

2/5/77 [1]

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Note	<p>Hutcheson to Moore, w/attachments, 2 pp. Re: Congressional meeting <i>Open 9/6/96</i></p>	<p>2/5/77</p>	<p>C</p>

FILE LOCATION
 Carter Presidential Papers, Staff Offices, Office of Staff Secretary, Presidential Handwriting File, 2/5/77 [1] Box 6

RESTRICTION CODES

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THE WHITE HOUSE
WASHINGTON

February 5, 1977

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

Attachment: Follow-up on the
President's Breakfast
Meeting with Senator
Jackson.

THE WHITE HOUSE
WASHINGTON

February 4, 1977

MEMORANDUM TO: THE PRESIDENT
FROM: FRANK MOORE *FM*
DATE: February 4, 1977
SUBJECT: FOLLOW-UP ON THE PRESIDENT'S
BREAKFAST MEETING WITH
SENATOR JACKSON

Senator Jackson was disappointed that he was not served grits.

He was pleased to be able to meet with the President. Previously, he felt that the President had turned his back on him. The breakfast served the useful purpose of partially allaying that fear and resentment.

Jackson exemplifies a growing sentiment in the Senate among some of the older heads that the President is insulating himself from them and avoiding even soliciting their advice. They want to be consulted, to have their input, and, if the President disagrees, then so be it: They have had their shot.

When Jackson came into the White House, he asked us if we "put the arm on the President" to get him to meet with the Senator. Obviously, he felt shut out by the President personally.

Apparently, Jackson spoke frankly to the President. That is good. Also he said the President told him to deal directly with him. That is also good because Jackson feels his advice is being solicited now in earnest.

All in all, it was a good stroke by the President.

Jackson feels that Senator Inouye is also bitter with the President.

not so

THE WHITE HOUSE
WASHINGTON

February 5, 1977

Susan Clough
Frank Moore

The attached is forwarded to
you for your information.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

2-5-77

To Mordy Hoffman

Thank you for sending
me the first message envelope
I used.

Also, thank you for being
there to help me when
I first became President -
& several years ago when
I first began to run.

Jimmy

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

a) About ^{11 energy} 6 woa ^{the} states hard hit

b) Factories closed 8000-8500

c) People out of work 500,000

d) Godemors repairing

e) Many emerg requests _____

f) Emerg legislation

g) Cabinet innovate ^{shift to oil & coal}

FDAA - OMB - Com } Cooperate
Labor - Watson -
Schles - } Then Jack Watson

h) NY & Kenn. Fed Disaster Relief Act = emergency assistance declaration

2/5/77

These papers were on your desk in the Oval Office.

Do you want them sent to file?

yes

2/5/77

see page 6 of log -

THE WHITE HOUSE
WASHINGTON

February 5, 1977

The attached was returned in the
President's outbox. It is
forwarded to you for your informa-
tion.

Secretary Blumenthal
Bert Lance
Charles Schultze thru Jack Watson

Rick Hutcheson

Congressman Ullman's tax proposal.

THE WHITE HOUSE
WASHINGTON

February 5, 1977

Stu Eizenstat

This was received too late to go to the President with the main package. You might use this and attached OMB Draft to Revise the answer to Ullman per President's instructions.

Rick Hutcheson

ORIS HAS
NOT SEEN.

STU EIZEN

SEND ORIGINALS

1

STU

Hand

STU - THIS WAS
RECEIVED TOO LATE
TO GO TO PRESIDENT
OFF THE MAIN
F. YOU MIGHT
ATTACHED
REVISE

PAU. THE
USE OMB DATA
ANSWER
ALL MAN
PRESIDENT'S
INSTRUCTIONS

Rich

Get entire pack,

copy of

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

~~Confidential~~ Stu - Redraft
letter to Ullman -
incorporate more of
Schultze - word
simply, clearly, &
diplomatically.
Bad if Ullman gets
too far out
on a limb.

ACTION

2 February 1977

TO:

THE PRESIDENT

FROM:

RICK HUTCHESON

SUBJECT:

Chairman Ullman's Tax Proposal

Keep
personal
J

Chairman Ullman presently proposes a form of employment tax credit amounting to 30% of the first \$5000 of wages paid by the employer, so long as the employer is increasing payrolls.

We estimate the revenue cost of this program at 4.5 billion dollars. (Blumenthal)

Attached are:

1. Eizenstat's summary of analyses by Blumenthal and Schultze of Chairman Ullman's proposal
2. Blumenthal analysis of Ullman proposal
3. draft letter from the President to Ullman (prepared by Blumenthal)
4. Schultze analysis of Ullman proposal
5. Mark Siegel political analysis of Ullman proposal

No comments from Watson or Moore. Lance concurs with Schultze memorandum.

"DETERMINED TO BE AN ADMINISTRATIVE MARKING
CANCELLED PER E.O. 12356, SEC. 1.3 AND
ARCHIVIST'S MEMO OF MARCH 16, 1983"

RECEIVED
FEBRUARY 1977

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

January 31, 1977

MEMORANDUM FOR:

RICK HUTCHESON

FROM:

STU EIZENSTAT *SE*

SUBJECT:

Congressman Ullman's Employment
Tax Credit Proposal

I concur in the analyses by Secretary Blumenthal and Chairman Schultze that Congressman Ullman's employment tax credit proposal would:

- (1) be an expensive (in terms of lost tax revenues) but ineffective method of encouraging businesses to hire new workers;
- (2) encourage firms to hire workers in situations where it might be more efficient to increase productivity by investing in new plant and equipment;
- (3) substantially increase the complexity of our tax laws; and
- (4) have an inequitable and arbitrary impact as between different firms.

Accordingly, I concur in their conclusions that we should not support the Congressman's proposal.

I also agree with Chairman Schultze's recommendations that:

- (1) we should begin to prepare some alternatives to our business tax proposals so that we will be in a position to negotiate options with Congress if necessary; and
- (2) we should attempt to develop (over the longer term and not as part of the stimulus program) an employment subsidy that encourages businesses to hire particular types of workers (e.g., the disadvantaged) at permanent career jobs.



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

January 28, 1977

MEMORANDUM TO THE PRESIDENT

SUBJECT: Chairman Ullman's Tax Proposal

Chairman Ullman presently proposes a form of employment tax credit amounting to 30% of the first \$5000 of wages paid by the employer, so long as the employer is increasing payrolls.

We estimate the revenue cost of this program at 4.5 billion dollars.

Problems

- 1) We strongly doubt that the proposal would induce firms to hire workers who would not otherwise be hired. Firms hire new workers to meet increased demands for their products and for no other reason. Encouraging firms to hire workers for other reasons would reduce productivity and efficiency.
- 2) The Ullman tax credits would go only to growing companies, not to those stabilizing or reducing payrolls through new labor-saving measures. This is bad policy. The Government should not discourage implementation of labor-saving devices.
- 3) The program will substantially complicate the tax law. It will require the IRS to determine levels of employment in each of the years involved to determine whether employers are appropriately eligible for the credit. The difficulty, in part, stems from determining what is full-time employment and converting all part-time employees or employees hired for a part of a year to a man-year basis.
- 4) This provision will give larger or smaller tax reductions to individual companies based upon extraneous matters which led to higher or lower production in past years. Not only is there an aspect of arbitrariness in such types of measurements

but also there is at least some opportunity to manipulate the size of the credit. For example, it is possible to concentrate production and, therefore, employment to some extent in alternate years; and this will make it possible to derive extra tax credits, in this case, in alternate years even though employment overtime remains relatively level.

Comments

Chairman Ullman's proposal is not only expensive and inefficient, but also bad economic policy. It should be opposed on that ground alone.



W. M. Blumenthal



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

January 31, 1977

MEMORANDUM TO THE PRESIDENT

SUBJECT: DRAFT LETTER TO AL ULLMAN

Enclosed is a draft letter from you to Chairman Ullman, commenting on his tax proposal that incorporates the comments previously sent to you by Charlie Schultze and myself on this matter.

W. M. Blumenthal

WMB:1a
enc.

DRAFT LETTER

The Honorable
Al Ullman
Chairman
Committee on Ways & Means
U. S. House of Representatives
Washington, D.C.

Dear Al:

We have studied your proposal to provide a 20 percent tax credit for those who increase their employment above a level from last year. Your idea is ingenious, in that it provides a direct benefit to those who provide more jobs.

Despite this clear appeal, our analysis raises questions as to whether the result will be a significant increase in employment. In the present economic situation, with demand for production at an inadequate level, additional hiring depends largely on demand for the products produced. As a result, a credit of the type proposed would tend to benefit those industries with expanding markets. The result will be a windfall for some such industries, while others with weak markets will not get any benefit.

If the credit were permanent, it would have its major impact during periods when there are large increases in employment. In these periods, taxes would be reduced substantially. On the other hand, taxes would increase during the downward phase of the economic cycle, when it is more difficult to expand existing levels of employment.

In addition, a credit which emphasizes the employment of labor instead of capital can have the long run effect, although perhaps not large, of decreasing productivity. This result would run contrary to our desire to raise our nation's standard of living.

There are also administrative problems in working out a marginal credit of the type proposed. Perhaps these could be adequately dealt with if we had more time.

I agree wholeheartedly with your objective of putting people to work in the private sector of the economy. I believe, however, that under present conditions we can better achieve the objective you seek by providing a general economic stimulus. At the same time, we must provide training for those citizens without skills adequate to obtain employment.

Sincerely yours,

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

January 28, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: CHARLES SCHULTZE *CLS*

SUBJECT: The Ullman Employment Tax Credit

1. We assume the Ullman "employment tax credit" would pay each employer \$1000 for each net new worker hired over the prior year.
2. Over the next two years of recovery employment increases, eligible for the tax credit, should be about 3 million per year. Hence the cost would be \$3 billion per year
3. Problems with the proposal
 - A. If made a permanent feature of the law it would accentuate business cycles. As the economy slowed down and started into a recession, net employment increases would slow down and then cease. Business taxes would rise (as they lost their tax credits) precisely at the wrong time.
 - B. Even with a subsidy, businessmen will not hire workers unless:
 - (i) they can sell the additional output that those workers produce -- i.e. sales go up; this tax credit does not help increase sales.
 - (ii) they use more workers per unit of output; this reduces productivity and is a dis-incentive to invest in new capital and technology.

Insofar as general increases in employment are concerned, we should concentrate on method (i), not method (ii). We do not need to penalize productivity to provide more employment. In fact, American productivity growth has been slowing down and we need to reverse, not encourage this.



- C. An employment subsidy that encourages employers to hire particular types of workers -- the disadvantaged - at permanent career jobs might make sense. But to do this we need a very carefully developed and selective program which IRS cannot and should not administer. The Administration and the Congress ought to turn to the development of such a program, as a long-range measure -- but not hastily, in this stimulus package.
 - D. A credit for net employment increases has extremely arbitrary effects on particular firms. In the recovery phase of the business cycle durable goods firms expand very rapidly and they would get much of the credit. Trade and service firms -- where many of the disadvantaged are hired -- would be less favorably treated. Among individual firms, the "luck of the draw" on base periods would determine how much the firm got. Firms who did well in 1976 would get little or nothing and vice-versa.
 - E. Administration would not be impossible, but would be very difficult for IRS.
 - (i) The relevant period for determining increases could obviously not be a particular week or month, but would have to be a year. This means getting "average employment" over a 52 week period.
 - (ii) Without special provisions, the program would encourage substituting part-time for full-time employment. Hence it would have to be written in terms of "full-time equivalents" -- another set of administrative regulations.
4. Political Considerations

Apparently neither the 4 percent credit against payroll tax nor the 2 percent investment credit, nor the optional combination is very popular with the Committee. Eventually they may change or modify our business-tax proposal. We should probably begin looking at some alternatives to be in a reasonable bargaining position.

I have discussed this memo with Bert Lance, and he agrees.

Recommendations

Blumenthal, Lance and Schultze should quietly examine alternatives, but for now the Administration should hold its ground.

Agree ✓

Disagree

See me

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: MARK SIEGEL *ms*

DATE: JANUARY 31, 1977

SUBJECT: ULLMAN'S TAX PROPOSAL

Although I concur with the evaluation of the Ullman proposal by Blumenthal and Schultz as bad (or at best chancey) economic policy, I will limit my opposition to political considerations.

- 1) Public and special interest reaction to the stimulation package, from the very outset, has been favorable. It has been reviewed as a proper balance between tax reductions, business incentives and job programs. Your role as "leader" would be publicly weakened if alterations were seen as major and substantive as opposed to refinement.
- 2) Our goal is stimulation without destabilization. Strategies of stimulation were considered, and a viable compromise emerged between competing demands from the various segments of the economic structure. If no one group felt totally satisfied, no one group felt totally cheated either, and this includes our friends in organized labor who were privately far more satisfied with the package than they could publicly admit. The Ullman proposal would destabilize the package, and clearly tilt its orientation toward the business community, only heightening the labor and liberal objections to the size of the jobs program.
- 3) "I owe the special interests nothing. I owe the people everything." Publicly, I'm afraid that the Ullman proposal would be seen as a capitulation to a special interest. Indeed, since unemployment has been identified by Cadell as a major source of concern in the polity, this problematic stab at reduction through employment tax credits would be perceived far more negatively than a direct stimulation like jobs programs.

MEMORANDUM TO THE PRESIDENT

FROM: MARK SIEGEL

PAGE TWO

4) It is important to keep the deficit below 70 billion for fiscal year 1977. The Ullman proposal would almost surely tip it over that mark.

5) Because of the complexity of the demands on IRS from this tax credit structure, the program might be perceived to further complexify the bureaucracy. Streamlining, efficiency and simplicity are seen as hallmarks of the Carter commitment to the American people.

Recommendation:

Aside from the obvious economic questions raised by the Ullman proposal, I feel that it makes little sense politically. I urge that you stick with your original stimulation package, and press for congressional action with as little change as possible.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: February 1, 1977

Time:

FOR ACTION:

cc (for information): FYI

✓ Stu Eizenstat
Jack Watson
Frank Moore
Jody Powell

✓ Hamilton Jordan
Renzelance

Rick Hutcheson
Segal

FROM THE STAFF SECRETARY

DUE: Date: Thursday, February 3, 1977

Time: 10 A.M.

SUBJECT:

Memo to the President re Draft Letter to
Al Ulman.

ACTION REQUESTED:

___ For Necessary Action

For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

For Your Comments

___ Draft Remarks

REMARKS:

*Stu Eizenstat - see comments
Lance - see comments*

Please return comments to:

Trudy Fry - West Basement

X 2684

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

RICK HUTCHESON
STAFF SECRETARY



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

January 31, 1977

MEMORANDUM TO THE PRESIDENT

SUBJECT: DRAFT LETTER TO AL ULLMAN

Enclosed is a draft letter from you to Chairman Ullman, commenting on his tax proposal that incorporates the comments previously sent to you by Charlie Schultze and myself on this matter.

A handwritten signature in cursive script, appearing to read "W. M. Blumenthal".

W. M. Blumenthal

WMB:1a
enc.

DRAFT LETTER

The Honorable
Al Ullman
Chairman
Committee on Ways & Means
U. S. House of Representatives
Washington, D.C.

Dear Al:

We have studied your proposal to provide a 20 percent tax credit for those who increase their employment above a level from last year. Your idea is ingenious, in that it provides a direct benefit to those who provide more jobs.

Despite this clear appeal, our analysis raises questions as to whether the result will be a significant increase in employment. In the present economic situation, with demand for production at an inadequate level, additional hiring depends largely on demand for the products produced. As a result, a credit of the type proposed would tend to benefit those industries with expanding markets. The result will be a windfall for some such industries, while others with weak markets will not get any benefit.

If the credit were permanent, it would have its major impact during periods when there are large increases in employment. In these periods, taxes would be reduced substantially. On the other hand, taxes would increase during the downward phase of the economic cycle, when it is more difficult to expand existing levels of employment.

In addition, a credit which emphasizes the employment of labor instead of capital can have the long run effect, although perhaps not large, of decreasing productivity. This result would run contrary to our desire to raise our nation's standard of living.

There are also administrative problems in working out a marginal credit of the type proposed. Perhaps these could be adequately dealt with if we had more time.

I agree wholeheartedly with your objective of putting people to work in the private sector of the economy. I believe, however, that under present conditions we can better achieve the objective you seek by providing a general economic stimulus. At the same time, we must provide training for those citizens without skills adequate to obtain employment.

Sincerely yours,

info to Jack

log in

to Pres ASAP

To Congressman Al Ullman

My principal economic advisors and I have studied your proposal to provide a 20 percent tax credit for those who increase their employment above a level from last year. Your idea is ingenious, in that it provides a direct benefit to those who provide more jobs.

Despite this clear appeal, our analysis raises questions as to whether the result will be a significant increase in employment. In the present economic situation, with demand for production at an inadequate level, additional hiring depends largely on demand for the products produced. A credit of the type proposed would tend to benefit those industries with expanding markets resulting from economic stimulus and underlying economic trends. Such industries will receive a windfall while others with weak markets will not get any benefit. The net result is relatively few additional jobs created in comparison to the revenue loss.

There are also serious administrative problems in working out an incremental tax credit of the type proposed. Secretary Blumenthal can provide you with a detailed statement regarding these problems.

If the credit were permanent, its major impact would occur during expansionary periods when there are large increases in employment. In these periods, taxes would be reduced substantially. On the other hand, taxes would increase during the downward phase of the economic cycle, when it is more difficult to expand existing levels of employment.

I agree wholeheartedly with your objective of putting people to work in the private sector of the economy. I believe, however, that under present conditions we can better achieve the objective you and I both seek by providing general economic stimulus. At the same time, we must provide training for those citizens without skills adequate to obtain employment.

Sincerely,

The Honorable Al Ullman
Chairman
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

JC/nm

Rick -

This is the OMB revised letter -
had it done in final in case you wanted it to
go forward ----

There reason for leaving out the fourth
paragraph of the Blumentahl draft was:

"I suggest dropping this point. Ullman's
proposal is for two years only. While this
argument is true in the control of a fully
employed economy it sounds, given the
current state of the economy, as if the goal of
full employment is less important than
the long run rate of growth of labor
productivity. In addition the same argument
could be made against the Administrations
proposed social security tax credit proposal."

Trudy Fry

2/3/77

Rick -

Al Ullman Tax Plan

We have three separate staffing things going on this subject:

#1 letter from Schultze

#2 letter from Blumenthal

#3 draft of letter to Ullman incorporating comments from Schultze and Blumenthal.

I would think you will want to handle these three all together ---- although we received them separately.

Joint comments on #1 and #2 from Eizenstat and Mark Segal are attached.

No word received from Watson. Lance & Moore on #1 and 2.

No word from anybody on #3 only sent out today. ---- Thought you should report on ~~substantive~~ situation. Trudy 2/1/77

THE WHITE HOUSE

WASHINGTON

January 31, 1977

MEMORANDUM FOR: RICK HUTCHESON
FROM: STU EIZENSTAT *SE*
SUBJECT: Congressman Ullman's Employment
Tax Credit Proposal

I concur in the analyses by Secretary Blumenthal and Chairman Schultze that Congressman Ullman's employment tax credit proposal would:

- (1) be an expensive (in terms of lost tax revenues) but ineffective method of encouraging businesses to hire new workers;
- (2) encourage firms to hire workers in situations where it might be more efficient to increase productivity by investing in new plant and equipment;
- (3) substantially increase the complexity of our tax laws; and
- (4) have an inequitable and arbitrary impact as between different firms.

Accordingly, I concur in their conclusions that we should not support the Congressman's proposal.

I also agree with Chairman Schultze's recommendations that:

- (1) we should begin to prepare some alternatives to our business tax proposals so that we will be in a position to negotiate options with Congress if necessary; and
- (2) we should attempt to develop (over the longer term and not as part of the stimulus program) an employment subsidy that encourages businesses to hire particular types of workers (e.g., the disadvantaged) at permanent career jobs.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: MARK SIEGEL *ms*

DATE: JANUARY 31, 1977

SUBJECT: ULLMAN'S TAX PROPOSAL

Although I concur with the evaluation of the Ullman proposal by Blumenthal and Schultz as bad (or at best chancey) economic policy, I will limit my opposition to political considerations.

- 1) Public and special interest reaction to the stimulation package, from the very outset, has been favorable. It has been reviewed as a proper balance between tax reductions, business incentives and job programs. Your role as "leader" would be publicly weakened if alterations were seen as major and substantive as opposed to refinement.
- 2) Our goal is stimulation without destabilization. Strategies of stimulation were considered, and a viable compromise emerged between competing demands from the various segments of the economic structure. If no one group felt totally satisfied, no one group felt totally cheated either, and this includes our friends in organized labor who were privately far more satisfied with the package than they could publicly admit. The Ullman proposal would destabilize the package, and clearly tilt its orientation toward the business community, only heightening the labor and liberal objections to the size of the jobs program.
- 3) "I owe the special interests nothing. I owe the people everything." Publicly, I'm afraid that the Ullman proposal would be seen as a capitulation to a special interest. Indeed, since unemployment has been identified by Cadell as a major source of concern in the polity, this problematic stab at reduction through employment tax credits would be perceived far more negatively than a direct stimulation like jobs programs.

MEMORANDUM TO THE PRESIDENT

FROM: MARK SIEGEL

PAGE TWO

4) It is important to keep the deficit below 70 billion for fiscal year 1977. The Ullman proposal would almost surely tip it over that mark.

5) Because of the complexity of the demands on IRS from this tax credit structure, the program might be perceived to further complexify the bureaucracy. Streamlining, efficiency and simplicity are seen as hallmarks of the Carter commitment to the American people.

Recommendation:

Aside from the obvious economic questions raised by the Ullman proposal, I feel that it makes little sense politically. I urge that you stick with your original stimulation package, and press for congressional action with as little change as possible.

Log in 1/29

Staff to

Watson

Eustat

Lauch

- more -

Mark Lygal
FYI



DRAFT LETTER

The Honorable
Al Ullman
Chairman
Committee on Ways & Means
U. S. House of Representatives
Washington, D.C.

* I suggest dropping this point. Ullman's proposal is for two years only. While this argument is true in the context of a fully employed economy it sounds, given the current state of the economy, as if the goal of full employment is less important than the long run rate of growth of labor productivity. In addition the same argument could be made against the Administration's proposed social security tax credit proposal.

Dear Al:

We have studied your proposal to provide a 20 percent tax credit for those who increase their employment above a level from last year. Your idea is ingenious, in that it provides a direct benefit to those who provide more jobs.

Despite this clear appeal, our analysis raises questions as to whether the result will be a significant increase in employment. In the present economic situation, with demand for production at an inadequate level, additional hiring depends largely on demand for the products produced. As a result, a credit of the type proposed would tend to benefit those industries with expanding markets. The result will be a windfall for some such industries, while others with weak markets will not get any benefit. The result is essentially a new addition of funds created in response to the revenue loss.

If the credit were permanent, it would have its major impact during periods when there are large increases in employment. In these periods, taxes would be reduced substantially. On the other hand, taxes would increase during the downward phase of the economic cycle, when it is more difficult to expand existing levels of employment.

In addition, a credit which emphasizes the employment of labor instead of capital can have the long run effect, although perhaps not large, of decreasing productivity. This result would run contrary to our desire to raise our nation's standard of living.

There are also administrative problems in working out a marginal credit of the type proposed. Perhaps these could be adequately dealt with if we had the time.

on [unclear]

Handwritten note on the right margin: "The result is essentially a new addition of funds created in response to the revenue loss."

I agree wholeheartedly with your objective of putting people to work in the private sector of the economy. I believe, however, that under present conditions we can better achieve the objective you seek by providing general economic stimulus. At the same time, we must provide training for those citizens without skills adequate to obtain employment.

Sincerely yours,



Memorandum

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Handwritten initials

TO: The Director

DATE: January 31, 1977

FROM: Bruce F. Davie *BD* Economic Policy Division

SUBJECT: CEA and Treasury Memos to the President Regarding the Ullman Employment Tax Credit

Both Blumenthal and Schultze recommend opposition to Ullman's proposal for a tax credit based on increased employment. The major and persuasive reasons for opposing the proposal are that it would:

- be cyclically destabilizing.
- be arbitrary in its impact on particular firms and industries.
- have most of the tax credits go to employers who would have increased employment even in the absence of the tax credit so that the revenue loss per additional job created is very high.

Such a tax credit could be difficult to administer but this should not be a major point in opposition. Relatively simple provisions could be developed which would tie an Ullman-type credit to employer social security tax calculations. Since the Administration has proposed a different tax credit tied to employer social security taxes it could not creditably oppose another form of social security tax credit.

The difference between the Treasury estimate of the cost of the proposal (\$4.5 billion per year) and the CEA estimate (\$3 billion per year) is attributable to a difference in understanding as to the details of the Ullman proposal. Treasury interprets it as a credit of 30% of the first \$5,000 of wages paid to new, additional employees and CEA refers to it as a \$1,000 credit per new additional employee or 20% of the first \$5,000. Today's press uses the 20% figure in describing Ullman's proposal.

Schultze suggests that alternative business-tax proposals be explored. Among the alternatives which might be considered are:

- expanding the current employment tax credit for WIN participants and welfare recipients to additional categories (e.g. veterans or long-term unemployed).

- modifying the constraint on the amount of investment tax credits that can be used to offset tax liabilities (currently \$25,000 plus 50% of tax liability in excess of \$25,000 - except airlines, railroads and utilities where the 50% rule does not apply).
- expand the extra first-year depreciation rule (currently 20% of \$10,000 of tangible personal property). This would be particularly attractive to small businesses.

These proposals - or any other alternatives - need to be studied very carefully before being supported by the Administration. Short-term tax changes of this type make long-run tax reform more difficult.

Rick -

Here is Frank Moore's OK on the
Ullman letter --- your have the t other
papers.

I notice that Congressman Ullman is
coming in for lunch today.

Trudy

already in



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: February 1, 1977

Time:

FOR ACTION:

cc (for information): FYI
Rick Hutcheson
Segal

Stu Eizenstat Hamilton Jordan
Jack Watson Bert Lance

Frank Moore *FM-OK*
Jody Powell
FROM THE STAFF SECRETARY

DUE: Date: Thursday, February 3, 1977

Time: 10 A.M.

SUBJECT:

Memo to the President re Draft Letter to
Al Ullman.

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return comments to:

Trudy Fry - West Basement

X 2684

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED

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

RICK HUTCHESON
STAFF SECRETARY



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

January 31, 1977

MEMORANDUM TO THE PRESIDENT

SUBJECT: DRAFT LETTER TO AL ULLMAN

Enclosed is a draft letter from you to Chairman Ullman, commenting on his tax proposal that incorporates the comments previously sent to you by Charlie Schultze and myself on this matter.

A handwritten signature in cursive script, appearing to read "WMB".

W. M. Blumenthal

WMB:1a
enc.

DRAFT LETTER

The Honorable
Al Ullman
Chairman
Committee on Ways & Means
U. S. House of Representatives
Washington, D.C.

Dear Al:

We have studied your proposal to provide a 20 percent tax credit for those who increase their employment above a level from last year. Your idea is ingenious, in that it provides a direct benefit to those who provide more jobs.

Despite this clear appeal, our analysis raises questions as to whether the result will be a significant increase in employment. In the present economic situation, with demand for production at an inadequate level, additional hiring depends largely on demand for the products produced. As a result, a credit of the type proposed would tend to benefit those industries with expanding markets. The result will be a windfall for some such industries, while others with weak markets will not get any benefit.

If the credit were permanent, it would have its major impact during periods when there are large increases in employment. In these periods, taxes would be reduced substantially. On the other hand, taxes would increase during the downward phase of the economic cycle, when it is more difficult to expand existing levels of employment.

In addition, a credit which emphasizes the employment of labor instead of capital can have the long run effect, although perhaps not large, of decreasing productivity. This result would run contrary to our desire to raise our nation's standard of living.

There are also administrative problems in working out a marginal credit of the type proposed. Perhaps these could be adequately dealt with if we had more time.

I agree wholeheartedly with your objective of putting people to work in the private sector of the economy. I believe, however, that under present conditions we can better achieve the objective you seek by providing a general economic stimulus. At the same time, we must provide training for those citizens without skills adequate to obtain employment.

Sincerely yours,

Date: January 29, 1977

Time:

FOR ACTION:

cc (for information): Mark Siegel
Rick HutchesonJack Watson Bert Lance
Stu Eizenstat Frank Moore

FROM THE STAFF SECRETARY

DUE: Date: Monday January 31

Time: 3 PM

SUBJECT:

CEA memo re The Ullman Employment
Tax Cut

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.If you have any questions or if you anticipate a
delay in submitting the required material, please
telephone the Staff Secretary immediately.RICK HUTCHESON
STAFF SECRETARY

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

January 28, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: CHARLES SCHULTZE *CLS*

SUBJECT: The Ullman Employment Tax Credit

1. We assume the Ullman "employment tax credit" would pay each employer \$1000 for each net new worker hired over the prior year.
2. Over the next two years of recovery employment increases, eligible for the tax credit, should be about 3 million per year. Hence the cost would be \$3 billion per year
3. Problems with the proposal
 - A. If made a permanent feature of the law it would accentuate business cycles. As the economy slowed down and started into a recession, net employment increases would slow down and then cease. Business taxes would rise (as they lost their tax credits) precisely at the wrong time.
 - B. Even with a subsidy, businessmen will not hire workers unless:
 - (i) they can sell the additional output that those workers produce -- i.e. sales go up; this tax credit does not help increase sales.
 - (ii) they use more workers per unit of output; this reduces productivity and is a dis-incentive to invest in new capital and technology.

Insofar as general increases in employment are concerned, we should concentrate on method (i), not method (ii). We do not need to penalize productivity to provide more employment. In fact, American productivity growth has been slowing down and we need to reverse, not encourage this.



- C. An employment subsidy that encourages employers to hire particular types of workers -- the disadvantaged -- at permanent career jobs might make sense. But to do this we need a very carefully developed and selective program which IRS cannot and should not administer. The Administration and the Congress ought to turn to the development of such a program, as a long-range measure -- but not hastily, in this stimulus package.
- D. A credit for net employment increases has extremely arbitrary effects on particular firms. In the recovery phase of the business cycle durable goods firms expand very rapidly and they would get much of the credit. Trade and service firms -- where many of the disadvantaged are hired -- would be less favorably treated. Among individual firms, the "luck of the draw" on base periods would determine how much the firm got. Firms who did well in 1976 would get little or nothing and vice-versa.
- E. Administration would not be impossible, but would be very difficult for IRS.
 - (i) The relevant period for determining increases could obviously not be a particular week or month, but would have to be a year. This means getting "average employment" over a 52 week period.
 - (ii) Without special provisions, the program would encourage substituting part-time for full-time employment. Hence it would have to be written in terms of "full-time equivalents" -- another set of administrative regulations.

4. Political Considerations

Apparently neither the 4 percent credit against payroll tax nor the 2 percent investment credit, nor the optional combination is very popular with the Committee. Eventually they may change or modify our business-tax proposal. We should probably begin looking at some alternatives to be in a reasonable bargaining position.

I have discussed this memo with Bert Lance, and he agrees.

Recommendations

Blumenthal, Lance and Schultze should quietly examine alternatives, but for now the Administration should hold its ground.

Agree _____

Disagree _____

See me _____

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

FM
JM
JV

Date: January 29, 1977

Time:

FOR ACTION:

cc (for information):

Mark Siegel
Rick Hutcheson

Jack Watson
Stu Eizenstat

Bert Lance
Frank Moore ✓ FM-OK

FROM THE STAFF SECRETARY

DUE: Date: Monday January 31

Time:

3 PM

SUBJECT:

CEA memo re The Ullman Employment
Tax Cut

ACTION REQUESTED:

___ For Necessary Action

___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

X For Your Comments

___ Draft Remarks

REMARKS:

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RICK HUTCHESON
STAFF SECRETARY

Date: January 29, 1977

Time:

FOR ACTION:

cc (for information):

Mark Siegel ✓
Rick Hutcheson

Jack Watson
Stu Eizenstat

Bert Lance
Frank Moore

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Tax Cut

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For Your Recommendations

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Draft Reply

For Your Comments

Draft Remarks

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RICK HUTCHESON
STAFF SECRETARY

Date: January 29, 1977

Time:

FOR ACTION:

Jack Watson
Stu Eizenstat
Bert Lance
Frank Moore

cc (for information): Mark Siegel
Rick Hutcheson

FROM THE STAFF SECRETARY

DUE: Date: Monday, January 31

Time: 3 P.M.

SUBJECT:

Letter from Sec. Blumentahl
Blumenthal re: Chairman Ullman's
Tax Proposal

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

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RICK HUTCHESON
STAFF SECRETARY

Log in 1/29

Staff to

I. Watson

Sta. Gen. Stat

B. Lane -

- - Wood

Mark Siegel - FBI





THE SECRETARY OF THE TREASURY
WASHINGTON 20220

January 28, 1977

MEMORANDUM TO THE PRESIDENT

SUBJECT: Chairman Ullman's Tax Proposal

Chairman Ullman presently proposes a form of employment tax credit amounting to 30% of the first \$5000 of wages paid by the employer, so long as the employer is increasing payrolls.

We estimate the revenue cost of this program at 4.5 billion dollars.

Problems

- 1) We strongly doubt that the proposal would induce firms to hire workers who would not otherwise be hired. Firms hire new workers to meet increased demands for their products and for no other reason. Encouraging firms to hire workers for other reasons would reduce productivity and efficiency.
- 2) The Ullman tax credits would go only to growing companies, not to those stabilizing or reducing payrolls through new labor-saving measures. This is bad policy. The Government should not discourage implementation of labor-saving devices.
- 3) The program will substantially complicate the tax law. It will require the IRS to determine levels of employment in each of the years involved to determine whether employers are appropriately eligible for the credit. The difficulty, in part, stems from determining what is full-time employment and converting all part-time employees or employees hired for a part of a year to a man-year basis.
- 4) This provision will give larger or smaller tax reductions to individual companies based upon extraneous matters which led to higher or lower production in past years. Not only is there an aspect of arbitrariness in such types of measurements

but also there is at least some opportunity to manipulate the size of the credit. For example, it is possible to concentrate production and, therefore, employment to some extent in alternate years; and this will make it possible to derive extra tax credits, in this case, in alternate years even though employment overtime remains relatively level.

Comments

Chairman Ullman's proposal is not only expensive and inefficient, but also bad economic policy. It should be opposed on that ground alone.

Mike

W. M. Blumenthal

FM
JV
JM

Date: January 29, 1977

Time:

FOR ACTION:

- Jack Watson
- Stu Eizenstat
- Bert Lance
- Frank Moore ✓

cc (for information): Mark Siegel
Rick Hutcheson

FM-
OK

FROM THE STAFF SECRETARY

DUE: Date: Monday, January 31

Time: 3 P.M.

SUBJECT:

Letter from Sec. Blumentahl
Blumenthal re: Chairman Ullman's
Tax Proposal

ACTION REQUESTED:

- | | |
|---|--|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

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RICK HUTCHESON
STAFF SECRETARY

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: January 29, 1977

Time:

FOR ACTION:

- Jack Watson
- Stu Eizenstat
- Bert Lance
- Frank Moore

cc (for information): Mark Siegel ✓
Rick Hutcheson

FROM THE STAFF SECRETARY

DUE: Date: Monday, January 31

Time: 3 P.M.

SUBJECT:

Letter from Sec. Blumentahl
Blumenthal re: Chairman Ullman's
Tax Proposal

ACTION REQUESTED:

- | | |
|---|--|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

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RICK HUTCHESON
STAFF SECRETARY

THE PRESIDENT HAS SEEN.

FOR: JACK WATSON

FROM: BERT CARP

Talking Points on roles of Cabinet Departments:

FEA (Schlesinger)

Can use its extensive contacts with State energy officials to serve as a communications channel in assessing emergency energy meetings, and has an emergency petroleum allocation and authority and system.

Agriculture

Forestry

Can take the lead in assessing the impact both of weather and of energy shortages on agriculture, and bring a range of agriculture programs to bear.

Labor

Can take the lead in coordinating with the states to measure employment impacts, suggest remedies where possible, and assure that unemployment compensation is made promptly available to covered workers.

2/5/77

RECEIVED IN THE OFFICE OF THE PRESIDENT

HEW

Through the Public Health Service and other relationships with hospitals and health service providers can take the lead in assuring that essential medical services are maintained. Can assess impact on education and low-income Americans and suggest appropriate action (if any).

Department of Transportation

With jurisdiction over interstate highways, rail transportation, and internal waterways (like the Mississippi and Ohio) can assess the impact of energy and weather on transportation systems and in particular can assure that the Coast Guard is doing everything possible with respect to internal waterways.

HUD

Contains the Federal Disaster Assistance Administration, and in addition can help to assess the impact on homeowners.

OMB

In past emergencies, like Hurricane Agnes and the 1973 Embargo, OMB has helped to coordinate and track multi-agency efforts and can be of assistance to you in this effort.

COMMERCE

Can take the lead in assessing the impact of both energy and weather on business and economic development, and suggest appropriate action.

DEFENSE

Through the Army and the Corps of Engineers, DOD is the principal source of direct federal manpower and equipment aid. *Work with Nat Guard / Reserve units*

INTERIOR = *Nat Park / 6 & 7 / Rec /*

It has been suggested that Interior might be explore ways to step up production of oil and natural gas on federally held lands, but this is likely to be controversial.

Community Services Agency - Aragon

THE WHITE HOUSE
WASHINGTON

2/5/77

Secretary Blumenthal

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Jack Watson
Stu Eizenstat

Treasury Dept - Legislative
Program for FY 1978

—

Blumenthal
Thom Watson

Stu



THE SECRETARY OF THE TREASURY

WASHINGTON 20220

FEB 1 1977

cc: Mike

C
/

MEMORANDUM FOR The President

FROM: W. Michael Blumenthal *WMB*

SUBJECT: Treasury Department's Legislative Program
for FY 1978

1. Stimulus Program: Tax Provisions and Countercyclical Revenue Sharing

Tax Rebate: There will be a refund payment of \$50 per capita to each taxpayer and dependent included on an income tax return for 1976. For those with little or no tax liability the rebate is generally refundable even though it exceeds a family's tax liability. In the case of individuals or of families who have either no dependents or no earned income, this amount will not exceed the amount of 1976 tax liability.

Tax Simplification and Reform: This proposal substitutes a flat dollar amount of \$2,400 for single people and \$2,800 for married couples for the complicated set of standard deductions that now exists. This enlarges the standard deduction for joint returns to incomes of \$17,500 or less and for single returns to incomes of \$15,000 or less. Thus, in addition to reducing taxes for these taxpayers, the percentage of all tax filers using the standard deduction will rise from 69% to 74%.

Business Tax Reductions: Business is given the option of a 2 percentage point increase in the present 10% investment credit, or alternatively, a refundable 4% credit against income tax based upon the payroll taxes paid for Social Security (FICA) tax purposes. Taxpayers will have to elect between the payroll tax credit or the investment credit increase and will have to stay with their choice for a number of years.

Countercyclical Revenue Sharing: This program is both expanded and modified as follows:

(1) Countercyclical Revenue Sharing would be given a 4 year authorization with annual appropriations rather than the current authority covering only 5 quarters.

(2) An additional \$1 billion will be made available in July of 1977. These new funds would be triggered only in response to national unemployment in excess of 6%.

(3) The indexing of the quarterly funding would be made more sensitive to changes in the unemployment rate. Instead of increasing \$62.5 million for every full half percentage point of unemployment over 6% as is currently true, each change of one-tenth of a percentage point would result in the increased funding of an additional \$29.2 million.

2. Tax Reform

A comprehensive tax reform and simplification proposal is expected during the fall of 1977.

*This is a
commitment*

3. New York City (Seasonal Financing Act)

The Seasonal Financing Act, under which the City borrows \$2.3 billion annually, expires on July 30, 1978. This legislation requires the City to balance its fiscal 1978 budget.

*Need
longer
term
agreement-*

There is no necessity for additional financing aid to New York City, beyond the seasonal loans, unless an unforeseen financial crisis erupts between now and then.

*Be
tight
on
city
management*

Currently, however, the City is trying to raise \$1 billion to make a principal payment due in the next two weeks. Negotiations are proceeding, and it is expected that this \$1 billion will be raised locally. It is possible, of course, that the funds will not be successfully raised and that the City would be plunged into another financial crisis. This would necessitate some form of additional financial aid in order to avoid bankruptcy. It does not now appear, however, that these local negotiations will fail.

Once the Seasonal Financing Act expires, the City must either return to the municipal bond markets on its own to raise nearly \$4 billion annually (seasonal needs plus long term borrowings) or find another source for these funds. Most knowledgeable observers doubt the City can raise such amounts on its own at that time. Accordingly, New York is likely to require an extension of Federal financing assistance, seasonal or otherwise, by June 1978.

4. International Financial Institutions

As part of the Administration's international economic policy, there will be a major initiative in the area of the international development lending institutions.

We will be seeking an FY 77 supplemental appropriation of \$540 million to finance arrearages in U.S. contributions to the International Development Association, the Inter-American Development Bank, and the Asian Development Bank.

An additional FY 78 appropriation of almost \$2 billion will be needed to finance other existing commitments as well as the fifth replenishment of IDA.

Treasury will be sending to Congress legislation authorizing \$5.1 billion in U.S. contributions to the replenishments of the World Bank, IDA, International Finance Corporation, Asian Development Bank and the Asian Development Fund.

*gill help
if necessary*

It is highly probable that there will be a multi-year, multilateral assistance package for Portugal which would call for Congressional authorization and appropriation of \$300 million for FY 77, \$130 million for FY 78 and \$120 million for FY 79.

5. Regulation Q

On March 1, the authority of the bank regulatory agencies to impose ceilings on interest which may be paid on deposits expires.

Treasury has sought passage of omnibus legislative reform of financial institutions through the Financial Institutions Acts of 1973 and 1975. The goal of both bills was to increase competition among financial institutions. Part of the package proposed to attain this goal was the provision to gradually phase out over a period of 5 years Regulation Q. Regulation Q requires Federal bank regulatory agencies to place a ceiling on the level of interest paid by member banks on time and savings deposits and requires that the ceiling for savings and loan institutions be set $\frac{1}{2}$ of 1% above that for commercial banks. By phasing out Regulation Q in conjunction with comprehensive financial institutions reform, it was felt that consumers/savers would have the full benefit of deposit rate competi-

*I favor
Maximum
Competition*

tion and receive a fair return on their savings since deposit rate ceilings appear to have held down the yield on deposits and have encouraged savers to seek alternative assets. The 1975 Financial Institutions Act Reform bill passed the Senate but was not acted on by the House which had undertaken its own financial reform study.

A temporary extension of Regulation Q seems likely while negotiations continue on comprehensive review of policies for reform of financial institutions. It is also likely that the extension of Regulation Q might also be combined in Congress with provisions dealing with new authority for credit unions and expansion of NOW accounts.

6. National Debt Ceiling

The permanent debt limit was set at \$400 billion on 3/17/71 and since that time the Treasury has requested and received a number of temporary increases. At Ways & Means hearings on 6/1/76 a Department witness justified the requested increase in the debt ceiling in stating that "a new dollar limit must be established at a level consistent with the expected imbalance between receipts and outlays and with the level of debt above the \$400 billion limit already outstanding." The Act of 6/30/76 (31 USC 757b) temporarily increased the debt limit to \$682 billion through March 31, 1977 and \$700 billion through September 30, 1977.

Thus, the debt limit will revert to the permanent ceiling of \$400 billion on October 1, 1977. Additional legislation will be necessary prior to that date since a further increase will be needed before then to permit the Federal Government to meet its obligations.

More immediately, it is likely that an increase in the debt ceiling will be necessitated during the March-September period because of the deficit inherited from the previous administration plus the stimulus package. Currently, the debt is estimated to increase to approximately \$715 billion before September.

*We'll try
to
minimize*

7. Tax and Loan Accounts

Tax and loan accounts are bank accounts for holding Federal tax payments from businesses until needed by the Treasury. Presently Treasury has no authority to invest temporarily surplus cash except in time deposits, and the 30-day minimum maturity for such deposits makes that course impracticable. The legislation would permit Treasury to

invest on a short-term basis excess operating balances and would make possible the most efficient temporary employment of Treasury cash in interest-bearing assets. This investment in earning assets will entail providing direct compensation to financial agents for performing these services. Agents will be compensated by the payment of fees from appropriated funds; budget requests will include additional monies to cover payments.

good

Last year the House passed such a proposal unanimously but the bill was tabled in the Senate due to controversial and non-germane amendments that were attached.

8. Customs Modernization and Simplification

The primary objective of this legislative package is to modernize and simplify Customs procedures. By making certain Customs laws more flexible it is felt that productivity of the Customs force would increase since simplified procedures would help in the processing of an increasing workload. The importing community would be better served since modern business procedures and methods in the merchandise processing and financial aspects of importing would be instituted. Also, more thorough compliance with Customs laws through modern audit techniques would be attained.

Good

The proposal would (1) allow Customs to institute up-to-date business methods and adapt accepted financial practices in conjunction with computerized techniques for processing of importations, (2) facilitate the processing of international travelers and low value importations, and (3) amend the Tariff Act to modernize procedures for licensing and regulating Customs brokers.

9. Other legislative areas

Reform of Financial Institutions: Since 1966 the Treasury Department has sought omnibus reform of financial institutions. This policy will have to be reexamined to determine if a strategic approach of selective legislative initiatives is a preferable alternative.

Good

Social Security Financing: With welfare reform may come a reexamination and reform of Social Security financing.

C

Tuesday

staff to senior
staff - FYI

Action - to Jack
WATSON

back

Frederick
2/4 3/11



ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: February 3, 1977

2/3

Time:

FOR ACTION:

Jack Watson

cc (for information):

Bert Lance
Charles Schultze

FYI-Frank Moore
Rick Hutcheson
Bob Lipshutz
Hamilton Jordan
Jody Powell
Stu Eizenstat
Midge Costanza

FROM THE STAFF SECRETARY

DUE: Date: Friday, February 4, 1977

Time: 3:00 P.M.

SUBJECT: W. Michael Blumenthal memo, 2/1/77 re
Treasury Department's Legislative Program
for FY 1978.

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

2/4 Watson no comments

Please return comments to:

Trudy Fry - West Basement

X 2684

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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RICK HUTCHESON
STAFF SECRETARY



THE SECRETARY OF THE TREASURY

WASHINGTON 20220

FEB 1 1977

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8. Customs Modernization and Simplification

The primary objective of this legislative package is to modernize and simplify Customs procedures. By making certain Customs laws more flexible it is felt that productivity of the Customs force would increase since simplified procedures would help in the processing of an increasing workload. The importing community would be better served since modern business procedures and methods in the merchandise processing and financial aspects of importing would be instituted. Also, more thorough compliance with Customs laws through modern audit techniques would be attained.

The proposal would (1) allow Customs to institute up-to-date business methods and adapt accepted financial practices in conjunction with computerized techniques for processing of importations, (2) facilitate the processing of international travelers and low value importations, and (3) amend the Tariff Act to modernize procedures for licensing and regulating Customs brokers.

9. Other legislative areas

Reform of Financial Institutions: Since 1966 the Treasury Department has sought omnibus reform of financial institutions. This policy will have to be reexamined to determine if a strategic approach of selective legislative initiatives is a preferable alternative.

Social Security Financing: With welfare reform may come a reexamination and reform of Social Security financing.

Duplicate
2/5/99

Bob Lipshutz

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

cc: ~~Bob Lipshutz~~
Hamilton Jordan
Jack Watson
Walter Mondale

Attachment: Recreation of Postition of
Director of Agricultural
Economics to Level IV.

CC Lipshutz
HJ
Watson
Mondale

THE WHITE HOUSE
WASHINGTON

Mr. President:

Stu concurs with Hamilton.

Rick Hutcheson

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

*Bob Lipschutz
ok - draft
J*

MEMORANDUM TO PRESIDENT CARTER

FROM: HAMILTON JORDAN *HJ*

DATE: JANUARY 28, 1977

SUBJECT: Recreation of Position of Director of
Agricultural Economics to Level IV.

To summarize, Bergland is asking that you reestablish, by Executive Order, the position of Director of Agricultural Economics at Level IV.

Just a few weeks before the end of President Ford's term, Ford appointed the former Director of Agricultural Economics as Assistant Secretary and dissolved the economics slot. There is no slot for the Chief Economist, either as Assistant Secretary (as in late 1976) or as Director of Agricultural Economics (prior to late 1976, now abolished). He is thus asking you to recreate the Director slot, and has already offered that position to Howard Hjort. Thus, until such executive action is taken, there is no slot for a Chief Economist for the Department of Agriculture.

This is part of Bergland's internal reorganization of the Agriculture Department. This does not create a new position -- only reestablishes a position that is needed.

Recommend that you approve Bergland's request and reestablish by Executive Order, pursuant to Section 5317 of Title 5, U.S. Code, the position of Director of Agricultural Economics at Level IV.

OFFICE OF
THE SECRETARY OF AGRICULTURE

January 26, 1977

Mr. Butler

Enclosed is the copy you requested.

Weldon Barton

Mark Sneed
#1

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

JAN 24 1977

To: Hamilton Jordan
The White House

From: Bob Bergland
Secretary

I am hereby requesting that the President place the position of Director of Agricultural Economics, Department of Agriculture, in Level IV of the Executive Schedule as authorized under 5 U.S.C. 5317.

This request is urgent, since reallocation from Economics to Food and Consumer Services (as explained below) of the additional position of Assistant Secretary of Agriculture created in 1976 by Public Law 94-561 has the result that no position is now available to be offered to the head of Economics in the Department of Agriculture. In order that final selection and appointment of a head of economics can proceed on schedule, a position of Director of Agricultural Economics at Level IV needs to be allocated now from the Presidential pool of such positions.

This problem arose because, in order to have an Assistant Secretary position for Carol Foreman in the Food and Consumer Services area, I had to take for that purpose the additional position of Assistant Secretary which was created by P.L. 94-561. However, that additional Assistant Secretary position had been allocated a few weeks ago by the previous Administration to the Director of Agricultural Economics, and the then incumbent in that position was upgraded to Assistant Secretary for Agricultural Economics. Although some legislative history was developed during consideration of P.L. 94-561 to the effect that the additional Assistant Secretary would be used in the Economics area, the final statute left discretion to the Secretary of Agriculture to utilize that Assistant Secretary position as the Secretary determines most appropriate. I can therefore reallocate that position to Carol Foreman with no legal problem. The problem remains, however, that P.L. 94-561 also contained language which, upon the appointment of a Presidential appointee to fill the newly created Assistant Secretary position, repealed paragraph (55) of section 5316, Title 5, U.S. Code, which had provided for the position of Director of Agricultural Economics.

Consequently, as of the date on which the previous Administration appointed the Director of Agricultural Economics to the Assistant Secretary position, the position of Director of Agricultural Economics does not exist, and must be reestablished by Executive Order of the President out of the pool of such positions authorized by section 5317 of Title 5, U.S. Code.

The position of Director of Agricultural Economics should be reestablished at Level IV of the Executive Schedule. This would place the incumbent in that position on the same level, in terms of compensation, as the Assistant Secretaries in the Department of Agriculture. The Director of Agricultural Economics has been handling executive responsibilities fully commensurate with the Assistant Secretaries and has sat on the top policy council to the Secretary with the Assistant Secretaries. I intend to continue utilization of the Director of Agricultural Economics at such a top level of responsibilities, and indeed may give him or her additional Department-wide responsibilities. In order to give the Director of Agricultural Economics a formal status that will facilitate such a role, and in order that we might secure the best qualified person for that job on the basis that he or she will not be "demoted" in Executive Schedule level even though the title of Assistant Secretary will need to be withheld, I certainly hope that the Level IV position can be allocated.

I deeply appreciate your prompt attention to this matter.

THE WHITE HOUSE

WASHINGTON

February 1, 1977

MEMORANDUM FOR: RICK HUTCHESON

THRU: STU EIZENSTAT *Stu*
BERT CARP

FROM: LYNN DAFT *Lynn*

SUBJECT: Recreation of Position of Director
Agricultural Economics to Level IV

I strongly endorse Hamilton Jordan's recommendation that the request for recreation of the position of Director of Agricultural Economics at Level IV be approved.

This is a key policy support position that needs to be filled by a person of Howard Hjort's capability and experience. If the position is downgraded, it will be difficult to fill with an individual of this caliber.

Hjort helped us in the campaign.

Date: January 31, 1977

Time:

FOR ACTION:

cc (for information): FYI
Rick Hutcheson

- ✓ Stu Eizenstat
- ✓ Jack Watson
- ✓ Bob Lipshutz

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, February 2, 1977 Time: 10:00 A.M.

SUBJECT: Hamilton Jordan memo, 1/28/77 re
REcreation of Position of Director of
Agricultural Economics to Level IV.

ACTION REQUESTED:

- | | |
|---|--|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Lipshutz - no comment
Eizenstat - see comment

Please return comments to :

Trudy Fry - West Basement

X 2684

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

RICK HUTCHESON
STAFF SECRETARY

Rick -

Recreas

Recreation of Position of Director
of Agricultural Economics to
Level IV

Staffing due back 2/2/ 10 A. M.

Heard from following

Lipshutz - no comments

Eizenstat --- see comments attached

Watson -- no response.

Trudy Fry 2/4.77

THE WHITE HOUSE
WASHINGTON

February 1, 1977

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

CARTER

ORDAN *ND*

, 1977

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*STAFF TO
STU & JACK
+ BOB*

[Handwritten signature]

*back by
~~for~~ wed
2/2/10AM*

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is needed.

Recommend that you approve Bergland's request and
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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

JAN 24 1977

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The White House

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Secretary

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Hamilton Jordan

2

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I deeply appreciate your prompt attention to this matter.

THE WHITE HOUSE

WASHINGTON

ACTION MEMORANDUM

LOG NO.: 41

S

Date: January 31, 1977

Time:

xc: *Draft Corp.*

FOR ACTION:

cc (for information): FYI
Rick Hutcheson

~~Stu Eizenstat~~
Jack Watson
Bob Lipshutz

1977 JAN 31 11 25

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, February 2, 1977 Time: 10:00 A.M.

SUBJECT: Hamilton Jordan memo, 1/28/77 re
REcreation of Position of Director of
Agricultural Economics to Level IV.

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return comments to Trudy Fry - West Basement

X 2684

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

RICK HUTCHESON
STAFF SECRETARY

THE WHITE HOUSE
WASHINGTON

2/3

Response to
Staffing



(2)

THE WHITE HOUSE
WASHINGTON

February 5, 1977

Jody Powell

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Jack Watson

CEA Memo re Press Coverage
of Cabinet Meetings

—
Tody

THIS PRESIDENTIAL WAS SECRET.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

*Jody -
What happened to
the meeting which
you twice told
me was set?
J.C.*

February 1, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze ^{CLS}

SUBJECT: Press Coverage of Cabinet Meetings

You asked for our views on press attendance at Cabinet meetings.

I suggest we break the Cabinet session into two parts and publicly label them as:

Reporting Session
Policy Debate Session

The press could attend the first and absent themselves for the second. I think the public would appreciate the necessity for the distinction.

Simply opening Cabinet meetings to the press has some serious disadvantages:

Cabinet meetings can be limited principally to reports, in which each agency head states what his or her agency is doing. Clearly there is no reason why the press shouldn't cover that. But Cabinet meetings could also be the one place where a Cabinet officer could voice views about policy areas in which he or she does not normally get a chance to participate - domestic Cabinet officers can express views on foreign policy; Califano can have a say on energy policy; etc.

Good policy usually comes out of vigorous clash of opinion. You have encouraged that. But I do not think it helps to have that clash in open sessions.



RECEIVED BY THE PRESIDENT ON FEBRUARY 1, 1977

Once you have decided among conflicting views, it will be much harder to win acceptance of your policy if the media can print, and opposing groups use, the following kinds of headlines:

- HEW Chief Disagrees with Carter's Energy Proposals
- HUD Secretary Thinks Stimulus Package Ineffective
- President Overrules Agriculture Chief on
International Grains Policy
- CEA Chairman Criticizes Breeder Reactor Program

As we proceed, and get to know each other better, the Cabinet meetings could involve a healthy clash of views and debate. But to pursue an argument over public policy with a Cabinet colleague in front of the press is bound to be inhibiting.