

VETO—S. 3201

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

WITHOUT MY APPROVAL THE BILL (S. 3201) ENTITLED
"PUBLIC WORKS EMPLOYMENT ACT OF 1976"



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To the Senate of the United States:

I am today returning without my approval, S. 3201, the Public Works Employment Act of 1976.

This bill would require \$3.95 billion in Federal spending above and beyond what is necessary. It sends a clear signal to the American people that four months before a national election, the Congress is enacting empty promises and giveaway programs. I will not take the country down that path. Time and time again, we have found where it leads: to larger deficits, higher taxes, higher inflation and ultimately higher unemployment.

We must stand firm. I know the temptation, but I urge Members of Congress to reconsider their positions and join with me now in keeping our economy on the road to healthy, sustained growth.

It was almost five months ago that the Senate sustained my veto of a similar bill, H.R. 5247, and the reasons compelling that veto are equally persuasive now with respect to S. 3201. Bad policy is bad whether the inflation price tag is \$4 billion or \$6 billion.

Proponents of S. 3201 argue that it is urgently needed to provide new jobs. I yield to no one in concern over the effects of unemployment and in the desire that there be enough jobs for every American who is seeking work. To emphasize the point, let me remind the Congress that the economic policies of this Administration are designed to create 2 to 2.5 million jobs in 1976 and an additional 2 million jobs in 1977. By contrast, Administration economists estimate that this bill, S. 3201, will create at most 160,000 jobs over the coming years—less than 5 percent of what my own policies will accomplish. Moreover, the jobs created by S. 3201 would reduce national unemployment by less than one-tenth of one percent in any year. The actual projection is that the effect would be .06 percent, at a cost of \$4 billion. Thus, the heart of the debate over this bill is not over who cares the most—we all care a great deal—but over the best way to reach our goal.

When I vetoed H.R. 5247 last February, I pointed out that it was unwise to stimulate even further an economy which was showing signs of a strong and steady recovery. Since that time the record speaks for itself. The present 7.5 percent unemployment rate is a full one percent lower than the average unemployment rate of 8.5 percent last year. More importantly, almost three and a half million more Americans now have jobs than was the case in March of last year. We have accomplished this while at the same time reducing inflation which plunged the country into the severe recession of 1975.

S. 3201 would authorize almost \$4 billion in additional Federal spending—\$2 billion for public works, \$1.25 billion for countercyclical aid to state and local governments, and \$700 million for EPA waste water treatment grants.

Beyond the intolerable addition to the budget, S. 3201 has several serious deficiencies. First, relatively few new jobs would be created.

The bill's sponsors estimate that S. 3201 would create 325,000 new jobs but, as pointed out above, our estimates indicate that at most some 160,000 work-years of employment would be created—and that would be over a period of several years. The peak impact would come in late 1977 or 1978 and would add no more than 50,000 to 60,000 new jobs in any year.

Second, S. 3201 would create few new jobs in the immediate future. With peak impact on jobs in late 1977 or early 1978, this legislation would add further stimulus to the economy at precisely the wrong time: when the economy is already far into the recovery.

Third, the cost of producing jobs under this bill would be intolerably high, probably in excess of \$25,000 per job.

Fourth, this bill would be inflationary since it would increase Federal spending and consequently the budget deficit by as much as \$1.5 billion in 1977 alone. It would increase demands on the economy and on the borrowing needs of the government when those demands are least desirable. Basic to job creation in the private sector is reducing the ever increasing demands of the Federal government for funds. Federal Government borrowing to support deficit spending reduces the amount of money available for productive investment at a time when many experts are predicting that we face a shortage of private capital in the future. Less private investment means fewer jobs and less production per worker. Paradoxically, a bill designed as a job creation measure may, in the long run, place the opposite pressures on the economy.

I recognize there is merit in the argument that some areas of the country are suffering from exceptionally high rates of unemployment and that the Federal government should provide assistance. My budgets for fiscal years 1976 and 1977 do, in fact, seek to provide such assistance.

Beyond my own budget recommendations, I believe that in addressing the immediate needs of some of our cities hardest hit by the recession, another measure before the Congress, H.R. 11860 sponsored by Congressman Garry Brown and S. 2986 sponsored by Senator Bob Griffin provides a far more reasonable and constructive approach than the bill I am vetoing.

H.R. 11860 would target funds on those areas with the highest unemployment so that they may undertake high priority activities at a fraction of the cost of S. 3201. The funds would be distributed exclusively under an impartial formula as opposed to the pork barrel approach represented by the public works portions of the bill I am returning today. Moreover, H.R. 11860 builds upon the successful Community Development Block Grant program. That program is in place and working well, thus permitting H.R. 11860 to be administered without the creation of a new bureaucracy. I would be glad to accept this legislation should the Congress formally act upon it as an alternative to S. 3201.

The best and most effective way to create new jobs is to pursue balanced economic policies that encourage the growth of the private sector without risking a new round of inflation. This is the core of my economic policy, and I believe that the steady improvements in the economy over the last half year on both the unemployment and infla-

tion fronts bear witness to its essential wisdom. I intend to continue this basic approach because it is working.

My proposed economic policies are expected to produce lasting, productive jobs, not temporary jobs paid for by the American taxpayer.

This is a policy of balance, realism, and common sense. It is a sound policy which provides long term benefits and does not promise more than it can deliver.

My program includes:

Large and permanent tax reductions that will leave more money where it can do the most good: in the hands of the American people;

Incentives for the construction of new plants and equipment in areas of high unemployment;

More than \$21 billion in outlays in the fiscal year beginning October 1 for important public works such as energy facilities, waste water treatment plants, roads, and veterans' hospitals representing a 17 percent increase over the previous fiscal year; and

A 5¾-year package of general revenue sharing funds for State and local governments.

I ask Congress to act quickly on my tax and budget proposals, which I believe will provide the jobs for the unemployed that we all want.

GERALD R. FORD.

THE WHITE HOUSE, *July 6, 1976.*