences to others further along in the marketing channel, and ultimately on consumers -- cannot accurately be made on the basis of resources and time available to our team.

The principal commodities affected by the strike are clingstone peaches, tomatoes, pears, apricots and freestone peaches.

From our contacts (listed subsequently) we were able to form judgments of current losses and near-term potential losses to growers, field laborers, and truckers on a commodity by commodity basis. Income loss to cannery workers was also estimated. These estimates are attached.

California Department of Agriculture estimated \$22-24 million per day loss to California economy as of 7/23, with losses larger as each day passes. This was based on grower loss adjusted by value added and multiplier estimates.

Packing at approximately 75 plants is disrupted. Only five or six plants, with total capacity of about 1,000 tons of tomatoes per day, are operating.

We found no one ready to conceive of a strike of more than two weeks duration. Growers think in terms of days. Emotion is strong. The peach grower with 2,500 tons of extra-early peaches, a total loss by Aug. 1 -- a tomato grower with 350 or 1,000 acres to be abandoned by the same date -- cannot be farsighted. They consider themselves innocent bystanders, victims of a man-made disaster. But they are also concerned with the effect on field workers, truckers and cannery workers who rely heavily on seasonal employment.

Commodity Summaries

Apricots. The strike occurred near the end of the harvest season; estimates suggest 20,000 to 35,000 tons unharvested; drying utilization has been larger than usual but drying capacity limits additional diversion. Fresh sales not a viable outlet this late in season. Were strike to end within next day or two, perhaps 5,000 tons could be salvaged; thereafter a total loss. Tree shaking, at cost of \$50 per acre underway to permit proper bud development for next year's crop.

Cling Peaches. Harvest of this crop extends over nearly 2 months; extra early varieties which mature prior to August 1 constitute 25 percent of crop. About 7,000 tons, less than one day canning run, in cold storage at grower's expense. No additional storage available. There are no meaningful alternative outlets for this commodity. Bin shortages, prorated deliveries, salvage efforts will compound problem, even with immediate settlement.



Pears. No fruit loss to date, however storage capacity, bin availability will be critically short by late this week. Shipments to fresh market much above normal at reduced prices, below those for canning outlet. Storage capacity, fruit character, limit ability to store for later fresh shipment.

Tomatoes. Season extends from mid July to early October with peak in late August. Less than 10 percent of crop normally canned prior to August 1 but impact severe on early-harvesting districts. Efforts being made to delay crops by re-irrigating and/or application of whitener, adding costs but providing maturity delay of few days at most. Delivery quota system now a certainty; overlap of salvage operations with normal harvest schedule will overtax harvester, trucking and plant capacity, with situation more critical each day.

Freestone Peaches. Little impact prior to August 1. Fresh market already depressed -- reflecting heavy crop. This offers little outlet alternative for canning varieties. Freezing should provide some alternative with inventories light.

Contacts July 24-25

Sacramento

Calif. Ag. Council
 Director, Calif. Dept. of Agriculture
 Calif. Canning Peach Assn. (including about 10 Modesto Area members)
 Calif. Freestone Peach Assn. leaders
 Cannors League of California
 Statistical Reporting Service, OIC
 Calif. Tomato Growers Assn.
 Extension Service, Asst. Director & Staff on fruits, vegetables

Wheatland - Yuba City

About 25 Cling Peach Growers (viewed orchard conditions)

Lower River District

Pear industry leaders

Fresno

Extension Service, Asst. Director and Staff specialists
 on tree fruits and vegetables

Bakersfield

About 10 tomato growers; visited fields, observed disking, deteriorating fields

Huron

Met with tomato growers, viewed extensive acreages at, past, or near optimum maturity



Patterson

Apricot Producers of California leadership plus 6-8 growers;
tomato growers; viewed overmature apricots and tomatoes

July 26, 1976



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Table 1 -- Estimated and projected losses to principal agricultural parties from Calif. cannery worker strike by week 1/

Time period	Commodity	Quantity loss	Dollar loss		
			Growers <u>2/</u>	Pickers	Truckers
		Tons	Dollars		
7/20-7/24	: Apricots	25,000	3,250,000	750,000	150,000
	: Cling peaches	57,000	6,000,000	840,000	285,000
	: Tomatoes	60,000	2,820,000	300,000	450,000
	: Pears	<u>3/</u>	--	--	--
7/25-7/31	: Apricots	5,000	650,000	150,000	25,000
	: Cling peaches	73,000	7,665,000	1,070,000	365,000
	: Tomatoes	300,000	14,100,000	1,500,000	2,250,000
	: Pears	15,000	1,650,000	210,000	75,000
8/2-8/9	: Apricots	<u>4/</u>	--	--	--
	: Cling peaches	87,000	9,150,000	1,260,000	435,000
	: Tomatoes	500,000	23,500,000	2,500,000	3,750,000
	: Pears	70,000	7,700,000	980,000	350,000

1/ Major affected commodities. Does not include Freestone peaches for canning which could be affected by August 1.

2/ Grower loss is calculated as price per ton times estimated abandoned tonnage. This is inappropriate to the extent that abandonment costs (tree-shaking, field disking, etc.) fall short of harvest costs.

3/ Pears for canning are presently being placed in cold storage and will keep for several weeks. Cold storage capacity expected to be reached by about July 29.

4/ No apricot deliveries to canners will likely occur after July 26.

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Determined to be Administrative Marking

Date 4/29/81 By RAH



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Table 2 -- Estimates and projections of grower and community losses from California cannery strike 1/

[illegible]

1/ Community losses are an approximation based on grower revenue, variable processor input and service costs and regional multiplier effects resulting from reduced local trade. Grower revenue is increased by a factor of 3.0 to derive value added by processors attributable to variable costs. The proportion of this value added figure contributed by cannery worker wages ranges from \$2,000,000 per day on July 22 to \$4,000,000 per day by August 5 (30,000 and 60,000 cannery workers respectively). Grower revenue plus processor value added is increased by a factor of 2.0 to derive regional service and trade losses. Community losses shown are believed to be a conservative estimate of likely losses.

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Determined to be Administrative Marking
Date 4/24/81 By WPA

THE WHITE HOUSE
WASHINGTON

July 24, 1976

cc: *Library*
Unions

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*
SUBJECT: California Cannery Strike Update

Secretary Usery informs me that management and union representatives met with the Federal Mediation and Conciliation Service until 2:00 a.m. this morning and were scheduled to resume their discussions at 10:00 a.m. today. Yesterday's session disposed of most of the non-economic issues in dispute, and the overriding remaining issue is wages.

The management representatives have offered an annual wage increase of between 5.5 and 6 percent. The union representatives are demanding a wage increase of about 12.5 percent a year.

Secretary Usery has not personally been involved in the sessions thus far but may soon do so.

cc: James Cannon



Labor Unions
cc: Lissy
Leach

THE WHITE HOUSE
WASHINGTON

July 26, 1976

MEMORANDUM FOR:

BILL NICHOLSON

FROM:

MAX FRIEDERSDORF

SUBJECT:

Cannery Strike

m.b.

Representative Bernie Sisk (D-CA) requests soonest a meeting with the President to discuss the cannery strike.

Sisk says that his District has the largest involvement in the strike.

Sisk will announce publicly that he has requested a meeting with the President.

Failure to meet with Sisk and other Members of the California delegation will hurt the President politically, Sisk says, although that is not his intent.

Sisk also raised the possibility of bringing Governor Brown into such a meeting.

I told Sisk I thought the President would be more likely to meet with Sisk and other Congressmen, if his schedule permits such a meeting.

cc: Jack Marsh
✓ Jim Cannon
Bill Kendall
Charlie Leppert



7/29/76

Walter Hayden
ed Detroit News

~~DET~~
Detroit on edge another
CETA money has been
used by Wayne

40% not for training
But for keeping law-abiding people
in 265 cops

+ ambulance health people

DOZ - B
Richard Gilleland

This
week

Handed down ruling that
not of Congress to examine
unemployment
only 10% for

Detroit set to knock it off -

Bureaucratic bringing for other
law abiding city ambulance



the feels may be Technically
correct, ~~could~~ will mean the
hard -

~~the~~ stay of order

If we can do anything
apply to everyone

Both DOZ + Debit to
open shut - Term -



Employment

THE WHITE HOUSE
WASHINGTON

July 29, 1976

MEMORANDUM FOR: BILL SEIDMAN
FROM: DAVID LISSY *DL*
SUBJECT: Detroit Problem

Roger Porter asked that I bring you up to date on the Detroit problem.

Brief history. A number of cities, Detroit most notably, have used CETA Public Service Employment funds extensively for the purpose of rehiring laid off city employees. Initially, the Department of Labor raised no objection to this practice. When it began to realize what was going on (i.e. in Detroit about 50% of all CETA funds were supporting rehired city workers) the Department issued a directive that limited the percentage of CETA Public Service Employment positions that could support rehired city employees. A number of cities were involved and DOL insisted that they reduce the number of rehired city workers supported by CETA.

The DOL position is based on the requirement of the law that those "most in need" be served. DOL says that if only 4% of all the unemployed in Detroit are former city workers then 50% of the PSE slots should not go to this category of unemployed especially since they tend to have been unemployed for a shorter period of time than many others in Detroit.

As of today, of 2,700 PSE positions in Detroit, 1,541 are filled by rehired city workers. DOL wanted Detroit to agree to a plan to reduce this total to about 300 over a 15 month period.

On July 1, the city laid off an additional 800 police officers. Because of the maintenance of effort provisions of the law, the city was also required to lay off about 300 CETA employees (mostly police officers).

The city then wanted to use CETA funds to rehire police officers. DOL's position was that Detroit had so many CETA positions being used for rehires that it could do it no more. The city's position



was that it had a crisis on its hands with reports of roving gangs in mid city in the middle of the day and that it needed help urgently.

Without giving a blow by blow description of all the phone calls back and forth, the bottom line is that we have resolved the problem at least temporarily.

We got both DOL and the city to agree to separate the long term and the short term problems.

To cope with the immediate problem, DOL will approve using more CETA slots (I believe 289 is the exact figure) for rehires with the understanding this is not an indefinite commitment and DOL stands by its position that the city has to eventually reduce the number of positions used for rehires.

The city (I talked to Deputy Mayor Beckam) accepts this.

When we find out how much Detroit will get under the counter cyclical provisions we can then sit down with the city and DOL and work out the long term problem.

Deputy Mayor Beckam has assured Max Fisher that the positive role of the Administration in breaking the impasse will be recognized by Mayor Young.

Whit
3600 - city, 1200
44%
1360
94%
rehires

cc: ✓ Jim Cannon
Jim Cavanaugh
Jim Connor
Art Quern
Roger Porter
Steve McConahey
Dick Parsons
Bill Diefenderfer

Notes
can build new member
among 1024 - last M July 1
Young told to
plan to talk
Revere 10. month
P - shown

Mike

