

**DOCUMENT WITHDRAWAL RECORD [NIXON PROJECT]**

DOCUMENT NUMBER	DOCUMENT TYPE	SUBJECT/TITLE OR CORRESPONDENTS	DATE	RESTRICTION
<del>N-1</del>	Memo	<del>Colson to the File re: contact with Rademacher</del>	3/25/70	c (Nixon)
N-2	Memo	Colson to Ehrlichman Re: Rademacher/ Postal strike N-1 reintegrated from Contested Files on December 19, 2006	3/25/70	c (Nixon)

FILE GROUP TITLE VHSF: Ehrlichman	BOX NUMBER 33
--------------------------------------	------------------

FOLDER TITLE  
Numerical Subject File: 238 [Postal Strike, 2 of 3]

RESTRICTION CODES

- |  |   |
|--|---|
| <p>A. Release would violate a Federal statute or Agency Policy.</p> <p>B. National security classified information.</p> <p>C. Pending or approved claim that release would violate an individual's rights.</p> <p>D. Release would constitute a clearly unwarranted invasion of privacy or a libel of a living person.</p> | <p>E. Release would disclose trade secrets or confidential commercial or financial information.</p> <p>F. Release would disclose investigatory information compiled for law enforcement purposes.</p> <p>G. Withdrawn and return private and personal material.</p> <p>H. Withdrawn and returned non-historical material.</p> |
|--|---|

**DOCUMENT WITHDRAWAL RECORD [NIXON PROJECT]**

DOCUMENT NUMBER	DOCUMENT TYPE	SUBJECT/TITLE OR CORRESPONDENTS	DATE	RESTRICTION
N-1 [86]	Memo	Colson to the File Re: contact with Rademacher	3/25/70	c (Nixon)
N-2 [87]	Memo	<del>Colson to Ehrlichman Re: Rademacher/ Postal strike</del>	3/25/70	c (Nixon) Open 6/8/2009

FILE GROUP TITLE

WHSF: Ehrlichman

BOX NUMBER

33

FOLDER TITLE

Numerical Subject File: 238 [Postal Strike, 2 of 3]

RESTRICTION CODES

- A. Release would violate a Federal statute or Agency Policy.
- B. National security classified information.
- C. Pending or approved claim that release would violate an individual's rights.
- D. Release would constitute a clearly unwarranted invasion of privacy or a libel of a living person.

- E. Release would disclose trade secrets or confidential commercial or financial information.
- F. Release would disclose investigatory information compiled for law enforcement purposes.
- G. Withdrawn and return private and personal material.
- H. Withdrawn and returned non-historical material.

Presidential Materials Review Board

Review on Contested Documents

**Collection:** John D. Ehrlichman  
**Box Number:** 33  
**Folder:** 238 [Postal Strike 2 of 3]

Document

Disposition

86

Retain Open

87

Retain ~~Close Invasion of Privacy~~

*Open 6/8/2009*

March 28, 1970 Room  
0900 Cabines

THE WHITE HOUSE  
WASHINGTON

usery  
Hodgson  
Sec Smith  
Beount  
Nelson  
Hampton  
E  
Cashen  
Jones  
Klassen  
Harlow  
Whelton  
Klein

~~Hodgson~~

THE WHITE HOUSE  
WASHINGTON

Inexperienced neg. for Union  
All Gov. wage  
Reform

- possib of union  
double cross after  
table agreement.

very delicate next week

Monday - mtg.

NPU Alliance } Users &  
Klassen will see  
today

- delicate -  
large #'s

THE WHITE HOUSE  
WASHINGTON

These unions  
must somehow be  
included -

BU: possib by Mon  
work this weekend

---

alliance: big cu rts @

---

Amnesty =

Injunc

Contempt Citation - Subject  
= Union & NY  
leaders - Fined

Genl Amnesty = no  
law condone

Indiv. compassion -  
those not leaders, no  
crim punishment

THE WHITE HOUSE  
WASHINGTON

No fixed position -  
amnesty -

# Cashier

FAA were last nite  
categories

Jones

Comparability 6%      close to  
5.75                      12% w/

Compression -

w/ retroactive adjustment

Part now, '69 comp = 5.75

Part later -

across the board

THE WHITE HOUSE  
WASHINGTON

Union = asking what the  
Gov is already  
committed to -

~~~~~  
Teamster deadline = Tues 12pm

RR's - 4/7

in Cong -

Mtg Mon -

= if Cong delays, will  
have wildcats -

1  
- mediating  
Mon -

- will prob  
postpone

~~~~~  
4,300,000,000 @ 12%

budget: 5.4% for postal -

THE WHITE HOUSE  
WASHINGTON

Harkin - people  
unsymp. w/  
big raise -

= opposed to pub ser.  
strikes -  $\pi$  should  
say so -  
it's now in doubt -

= Talking about tax  
dollars + postage -  
Country needs to  
understand this -

---

out of hand politically &  
practically - a position of  
weakness

THE WHITE HOUSE  
WASHINGTON

Shultz disagrees -

Reproduced at the Richard Nixon Presidential Library and Museum

Blount - [ 3-27-70  
noon ]

① Gross -  
5 days:

Many repud 5 days  
offer - counter offer

② ~~McGe~~ =

① Negot - - OK -

Confid = 6%

② Reform - locked into  
his approach -

- Staff mtg w/ Dave  
Today -

③ Use Hodgson - Get reg. reports  
to CSC -

π Stmt's :

postal & Fed Pay  
Environment 1B/yr+  
Volunt Army 4B 7/71  
DeSeq 1 1/2 bil  
Quality Sch -  
Need more -

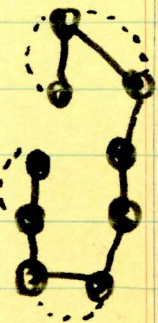
(1)

Budget over-run

Options -

Pay - <sup>was</sup> mistake to delay to 12/70

Be realistic  
Needs cant pay for



3-26-70  
124  
Blount

Blount Reopen ZE

① Any settlement retroactive -

Effect on 5 day req. limit  
Effect on public -

30 days to a final result

Deliberate pace -

②  $\pi$  aware of needs  
Degree of retroactivity  
A fair settlement  
 $\pi$  insists there be a settlement  
Men kept part of bargain -  
 $\pi$  pers will do everything to  
get thru Cong.

③ A package  
Postal  
Classified / milit  
Rate  
Reform

B ④ Best deal:  
1 - 5.4% all gov. retro to 1/1/70  
2 - Reform bill = coll. barg.  
at once - 90 days  
a K - Add increase  
for PO only -

3-

⑤ Union won't permit reform to be joined -

⑥  $\pi$ : no 12% increase  
Senate won't buy the HR 13000

$\pi$  ⑦ Rate increase — 10¢ max.  
B agrees

To adequately pay workers -

⑧ Bold when public stirred up -  
Amnesty

⑨ Pay for strike days:

$\pi$ : most people feel they gave up  
& have been punished -

I can be very generous -  
Give here - Take on other things

B = disagree

Ted - Might encourage others to strike -  
 $\pi$  - We have troops -

$\pi$  ⑩ Be quite generous -

⑪ 12% demand -

Find a way to do 12%  
Separate 7 other classif.  
Go 10¢ + Reform -

π will personally push it -

12% is in the ball park -  
13000 is dead -

---

## ⑫ Reform

HR (McGee) is full of snakes -  
π - we have to give too

Rates } out of Cong.  
Wages }

Will try to improve it over wk-end

B  
Tothers

⑬ workers showed good faith  
we will too

Pls of A

⑭ Timing -

⑮ π personal interest

\* ⑯ Klein - tough letter re  
headline NY Times  
"Segregation" -

# POST OFFICE DEPARTMENT

DATE: March 26, 1970

REPLY TO  
ATTN OF: DAN:rg

SUBJECT: Strategy for Pay and Amnesty

P. O. CL:

TO: Postmaster General  
Deputy Postmaster General

## SANCTIONS

The options (various combinations and permutations of which are possible) are these:

1. Criminal prosecutions against the ring leaders and, if desired, a small, medium or large group of second echelon leaders (i. e., those who took an active part in picketing, who spoke vociferously at union meetings, etc.)
2. Adverse action charges leading to the dismissal from Federal employment of the ring leaders, and, if desired, a small, medium or large group of second echelon leaders.
3. Civil actions against striking locals to recover compensatory damages and, possibly, punitive damages.
4. Withdrawal of recognition from locals that went on strike; this automatically terminates the dues deduction for such locals.
5. Unfair labor practice charges against the locals that went on strike, with the dues we collect being paid into escrow pendente lite; depending on future developments, the pot of money thus accumulated would be available to pay subsequent court fines, to be returned to the individual employees, or to be paid over to the unions.
6. Let everything remain in statu quo; the employees would receive no pay for the time they were out, but there would be no other penalties.

7. Pay all employees (or all except the ring leaders) for the time they were out.

### RECOMMENDATIONS

Options 1, 2 and 7 make no sense to me, for reasons with which you are familiar. Option 5 -- the unfair labor practice charge, with dues being held in escrow for an indeterminate time -- has the most appeal for me at the moment, but some other form of economic sanction against the striking locals might ultimately prove to be more desirable.

### PAY/REFORM

It is crystal clear that the general public believes postal employees ought to get a raise now. For the Administration to appear to be trying to block a reasonable raise by refusing to consider any increase that is not tied to postal reform would put us in an impossible position with the public.

Senators McGee and Fong have long maintained that classified Federal employees ought to get the same increase that postal employees get. They were wrong before, but right now. The goal that we ought to have in mind at this point is a general pay increase that does not appear to give any undue preference to those who broke the law by going out on strike.

One way or another -- by use of a Presidential veto if necessary -- we can fend off a general 12% increase. Any general increase actually enacted into legislation is bound to be too low to satisfy the postal employees.

The way to take care of the postal employees, both now and in the years to come, is for Congress to pass -- probably after the general pay legislation has been enacted -- a good postal reform bill that authorizes the Post Office Department to begin immediate negotiations on the wage scales for the reformed postal system. The wages that will be put into effect as a result of those negotiations can be justified by reference to

- (a) the increased operating efficiencies possible in a truly reformed postal system, and
- (b) the 8¢ stamp, and other postage rate

increases, that should be tied to any postal reform legislation.

Realizing, as it now does, that postal pay is too low, the public would now be prepared, I believe, to accept first class rate increases of even greater magnitude than those we have been discussing. He might grumble a little, but I think the man in the street would accept a 10¢ stamp; the impact of that kind of rate increase on some businesses would, however, be catastrophic.

A handwritten signature in cursive script, appearing to read "D.A.N.", followed by a period.

David A. Nelson

Drafts of message  
on postal strike

roduced at the Richard Nixon Presidential Library and Mu

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

April 3, 1970


MEMORANDUM FOR JOHN EHRLICHMAN

I crossed the trail of a rumor that the detailed table "Changes in the FY 1971 Budget" on page 7 of draft #3 of the proposed message may be dropped. This in my judgment would be a mistake. There is going to be keen concern about the details of this \$3.4 billion change in projected outlays (over \$2 billion of which consists of other matters than the pay raise). The best way to handle the problem is to have the details right in the text of the statement.



Paul W. McCracken

As a further step to assist the economy in making its adjustments along a less inflationary course I am setting up a Watchdog Committee. The functions of this Committee will be: to assure that the actions and programs within the Government itself are making their contribution to achieving a new stability in our price-cost level; to report to me on programs for achieving stronger gains in productivity; to analyze and report to me on factors underlying major wage and price decisions; and to conduct studies of the relationship between concentration and distribution of economic power and the possibility of achieving stronger gains in productivity and a greater stability of the price-cost level.

Members of this Committee will ~~consist of~~  the Secretaries of the Treasury, Commerce, Labor, Agriculture, and Housing and Urban Development, the Attorney General, the Chairman of the Council of Economic Advisers, the Special Assistant to the President for Consumer Affairs, and such others as may from time to time be appropriate. The Chairman of the Council of Economic Advisers will act as Chairman of this Cabinet Committee.

THE WHITE HOUSE

WASHINGTON

April 2, 1970

MEMORANDUM FOR JOHN EHRLICHMAN

From: William E. Timmons **WT**

I cleared the postal-financial statement with Jerry Ford who is in California.

John Byrnes is touring Florida. His staff & maid said he couldn't be reached.

I'll brief Wilbur Mills and Byrnes' Ways & Means counsel in the am.

Ken BeLieu is still trying to reach Senators Williams and Griffin. He'll make a contact with Russell Long in the mañana.

Statement  
or  
message?

Yesterday, the government negotiated a settlement with its postal employees.

This settlement could not properly be made in isolation from the needs of all Federal employees. In dealing with the special needs of the postal workers, the government representatives took into account the context of the Federal government's relations with its entire work force.

It should be noted that this negotiation took place only after the postal work stoppages had ceased.

One who works as a government employee agrees not to strike. But, concomitantly, the government has an obligation to insure each of its employees fair treatment so long as each lives up to his or her obligations.

The government is committed by law to a pay policy of comparability; that is, pay levels should correspond to those in business and industry. The agreed-upon government-wide pay increase complies with this standard.

This Administration is committed to a policy of pay-as-you-go. I believe that we have an obligation to provide revenues to meet the increased expenditures involved in this settlement. This is only good business and it is insurance against inflation.

Accordingly, I will send the Congress a message as follows:

1. I propose that the Congress enact a pay increase of 6% for all Federal employees, paid under statutory salary systems, including members of the armed forces, retroactive to the last pay period at the end of calendar 1969.

2. At the same time, I urge the Congress to take action to reform the postal service. Had this action been taken earlier, the postal work stoppage would have been averted.

The Congress must recognize the need to modernize the postal system, to improve working conditions and to give employees and management an effective medium for bargaining.

The proposed postal reform will be worked out by April 10; I am sure the proposals will meet these needs.

3. Immediately upon enactment of postal reform, the process of collective bargaining will begin. In recognition of improvements in postal operations, the results of such bargaining will include an increase in wages of at least 8% in addition to the government-wide increase.

4. It has also been agreed in negotiations this week that the inequities created by the need to wait 21 years to move from the entry to the top rate in a job classification should be removed by reducing this to an 8-year period.

Postal revenues: To pay as we go for the postal salary increase and to eliminate the current postal deficit of about \$600 million, I urge that the Congress raise first class postal rates to 10¢ for regular first class mail as soon as possible. This increase will produce added revenues of approximately \$2.5 billion.

Concurrently, the subsidy we now pay to users of other classes of mail should be ended, and those rates should be increased in phased annual increments, starting with an increase which will generate an additional \$82 million in fiscal 1971.

An adjustment in the schedule of fourth class rates will also be sought to produce \$100 million in revenues.

In all, I am proposing added postal revenues by Congressional and administrative action of \$1,682,000,000. These revenues are essential to meet the salary needs of postal workers, to wipe out the postal deficit, and to contribute to the efficiency of the postal system.

General revenues: To pay for the 6% increase to all government workers, which will cost \$1.2 billion in fiscal 1970 and 1.3 billion additional over the \$1.2 billion already included in the fiscal 1971 budget, I propose that the Congress consider further actions which will result in modification of our 1971 budgetary program.

#### The Crossroads of Decision

At the beginning of my Administration I made the basic decision that the Federal government must start to live within its means. The long inflation that began after 1965 had its roots in a string of unbalanced budgets capped by the \$25 billion deficit in FY 1968. To restore order in the economy the Federal government's first responsibility was to restore order in its own finances.

The tax program which I put before the Congress a year ago called for a balanced set of reforms, at the same time making provision for total revenues that would match the prospective outlays.

Prospective revenues for FY 1971 in the tax bill that finally reached my desk last December were more than \$3 billion below what my own recommendations a year ago would have provided. I expressed my grave misgivings about that revenue shortfall. I finally decided that, time having run out for the last session of the Congress, there was no alternative but to sign the bill and put before the Congress in my Budget Message a program of expenditures consistent with these reduced revenues.

That was done. It was an austere program. Important programs were sharply curtailed or entirely eliminated. A major omission was the overdue pay increases to Federal workers.

This tax bill has forced on the Federal government a level of wage outlays that is inconsistent with any reasonable estimate of wage level decisions in this session of the Congress.

Yet I cannot and will not participate in an excursion into fiscal irresponsibility. That would re-awaken skepticism about our determination to quell inflation, just when clear evidence of progress is in sight. And savings diverted into financing a deficit mean reduced funds and resources for housing, for State and local government projects, and for the capital formation essential to our on-going productivity and economic progress.

Therefore, I call upon the Congress and the Nation to face the realities of our Federal budget. We must pay the bills for the wages that we vote. We must pay just wages in government. These involve more outlays than the revenues that last year's tax bill would produce.

A pay-as-you-go approach shatters a favorite old shibboleth. "Congresses do not increase revenues in an election year; voters will not entertain a thought about new taxes as April 15 approaches."

But I firmly believe, given the facts, the American people will support the Congressmen with the courage to do what is right.

Putting the public interest first, it is right to build confidence in the integrity of the dollar, which we will do by redeeming our pledge of an anti-inflationary budget.

Putting the public interest first, it is right to insist on a course of economic stability that will lead to price stability, job stability, and a balanced use of our resources.

To face up to our responsibilities, here are my recommendations:

Added Revenues

The proposals contemplated by this message will change the 1970 and the 1971 budget estimates as follows:

	(In billions)			
	<u>February estimates</u>		<u>Revised estimates</u>	
	<u>1970</u>	<u>1971</u>	<u>1970</u>	<u>1971</u>
Receipts	199.4	202.1	199.4	206.3
Outlays	<u>197.9</u>	<u>200.8</u>	<u>198.9</u>	<u>204.2</u>
Surplus	1.5	1.3	+ 0.5	+ 2.1

To meet these needs without contributing to inflation,  
I propose the following revenue legislation which will neither  
require extending the surtax nor raising income tax rates:

1. By accelerating collection from employers of  
income and excise taxes withheld, some \$1.0 billion will  
be realized in FY 1971.

2. The 1971 budget forecasts the collection of \$3.6 billion of estate and gift taxes in the coming fiscal year. I propose  
to accelerate collection of these taxes, which would add as  
much as \$1.5 billion in receipts in fiscal 1971.

3. Leaded gasoline contributes heavily to air pollution. I propose a tax on lead additives used in gasoline at a rate  
equivalent to \$3.00 per pound of lead, which at present rates  
of use would yield approximately \$1-1/2 billion. These taxes will also make a major contribution to improving the quality of our environment and the health of our people. Through this tax on lead used in gasoline we will thus be giving an incentive for reducing the use of a substance that may be harmful to health in itself but which when used in automotive fuel shortens the life of pollution abatement devices and stands in the way of achieving a low pollution vehicle.

4. As a result of the pay increases recommended in this message, I estimate that about \$180 million will return to the government in personal income taxes.

The total of these added revenues to the fiscal 1971 budget would be about \$4.18 billion.

Within a few days, legislation will be prepared to achieve the recommended wage increases, the reorganization of the Post Office Department, the postal rate changes and the revenue measures described.

I cannot stress too strongly my support of early adoption of all of these inter-dependent and necessary actions. Each will relate to and depend upon the others. I request the Congress to act upon all, at once, to afford deserving employees an equitable pay adjustment, to provide badly needed reorganization to our postal service and to establish a sound pay-as-you-go revenue program to support these needed changes.

By adhering to sound principles, by being responsive to the changing needs of our people, by being willing to listen and to learn, and -- most important -- by being courageous enough to take the right action at the right time with the right motive, both the Congress and the Executive Branch will inspire the peoples' confidence in government's ability to manage the Nation's affairs.

(( ((

DRAFT #<sup>3</sup>A MESSAGE RE: POSTAL SETTLEMENT  
NEW BUDGET REQUIREMENTS  
FEDERAL LABOR RELATIONS

<sup>Today</sup>  
Yesterday, the government negotiated a settlement with its postal employees.

This settlement could not properly be made in isolation from the needs of all Federal employees. In dealing with the special needs of the postal workers, <sup>the government representatives</sup> we took into account the context of the Federal government's relations with its entire work force.

Accordingly:

1. I propose that the Congress enact a pay increase of 6% for all Federal employees, paid under statutory salary systems, including members of the armed forces, retroactive to the last pay period at the end of calendar 1969.

2. At the same time, I urge the Congress to take action on my recommendations made last year to reform the postal service.

Had this action been taken earlier, the postal work stoppage would have been averted.

The Congress must recognize the need to modernize the postal system, to improve working conditions and to give employees and management an effective medium for bargaining.

My postal reform proposals meet these needs.

Immediately upon enactment of postal reform, the process of collective bargaining will begin. In recognition of improvements in postal operations, the results of such bargaining will include an increase in wages of at least 8% in addition to the government-wide increase.

It has also been agreed in negotiations this week that the inequities created by the need to wait 21 years to move from the entry to the top rate in a job classification should be removed by reducing this to an 8-year period.

To pay for the postal salary increase and to eliminate the current postal deficit of about \$600 million, I again urge that the Congress raise first class postal rates to 7¢ for regular first class mail as soon as possible. This increase will produce added revenues of approximately \$570 million in fiscal 1971.

Concurrently the subsidy we now pay to users of other classes of mail should be ended, and those rates should be increased in phased annual increments, starting with an increase which will generate an additional \$82 million in fiscal 1971.

In addition, I will direct the Post Office to take steps to institute a new "fast first class" mail at 10¢ which is estimated to increase postal revenues by about \$400 million a year. An adjustment in the schedule of fourth class rates will also be sought to produce \$100 million in revenues.

In all, I am proposing, as was set forth in the 1971 Budget, added postal revenues by Congressional and administrative action of \$1,174,000<sup>000</sup>. These revenues are essential to meet the salary needs of postal workers, to wipe out the postal deficit, and to contribute to the efficiency of the postal system.

To pay for the 6% increase to all government workers, which will cost \$1.2 billion in fiscal 1970 and 1.3 billion additional over the \$1.2 billion already included in the fiscal 1971 budget and to meet other urgent needs, I propose that the Congress consider a modification of the fiscal 1971 budget.

The Crossroads of Decision

At the beginning of my Administration I made the basic decision that the Federal Government must start to live within its means. The long inflation that began after 1965 had its roots in a string of unbalanced budgets capped by the \$25 billion deficit in FY 1968. To restore order in the economy the Federal Government's first responsibility was to restore order in its own finances.

The tax program which I put before the Congress a year ago called for a balanced set of reforms, at the same time making provision for total revenues that would be consistent with prospective outlays.

Prospective revenues for FY 1971 in the tax bill that finally reached my desk last December were more than \$5 billion below what my own recommendations a year ago would have provided. I expressed my grave misgivings about that \$5 billion shortfall. I finally decided that, time having run out for the last session of the Congress, there was no alternative but to sign the bill and put before the Congress in my Budget Message a program of expenditures consistent with these reduced revenues.

That was done. It was an austere program. Important programs were sharply curtailed or entirely eliminated. A major omission was <sup>the</sup> overdue pay increases to Federal workers.

This tax bill has forced on the Federal Government a level of outlays that is inconsistent with ongoing programs and with any reasonable estimate of expenditure decisions in this session of the Congress.

Yet I cannot and will not participate in another excursion into fiscal irresponsibility. That would re-awaken skepticism about our determination to quell inflation, just when clear evidence of progress is in sight. And savings diverted into financing a deficit mean reduced funds and resources for housing, for State and local government projects, and for the capital formation essential to our on-going productivity and economic progress.

Therefore, I call upon the Congress and the nation to face the realities of our Federal budget. We must pay the bills for the programs that we vote. We must pay just wages in Government. These involve more outlays than the revenues last year's tax bill will produce.

The responsible action is clear. We must strengthen the revenue-producing capacity of our tax system so that we can pay our way.

We can and will hold the line on excessive government spending, now and in the future; but in the short period since I

submitted my budget, I have had to honor top-priority claims against our resources which have virtually wiped out the slender \$1.3 billion surplus which I forecast for FY 71. In addition, I have had to remove whatever flexibility that remained in the FY 71 budget by reprogramming \$500 million into a new school desegregation program.

~~The fact that~~ <sup>have</sup> I insisted that Federal spending be held down. ~~was salutary.~~ <sup>This was</sup> It meant that each proposed new program had to go through the most rigorous scrutiny; it set out in bold relief the most urgent national priorities.

Now we have come to the crossroads of hard decisions.

We could, if we wished, go forward with the new programs that have made their case as essential to the national well-being by going into the red -- <sup>allowing rising expenditures to</sup> by ~~throwing~~ the budget into a substantial deficit. But this would be deception. It would be inviting a rebound of inflation, and it would reduce resources needed for important needs outside the budget -- housing, financing schools and other local and State government projects, the financing of capital formation to sustain our economic growth.

We could, if we wished, hold grimly to the spending goal we were forced to set after the tax bill reduced 1971 revenues -- but we would not be responding to the legitimate needs of our citizens.

Or we could take the course I now propose: to meet the needs that have proved to be urgent and to pay for them as we go.

This pay-as-you-go approach shatters a favorite old shibboleth. "Congresses do not increase revenues in an election year; voters will not entertain a thought about new taxes as April 15 approaches."

But I firmly believe, given the facts, the American people will support the men with the courage to do what is right.

Putting the public interest first, it is right to build confidence in the integrity of the dollar, which we will do by redeeming our pledge of an anti-inflationary budget.

Putting the public interest first, it is right to insist on a course of economic stability that will lead to price stability and job stability.

To face up to our responsibilities, here are my recommendations for changes in the 1971 budget, responding to top priority needs, economic requirements and the demands of laws previously passed:

CHANGES IN THE FY 71 BUDGET

ITEMS

BALANCE

SURPLUS FORECAST IN FY 71 BUDGET

+\$1, 331

Top Priority Claims

Air and Water Pollution Control \$ 188

Veterans education benefits and medical care \$ 299

Labor-HEW appropriations, effect of 1970  
enacted bill on 1971 budget \$ 248

Disaster Relief \$ 50

Right-To-Read and other education amendments \$ 162

Education aid to racially impacted areas,  
totaling \$500 million (portion that cannot be  
redirected from other programs.) \$ 150

Subtotal \$1097 +\$ 234

Changes in Response to Major Problems

In the Economy

Withdrawal of voluntary State-local  
construction deferral \$ 625

Housing interest subsidies and home  
ownership assistance \$ 81

Subtotal \$ 706 -\$ 472

Legally Required Changes

Dairy price supports \$ 120

Interest on Public Debt \$ 100

Health benefits for Federal employees \$ 91

Subtotal \$ 311 -\$ 783

Additional Expenditures by the Congress For

It's Own Operations \$ 21 -\$ 804

Government Workers Pay \$1, 300 -\$1, 300

~~DEFICIT~~ NOW FORECAST -\$2, 104

\*In millions of Budget Authority

Added Revenues

The proposals contemplated by this message as well as other actions noted will change the 1970 and the 1971 budget estimates as follows:

	(In billions)			
	<u>February estimates</u>		<u>Revised estimates</u>	
	<u>1970</u>	<u>1971</u>	<u>1970</u>	<u>1971</u>
Receipts	199.4	202.1 <i>7.</i>	<del>200.4</del> <del>199.4</del>	<del>205.4</del> <del>206.4</del>
Outlays	<u>197.9</u>	<u>200.8</u>	199.1	<u>204.2</u>
Surplus	1.5	1.3	+ <del>0.3</del> <i>1.3</i>	<del>1.2</del> <i>1.2</i> <del>+ 2.2</del>

To meet these needs without contributing to inflation, I propose the following revenue legislation which will neither require extending the surtax nor raising income tax rates:

*202.1*  
*3.28*  
*205.38*

1. By accelerating collection from employers of income tax withheld, in the last quarter of FY '70, some \$1.0 billion will be realized.

2. The 1971 budget forecasts the collection of \$3.6 billion of estate and gift taxes in the coming fiscal year. I propose to accelerate collection of these taxes, which would add as much as \$1.5 billion in receipts in fiscal 1971.

3. Leaded gasoline contributes heavily to air pollution. I propose that the Congress levy a \$3.25 per pound tax on the lead going into tetraethyl gasoline. This will average 2¢ per gallon of gasoline containing lead. The tax on lead will not only increase revenues by \$1.5 billion, but will provide an economic incentive to use non-leaded fuels.

4. As a result of the pay increases recommended in this message, I estimate that about \$180 million will return to the government in personal income taxes.

The total of these added revenues to the fiscal 1971 budget would be about \$3.28 billion.

In taking these actions now, we can meet the most pressing needs of our citizens without relenting in our battle for price stability in a climate of prosperity. The Congress, I am sure, does not intend to force cuts in necessary social programs -- yet that is what failure to raise the needed revenues would do.

A strong budget continues to be a vital part of our strategy to turn the flank of inflation. In recent weeks, we have begun to see some tangible evidence of success in our fight against that inflation, a result of actions taken to hold down excessive Federal spending over the past year.

That is why I relaxed some of the restraints on construction of public projects two weeks ago, and why I believe it is now in the public interest to grant the pay increases and fund the urgently needed programs I have listed.

But I am determined that our fiscal actions remain consistent with a strong budget. We must neither permit inflation to resume nor the economy to take a severe downturn. We must not permit government to become a borrower of savings that are so necessary to the housing industry. If we were to accept a substantial deficit now to do what is needed, we would be crippling the potential recovery of housing construction, which our people need just as badly -- in effect, we would be robbing Peter to pay Paul.

Our perseverance in the past year has shown how it is possible to make genuine headway toward achieving a sound prosperity with stability; to continue on this path, we cannot take the politically easy way out. We cannot slip back into the ways of the past, with the wide swings in government budget policy that caused the present inflation. Finally, we cannot permit those hardest hit by the rising cost of living to bear the heaviest burden in combating that inflation.

The budget decisions I have made, and the budget decision I have hereby modified, are designed to meet our human and defense needs without inflation and without recession. This has never been done in modern times.

By being sensitive to trends in the economy, by being responsive to the changing needs of our people, by being willing to listen and to learn, and -- most important -- by being courageous enough to take the right action at the right time with the right motive, both the Congress and the Executive Branch will inspire the people's confidence in government's ability to manage the nation's affairs.

THE WHITE HOUSE

WASHINGTON

April 1, 1970.

MEMORANDUM FOR

THE PRESIDENT

Here is a proposed three-part message that covers:

1. The postal and government-wide increases;
2. The budget overrun and what to do about it;
3. Relations with government employees in the future.

The basic problem in all this is how to justify busting the budget limit so soon after the budget was sent up.

If we try to ignore the situation, we would be inviting a credibility gap generally and with the financial community in particular.

If we admit a mistake on the spending goal, we would get credit for candor but would appear indecisive.

If we complain that we have been pushed into this by events, we would appear weak.

If we try to blame Congress, our position is indefensible since most of these above-the-line expenditures are our own.

The approach of this message is to frankly admit a mistake -- but not a mistake in the \$200.8 budget ceiling, which everybody expects. The error we should confess to was in not vetoing the tax bill, which cut out the three billion dollars in revenues that are now so obviously needed.

In effect, you would be saying that your grave misgivings about that bill, which you expressed at the time, were right; that Congress shortchanged the needs of the public, as all can now see clearly. You should have drawn the battle lines then, but there is still time to raise that same three billion the Congress took away from the government employees, the environment, the veterans, etc.

This is similar to the remark of the man who said, "The last time I was wrong was when I thought I made a mistake. But I was wrong; I didn't make a mistake at all."

This approach is presented as an alternate paragraph in the body of the message.

The entire last section about employee relations could be detached and issued later as a separate message. The ideas in it are still subject to internal wrestling.

BILL SAFIRE

cc: J. Ehrlichman  
B. Harlow  
J. Keogh  
P. McCracken