The original documents are located in Box 4, folder "Economic Policy Review (3)" of the Richard B. Cheney Files at the Gerald R. Ford Presidential Library.

10. TRANSPORTATION

March 10, 1975

TRANSPORTATION

Areas in which funding could be increased in the transportation sector are briefly discussed in the first section of this Tab. A proposal to utilize unemployed workers in a program for railroad roadbed maintenance, also prepared by DOT, is contained in the second section.

Proposals for increased expenditures in the first section include:

1. Facilitate expenditure of $2 billion in impounded highway funds already announced.
2. Release of further highway funds (beyond $2 billion).
3. Increased funding of rapid transit capital expenditures.
4. Increased airport funds.
5. Increased highway safety funds.
6. Change structure of existing transfer programs by waiver, deferral, or loan of matching funds.
7. Make funds available for related, but presently ineligible, expenditures.
8. New program of national railroad roadbed rehabilitation. (Discussed at more length in second section of Tab).
9. Upgrading of Northeast corridor rail passenger facilities.
10. Accelerated program of automobile scrapping and new car purchases.
11. Rehabilitation of Federal or related facilities under Title X. (Jobs program).

Other Proposals

12. Endorse no-fault auto insurance and develop an administration bill.
13. Graduated expense allowance for company fleet cars. (Commerce paper, Tab 11)

DOT Options

DOT

PROGRAMS TO STIMULATE EMPLOYMENT

The following list categorizes the types of actions in the transportation sector, along with three more general actions, that could be taken to stimulate employment.

General Actions

- Further tax cut or rebate.
- Increase in public service jobs.
- Increased general revenue sharing.

Increased Funding of Existing Transportation Programs

- Facilitate expenditure of already announced $2 billion in impounded highway funds.
- Release of further highway funds.
- Increased transit capital funds.
- Increased airport funds.
- Increased highway safety funds.

Temporarily Change Scope or Structure of Existing Transportation Programs

- Waiver, deferral, or loan of matching requirements
- Availability for related but presently ineligible expenditures.

New Transportation Programs

- Railroad rehabilitation.
- Northeast corridor rail passenger upgrading.
- Old car scrapping/new car subsidy.
- Rehabilitation of Federal or related facilities.

GENERAL ACTIONS

These are actions which apply either to the whole economy or to very broad sectors. They should be used as a standard against which more specific actions in the transportation sector can be compared.

Further Tax Cut or Rebate

Pro:

- Already in the works, could simply be made larger.
- Broadest possible stimulus, avoids specific bottlenecks.
- Consumer sovereignty

Con:

- Indirect effect only.
- Unemployed do not directly benefit.
- Economic uncertainty may cause higher savings rate and less converted into consumption.

Increase in Public Service Jobs

Pro:

- Already in the works, could simply be made larger.
- Direct effect on unemployment.
- Could maximize new employment per dollar by concentrating on lower paying jobs.
- High indirect effect due to higher than ave e propensity to consume.

Con:

- Danger of semi-permanent dead-end jobs.
- Possibly cumbersome to administer a massive gram.

Increased General Revenue Sharing

Pro:

- Forestall public sector layoffs now occurring (e.g., New York City)
- Broad, diverse choice of programs, not dictated by Feds
- Existing program, just increase funding
- Minimal Federal red tape required to implement.

Con:

- Possible substitution of State/local funds
- Rigid allocation formula (though this could be modified to reflect high unemployment)

INCREASED FUNDING OF TRANSPORTATION PROGRAMS

Facilitate Expenditure of Already Announced $2 Billion in Impounded Highway Funds

FHWA is already devising administrative ways to speed this expenditure and eliminate bottlenecks. There are also legislative steps that could be taken (e.g., waiver of matching) that will be considered below in discussing possible changes in scope or structure of existing transportation programs.

Release of Further Highway Funds (beyond $2 billion)

Pro:

- Existing program, just increase funding
- Highway construction expenditures about constant but physical construction way down due to inflation
- High unemployment in construction industry--over twice national unemployment rate
- Easy to start up now; more difficult as more construction firms leave the industry.

Con:

- Less effective per dollar in creating jobs than equivalent increase in consumer spending from tax cut
- Probably more inflationary impact than in rest of economy-- possibly some capacity constraints in machinery and materials
- Energy intensive construction process and input materials; also possible indirect inducement of more travel

Discussion:

- Further release may be premature; FHWA estimates the present $2 billion can be absorbed this fiscal year; for FY '76, uncertain what level can be absorbed; what is optimal time in announcing? now, to allow gearing up for next FY? or in May or June, not to detract from speed of obligating present $2 billion?

Increased Transit Capital Funds

Pro:

- Existing program, just increase funding
- Promote energy efficient mode

Con:

- Relatively limited backlog of projects at construction phase; present construction schedules and equipment backlogs are a constraint on rapid acceleration; not a problem of Federal funds
- Probably similar to highway in terms of employment and inflation impact
- More concentrated geographically and fewer areas able to use funds.

Increased Airport Funds

Pro:

- Existing program, just increase funding
- High unemployment in construction industry.
- Help to alleviate a fund-withholding problem.

Con:

- Probably similar to highways in terms of employment and inflation impact (similar construction technology)
- A relatively small program
- Promotion of least energy efficient mode

Increased Highway Safety Funds

Pro:

- Funds typically used to pay salaries and purchase vehicles, therefore probably much more directly effective on employment than highway funds
- Existing program, just increase funding

Con:

- A relatively small program (however, related State and local activity very many times greater)
- Potential for substituting State/local funds
- Likely to be energy intensive (increased vehicle patrols, driver education, etc.)

TEMPORARILY CHANGE SCOPE OR STRUCTURE OF EXISTING TRANSPORT PROGRAMS

These are actions which could apply across the board for existing transportation programs in order to facilitate the rapid expenditure of funds already available, or in conjunction with increases in funds, as already considered in the previous section. In some cases Federal funding increases may not be effective because of other obstacles such as lack of matching or of available projects. In these cases the following actions may be useful.

Waiver, Deferral, or Loan of Matching Requirement

Pro:

- Work thru existing programs
- Can be selective across programs, upon demonstration that spending would accelerate (e.g., 2nd Ave. subway cut because city funds not available)
- Broad applicability

Con:

- Matching is apparently not a big problem except in a few areas
- For most programs, employment impact not as good and inflation impact worse than general economy stimulation
- Possible substitution of State/local funds
- Legislation required affecting several statutes and Congressional committees

Availability for Related but Presently Ineligible Expenditures

Pro:

- Complementary with existing programs
- Present programs largely capital intensive, this could shift to more labor intensive rehab. or maintenance activity
- Low capital projects easier to get underway
- Many existing facilities badly need rehab., e.g. off-system rural roads, old rail transit systems, train stations.
- DOT already moving in direction of broadening eligibility in 1975 airport and highway legislation. Transit Act already includes operating assistance.

Con:

- Federal red tape involved
- Possible substitution of State/local funds
- Legislation required for several statutes

NEW TRANSPORTATION PROGRAMS

National Railroad Roadbed Rehabilitation

Pro:

- Deferred maintenance an acknowledged problem on many railroads; accident rates soaring
- Capital availability to deal with rehab. in the private sector not foreseeable
- Promote an economical and energy efficient mode

- Construction less energy intensive than highway
- Consistent with USRA plan for Northeast, Midwest

Con:

- Employment impact per dollar and inflationary impacts similar in magnitude to highway funds, i.e. not as good as general economic stimulation
- Some foreign purchase of rail probably required
- A new program, not easy to set up
- Requires legislation

Northeast Corridor Rail Passenger Upgrading (about 925 million compressed over 18 months for track alignment, upgrading, bridges + tunnels, electrification and signaling, grade crossing elimination, fencing, interline connections to remove freight, yards and shops)

Pro:

- Currently authorized; also consistent with USRA plan
- Politically popular in the region
- Promote economical and energy efficient mode
- Plans currently in existence
- Little likelihood of displacing private sector or State and local efforts
- Can include labor intensive work such as station rehab.

Con:

- Localized impacts, not nationwide in scope
- Probably more startup time than highway investment required
- Some foreign purchase of rail probably required

Accelerated Automobile Scrapping/New Car Purchase

This would be a program of incentives for scrapping older, less energy efficient cars and purchase of new cars, which are more energy efficient and less polluting. One alternative could be through Federal purhcase and scrapping of older cars; another through Federal subsidy of new cars.

Pro:

- Future auto fleet would become energy efficient earlier
- Expand employment in auto industry
- New sales would make available more capital for increasing future auto efficiency
- Enhanced air quality (though some questions re the catalytic converters)

Con:

- Very costly ($ billions)
- Administratively complex
- Inequitable to subsidize new car buyers
- Possible increase in fatalities and injuries due to smaller cars
- New car production consumes energy
- Waste of resources to scrap the least energy efficient cars, which are relatively new ('72, '73, '74 models)
- Encourage more driving
- Subsidy may be absorbed by manufacturers

Rehabilitation of Federal or Related Facilities

Weeks ago DOT furnished the Department of Commerce a list and description of numerous labor intensive projects as possible job creating activities under Title X of the Emergency Jobs and Unemployment Assistance Act of 1974. These amounted to some $70 million worth of work (about half of which was associated with the Northeast Corridor project, already noted above). Undoubtedly the amount could be increased with some more imagination.

Pro:

- Existing program (though new administrative machinery probably needed)
- Highly labor intensive--direct effect on unemployment
- High indirect effect due to higher than average propensity to consume

Con:

- Danger of semi-permanent dead-end jobs
- Possibly cumbersome to administer

R.R. Roadbed Maintenance

THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

March 8, 1975

MEMORANDUM FOR L. WILLIAM SEIDMAN
Assistant to the President for Economic Affairs
JAMES T. LYNN
Director, Office of Management and Budget

SUBJECT: A Proposal for a Federal Job Support Program Oriented to the Maintenance Needs of the U.S. Rail System.

The financial crunch being imposed on the Nation's railroads by inflation and the depressed state of the economy is having a particularly adverse effect on the physical condition of the rail network. Constrained to cut costs, rail managements find it necessary to defer maintenance and rehabilitation work and to furlough maintenance-of-way employees, the class of worker who typically has the least amount of costly job protection. This, in turn, leads to more train accidents, more "slow orders", greater fuel consumption per ton mile, and reduced efficiency generally. Thus, the downward spiral of a deteriorating physical plant leading to greater inefficiency and higher costs leading to still more deferred maintenance, etc., is being perversely exacerbated by the way rail managements are forced to cut costs.

Attachment 1 to this memorandum is a concept paper outlining a specific program for helping the railroads to avoid having to defer their planned maintenance work and enabling them to make a modest start in attacking their large backlog of deferred maintenance on vital track segments. At the same time, this program would provide work for several tens of thousands of workers in an activity vital to this Nation's basic transport system. Attachment 2 to this memorandum is a discussion of the various legislative approaches that might be employed were such a program to be judged meritorious and consistent with the President's overall economic policy.

I commend this proposal to you for consideration. If you or your staffs have any questions or would desire an elaboration of any of the points raised here or in the attachments, we would be happy to meet with you.

John W. Barnum

Attachments

A Program to Initiate More Intensive Program Maintenance in the Railroad Industry Utilizing Presently Unemployed Workers

PROGRAM GOALS

The United States is currently faced with the problem of major unemployment and degenerated rail physical plant. This paper will explore the extent to which both problems may be alleviated simultaneously.

BACKGROUND

Unemployment

The current rate of unemployment nationwide is 8.2% and the President's FY 1976 Budget estimates that the unemployment rate of CY 1975 will average 8.1% dropping to 7.9% in CY 1976, and 7.5% in CY 1977. It is not until 1980 that the President's budget assumes that the unemployment rate will drop below 6%. The nation, therefore, is faced with a labor surplus which is projected to continue at high levels for several years.

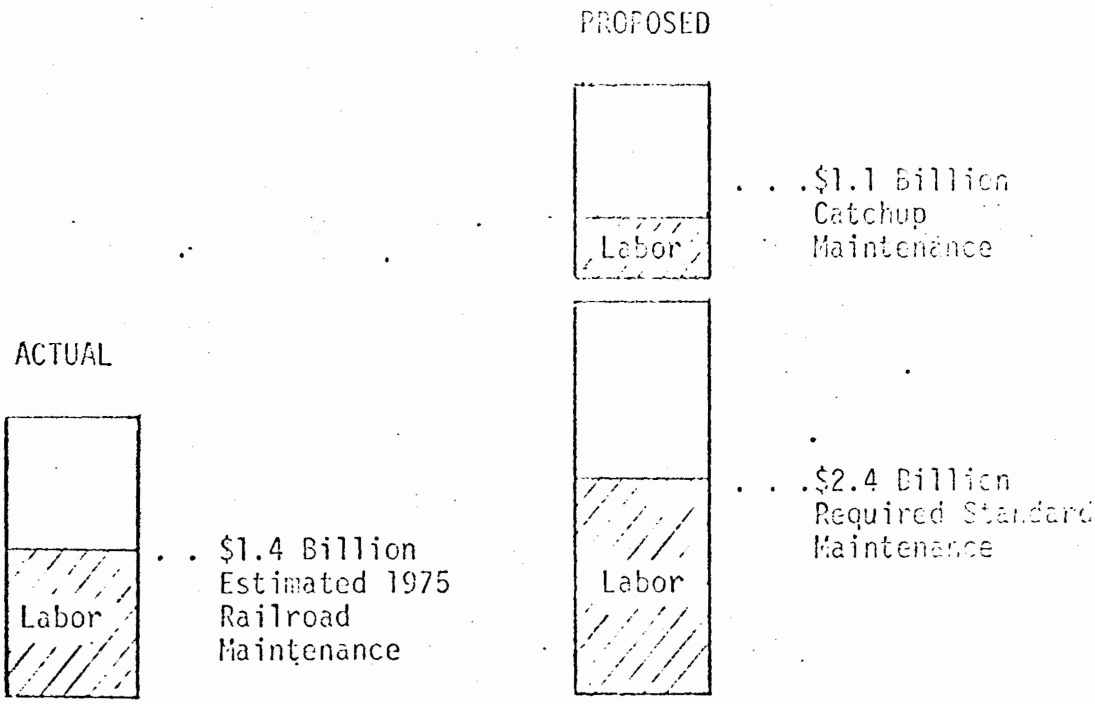
Deferred Maintenance in the Rail Industry

The cost of restoring to "normalized" condition all the track, roadways, bridges and structures used in the U.S. railroads is estimated at almost $7.5 billion in current dollars. "Normalized" condition is defined as the condition in which 50% of the useable life of track and other materials remains. In view of recent USRA findings in the Northeast, it is likely that 75% of the track in the U.S. is appropriate to retain and improve. Rebuilding this trackage will reduce estimated deferred maintenance costs to $5.6 billion. Of these costs, approximately 32% are labor costs, 61% for materials and 7% for machinery and tools. The estimated deferred maintenance costs of the U.S. railroads are identified in the following table:

	($ in millions)	
Region	Present Network	Reduced Network
Eastern	$ 3,940	$ 2,955
Western	3,480	2,610
Southern	20	15
	$ 7,440	$ 5,580

These levels of funding are in addition to those expenditures programmed by the railroads prior to the current downturn in business. Additional funds and personnel will be required to maintain the track and structures in the improved condition. These factors are illustrated in the following chart.

STREAMLINED SYSTEM



Based upon the current rate of return on capital investments in the industry, one must conclude that the industry is incapable of meeting this need through either internally generated funds or increasing its debt structure. This situation is reinforced during the current economic recession when car loadings have dropped substantially and revenue is declining. In short, the economic erosion is continuing and the amount of deferred maintenance is probably increasing at an increasing rate.

Program Issues and Specifications

One of the significant public policy issues raised by a program of Federal assistance relates to the use of public funds to improve facilities within private industry. We believe the public purposes are served by creating jobs during a period of high national unemployment and rehabilitating an industry whose assets are rapidly eroding and which may soon be unable to serve the economic needs of the nation. These, in our view, are ample justification for the utilization of public funds. The program design, however, would have to reinforce the public purposes and we would recommend the following:

1. That the industry participate in the effort by providing a significant amount of cost sharing (matching of Federal funds). This would be accomplished by requiring the solvent carriers to provide all maintenance-of-way material and equipment up to an estimated two-thirds of the costs of program maintenance. The Federal support to these railroads would be limited to labor costs including training and employee benefits which would amount to the remaining one-third of the program costs.

   In the case of the current bankrupt or other marginal railroads, the material and equipment costs would have to be funded through USRA or some other Federal funding mechanism.

   Limiting Federal participation under this program to labor costs (with the exception of the bankrupt carriers) is consistent with the view that this is first and foremost a job creation program supported by the Federal government and not an effort to pay the full costs of maintenance in the rail industry.

2. To insure that the program is additive and not in substitution of the current level of program maintenance in the industry the government should insist on a maintenance-of-effort provision.

3. It is estimated that the proposed rehabilitation program would require five years to complete. However, to further emphasize that this is a job creation effort and will not become a permanent assumption by the Federal government of all program maintenance responsibilities of the industry, a "trigger" should be used to initiate the

program during periods of high unemployment and to stop the commitment of new funds during the five year period in which the national unemployment rate falls below 6% or some other alternative figure for a three month period. Existing projects (submitted in one year segments) would be continued to their termination. Similar trigger provisions are now included in the unemployment insurance program and public sector employment program.

4. To insure that the program funds are utilized for high payoff, high priority rehabilitation efforts, the funds would have to be committed to maintenance projects according to DOT established criteria. The criteria should emphasize the major yards, terminals, and mainline routes to encourage a rational, streamlined rail network. Consideration could be given to establishing criteria expressed in terms of the number of tons of freight or passengers moving over a particular line. The criteria would also emphasize safety factors.

5. The additional workers will be employees of, and paid by, the railroads. In turn, government funds will be available to the carriers for wage, fringe and liability payments and training expenses. It is contemplated that the affected unions and carriers will negotiate a separate provision in their contracts to allow for a special class of employees. The principal Federal restrictions on the negotiation process will be that the "temporary" not be eligible for either severance pay or income maintenance, and that there be no relocation restrictions imposed.

The recruitment program will be initially administered by the Regional Railroad Retirement Boards in each area until furloughed railroad employees are exhausted. Unemployed maintenance of way employees will be given first right of refusal. After the railroad worker pool is exhausted state unemployment agencies will administer recruitment programs. Training will be handled on a regional basis with state agencies responsible for training administration and DOT responsible for program content.

6. The program would be administered by DOT (FRA) as a project grant program. The funds would be allocated by FRA to individual railroads based on project applications. The

applications would have to substantiate a particular railroad's ability to fund the materials and equipment costs as well as the ability to procure the materials. USRA (or other Federal funding mechanism) will finance equipment and materials for the bankrupt carriers.

BENEFITS

In response to both the high national unemployment rate as well as critical needs in the railroad industry, we believe a unique opportunity exists to undertake a Federally assisted effort to expand current program maintenance in the industry. This expansion will provide additional jobs not only in the railroad industry but also will have a substantial indirect job-creating effect on supporting industries (e.g., steel, lumber, equipment, etc.).

1. Employment Effect in Rail Industry

Maximum maintenance-of-way (MOW) employment in 1974 was roughly 92,000 employees. Currently unemployed rail workers include 10,000 MOW personnel, however, an additional 20,000 rail MOW employees are anticipated to be furloughed by June 1975.

An estimated total of 30,000 trained rail MOW workers will be unemployed by June 1975. This force is capable of being put back to work on an immediate basis. In addition, 20,000 new workers could beneficially be used for rebuild programs based on estimates of available material and machines. This level of 50,000 workers would bring the anticipated level of MOW workers to 112,000. This would require a funding level of $900 million annually. The initial funding level should be $500 million for the initial fiscal year due to startup timing.

These program dimensions are preliminary estimates and need to be refined. The actual commitment of funds would be dependent on the ability of the industry to generate the matching share.

2. Effect on Related Industries

In addition, of course, there is an indirect employment effect on the allied industries. The Labor Department has estimated that for every one billion dollars spent on program maintenance over a five year period there will be an indirect employment effect of 35,000 per year. The 35,000 jobs will taper down to approximately 30,000 jobs at the end of five years.

3. Energy

Studies now underway within the FRA clearly indicate that while motor carriage is more energy efficient in picking up and delivering small loads, rail transportation is clearly more efficient for long-haul transportation. With a rebuilt right-of-way, some portion of the long-distance traffic now moving by truck would be diverted to the more efficient rail system.

4. Passenger Service

Rebuilt rights-of-way would improve the safety, speed and quality of passenger train service offered by Amtrak and the railroads. This revitalized rail passenger service would offer a reliable, energy-efficient alternative to interstate automobile and air travel.

5. Freight Service

Improved track will increase reliability and speed of freight service, allowing shippers to accurately predict a shipment's arrival time at its destination; the yard congestion and service interruptions common today will be alleviated. As the service improves, so should railroad revenues and rail's market share.

CONSTRAINTS

1. One of the significant constraints in this program may be this nation's ability to produce rails. Present domestic rolling capability for rails limits annual production to one million tons which also has been the rate of rail installation in this country. However, we now estimate

that as a result of the current economic downturn, the industry has cut back its maintenance programs by about 20%. Consequently, we assume that there may be approximately 20% difference between maximum rail production capability and the current rate of utilization. Should the economic downturn continue, this differentiation is likely to grow. In addition, short-term rail supplements may be available from foreign sources.

2. The ability of the solvent carriers to generate the matching share and the industry's ability to absorb additional maintenance workers will determine the ultimate program level.

3. Labor must demonstrate a measure of flexibility by accepting the special nature of the Federal employees introduced by this program.

ALTERNATIVE LEGISLATIVE VEHICLES FOR RAILROAD PUBLIC WORKS PROGRAM

Summary

This paper examines five legislative strategies for proposing a rail-oriented public works program:

- Surface Transportation Improvement Act (STIA)
- 1975 highway legislation
- Amtrak legislation
- Emergency Jobs and Unemployment Assistance Act of 1974
- Legislation for this purpose only.

The following analysis of these options has led us to the conclusion that amendment to the Emergency Jobs Act is the most advantageous course for the Administration to pursue. The Department of Transportation recommends that the Administration choose this alternative if a decision is made to go forward with a railroad public works program.

General Considerations

Before examining these individual options, there are some general considerations to be borne in mind. First, there is an important choice among criteria to be used in selection of a vehicle. One can either try to speed the passage of the proposal through the Congress (in which case single-purpose legislation would tend to be favored), or try to use the public works program as a "sweetener" to make other legislation more attractive.

Another important concern is the legislative compatibility of the public works program with other programs to which it might be attached. A general problem here would be the presumptively temporary nature of the public works program. If it is combined with some more permanent program in a single piece of legislation, it may become difficult, in fact, to treat it as temporary. Additionally, there may be specific aspects of the various legislative options discussed below which would match more or less well with a rail-oriented public works program. These will be brought out in those discussions.

STIA

In one sense a rail-oriented public works program would fit well with STIA in the sense that it is a railroad bill and that the concept of some kind of Federal financial aid to the railroads has already been philosophically embraced in the bill. The program's "temporariness" may be a problem here since the STIA would not be viewed as legislation expiring anytime soon. Since our regulatory reform efforts in the Congress are almost always uphill battles, there is some attraction in the idea of using the public works program to move STIA along. On the other hand, while possibly helping speed the passage of STIA, a public works program would not necessarily serve to ensure that the specific regulatory reform provisions would remain in the form we desire since the Congress would be free to change these provisions in any event. Once the Administration had introduced a public works program with considerable ballyhoo, a threat to veto it would probably not be very effective.

1975 Highway Legislation

There is also some appeal in the notion of combining the concept of a Federally assisted interstate rail system in the same statutory framework with an interstate highway system. This approach also raises the prospect of financing railroad public works activities out of the Highway Trust Fund (suitably renamed as the Surface Transportation Trust Fund).

However, it would be difficult to imagine a legislative vehicle more likely to give permanence to a temporary program than the Federal-aid highway legislation. Further, the current thrust of the Administration is to reduce the revenues flowing to the Highway Trust Fund (without cutting taxes) and to tie it exclusively to the Interstate System with a view to eventually phasing it out. It must be noted that we are embarking on a fairly contentious course with the highway legislation in trying to restrict the application of the trust fund and in other aspects (notably trying to rescind unused highway authorizations). Thus, the inclusion of the public works program could well work against us tactically in the sense that the Administration could be portrayed as obstructing its own job-creating program because of sticking to some fairly obscure (in the public sense) principles on the highway legislation.

Amtrak

Incorporating a public works effort in the Amtrak legislation and using the Amtrak network as a starting point for the rehabilitation effort, itself, would bring the Administration a fair size political bonus in the sense that doing something for intercity passenger service is probably popular and we would probably be spending the money anyway. On the other hand, there is such a thing as appearing too committed to extensive rail passenger service and a major Federal commitment to upgrade these lines might encourage Amtrak to develop expensive notions about non-cost effective, high-speed train service outside the northeast corridor. Of course, this latter danger is probably an inherent part of the public works program in any event. Finally, inclusion of the public works effort in Amtrak legislation would certainly work against us on the temporariness count.

Emergency Jobs and Unemployment Assistance Act of 1974

Since this act is already law, the legislative vehicle for a rail-oriented public works program would have to take the form of an amendment. A major point in favor of this choice is that Senator Buckley has already introduced an amendment to the statute that closely parallels the proposed railroad public works program. This approach would have the advantage of placing our effort in a public works context which would presumably work in our favor as far as the "temporariness" problem is concerned. Moreover, it would appear to be a relatively simple vehicle to use in the sense that we would only have to change the dollar authorization and not tamper with other aspects of the structure of the program. The existing statute does contain a provision that the money must be used only in areas of the country where unemployment exceeds 6.5 percent, but it might be fairly simple to modify this provision if it appeared that it would interfere with a rational upgrading of the mainlines.

Special Legislation for this Purpose

The prime advantage of going this route is speed and not mucking up other programs. We lose the potential of using the public works program as a spur for other pieces of DOT legislation, but, as has been noted above, this potential may well be illusory.

COMMENT ON S-967 "BUCKLEY LABOR BILL"

Basically a reasonably structured bill that could be easily amended to reflect Administration policy. Suggested changes include:

1. Title IV, Section 401 (a) Add to list of potential project candidates "yards and grade crossings." Also place a colon after "their rights-of-way and structures, including : mainline tracks..." to restrict language from including branchlines.

2. Title IV, Section 401 (c) (2) To clarify, add "could otherwise be performed by the carrier by employees actually on the payroll at the time of application during....

3. Title IV, Section 401 (d) To clarify add "protective arrangements under applicable labor contracts or the Interstate...."

4. Title IV, Section 401 (e) Should be modified to reflect:

    1. The priorities for hiring of (in order):

        - Unemployed maintenance-of-way workers
        - Unemployed railroad workers other than maintenance-of-way
        - Non-railroaders

    2. The administrative processes inherent in the priorities, i.e., the Railroad Retirement Board would be responsible for recruiting and coordinating referrals of railroad workers while the State Unemployment Agencies would be responsible for others.

5. Title IV, Section 402 Change to $500,000,000 for the initial year and $900,000,000 in subsequent years up to five years.

6. Title IV, Section 403 (a) This section should reflect changes in Title IV, Section 401 (a)

7. Title IV, Section 403 (b) Modify this section to reflect an automatic cutoff of apllications, when unemployment hints on predetermined level.

94th CONGRESS
1st Session

S. 947

IN THE SENATE OF THE UNITED STATES

Mr. BUCKLEY

introduced the following bill; which was read twice and referred to the Committee on

A BILL

To provide employment opportunities for unemployed and under-employed persons, to establish a program of loans to [illegible] employment opportunities, to promote safe and efficient service by rail, and for other purposes.

(Insert title of bill here)

Referred to Commerce Committee

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "[illegible] Maintenance Improvement and Employment Act of 1975".

SEC.2. Section 601 of the Comprehensive Employment and Training Act of 1973 is amended by striking out "$2,500,000,0[illegible]" and inserting in lieu thereof "$2,000,000,000".

SEC.3. The Emergency Jobs and Unemployment Assistance Act of 1974 is amended by the addition of the following Title IV.

"Title IV -- Emergency Rail Employment

"Section 401. (a) To carry out the purposes of this title, the Secretary of Transportation, in accordance with the provisions of this title and notwithstanding any provisions to the contrary, is authorized from funds appropriated and made available under this title to provide financial assistance to common carriers [illegible] engaged in transportation by railroad, as defined in the Railway Labor Act (45 U.S.C. 851), for wages of persons employed in programs and projects to maintain and improve their rights-of-way and structures, including mainline track, side tracks adjacent thereto, roadbed, culverts, fills, tunnels and other structures.

"(b) The Secretary shall provide financial assistance for any program or project under this title only upon application by the carrier under regulations to be prescribed by the Secretary.

"(c) The Secretary shall not provide financial assistance for any program or project under this title unless it is determined under regulations to be prescribed by the Secretary that the program or project (1) will not result in the displacement of currently employed workers (including partial displacement such as reduction in the hours of overtime work or wages or employment benefits), and (2) will not result in the substitution of Federal for other funds in connection with work that could otherwise be performed by the carrier during the 12 months following application by the carrier.

"(d) All persons employed under the program or project shall be considered employees of the carrier working under any applicable labor contracts and subject to the same managerial control as all existing employees of the carrier, provided however, that persons employed under such program or project shall not attain interest entitled to protection or the imposition of protective arrangements under the Interstate Commerce Act (49 U.S.C. 85) or any other provision of law.

"(e) The provisions of Title I shall apply as to eligibility, provided however, that to the extent the carrier had employees on furlough at the date of enactment, such employees shall be first employed.

"(f) Persons employed under such program or project shall be paid wages at rates provided for in collective bargaining agreements negotiated under and pursuant to the Railway Labor Act, and such rates shall be considered as being in compliance with the Davis-Bacon Act, as amended (40 U.S.C. §276a).

"(g) The Secretary may require reports or by other means insure that assistance authorized under this title is expended by the carrier consistent with its application.

"Section 402. There is authorized to be appropriated the sum of $500,000,000 to carry out the provisions of this title.

"Section 403.(a) The Secretary of Transportation is authorized, on such terms and conditions as he may prescribe, to make loans on behalf of the United States to common carriers engaged in transportation by railroad, as defined in the Railway Labor Act (45 U.S.C. §51), to be used for equipment, materials, and supplies necessary for rehabilitating, maintaining, and improving their rights-of-way and structures, including mainline tracks, side tracks adjacent thereto, roadbed, culverts, fills, tunnels, and other structures. The maturity date of any loan including all extensions and renewals thereof, shall not be later than thirty years from its date of issuance.

"(b) Any loan by the Secretary under this Act shall be made within 1 year of enactment; shall not be terminated, canceled, or otherwise revoked; and shall be conclusive that such loan complies fully with the provisions of this Act.

"(c) Before making any loan pursuant to this Act, the Secretary must consider whether the prospective borrower is responsible and whether adequate provision will be made for repaying the loan. The Secretary may not make a loan under this Act unless he finds that:

(1) the loan is needed to provide employment opportunities for unemployed and underemployed persons;

(2) the loan will provide funds for needed rehabilitation, maintenance and improvement of the Nation's railroads; and

(3) the activity to be financed will promote the efficiency of rail operations.

"(d) The Secretary may prescribe, as he deems necessary and appropriate, rules and regulations for the administration of this Act.

"(e) The rate of interest to be charged the borrower shall not be more than 3 per centum per anum. The aggregate unpaid principal amount of loans made by the Secretary under this Act, may not exceed $2,000,000,000.

"(f) Loans authorized under this Act shall be for programs and projects to be performed by the carrier during the 12 months following the carrier's application."

11. OTHER

OTHER TOPICS AND PROPOSALS

Incomes Policy

The recession has resulted in a reduction in inflationary pressures, and in turn fewer calls for wage and price controls. There is, however, some continuing congressional interest in strengthening the powers of CWPS (e.g. JEC proposals, Tab 12).

Food Production and Marketing Policy

Recent emphasis has shifted from the issue of controlling exports to that of reducing impediments to fully exploiting grain export potential. Proposals that have been suggested in the farm and food policy area include:

1. Review agricultural programs such as acreage allotments, soil bank, and acreage reserves in light of today's needs for increased production. (House Democratic Leadership, 1/13/75).
2. Establish a food export monitoring program. (HDL)
3. Re-establish a national grain reserves system. (HDL)
4. Improve competition and efficiency in food processing and distribution sectors. (HDL)
5. Freeze food stamp prices. (HDL)
6. Focus anti-trust investigations on the food processing industry. (HDL)
7. Freeze food stamp prices, and reduce certification period from 30 days to 15 days. (AFL-CIO)
8. Review Defense Appropriation Acts requiring purchase of specified food items from domestic sources, and introduce flexibility to modify these practices for domestic food price stabilization purposes.
9. Explore replacement of crop disaster payments by an expanded and actuarially sound crop insurance program.
10. Review fee schedules for private interest grazing on public lands to improve efficiency and raise more revenues.

A paper submitted by USDA included in the first section of this Tab addresses the following topics:

1. Farm and food price prospects.

2. Shifting Disaster Assistance to a program of expanded crop insurance.

3. Status of legislative proposals.

4. Farm bill congressional status.

5. DOD food purchases.

Other Proposals

1. Consider purchasing selected materials to augment Federal stockpiles, if permissible under existing legislation, or introduce legislation to permit purchases and sales for "stabilization stockpile" purposes. (Commerce paper, second section of this Tab)

2. Establish a permanent committee to review adequacy of productive capacity, monitor investment plans, and identify emerging problems that may result from imposition of health or environmental restrictions.

MAR 5 REC'D

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

March 5, 1975

SUBJECT: Information Update

TO: Marvin Kosters
The White House

Per your request attached is a rundown on:

1. Farm and food price prospects.
2. Shifting Disaster Assistance to a program of expanded crop insurance.
3. Status of legislative proposals.
4. Farm bill congressional status.
5. DOD food purchases.

Let me know if you need anything additional.

Dawson

J. DAWSON AHALT
Staff Economist

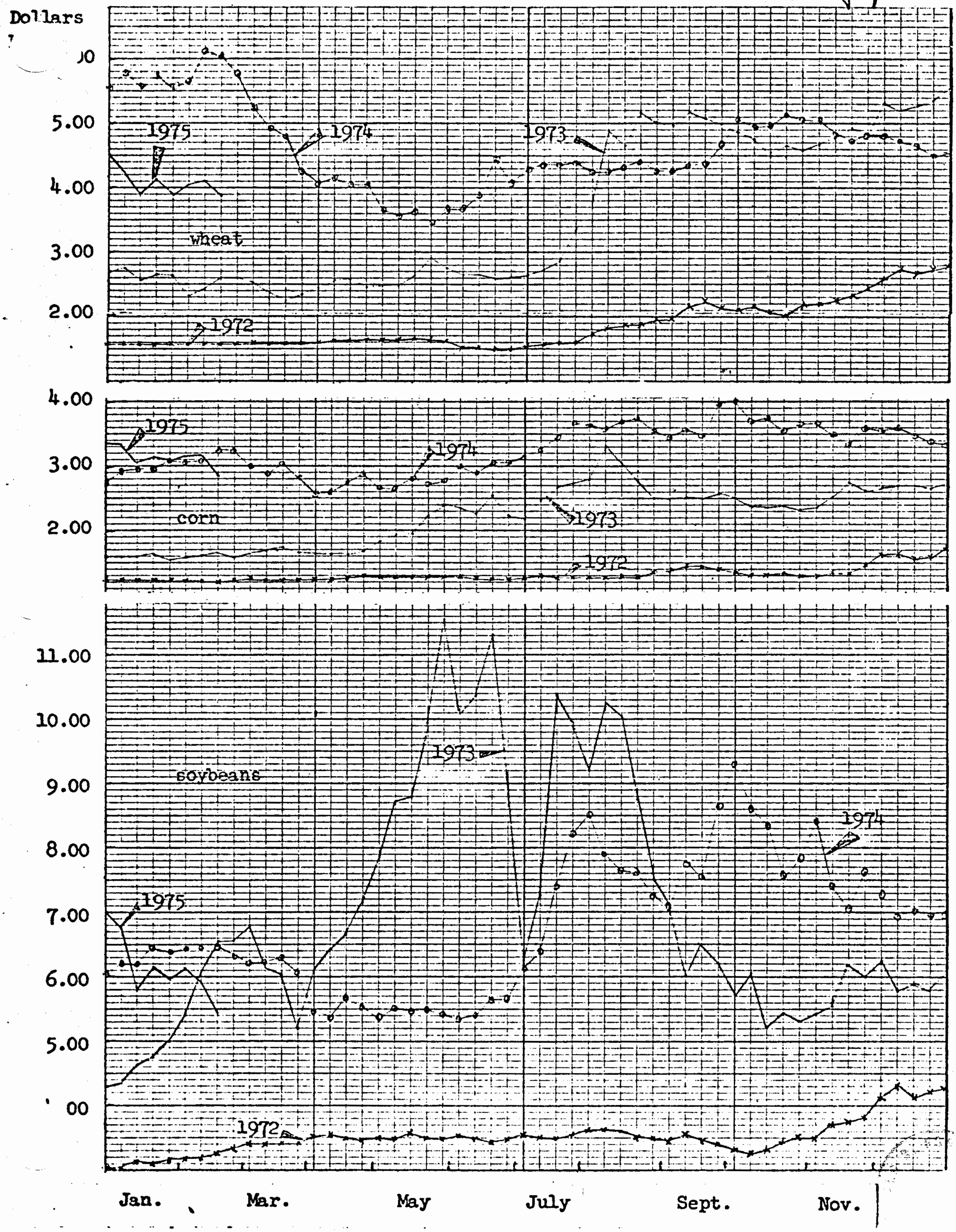
Attachments

Although farm prices have declined significantly in recent months, the bulk of the declines have been confined to the crop sector. Prices received for all farm products have declined nearly 8.5 percent since November 1974 with crop prices declining over 15 percent. The major declines in crops occurred in food grains, oil-bearing crops and potatoes. Livestock prices have declined only slightly from November levels. The key factors behind the declines relate to the sagging domestic and world economies, sharp adjustments by the livestock sector to reduced feed grain supplies and record beef cattle inventories, and the potential 1975 record crop production. A turnaround in economic conditions coupled with a repeat of 1974's weather-reduced production could turn farm prices sharply upward in coming months.

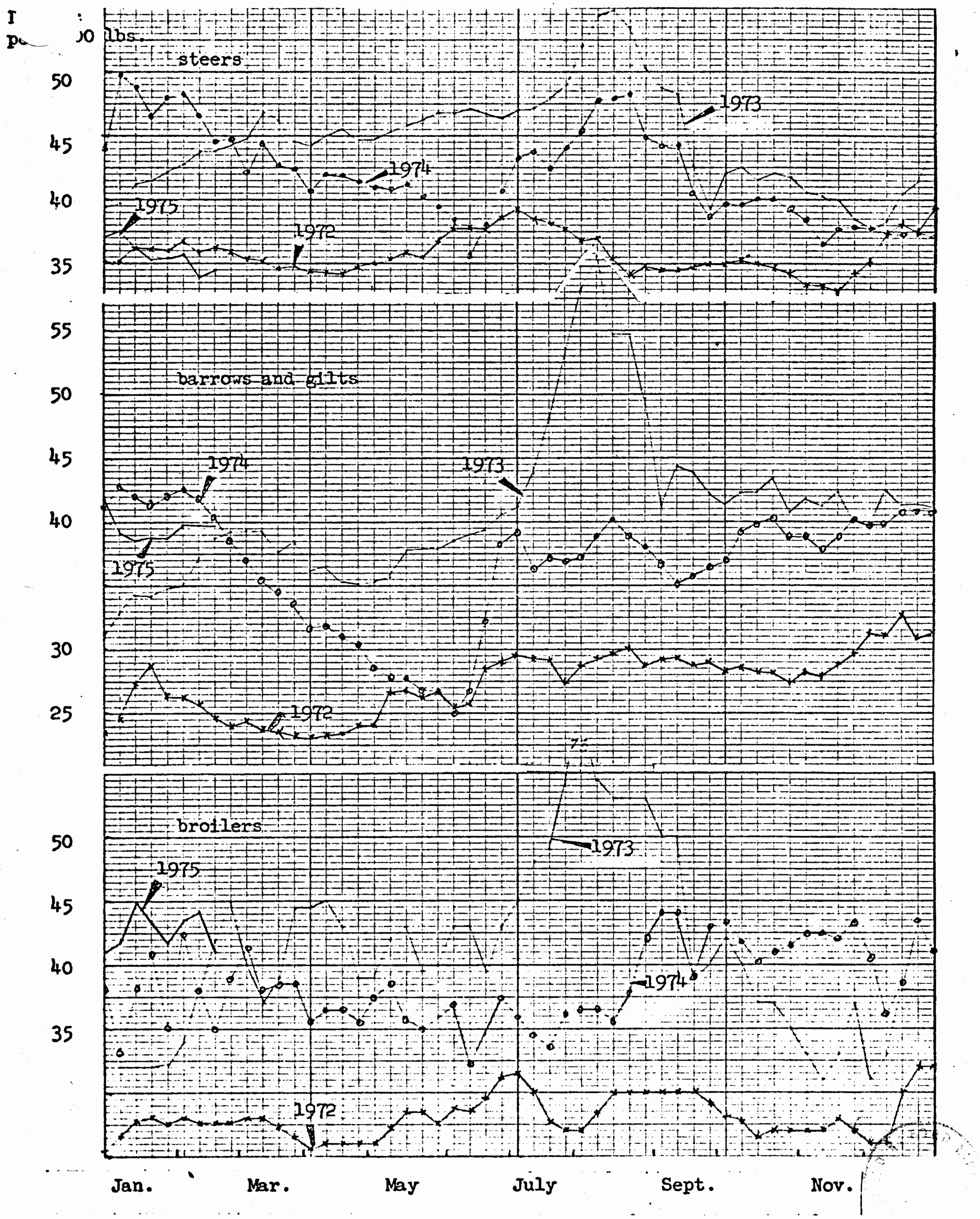
Retail food prices increased about 2 percent from November to January with the major increases occurring for sugar and sweets, non-alcoholic beverages, cereal and bakery products, and several processed fruits and vegetable items. If recent price declines for agricultural commodities persist and consumer demand slackens in response to deteriorating economic conditions, the rate of increase in retail food prices may moderate. However, commodity markets are likely to remain extremely volatile. If there were renewed strength in farm prices, there could be even sharper increases in retail food prices in light of continued cost pressures associated with food marketing and distribution.

Weekly (Friday) Wholesale Price: Wheat, Corn, and Soybeans

"Return with Friday Report"



Weekly (Friday) Wholesale Price: Steers, Barrows and Gilts, and Broilers



Shifting Disaster Assistance Toward a Program of Expanded Crop Insurance

The Department has proposed legislation to revise the Federal Crop Insurance Act to permit expansion of crop insurance on wheat, cotton, corn, grain, sorghum, and barley. This program will obviate the need for disaster assistance as provided for in the 1973 Farm Act. This proposal would provide assistance to those producers who would be willing to pay for protection. Disaster assistance outlays under the 1973 Farm Act totaled $592 million in 1974/75.

The proposed legislation would make loans available both under the Federal Crop Insurance Corporation (FCIC) or any private company providing such protection. This program would of course be considerably less costly to the Government due to the fact that beneficiaries of the program would share in as much of the cost as possible. An additional element of the proposal is expanded authority for reinsurance of private carriers in order to encourage participation by the private sector with the hopes of reducing the Government's role.

The proposed legislation is currently at OMB for review.

Status of Legislative Initiatives

Rice -- a draft bill has been forwarded to OMB for clearance which incorporates the following basic features:

1. Effective for 1976 and 1977 crops.

2. Target price of 7 cents per pound for 1976 crop, escalated in 1966 by an escalator identical to the one contained in the 1973 farm act for feed grains, wheat, and cotton.

3. Loan level at not less than 60 percent of the target price.

4. Open-ended production to allotment and nonallotment holders.

5. Acreage allotment (payment base) of 2.0 million acres.

ELS Cotton -- a draft bill has been forwarded to OMB for clearance which incorporates the following basic features:

1. Effective for 1976 and 1977 crops.

2. Target prices set at 170 percent of the upland cotton target price.

3. Loan level at between 170 and 200 percent of the upland cotton loan level.

4. Open-ended production to allotment and nonallotment holders.

5. Acreage allotment (pay base) of 81,400 acres.

Peanuts -- the Department is currently reviewing options, and a draft bill could be submitted to OMB for clearance in the next 10-14 days. The proposal to be submitted will:

1. Be effective for 1976 and 1977 crops.

2. Be a target price proposal.

3. Permit open-ended production.

March 4, 1975

Farm Bill Congressional Status

March 4, 1975

HOUSE:

Dairy Subcommittee reported an amendment:

(a) Raise dairy supports to 85 percent of parity through March 31, 1977, and

(b) Requires Secretary to establish this support quarterly.

Grains Subcommittee reported out an amendment on target prices and loan levels for 1975 to wit:

Commodity	Target	Loan
Corn	$2.25	$1.87
Wheat	3.10	2.50
Soybeans		2.2 times corn level about $3.91

Cotton Subcommittee's amendment put loans up to 18 months rather than present 10, loan at 40 cents, and 48 cents for target for 1975.

The full House Ag. Committee met March 4, 1975, to take action on the above amendments in a proposed bill which probably will be entitled, "The Emergency Agricultural Act of 1975".

SENATE

Completed hearings and plan to report an Agricultural and Anti-Depression Act of 1975 at later, unannounced date.

Therefore, are able to act immediately, if pressured, on the House Emergency Farm Bill of 1975.

ASCS:AO:VWelch:3-4-75

DOD Food Purchases

DOD attempts to coordinate their activities with USDA in two ways:

1. They try to coordinate their purchases so they are not in the market at the same time as USDA.
2. They talk to USDA people regarding market conditions and program changes. For example, last year they switched their purchases from good to choice beef at about the same time we proposed a change in beef grades.

Despite these efforts, there is a feeling on the part of some here that DOD does not stay closely attuned to changes in economic conditions. Purchases seem to be more strongly governed by the menu planners than by the economists.

Commerce Paper

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Economic Affairs
Washington, D.C. 20230

MAR 3 REC'D

February 28, 1975

MEMORANDUM FOR Honorable L. William Seidman
Assistant to the President
for Economic Affairs

FROM: James L. Pate J.L.P.
Assistant Secretary
for Economic Affairs

SUBJECT: Short Term Measures for Economic Stimulus and Hardship Relief

The following are suggestions to help stimulate the economy or to provide relief for those individuals and groups that have been especially vulnerable to the hardships imposed by unemployment and inflation. In all cases, these suggestions can be initiated for a short time period, six to nine months, and then terminated so as not to provide a stimulus after the economy is well along the path toward recovery. In some cases, these suggestions will result in higher Federal spending or lower receipts and will increase the budget deficit. This has not been a factor in considering these suggestions, however. In some cases, Congressional authorization is required. Finally, in some cases, a suggestion could be listed under both the economic stimulus category or the hardship relief category. It is listed only once, however.

Suggestions to Stimulate the Economy

1. Eliminate Overwithholding of Individual Taxes.

The IRS withholding schedules can be changed in order to return to the withholding rates in effect at the end of 1971. This would substantially reduce the amount of overwithholding of personal income taxes on calendar year 1975 incomes and would be realized during the next six to nine months. Depending on the amount of stimulus desired, the withholding schedules can be changed so that the current tax liabilities are reduced by more than the amount necessary to eliminate overwithholding. On January 1, 1976, the schedules could be changed again to either recapture the excess amount or to generally assure the correct amount of withholding. In either case, most taxpayers would have to make a final settlement on 1975 incomes when they file their tax return in 1976. The stimulus from this change might amount to $12-13 billion.

As a supplementary measure, tax refunds on 1974 incomes could be accelerated. These would be refunds resulting primarily from overwithholding on 1974 incomes.

2. Accelerate Progress Payments.

The Defense Department currently pays about 80 to 90 percent of the cost of a procurement contract at the outset of the contract. This percentage could be increased to 95 percent in order to reduce the out-of-pocket expense incurred by defense contractors and thereby increase their liquidity and cash flow.

3. Social Security Taxes.

Postpone, retroactively, the increase in the social security taxable earnings base that went into effect on January 1, 1975. This postponement could be for one year, in which case the increase would take place on January 1, 1976. This would increase the take-home pay of workers with incomes exceeding $13,200 and would have an effect mainly in the second half of 1975. Subsequent increases in the taxable earnings base would be implemented one year later than presently scheduled.

In addition, taxpayers covered under social security could be granted a refund of some percentage of their 1974 social security tax payments. If they were unemployed in 1974, the refund would apply to the taxes paid during the last year of their employment. This and the above suggestion would add to private incomes and stimulate consumption.

4. Accelerate Federal Procurement.

Request government contractors to accelerate the production and delivery date for government purchases, especially military goods. Supplies for the industrial and stock funds could be purchased earlier than presently planned. Also the procurement of supplies, materials, and equipment could be advanced by all other Federal agencies. These steps would stimulate production and increase the cash flows of business firms.

5. Accelerate Construction.

Accelerate authorized but unstarted public works programs. Accelerate the award of contracts for public works projects where engineering and environmental requirements are completed. These projects would include the construction, repair, maintenance or modernization of Federal buildings. Also included would be resource conservation projects such as reforestation, reseeding of range lands, construction of Park Service trails and parkways. This would increase construction activity, incomes, and provide jobs.

6. Expense Allowance for Company Fleet Cars.

The expense allowance for company fleet cars could be increased. The increase in the allowance could be graduated depending on the length of time the car is used before it is traded in. The longer the car is used the smaller the allowance. This proposal could encourage business firms to replace their fleet cars earlier than might otherwise be the case and help increase automobile sales.

7. Accelerate and Liberalize Loan Programs.

Accelerate the processing and approval of loans under such programs as the Small Business Administration and the Federal Housing Administration.

In addition, the interest rates charged on loans to small business firms and development companies could be reduced, especially for those firms located in areas of high unemployment. Provide loans for investing in energy saving insulation. These loans could be made available for three years at 6 percent interest provided they are applied for and used between April 1, 1975 and November 1, 1975.

8. Accelerate Stockpile Purchases.

Instead of stockpile sales, the government could increase the purchase of selected critical materials for government stockpiles. These purchases could be limited to materials that are essential but not in such scarce supply that the increased government demand drives prices up and reduces the supply available for purchase by the private sector.

9. Tax Incentive for Small Business.

Provide a flat exemption during 1975 for the first $10,000 in sales of a small business firm (as defined by the Small Business Administration). The ability to write off the first $10,000 of sales would stimulate many marginal ventures that otherwise might fail and will act as a stimulant to capital investment and other business spending.

Suggestions to Relieve Economic Hardship

1. Health Insurance Premiums.

The Federal Government could pay the medical and hospitalization insurance premiums for workers that are unemployed and have either insufficient resources to make the payments or do not have the option to pay the premiums when they are unemployed. This would supplement the individual's unemployment benefits and assure that he and his family would have continuous medical insurance coverage.

2. Summer Youth Programs.

Provide funds for summer youth programs so that boys and girls will have adequate recreation and training opportunities. Funds could also be used for direct cash payments, based on family income levels, to youths to encourage them to remain in school.

3. Extended Unemployment Benefits.

Provide unemployment benefits, past the present 52 weeks now allowed, for workers that have exhausted their benefits in 1974 or 1975.

12. POLICY PROPOSALS

POLICY PROPOSALS AND POSITIONS

Summaries of proposals and positions expressed in a number of recent statements are included in this Tab in the following order:

- Comparison of JEC, Congressional and Senate Banking Committee Proposals
- JEC Majority Proposals
- Congressional Economic and Energy Proposals
- Senate Budget Committee Staff (Majority) Proposals
- Economic and Energy Proposals of House Democratic Leadership
- Economic Proposals in draft Senate Democratic Package
- AFL-CIO Economic and Energy Proposals
- Congressional Testimony Summary
- TIME Board of Economists Views

Comparison of JEC, Congressional & Senate Banking Committee Proposals

ALTERNATIVE ECONOMIC POLICY RECOMMENDATIONS

Issue	Joint Economic Committee Majority Membership	Congressional Program of Democratic Leaders	Senate Budget Committee Majority Staff
TAX REBATE	Accept House bill calling for an $8 billion rebate on 1974 taxes.	Accept Administration's concept of rebate on 1974 taxes but redesign it, based on Ways/Means guidelines, to focus on low- and middle-income taxpayers. Single check mailed in May or June.	Provide a $12 billion rebate on 1974 taxes.
TAX REDUCTION	Accept House bill calling for an $8 billion cut in 1975 income taxes. Also, reduce taxes further by about $12-$15 billion in personal income tax cuts, either through tax credits against social security payments, or by optional $250 tax credit in lieu of personal exemption.	Adopt "substantial" tax cut for 1975, consistent with Ways/Means action, by reducing withholding taxes by July 1. Continue into 1976 if necessary.	Provide a permanent $16 billion tax cut for 1975 and beyond, targeted to low- and middle-income persons.
BUSINESS TAX CUT	Accept House bill calling for a $4 to $5 billion cut in business taxes, including an increase in in the investment tax credit to 10%.	Raise the investment tax credit to 10% retroactive to January 1,1975 and keep higher rate until economy reaches "full employment zone." Set ITC at higher rates for long-term capital investment in energy-efficient equipment and equipment needed to convert from oil and gas to coal.	Raise the investment tax credit to 10% effective January 1, 1976, and maintain that level until unemployment drops to 5%.
TAX REFORM	No comment.	Enact initial tax reform legislation in 1975 to raise $5 billion, including repeal of the depletion allowance for multi-national oil firms and elimination of foreign tax subsidies.	Reform the tax code to yield $5 billion a year when fully implemented, but only $3 billion in Fiscal Year 1976.
GASOLINE TAX	No comment.	Add 5¢ to the gasoline tax and put revenues in an Energy Trust Fund.	Add 5¢ to the gasoline tax, and continue to add 5¢ per gallon each year the unemployment rate drops a percentage point, so that the additional tax will be 20¢ per gallon at 5% unemployment.
MONETARY POLICY	The Fed should reduce both short- and long-term interest rates, accommodate Federal borrowing requirements, provide direct support to the residential mortgage market, and consult with Congress at semi-annual hearings before the Banking Committees about money supply growth targets and other monetary policy actions required in the next six months.	Adopt Congressional resolution calling on Fed to reduce interest reates in 1975, to maintain a long-run growth in money supply "commensurate with economy's growth potential", and to consult with Congress at semi-annual intervals on the Fed's monetary growth targets for the next six months.	Fed should maintain short-term interest rates at a level that will assure financial flows to housing industry and maintain downward pressure on mortgage rates. Short-term rates of 6% for next 18 months, and an M_1 growth rate of 8%-10% during 1975 and 1976.
HOUSING AID	Only reference is to stimulation through monetary policy.	Provide a "shallow" interest rate subsidy for low- and middle-income families, to be phased out as economy recovers. Aid to home-owners to prevent ...	Provide temporary interest subsidy for new home purchases, making the effective mortgage rate 6% for low- and middle-income home buyers.

ALTERNATIVE ECONOMIC POLICY RECOMMENDATIONS

Issue	Joint Economic Committee Majority Membership	Congressional Program of Democratic Leaders	Senate Budget Committee Majority Staff
PRICE/WAGE CONTROLS	Provide CWPS with larger staff, subpoena power, and the authority to delay for a limited period wage and/or price decisions which threaten to undermine progress toward price stability.	No comment.	No recommendation.
PUBLIC WORKS PROJECTS	Consider speeding up completion of previously authorized public works, provided the economic impact of the speed-up can be achieved rapidly and then phased down as full employment is restored.	Assure that Job Opportunities Program, Economic Adjustment Assistance Program, and Public Works Impact Program are fully funded and implemented. Reject recissions and deferrals, and provide assistance to State and local governments if needed to assure full use of increased funding for public works programs.	Fund public works projects that provide short-term employment opportunities while building facilities of value to communities. Also, provide a combination of public works, expanded public employment, and aid to State and local governments, which would total $6 billion when fully operative and when unemployment was 7%-8%.
PUBLIC SERVICE JOBS	Expand the public service jobs program operated by State and local governments by varying its size from 500,000 jobs when unemployment averages 6% to a maximum of 1 million jobs at unemployment rates of 8% or higher. Also, provide a Federally administered public service jobs program to be triggered by an 8% unemployment rate. It would produce 500,000 jobs at 8% unemployment, and 500,000 extra for each percentage point above 8%.	Expand public service employment program, with priority on hiring heads of families.	Provide a combination of of public works, expanded public employment, and emergency fiscal aid to State and local governments, with expenditures tied to unemployment rate When fully operational, the combined program would provide $6 billion when the unemployment rate was between 7% and 8%.
UNEMPLOYMENT AID	Increase maximum weekly benefits to 2/3 average wage in State, with individuals receiving at least 50% of their previous wage up to the maximum. Also, provide a Federal program of benefits for persons in labor force not presently covered by any unemployment program.	No comment.	No comment.
AID TO STATE AND LOCAL GOVERNMENTS	Provide anti-recession grants, with total tied to unemployment rate and the distribution based on severity of local unemployment. $1 billion for each percentage point above 4% national unemployment.	No comment.	Provide anti-recession grants as part of combined public works, public service jobs, and State/local aid program. (See above.)
INCOME SUPPORT	Continue full operation of cost-of-living adjustments in income support programs such as social security and food stamps.	Accelerate payment of full 8.7% increase in social security benefits retroactive to 1/1/75. Mail retroactive checks in May or June.	Accelerate payment of full 8.7% increase in social security and supplementary income effective 1/1/75, and mail retroactive benefit checks in May or June.

JEC Majority Proposals

March 11, 1975

1975 (Majority) Report of the Joint Economic Committee to the Senate and House Budget Committees

ECONOMIC POLICY GOALS

--GNP: Achieve annual output rates of about $1468 billion during the 4th Quarter of 1975, and $1593 billion during the 4th Quarter of 1976. These targets (expressed in 1974 dollars) are about $72 billion and $143 billion higher than the JEC estimates of the Administration program's impact on GNP during those two quarters, respectively. The JEC target implies real output growth of 8%-9% from the 4th Quarter of 1975 to the 4th Quarter of 1976.

--Jobs: Reduce unemployment rate to 7.8%-8.1% during the 4th Quarter of 1975, and to 6.5%-6.8% during the 4th Quarter of 1976. JEC contrasts those targets with its estimate of a 9.2%-9.5% unemployment rate during those periods under the Administration's program, and estimates that by the end of 1976 that difference will translate into 2 to 2.5 million more people at work.

--Prices: Without specifying an inflation reduction target, JEC implies that its proposals will produce 2%-4% less inflation than the Administration's program.

ECONOMIC POLICY RECOMMENDATIONS

--Tax Rebate: Accept House bill calling for an $8 billion rebate on 1974 taxes.

--Tax Reduction: Accept House bill calling for an $8 billion reduction in 1975 income taxes. In addition, reduce taxes further by about $12 to $15 billion through cuts in individual income taxes, which could be achieved through an income tax credit against social security tax payments of employees or employers or both (to be effective as long as stimulus needed), or by an optional tax credit of $250 in lieu of each personal exemption already available to the taxpayer (to become a permanent feature of the tax code).

--Business Tax Cut: Accept House bill providing $4 to $5 billion cut in business taxes, including an increase in the investment tax credit to 10%.

--Monetary Policy: The Fed should reduce both short- and long-term interest rates, accommodate Federal borrowing requirements, provide direct support to the residential mortgage market, and consult with Congress at semi-annual hearings before the Banking Committees about money supply growth targets and other monetary policy actions required in the next six months.

--Price/Wage Controls: Provide CWPS with larger staff, subpoena power, and the authority to delay for a limited period wage or price decisions which threaten to undermine progress toward price stability.

--Public Works Projects: Consider speeding up completion of previously authorized public works, provided the economic impact of the speed-up can be achieved rapidly and then phased down as full employment is restored.

--Public Service Jobs: Expand the current public service jobs program operated through State and local governments, by varying the size of the program from 500,000 jobs when unemployment averages 6% to a maximum of 1 million jobs at unemployment rates of 8% or above.

Also, provide a Federally administered public service jobs program to be triggered by an 8% unemployment rate. It should produce about 500,000 jobs at an 8% unemployment rate, and an additional 500,000 jobs for each percentage point above 8% unemployment. This program should include youth employment opportunities, such as summer jobs.

--Unemployment Aid: Increase the maximum weekly unemployment benefits to two-thirds the average wage in the State, with individuals to receive at least 50% of their previous weekly wage, up to the maximum.

Also, provide a Federal program of unemployment benefits for persons with demonstrated labor force attachment but not covered by present unemployment benefit programs, including the self-employed. These benefits would be available as long as the national unemployment rate remains at extraordinarily high levels.

--Income Support: Continue full operation of cost-of-living adjustments in Federal income support programs, such as social security and food stamps, as currently provided by law.

--Aid to State and Local Goverments: Provide anti-recession grants, which would vary in total size in accordance with the national unemployment rate. The total would be about $1 billion for each percentage point above 4% unemployment, and the distribution would be based on local severity of unemployment.

--Budget Changes: The net impact of the JEC proposals would be to enlarge the budget deficit by $12 to $14 billion in FY '75, and by $16 to $18 billion in FY '76. Spending changes proposed include a reduction in outlays for defense, an increase in outlays for housing programs, and inclusion of initial outlays for national health insurance and antipoverty efforts. (Estimates include the assumption of an 8% unemployment rate during FY '76.)

Congressional Economic & Energy Proposals

March 10, 1975

"The Congressional Program of Economic Recovery and Energy Sufficiency"

ECONOMIC POLICY COMPONENTS

ALLEGED EFFECTS OF CONGRESSIONAL PROGRAM

--GNP Effect: Production of $335 billion more in GNP from 1975 to 1980 than Administration's program.($11 billion more in 1975, $42 billion more in 1976, $64 billion more in 1977, $76 billion more in 1978, $89 billion more in 1979, and $53 billion more in 1980, all in 1974 dollars.)

--Jobs Effect: Creation of 8.3 million more job-years from 1975 to 1980 than Administration's program. (.42 million more in 1975, 1.0 million more in 1976, 1.75 million more in 1977, 2.23 million more in 1978, 1.97 million more in 1979, and .92 million more in 1980.)

--Price Effect: Cause a total of 3% less in CPI increases from 1975 to 1977 than Administration's program. (2% less in 1975, 0.75% less in 1976, and 0.25% less in 1977.)

ECONOMIC POLICY RECOMMENDATIONS

--Tax Rebate: Accept Administration's concept of rebate on 1974 taxes, but redesign it, based on House Ways & Means Committee objectives, to focus on low- and middle-income taxpayers. Single check mailed in May or June.

--Temporary Tax Reduction: Adopt "substantial" tax reduction for 1975, consistent with Ways & Means action, by reducing withholding taxes by July 1, 1975. Continue into 1976 if necessary.

--Business Tax Cut: Raise the investment tax credit to 10% retroactive to January 1, 1975, and keep the higher rate in effect until economy reaches "full employment zone." Set ITC at higher levels for long-term capital investment in energy-efficient equipment and equipment needed to convert from oil & gas to coal.

--Tax Reform: Enact initial tax reform legislation in 1975 to raise $5 billion, including repeal of depletion allowance for multi-national oil companies and elimination of foreign tax subsidies.

--Gasoline Tax: Add 5¢ to the gasoline tax and direct revenues to an Energy Trust Fund. Reject Administration's plans for energy tariffs and taxes and oil prices decontrol.

--Monetary Policy: Adopt Congressional resolution calling on Fed to reduce interest rates in 1975, to maintain a long-run growth in money supply "commensurate with economy's growth potential", and to consult with Congress at semi-annual intervals on the Fed's monetary growth targets for the next six months.

--Public Works Employment: Assure that Job Opportunities Program, the Economic Adjustment Assistance Program, and the Public Works Impact Program are fully funded and implemented. Reject re-recissions and deferrals on other public works programs, and provide Federal assistance to state and local governments if needed to assure full use of increased funding for public works construction programs.

--Public Service Employment: Expand public service employment program, with priority on hiring heads of families.

--Housing Aid: Provide a "shallow" interest rate subsidy for low- and middle-income families, to be phased out as the economy "recovers." Provide temporary aid to homeowners to prevent mortgage foreclosures. Reject recissions and deferrals on existing programs.

--Social Security: Accelerate payment of full 8.7% increase in social security benefits retroactive to January 1, 1975. Mail retroactive checks in May or June.

--Budget Changes: Increase total outlays for FY '76 to $355 billion by cutting $12 billion from the Administration's budget ($7 billion for energy equalization payment, and $5 billion from defense, foreign aid, and "elsewhere"), and adding $16 billion more (restoring social security levels, food stamp levels, etc., and other programs). The $355 billion total assumes that unemployment rate will average no more than 8% during the year.

Senate Budget Committee Proposals

March 11, 1975

Senate Budget Committee Majority Staff Report
on "Fiscal Alternatives in 1975"

ECONOMIC POLICY RECOMMENDATIONS

--Tax Rebate: Provide a $12 billion rebate on 1974 individual income taxes.

--Tax Reduction: Provide a permanent $16 billion tax reduction for 1975 and beyond, targeted to low- and middle-income persons.

--Business Tax Cut: Increase the investment tax credit to 10% effective January 1, 1975, and maintain that level until unemployment drops to 5%.

--Tax Reform: Reform the tax code to yield $5 billion annually when fully implemented, but only $3 billion in FY '76.

--Gasoline Tax: Enact a gasoline tax of 5¢ per gallon effective January 1, 1976, and increase the tax 5¢ each year that unemployment falls by a full percentage point so that it will reach 20¢ per gallon more when the unemployment rate falls below 5%.

--Monetary Policy: The Fed should maintain short-term interest rates at a level that will assure financial flows to the housing industry and maintain downward pressure on mortgage and other long-term rates. This suggests a short-term interest rates target of approximately 6% for the next 18 months at least, and a growth in M_1 at a rate of 8%-10% during 1975 and 1976.

--Public Works Projects: Fund public works projects that provide short-term employment opportunities while building facilities of value to communities.

In addition, provide a combination of public works, expanded public employment, and emergency fiscal aid to State and local governments, with expenditures tied to the unemployment rate. Once it was fully operative, the combined program would provide $6 billion when the unemployment rate was between 7% and 8%.

--Housing Aid: Provide a temporary interest subsidy for new home purchases, making the effective mortgage rate 6% for low and middle income home buyers.

--Social Security: Accelerate the full 8.7% increase in Social Security and supplementary security income effective January 1, 1975, and mail out the retroactive benefit checks in May or June.

--Budget Changes: Increase total outlays to $355 billion for FY '76 (assuming an unemployment rate average no more than 8% during fiscal year), by restoring part of the $17 billion in reductions proposed by the President and eliminating $7 billion in energy equilization payments. The net effect of the Budget Committee Majority Staff's alternative program would be to increase the budget deficit by $9.4 billion in FY '75 and by $10.1 billion in FY '76.

House Democratic Leadership Economic & Energy Proposals

ECONOMIC AND ENERGY PROPOSALS of HOUSE DEMOCRATIC LEADERSHIP (HDL)

Att. 1

Basic Strategy:

To halt the economic downturn as soon as possible and provide maximum relief in the interim to those suffering the most. A concerted effort is made to portray large Federal deficit financing problems an effect of the economy's ills rather than as a cause. No direct actions to reduce oil imports are proposed. Issued on January 13, 1975, this HDL plan called on House committees to report out legislation within 90 days.

Tax Cuts:

--Targeted to low and middle-income taxpayers
--Alternatives: (a) increases in personal exemptions, standard deduction, and minimum income allowance; (b) reducing payroll tax liabilities of working poor; and (c) individual tax credits.
--Revenue loss recouped somewhat by closing tax loopholes.

Lower Interest Rates:

--Increase credit supply at faster rate
--Allocate credit
--If no big Federal action by July 1, consider progressive tax on interest income ("prohibitive" tax on rates 9% or higher; nominal tax on rates below 6%).

Jobs:

--Additional public service jobs, totalling more than 750,000.
--Acceleration of public works projects through legislation mandating funding for previously authorized programs.

Housing:

--Alternatives:
(a) Increase savings & loan associations' ability to attract capital
(b) Provide temporary interest rate subsidies for low and medium-priced housing until interest rates drop.
(c) Provide incentives for rehabilitation of older houses.
(d) Provide short-term assistance to homeowners having difficulty making mortgage payments because of unemployment or sharp income drop.

Energy Conservation:

--Alternatives:
(a) Mandatory allocation of oil and other energy forms
(b) Higher gasoline taxes*
(c) Rationing of gasoline and home heating oil
(d) Higher manufacturers' excise taxes on pleasure crafts and private autos with high horsepower.
(e) Restrictions on sale of gasoline on certain days.
(f) Long-term, low-interest loans for home insulation.
(g) National examination of utility rate structures that encourage energy wastefulness by rewarding high usage with low rates.

*HDL urges careful consideration of practical effect on those without practical alternatives to auto use in connection with their work. HDL urges consideration of (1) dedicating gasoline tax revenues to trust funds for accelerated development of alternative energy sources, and (2) rebating portions of gasoline tax revenues to workers.

Inflation:

--Tough, selective wage and price controls program
--Independent agency with subpoena power, resources to hold extensive hearings, authority to delay price increases up to 90 days, and impose more permanent controls selectively.
--Emphasis on prices, not wages.

Help For Needy:

--Freeze food stamp prices
--Additional help for aged, blind, and disabled

Other HDL Goals for 94th Congress:

--Health and Medical Care
  --National health insurance legislation
  --"Boost economy" through assistance to labor-intensive health industry

--New Energy Sources
  --Encourage exploration for new domestic oil and gas
  --Encourage development of secondary and tertiary recovery techniques
  --Develop a national strategic energy reserve
  --Mandate a crash R & D program on other energy forms
  --Inprove regulatory procedures for construction of energy production facilities

--Anti-Trust
  --Strengthen and tighten anti-trust laws
  --Focus on: steel, automobile, communications, food-processing, banking, oil, and electrical industries, and multi-national corporations.

--Consumer
  --Create Consumer Protection Agency

--Food Production
  --Review of agricultural programs such as acreage allotments, soil bank, and acreage reserves in light of today's needs for increased production.
  --Establish a food export monitoring program
  --Re-establish a national grain reserves system
  --Improve competition and efficiency in food processing and distrubution sectors.

--Aid to Ailing Businesses
  --Incentives for auto industry to meet public need for less expensive and more energy-efficient cars, and to give boost to auto industry.
  --Aid for other hard-pressed industries vital to Nation's economic health.

--Aid to Elderly
  --Increase Social Security benefits
  --Speed-up delivery of Social Security payments

Senate Democratic Economic Proposals

ADMINISTRATIVELY CONFIDENTIAL

ECONOMIC POLICY COMPONENTS OF DRAFT SENATE DEMOCRATIC PACKAGE (SDP)

Basic Strategy: To halt the economic downturn and restore full employment as soon as possible. In the actions proposed, there is (1) an implicit assumption that the likelihood of intensified inflation is small, and (2) an explicit declaration that, in order to maximize the recovery speed, large reductions in oil imports and oil consumption should be deferred.

-- Goals: (1) To stop economy's downturn; (2) to decrease unemployment by more than one million above the Administration's "goal" without rekindling inflation; and (3) to reduce dependence on oil imports without aggravating recession

-- $12 billion Rebate on 1974 Taxes; targeted to low- and medium-income taxpayers; single check mailed in May or June.

-- Accelerate Social Security and SSI benefits payments at 8.5% level; retroactive to January 1975; check mailed in May or June.

-- Raise Investment Tax Credit to 10% to 12% range until full employment reached (contingent on tax reform). Reject Administration's proposal to reduce corporate rate to 42%.

-- $16 billion permanent personal tax reduction, but redesign the Administration's plan.

-- Raise $5 billion through tax reform legislation.

-- "Penny tax" on gasoline phased in only as economy turns up; maximum tax only during full employment; revenues for conservation programs; reject Administration's energy tax plans.

-- Reject recissions and deferrals of public works and highway projects on 1975-78 projects; suspend for one year the matching funds requirement in Federal highway program.

-- Housing Starts goal of two million during 1976 to be reached by loosening money supply; subsidize interest payments for 500,000 homes; reject recissions and deferrals on housing programs.

-- Cut $12 billion from Administration's budget; $7 billion from energy equalization payment; $5 billion from defense, foreign aid, and "elsewhere." Then restore the money in social security payments, food stamps, energy stamp program, and SSI. Total Budget for FY '76 = $353 billion.

-- Two (?) million job public service jobs program to reduce unemployment by 2 percentage points.

AFL-CIO Economic & Energy Proposals

AFL-CIO ECONOMIC and ENERGY PROPOSALS

Att. 3

TAXES

1. Tax cut of at least $20 billion, primarily for low- and middle-income taxpayers. (Recommendations of Labor-Management Advisory Committee):

   -- Individuals: $15 billion cut through reduced withholding taxes, by means of a $70 tax credit per exemption and a 5% cut in the tax remaining after the credit. Maximum cut of $375 per return. Effective January 1, 1975.

   -- Businesses: $5 billion cut in corporate taxes through an increase in the investment tax credit to 12%.

2. No one- or two-shot rebates.

3. Direct Government payments (of an unspecified amount) to those who pay no income taxes at all.

4. After tax cuts, Congress begins work on tax reform legislation to close loopholes.

ENERGY

1. Impose quota on oil imports, including a ban on such imports from 1973 embargo countries.

2. Government purchase oil imports:

   -- Government determines amount to be imported.

   -- Government negotiates price.

   -- Government provides for internal allocation.

3. Establish a system of fuel allocation and rationing.

4. Reject price decontrol of natural gas and domestic crude oil.

5. Revoke leases of oil or gas producers refusing to pump supplies discovered on land leased from U.S. Transfer leases to companies that will produce.

6. Block $3 per barrel import tariff plan.

7. Encourage conservation of gasoline.

   -- Enforce lower highway speed limits.

   -- Reduce optional auto trips

   -- Increase operating subsidies to mass transit for fare reductions.

8. Discourage U.S. oil companies from exploring abroad.

   -- Eliminate depletion allowance on foreign oil operations.

   -- Eliminate dollar-for-dollar credit against U.S. taxes for payments to foreign governments.

9. Adopt an excess profits tax, similar to the one in effect during Korean War.

10. Stretch out environmental regulations to reduce energy consumption.

    -- To expand domestic energy output

    -- Pass-through of savings to consumer.

11. Establish a petroleum stockpile.

12. Longer-run energy actions:

    -- Create Federal oil and gas corporation

    -- Develop alternative energy sources

    -- Investigate giant oil companies

    -- Regulate petrodollar investments in U.S.

MONEY SUPPLY

1. Reduce interest rates

2. Allocate credit.

HOUSING AND CONSTRUCTION

1. Reactivate Federal housing programs.

2. Reduce FHA and VA interest rates to 6 percent.

3. Establish a "lender of last resort" government agency to meet needs of businesses and state and local governments.

4. Generally expand and upgrade Federal housing programs.

NEW JOBS

1. Release much of $19 billion in impounded funds to create new jobs.

    -- $9 billion for sewers and waste treatment plants.

    -- $4 billion for highway programs.

    -- $373 million for hospital programs.

2. Block plans to impound $6 billion in highway funds for FY '76.

3. Accelerate public works programs, with a minimum commitment of $2 billion to communities with high unemployment.

4. Full funding and implementation of Public Service Employment Program. Increase authorization to provide one million additional jobs.

5. Incentives for young people to stay in school, including doubling of youth summer job program.

JOB PROTECTION

1. Import quotas on goods that have seen recent declines in U.S. production.

2. Restrict imports of countries placing unfair burdens on U.S. commerce.

3. Control U.S. exports of raw materials in short supply.

4. Revoke provisions for deferring tax payments on foreign-earned profits.

5. Eliminate foreign tax credit.

6. Revise Tariff Code to discourage foreign production by U.S. companies for shipment back to U.S. markets.

7. Regulate export of American capital and technology that results in the export of American jobs.

UNEMPLOYMENT ASSISTANCE

1. Expand unemployment insurance programs.

   -- Extend duration of benefits available to those covered by Emergency Jobs and Unemployment Assistance Act of 1974.

   -- Speed up payments by eliminating "waiting week" requirements in state programs.

   -- Increase weekly benefits to 2/3 of former weekly wages (with an upper limit equal to 2/3 of state-wide average weekly wage) by using Federal funds.

2. Provide health care to those losing their employer-employee health insurance coverage when they become unemployed.

3. Make the Aid to Unemployed Fathers program mandatory in all states.

4. Provide increased welfare costs during this emergency period with Federal funds.

5. Freeze food stamp prices, and reduce certification period from 30 days to 15 days.

Congressional Testimony Summary

ECONOMIC POLICY PROPOSALS
PRESENTED IN RECENT CONGRESSIONAL TESTIMONY

JOINT ECONOMIC COMMITTEE

--Hendrik Houthakker: rebate on 1974 taxes; permanent income tax reductions; reform of corporate tax structure to promote capital formation.

--George Perry: one-shot $12 billion rebate by spring; permanent $20 billion cut by summer (including 10% investment tax credit); stimulus needed ASAP.

--Paul McCracken: believes President's 2-stage rebate plan is stimulative, but prefers permanent tax cut; interim increase in investment tax credit O.K., but prefers reform of corporate tax structure in long run; M_2 should increase at 10% to 12% rate in next two years, and M_1 somewhat slower; action ASAP.

--Gardner Ackley: permanent tax reduction of $25 to $30 billion effective 4/1/75; FY '76 deficit too small; M_1 should increase at 9% to 10% rate for next year.

--Charles Schultze: one-shot $12 billion rebate ASAP, with $700 maximum; permanent tax cut of $10 billion by a 1.5% credit on first $14,000 earned; $3 billion cut by raising investment tax credit to 10%; counter-cyclical revenue-sharing: $6 billion in calendar 1976, falling to zero when unemployment rate falls to 4.5%; $20 billion permanent tax cut (instead of $10 billion) if oil tariffs take effect.

--Henry Ford: large, quick tax cut; loosen money supply to 6% to 8% rates for for a while.

--Leonard Woodcock: $18.4 billion tax cut for individuals in 1975 ($10 billion in rebates (with $250 maximum) plus $8.4 billion in reduced withholding); $3.8 billion cut in business taxes ($2.6 billion by raising investment tax credit plus $1.2 billion by temporarily adusting corporate surtax exemption); permanent tax cut of $19.7 billion for individuals in 1976; raise $9 billion by closing tax loopholes; Federalize unemployment compensation system; $10 billion in FY '76 for 1.25 to 1.50 million public service jobs.

--Consensus: The size and speed of tax reductions are much more critical than the incidence of the cuts. Tax reform should be deferred until a recovery is underway. President's energy program would retard recovery, and should be deferred. Tax reductions beyond 1975 are needed.

HOUSE COMMITTEE ON BANKING, CURRENCY, AND HOUSING

--Andrew Brimmer: M_1 rate of 8% to 10% is needed during 1975, and would not be inflationary; prefers ad-hoc Fed efforts at voluntary credit allocation, but not averse to Reuss plan for more formal mechanism.

--Beryl Sprinkel: prefers more dialogue between Fed and Congress (e.g., Fed report regularly in hearings on specific plans, policies, etc.) rather than statutory money growth requirements and credit allocation mechanisms.

TIME Economists Views

VIEWS EXPRESSED BY TIME
MAGAZINE'S BOARD OF ECONOMISTS

Without a transcript of the discussion reported in TIME's February 17, 1975, issue, I must rely largely on the magazine's own interpretation of the views expressed by the eight members of their Board of Economists.

AREAS OF CONSENSUS OR SUBSTANTIAL AGREEMENT

--Administration's FY '76 budget will do little or nothing to stimulate the economy.

--A larger, more permanent tax cut than the $12 billion rebate proposed by the President is needed. Any rebate should be made in one shot and as soon as possible.

--The growth rate of the money supply should be increased to 6% to 8%.

--The President's tariff and tax plans for conserving energy should be dropped.

--Congress will probably add about $13 billion more to the FY '76 budget.

SPECIFIC INDIVIDUAL COMMENTS

--Arthur Okun
 --In the absence of a much larger stimulus, there is a 1/4 chance of the recession extending into 1976 and unemployment reaching 10%.
 --The 5-year GNP loss due to the current recession will be $900 billion.

--Murray Weidenbaum
 --$10 billion continuing tax cut is needed because of the large long-run unemployment forecasts contained in the President's budget.
 --President should "call back" his energy program.
 --Administration should speed up Federal contracts to create jobs.
 --We must be careful not to push the panic button and over-stimulate.

--Walter Heller
 --Permanent tax cut of $25 billion is needed, and should be made effective July 1, 1975.
 --A $27 billion tax cut would be necessary today to get the same stimulative effect as the 1964 $12 billion cut. (TIME then says that Heller favors a cut larger than $27 billion because this recession is so severe. This is inconsistent with his support for a tax cut of "only" $25 billion cited above.)
 --Gasoline rationing preferred over tariff and tax conservation plans.

--David Grove

--The current recession resulted from the Administration's preoccupation with fighting inflation.

--Beryl Sprinkel

--Administration's FY '76 budget "reasonable" because of continuing threat of inflation.

--Favors voluntary conservation programs.

--Robert Nathan

--Large increase in public service jobs is necessary.

--Administration's FY '76 budget is "very restrictive" because of large full-employment surpluses.

--Robert Triffin

--A greater stimulus is necessary, but it should be applied on a selective basis (e.g., public service jobs or housing subsidies)

--Joseph Pechman

--President's overall program has a net zero stimulative effect.

--Permanent tax cut of $25 billion is needed, and should be made effective July 1, 1975.