

REPUBLICAN LEADERSHIP MEETING

JULY 8 - 8:30 a.m.

AGENDA

- | | |
|------------------|------------------------------------|
| 8:30 - 8:45 a.m. | I. Senate Report |
| 8:45 - 9:00 a.m. | II. Unemployment Insurance |
| 9:00 - 9:30 a.m. | III. Narcotics and Dangerous Drugs |
| 9:30 - 9:40 a.m. | IV. House Report |

*From Tax to
Common clause.
95% legal.
Distribution control,
Import control
Habitual penitents.*

*Controversial
1) Drug Industry - with
front aspect,
2) Long sentences.*



DIARY OF WHITE HOUSE LEADERSHIP
MEETINGS -- 91st CONGRESS

July 8, 1969

I left home at 7:15 a. m. I did not arrive at the White House until 8:40 a. m. Traffic was fierce. When I entered, Shultz was in the process of explaining the Unemployment Insurance Message to the Congress.

RMN interrupted to recognize Dirksen, who had a 9:00 a. m. appointment. Dirksen said that Long expected to report a surtax-reform package bill next week. Harlow interrupted to say that Mansfield had told him that the Democratic Policy Committee had adopted a resolution that no action on the surtax bill would be taken until the House had passed a reform bill and the Senate Finance Committee has reported a reform bill. RMN asked if a statement by the President urging Senate leaders to act on the surtax bill would be advisable. Dirksen felt not. He said the ABM bill is on the Floor today and the debate may consume 3 weeks.

He then raised the question about the Mine Safety bill. If the Harris-Javits bill becomes law, it will cause serious small mine shutdowns, and these in turn will cause electricity brownouts. Harlow said that the Administration is awaiting the return of Secretary Hickel on Thursday before taking any final position. Scott said that the problem is simply that small coal miners cannot comply with industry standards because the standards are running ahead of the technology.

Dirksen raised a question about the excessive use of the Members' telephone tie lines. He cited one example. One Senator has run up an excess bill of \$2,000.00, bills for which he has ignored.



Dirksen then spoke to Shultz about the Fair Employment Quota plan which the Department has instituted in the Philadelphia area. Dirksen asked if the Secretary knew that Title VII of the Civil Rights Act of 1964 specifically and explicitly forbids quotas. Shultz said that he was aware of the law but that it had become critical to make it possible for Negroes to be employed in the construction industry. Under the present arrangement, the employer is notified that he must employ Negroes after the contract has been awarded. Under the new policy, the employer will have the benefit of advance notice. If that notice is to be meaningful, the Department must indicate numerically what is likely to be considered acceptable. Cramer said that the weakness of the Department's approach is that it puts the burden upon the employer to force the unions to make minority labor available. RMN interjected to say that because the construction trade unions have been traditionally friendly to Republican candidates, the Republican Party has "temporized" too long with this problem. It is essential to break the bottleneck. Failure to employ minority workers has driven the wage level so high that it threatens the housing industry. He cited a case in Florida where common laborers on construction projects are paid \$50 a day. In what he called a "related digression," the President expressed his fears about the present clamor for wage and price controls. He said the controls lead to rationing and rationing to black marketing. Shultz said that of the 5.4% increase in the cost of living last year, over half came from additional medical costs and higher costs in the housing industry. Cramer said that there is another side to the coin. Because of the policy reflected by the Philadelphia plan, half the contractors are refusing to bid on road contracts, which has the effect of increasing road costs alarmingly.

Dirksen reported that the Administration's Voting Rights bill has been introduced, and Senator Ervin has scheduled hearings before his subcommittee. He said that notwithstanding the



complaints by "some on the other side," "John Mitchell has gotten together a darn good bill."

Shultz returned briefly to the Unemployment Compensation Message. He said the Administration program would meet with derision at the hands of unions. Ford asked how different the new bill is from that passed by the House in 1966. Shultz said that the new bill is more nearly akin to the bill that actually passed rather than H. R. 8282, which provoked so much controversy. Allott inquired how Republicans could explain to small businessmen why the Nixon Administration was imposing a new tax burden on employers of less than 4. Shultz said that the bookkeeping required is already required by the Social Security apparatus and that some states already have unemployment compensation taxes anyway. Allott responded that in addition to the bookkeeping burden, it was also a major economic burden. Tower called attention to the fact that this falls on top of the new minimum wage burden. RMN said that while there would be some difficulty in making some explanations, he considered the bill a reasonable approach and absolutely necessary to head off something that would be a great deal more extreme. Shultz said that it will help the economy. Asked by RMN to explain this, he said it would have a "counter-cyclical" effect when the economy is on the downturn. Young also expressed concern for the impact this would have upon the small businessman. Byrnes said that the new bill is essentially the same as the bill supported by Republicans when it passed the House in the last Congress. Byrnes also warned about the danger of the Senate attaching tax reforms to the surtax bill. Such a package will meet another stalemate when it reaches the House. RMN said that those who deliberately delay the surtax extension must assume responsibility for further cost of living increases. Scott asked if he could be quoted to that effect. The reply was affirmative. RMN excused Shultz with a compliment for the good job he did in the settlement of the Charleston strike.

Mitchell was recognized to explain the narcotics bill. Without going into detail, he said that it would consolidate all of the several narcotics laws now on the books except the Narcotics Addict Rehabilitation Act; that it would authorize the Attorney General, with the advice of the Secretary of HEW and the Advisory Committee (established under the bill), to compartmentalize dangerous substances in 4 categories and later to transfer them from one to another or decontrol them altogether. He said that new enforcement provisions were included (he had reference to Title VIII, which authorizes search warrants, administrative inspection, inspection without warrants, forfeiture, injunctions, etc.); that the regulations aspect would excite some hostility from the industry; and that the new penalty provisions would be the source of some dispute in Congress. At that point, the Attorney General said that Poff had some thoughts on that point, and the President invited me to take the chair vacated by the Vice President. I said that I supported fully and enthusiastically 7 of the 8 titles and part of the eighth. Specifically, I favor the new technique of a mandatory parole component in the sentence which makes it possible not only to attempt rehabilitation but to provide continuing supervision and control after release in order to protect the public. I also support the new concept of consecutive extended terms for the professional criminal, a concept which has been endorsed by the President's Crime Commission and other experts in the field of criminology. This extended term provision will be a minimum mandatory term with ~~an~~ opportunity for suspension, probation or parole. This helps to make the penalty structure tougher. However, I said I would reserve my right to offer amendments to other features of the penalty structure in Title V. I am afraid that some of the changes proposed would give Administration critics the opportunity to say that the Administration has gone soft on narcotics. To illustrate my point, I cited the present penalty for sale of heroin to a buyer under the age of 18 by a seller 3 years his senior,



which is now a minimum mandatory of 10 years and a maximum of life or death. Under the new bill, the penalty would be 2 years and the maximum 12 years, but whatever penalty is imposed could be suspended. For further illustration, I called attention to the fact that the present minimum mandatory penalty of 10 to 40 years for a second conviction of the sale of marijuana would be repealed. Also, all possession cases, either of marijuana or heroin, which presently incur a minimum mandatory federal penalty, would become misdemeanors.

I said that I appreciate the weaknesses of the minimum mandatory penalty, namely viz, that it discourages prosecutors from prosecuting or prompts plea bargaining or discourages juries from convicting. However, in the field of narcotics offenses, at least in certain echelons, the same rationale does not have the same validity. Prosecutors, judges and jurors recognize that trafficking offenses justify greater penalties, more certain penalties and penalties more likely to deter. This is especially true for second and subsequent offenses. I emphasized that I am persuaded that more convictions for the actual offense committed can be achieved if some flexibility is written into the statutory penalty on first offenses, but I was afraid critics would use the system proposed as an excuse to say that the Nixon Administration is not earnest in its promises to crack down on crime.

John Mitchell asked me if I thought it might be better to leave the penalty structure blank and invite the Congress to fix them. I replied that I had made precisely this suggestion some time ago but that I was aware of the argument that failure to include penalties would be criticized as a leadership failure. At this point, RMN interjected to say that he felt that the draft of the bill should give critics "no handle" to charge that the Administration is soft on dope. He said that rather than to do so, it would be better to omit the penalties in Title V.



(Personal Note: During the narcotics discussion, the Vice President re-entered, and RMN invited me to come around the table and sit in the chair on his left which Ford had just vacated. He said to the Vice President not to worry that he didn't have me in mind for his seat; that I might be under consideration for the Court but not for the Vice Presidency.)

I suggested to the President that he recognize Roman Hruska. Roman said that Poff had summarized his own position very well. RMN then asked that the matter be given top legislative priority and asked me what the prospects were in the House. I said that since the bill would be referred to the Committee on Interstate and Foreign Commerce, Bill Springer, who was present, could answer more responsively. Springer said that the Chairman had introduced his own bill which tends to give more authority to the Department of HEW than the Administration bill, but that he felt good legislation could be written. He agreed that there would be some dispute about penalty clauses.

The meeting adjourned at 10:10 in order that the President could welcome Emperor Haile Selassie.

RICHARD H. POFF



OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF
CONGRESSMAN GERALD R. FORD
THE ROOSEVELT ROOM

AT 9:55 A.M. EDT

MR. ZIEGLER: Senator Dirksen had to go to the Hill, to the Senate Finance Committee, where Secretary Kennedy is testifying this morning on the surtax bill, so Congressman Ford will give you a report on the meeting.

CONGRESSMAN FORD: Thank you very much, Ron.

Good morning. As Mr. Ziegler has indicated, Senator Dirksen was here but had to go up to the hearing in the Senate Finance Committee, where Secretary of the Treasury Kennedy is testifying.

Before the Senator left there was a fairly broad discussion of the urgency of the enactment of the surtax legislation as it passed the House with the two very important tax reform provisions in it; one, the repeal of the investment tax credit, and secondly, the recommendation of the White House for the low income allowance provision.

It was pointed out that there may be an effort on the part of some to delay the consideration of the surtax package that was passed by the House and it is the strong feeling of the President and the Administration that those who for one reason or another delay the consideration and the enactment of the surtax are responsible for any of the ill effects that take place in the economy, such as the increase in prices, the problems of inflation and high interest rate.

It seems to the Administration that time is of the essence, that we must act affirmatively as quickly as possible on the surtax, the tax package, if we are to really win the battle against inflation and if we are to do something affirmatively in the area of high interest rates and to furthermore prevent some economic difficulties down the road.

I think all economists agree, from the left to the right, that this legislation is vitally important and the sooner the Congress acts, the more certain we will be in winning the battle against inflation.

We have heard, all of us, some comments about the need and necessity for tax reform. The President sent a message several months ago incorporating some 16 very important proposals for tax reform.

MORE



The President, in a letter to me last Monday, reiterated this Administration's dedication to bona fide tax reform. The Chairman of the Committee on Ways and Means and the ranking Republican member have promised that there would be tax reform legislation out of the Committee on Ways and Means.

I hasten to add that this is the first Administration in some 20 years I have been here, that the White House has openly and specifically endorsed real tax reform. So the prospects of tax reform are bright, but they should not be mixed with the surtax proposal that is needed and necessary for our battle against inflation.

The meeting also included a discussion of the message which is already distributed, I understand, on unemployment insurance proposals of the White House.

Furthermore, the Attorney General is now discussing with the Leadership the message and the recommendations of the Administration in reference to drugs and narcotics. The need and necessity for this legislation is, I think, evident. We read almost daily of serious consequences resulting from the increase in drug traffic, increase in drug use.

The Administration is making specific recommendations. We all know that organized crime ---

Q When will that come?

CONGRESSMAN FORD: Sometime this week, as I understand it.

Is that correct, the message and recommendations on drugs?

MR. ZIEGLER: Not necessarily this week. There is a possibility it will be this week, but within the coming weeks.

CONGRESSMAN FORD: Frankly, I had to leave the meeting before the Attorney General finished, so I did not get that detail, but I assume sometime this week or in the near future.

Organized crime really thrives on the drug and narcotics traffic. The Federal Government has a major interest. The President himself passed a note to me as the Attorney General was talking with the Members of the Leadership, and the President's note indicates that 58 percent of all crimes in the New York and New Jersey area last year were committed by people somehow connected with drugs and narcotics.

I think this is ample evidence that something has to be done on a much vaster scale than we have been doing in the past.

Those were the major items that were discussed. I will be glad to answer any questions.



Q What program is he proposing for curbing narcotics, generally?

CONGRESSMAN FORD: Again, I had to leave before all the details were developed by the Attorney General. Before I left the Attorney General was talking about a change in the control of distribution. There was to be a proposal involving import controls. There was a proposal that would give some ~~greater~~ flexibility in penalties. There apparently is a tendency on the part of courts and juries where there is this hard, mandatory, tough sentence to not have as many convictions as you might have if there was a lesser penalty and more flexibility given to the courts.

Q Are you speaking there of easing up on the penalties on marijuana?

CONGRESSMAN FORD: Again, we did not get into the details, or at least I was not there when those details were discussed. But there has been a tendency on the part of juries and the courts themselves where the penalty is hard and inflexible, to not have as many convictions. What we need, I think, is more flexibility in the sentencing where there has been a conviction, and one of the proposals incorporated in this area would involve that area.

Q Earlier you mentioned the need to do something about the high interest rates. At the meeting this morning did you get into Mr. Kennedy's meeting with those bankers, and Mr. Patman's charges with regard to that meeting?

CONGRESSMAN FORD: We did not get into that specific, but we related high interest rates to the surtax proposal. I think it is recognized by everybody if we don't pass the surtax, the probability of higher interest rates is a foregone conclusion. If we pass the surtax proposal, then the probability on the other hand is that interest rates will ease and will go down rather than up.

Q Is the Administration prepared to compromise if necessary to get the surtax through the Senate?

CONGRESSMAN FORD: The Administration feels that we must pass the surtax now, and that as long as the Administration is categorically on record by a message and by a letter for tax reform, there is no need and necessity to combine the two.

Q Mr. Ford, will you accept the additional tax reform proposals tied to the surtax?

CONGRESSMAN FORD: The Administration is against additional tax reform proposals at the present time. They are committed for tax reform at a later date during this Session of the Congress. It seems that the House bill is the best vehicle.



Q Suppose somebody in the Senate comes up with enough strength to insist on some additional tax reform?

CONGRESSMAN FORD: Well, of course, the Senate will work its will, and the conference between the House and Senate will try to compromise whatever is included in the Senate version in the House version, but the Administration feels very

strongly that the closer the bill can be to the House version the better, and time is of the essence.

Q Was there any discussion about the increasing cost of medical expenses in the country and the anticipated announcement on Thursday in regard to that?

CONGRESSMAN FORD: Indirectly there was a discussion of it with regard to the increases in the cost of living in the last year. I think Secretary Shultz said that 60 percent of the increase in the cost of living in the last year related to two principal factors; one, that which you mentioned, and secondly, construction costs. But it was only in reference to the overall, not on a specific point.

Q Was there any discussion about Mr. Nixon's Asian trip or the trip to Romania?

CONGRESSMAN FORD: None whatsoever.

Q Mr. Ford, why should there be opposition to accepting some tax reform now with the surcharge?

CONGRESSMAN FORD: It is a matter of delay. If the Senate gets into a long debate, a prolonged discussion of a multitude of reforms at this time, it will inevitably delay the war we are waging against inflation, and as long as there is this firm commitment by the Administration for tax reform during this Session, it doesn't seem necessary to have tax reform attached to the surtax bill.

Q Congressman, is it true that the House will not vote this year on the President's draft proposal?

CONGRESSMAN FORD: The House Committee on Armed Services, I hope, will consider the President's draft changes, recommendations for revision in the selective service, as soon as they get through the necessary military procurement authorization bill. I would hope that the House would have such a chance in 1969.

Q Was anything said about revenue sharing?

CONGRESSMAN FORD: Not this morning, no.

Q Was anything said about the lull in military activity in Vietnam?

CONGRESSMAN FORD: There was no discussion of that this morning.

THE PRESS: Thank you.

END

(AT 10:10 AM EDT.)



HOUSE ACTION, PERIOD JULY 1 THROUGH JULY 7, 1969

Tuesday, July 1, 1969

SALINE WATER CONVERSION PROGRAM AUTHORIZATION

The House agreed to the conference report on S.1011, to authorize appropriations for the saline water conversion program for fiscal year 1970, and returned the measure to the Senate for further action.

AEC AUTHORIZATION

The House agreed to Senate amendments to H.R.12167, to authorize appropriations to the Atomic Energy Commission.

PRINTING RESOLUTIONS

By voice vote the House adopted eight printing resolutions.

Tuesday, July 8, 1969 and Balance of Week

H.R.11249 - To amend the John F. Kennedy Center Act to authorize additional funds for such Center

H.R.6508 - California Disaster Relief Act of 1969

H.R.11400 - *Conference Report on* Second Supplemental Appropriation Act, FY 1969

H.J.Res.247 - Relating to the Administration of the National Park System

H.R.471 - To Hold in Trust Certain Lands for the Pueblo de Taos Indians in New Mexico

H.R.11702 - Medical Library Assistance Extension Act of 1969

H.R.4284 - Authorizing Appropriations for the Standard Reference Data Act



MEMORANDUM

THE WHITE HOUSE

WASHINGTON

July 7, 1969

MEMORANDUM FOR THE PRESIDENT

FROM:

Bryce Harlow ^{BH}

SUBJECT: Status of legislation endorsed by the President

You have recommended or endorsed or otherwise become involved in 24 major legislative proposals since January 20. A list noting the legislative status of each is attached.

Legislative action is complete on five of the proposals.

In no instance has the Congress finally rejected one of your proposals.

On the contrary, there have been significant victories on important test votes: surtax, two-year extension of the elementary and secondary education act, cut-back on the Job Corps, debt ceiling increase.



BILLS SENT TO CONGRESS:

Dated

- | | | |
|---|------|------------------------------------|
| 1. 2-Year Extension of Reorganiza-
tion Act | 1/20 | (X) Passed |
| 2. Debt Ceiling Increase | 2/24 | (X) Passed |
| 3. Nuclear Non-proliferation | 2/5 | (X) Ratified, not signed |
| 4. Electoral Reform | 2/20 | Out of House Judiciary Comm. |
| 5. Reform of Postal System | 2/24 | In Committee |
| 6. International Development
Association | 3/ | (X) Passed |
| 7. Coal Mine Safety | 3/3 | |
| 8. ABM | 3/4 | |
| 9. 1 Bank Holding Companies | 3/24 | |
| 10. Surtax | | Passed by House |
| 11. Tax Reform | 4/21 | |
| 12. Organized Crime | 4/23 | |
| 13. Elementary & Secondary
Education | | Passed by House |
| 14. Postal Rate Increase | 4/24 | |
| 15. D. C. Government | 4/28 | |
| 16. Grant Consolidation | 4/30 | |
| 17. Obscenity | 5/2 | |
| 18. Job Corps | 5/13 | |
| 19. Student Disorders | | |
| 20. Export Control Act | | Temporary Extension passed |
| 21. 2-Year OEO Extension | 6/2 | |
| 22. Airports & Airways | 6/16 | |
| 23. Voting Rights Act | 6/30 | |
| 24. Aid to Families with Dependent
Children Freeze, <i>repeal of</i> | | (X) Passed Sen. Amendments
6/26 |



BILLS SENT TO CONGRESS:

	<u>Dated</u>	
1. 2-Year Extension of Reorganiza- tion Act	1/20	<input checked="" type="checkbox"/> Passed
2. Debt Ceiling Increase	2/24	<input checked="" type="checkbox"/> Passed
3. Nuclear Non-proliferation	2/5	<input checked="" type="checkbox"/> Ratified, not signed
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6. International Development Association	3/	<input checked="" type="checkbox"/> Passed
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15. D. C. Government	4/28	
16. Grant Consolidation	4/30	
17. Obscenity	5/2	
18. Job Corps	5/13	
19. Student Disorders		
20. Export Control Act		Temporary Extension passed
21. 2-Year CEO Extension	6/2	
22. Airports & Airways	6/16	
23. Voting Rights Act	6/30	
24. Aid to Families with Dependent Children Freeze		



THE WHITE HOUSE



Those who delay passage
of tax bill must bear
responsibility for higher
prices, higher interest rates.
Runaway inflation.
Reform demand is a
smoke screen. Reform
will come. Admin for.



ACID FREE
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FBI - BOSTON

June 30, 1969

Dear Mr. Ford:

As the House nears a decision on the surtax, I want to remove any vestige of doubt as to the commitment of this Administration to prompt and meaningful tax reform.

I first made this commitment publicly on February 6. I reaffirm it today.

Clearly the record supports that commitment. On April 21, after less than three months in office, this Administration submitted 16 substantive tax reforms to the Congress. They included a minimum income tax to help ensure that people with high incomes will not fail to share the tax burden. We suggested a Low Income Allowance to remove poverty-level people from the tax rolls and reduce the taxes of some eight million others. We also recommended repeal of the seven percent investment credit.

It is due in part to those initiatives that the measure before the House today includes significant tax reform... Your colleagues will recall that repeal of the investment credit, ultimately releasing over \$3 billion in revenue, was singled out only three months ago by the majority of the Senate-House Joint Economic Committee as the "first priority in tax reform."

The Low Income Allowance is also a high-priority reform. We should delay no longer the elimination of the social paradox of poverty-stricken people paying a federal tax on their meager incomes.



Important as these two reforms are, much more is needed and will be done. On May 27, the House Ways and Means Committee published a list of tax reform measures which it had tentatively approved. On my direction Treasury officials and staff have been working closely with the Committee. They will continue to do so.

There is no reason why a far-reaching tax reform bill cannot be put before the House of Representatives this summer. This is the announced goal of the Ways and Means Committee; it is also the goal of this Administration.

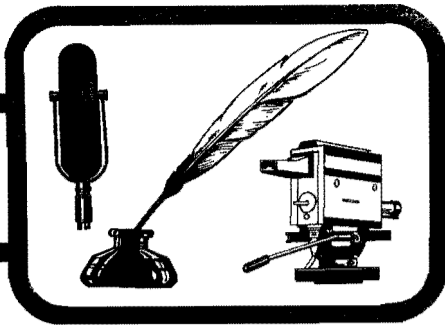
While these complex measures are being prepared, there must be no question as to this Government's determination first to slow and then to stop inflation. This requires Congressional action now. It requires extension of the phased surtax, and it requires enactment now of the other tax measures proposed by the Administration and approved by the tax committee of the House.

The goals of fiscal responsibility and tax reform are not mutually exclusive. We can have both; we must have both. I trust and believe that the House will move responsibly toward both by voting today to extend the surtax.

Sincerely,

Honorable Gerald Ford
House of Representatives
Washington, D.C.





CONGRESSMAN
GERALD R. FORD
HOUSE REPUBLICAN LEADER

**NEWS
RELEASE**

--FOR IMMEDIATE RELEASE--
July 8, 1969

Statement by Rep. Gerald R. Ford, R-Mich., on the President's Message dealing with Unemployment Insurance, July 8, 1969.

President Nixon's proposals to expand, improve and strengthen our unemployment insurance system clearly constitute one of the most important items of legislative business on the agenda of the 91st Congress.

It is vital that we extend unemployment insurance to an additional 4,800,000 workers as recommended by the President and that we provide for payment of benefits during worker retraining and for automatic extension of benefits during long periods of high unemployment.

I expect that these proposals by President Nixon will be relatively non-controversial. The fight, if any, will come over the recommendation that states be given two years to meet the goal of paying unemployment benefits amounting to at least 50 per cent of a worker's weekly wage.

In this connection, it should be remembered that the unemployment insurance system is a Federal-State program. Every attempt should therefore be made to improve the system with the full cooperation of and action on the part of the respective states.

I subscribe to the concept that unemployment benefits amounting to at least 50 per cent of a worker's weekly pay should be paid in every state. In those states where this objective is not being met, injustice is visited upon the unemployed who are eligible for unemployment insurance benefits. Also, employers in that state are given a competitive advantage over employers in other states.

But it would be far better to achieve the 50 per cent objective through federal encouragement than through federal bludgeoning. I therefore feel a grace period is in order.

Enactment of the other Nixon recommendations into law will greatly strengthen our unemployment insurance system and improve the health of the American economy.



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Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

The best time to strengthen our unemployment insurance system is during a period of relatively full employment.

The Secretary of Labor is sending to the Congress today proposed legislation to extend unemployment insurance to 4,800,000 workers not now covered; to end the shortsighted restrictions that stand in the way of needed retraining efforts; and to add a Federal program automatically extending the duration of benefits in periods of high unemployment.

There are three principles to be considered as we move to make the unemployment insurance system responsive to our times.

Unemployment insurance is an earned benefit. When a man covered by unemployment insurance is working, the employer pays a tax on his wages to insure against the day when the employee may be between jobs. That insurance is like a mandatory fringe benefit; it is insurance bought in the employee's behalf, and the worker therefore is entitled to the benefits he receives when he is unemployed. Accordingly, there is no demeaning of human dignity, no feeling of being "on the dole," when the insured worker receives benefits due.

Unemployment insurance is one of the foremost examples of creative Federal-State partnership. Although the system was created by Federal law, most decisions about the nature of the program are left to the States, which administer the system with State employees. This makes the system far more flexible and attuned to local needs and special circumstances of local economies.

Unemployment insurance is an economic stabilizer. If, for example the economy were ever to slow and unemployment were to rise, this program automatically would act to sustain personal income. This would help prevent a downturn from gathering momentum resulting from declines in purchasing power. When employment is at a high level, and greater stimulation of consumer demand is unwanted, relatively little money flows into the economy from unemployment insurance.

With these principles in mind, I am making these recommendations for both Federal and State action:

1. We should act together to extend unemployment protection to more employees, including many highly vulnerable to layoffs who are not now covered.

2. The States should make certain that workers throughout the United States receive enough money for a long enough period of time to sustain them while they seek new jobs.

3. We should end the restrictions imposed by almost half the States on payments to unemployed workers undergoing retraining and, instead, follow the lead of those States which encourage retraining.

more



4. We should better protect the investment made on behalf of the insured by seeing to it that the funds are paid only to those who should receive them.

5. We should increase the responsiveness of the system to major changes in national economic conditions.

6. We should strengthen the financing of the system which presently discriminates against the low-wage worker and the steady employer.

1. Protecting More Employees

Over 57 million workers are protected by unemployment insurance. However, almost 17 million are not covered: more than half of these are employees of State and local governments. The last extension of coverage was enacted during the Eisenhower Administration, when 6 million additional workers were included; there is a clear social need today to cover as many more employees as we can.

I propose that an additional 4.8 million workers be covered by unemployment insurance. These include:

- 1,600,000 workers in small firms with less than four employees;
- 400,000 on large farms employing four or more workers in each of 20 weeks;
- 200,000 in agricultural processing activities;
- 1,800,000 in non-profit organizations;
- 600,000 in State hospitals and universities;
- 200,000 salesmen, delivery tradesmen, and others who are not currently defined as employees.

These 4,800,000 workers are in real need of protection against unemployment. Many of them are low wage workers with little job security and no prospect of termination pay if they are laid off.

The present gaps in coverage work a disproportionate hardship on minority workers, since a higher percentage of the 4,800,000 are nonwhite, compared to the entire labor force.

To cushion the immediate impact of this extension on employers, I recommend that States be permitted to lower the tax rates on newly covered employers until such time as a record of employment experience can be compiled to determine what their true rate should be.

With the passage of this legislation, the majority of those remaining uncovered will be employees of State and local governments. I urge the States and localities to take action, in the light of their local circumstances, to include their own employees in unemployment insurance coverage.

more



2. Making Benefits Adequate

The basic purpose of the Unemployment Insurance Program is to pay weekly benefits high enough to prevent a severe cut in a worker's standard of living when he is between jobs. The principle is generally accepted that it takes at least 50% of the worker's wage to meet this purpose.

Almost every State subscribes to this general principle, but benefit ceilings in their legislation have in fact made this principle largely ineffective, especially for the family breadwinner. At least two out of five claimants currently fail to get a benefit equal to one-half their wages.

In 1954, President Eisenhower recommended to States that they provide a maximum high enough to permit the great majority of covered workers to receive one-half their wages. This means that at least 80% of insured workers should be able to receive a benefit of one-half their wages in unemployed.

Men are most adversely affected by the limit on weekly benefits. In one large industrial State, for example, only 23% of the men receive benefits equal to as much as one-half their weekly wages.

If the program is to fulfill its role, it is essential that the benefit maximum be raised. A maximum of two-thirds of the average wage in the State would result in benefits of 50% in wages to at least 80% of insured workers.

Up to now, the responsibility for determining benefit amounts has been the responsibility of the States. There are advantages in States having that freedom. However, the overriding consideration is that the objective of adequate benefits be achieved. I call upon the States to act within the next two years to meet this goal, thereby averting the need for Federal action.

3. Encouraging Retraining

During the present decade, many manpower programs were launched in the United States. We have seen how unemployed workers can be equipped with new skills and started on new careers. When the decade began, only three States permitted workers who enrolled in retraining programs to continue to receive benefit payments. All the rest disqualified them upon entry into training.

During the early 1960's, many States recognized the potential of training for employment rehabilitation, and by 1969 twenty-five States, plus Puerto Rico and the District of Columbia, had removed such restrictive requirements.

However, twenty-five States continue to discourage retraining by denying benefits to workers in such programs on the theory that they are not "available for work." On the contrary, the workers are trying to keep themselves available by learning new techniques and technologies, and government should certainly stop penalizing them for doing something that government, business and labor all want to encourage.

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I propose a requirement that the remaining States permit workers to continue to receive benefits while enrolled in training programs designed to increase their employability.

4. Protecting the Insurance System

We must also be sure that benefits are going only to those people the system is designed to protect. The funds must not be dissipated.

Attachment to the Labor Force. The unemployment insurance system is designed to protect workers whose attachment to the labor force is more than casual. A worker's attachment is measured by both his past employment history and his present situation. He must be ready, willing and able to work and trying to find work while he is claiming benefits; and he must have had at least a certain amount of employment in the recent past. Generally, from fourteen to twenty weeks of work is required, depending on the employment patterns of the State and the minimum duration of benefits.

A few States, however, measure past employment by a flat dollar amount. This discriminates against the low-wage worker, because it means he must work for a longer period to be eligible. Also, it permits other high wage workers to become eligible on the basis of very short seasonal work. I recommend that a standard based on a minimum period of 15 weeks' employment be required as a condition of benefit eligibility, and that no flat dollar amount be permitted as the only yardstick.

Workers on Strike. The unemployment tax we require employers to pay was never intended to supplement strike funds to be used against them. A worker who chooses to exercise his right to strike is not involuntarily unemployed.

In two States, workers on strike are paid unemployment insurance benefits after a certain period. This is not the purpose of the unemployment insurance system.

I propose a requirement that this practice of paying unemployment insurance benefits to workers directly engaged in a strike be discontinued.

5. Improving Responsiveness to Economic Conditions

Difficult times are far less likely to occur in nations that take the trouble to prepare for them. The presence of a strong, anti-recessionary arsenal will in itself help prevent the need for its ever being used.

In normal times, the duration of benefit payments may be adequate. Most State programs now provide around twenty-six weeks of benefits; for the great majority of claimants, this is enough to see them through to another job. However, if the economy were ever to falter, the number of persons exhausting benefits would grow rapidly.

In each of the last two periods of high unemployment, the President proposed, and the Congress enacted, legislation to extend the duration of benefits temporarily. However, while this process was taking place, many workers were without income, and the economy was exposed to sharp declines in personal income due to unemployment.

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I am proposing legislation that would automatically extend the length of time benefits are paid in all States when the national jobless rate of those covered by insurance equals or exceeds 4.5% for three consecutive months. If periods of high unemployment were ever to occur, individuals would receive benefits for an additional period up to 13 weeks; this extension would end when the national unemployment rate of those in the system (currently 2.2%) fell back below 4.5%, and when the number exhausting their benefits in a three-month period dropped below 1% of those covered. These additional payments would be financed out of that portion of the unemployment tax that is now retained by the Federal government.

6. Strengthening and Reforming Financing

We must enable the Federal government to finance its share of the improvements proposed in this message, along with the costs of administering the Employment Security System. In addition, there will be a need to improve the ability of States to finance the higher benefit levels I am urging.

I propose that the taxable wage base be raised over a five-year period to \$6,000 and thereafter be reviewed periodically to make certain the adequacy of financing.

In the majority of States, the taxable wage base for the Unemployment Insurance Tax is the first \$3,000 of wages -- exactly what it was three decades ago. In that same period, average wages in employment covered by the system have increased almost five-fold. The low tax base places obstacles in the way of hiring low-wage workers because a substantially higher proportion of their wage is taxed. In addition, the impact of the tax tends to encourage use of overtime rather than adding workers.

The higher base will have the desirable effect of allocating costs more equitably among employers. Particularly at the State level, overall benefit costs will represent a lower per cent of taxable wages, and allow rates to reflect employer experience more accurately.

An Anchor to Windward. Unemployment insurance was begun as an answer to the human need for sustenance of the unemployed workingman seeking another job. It was designed to reduce the element of economic panic in job-hunting.

But as we move now to extend that insurance and meet that need more fully, we discover -- not quite by accident -- the bonus of serendipity. Here is insurance purchased through a tax on the employers of America in behalf of their employees that can be a potent counter to a downturn in the business cycle. This proves that well-conceived social legislation can be a great boon to business and to all Americans affected by the state of the economy.

The success of this system can be a great example in the relationship between the States and the Federal government.

The Federal government brought this unemployment insurance system into being -- but the States have rightly adopted it as their own. The Federal government has traditionally established minimum coverage -- but many States have expanded that coverage to fit their own needs.

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Now the Federal-State system of unemployment insurance should move to provide adequate benefits in accordance with the goal that has been set and with full recognition of the diversity of economic conditions among States. Such action is most important to protect the individual and to achieve the anti-recessionary potential of unemployment insurance.

The Federal and State actions recommended will help advance the economy of each State and in protecting the economy of the nation. In human terms, the recommended changes will better enable a worker to weather the adversity of unemployment and to find a suitable job.

I urge that the Congress and the States enact the legislation proposed to carry out these improvements.

RICHARD NIXON

THE WHITE HOUSE,

July 8, 1969.

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