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12TH DISTRICT, TEXAS

Congress of the United States
House of Representatives

Washington, D.C. 20515
January 2, 1975

Honorable Carl Albert
Speaker, House of Representatives
Washington, D. C.

Dear Mr. Speaker:

Enclosed is the first draft of the program recommendations of the Task Force. We have tried to incorporate each of those items on which there was general consensus but to omit all others. This paper is being circulated to the members of the Task Force for their formal approval and/or any changes or alterations they may individually want to suggest.

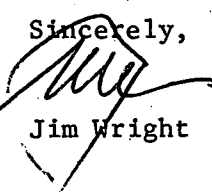
Since we are anxious that this document be in conformity with your wishes, I thought I should get this copy to you before the next meeting of the Task Force so that you could see if you think we are "on target" and change any items that you'd like to change.

As for the general format, you will see that we have listed six rather broad program items under the general heading "Immediate Action Goals," and six others under a heading "Other Imperative Goals of the 94th Congress." We have tried to indicate in each instance the committee which would have regular jurisdiction over each of these items. You may think it better that we eliminate references to specific committees. We can do as you suggest in this regard.

Some of us are going to try to get together in the Whip's office on Thursday, January 9, at 11:00 a.m. Then there will be a formal meeting of the Task Force at 10:00 a.m. on Monday, January 13, before the Democratic caucus convenes that day. You may want to look in on either or both of these meetings if it is convenient for you. There has been some conversation as to when would be the best time to release such a document as this, and we want to leave that decision up to you. Some have felt that it would be useful to release it prior to the President's State of the Union message of January 20.

Very best wishes, and a very happy new year.

Sincerely,


Jim Wright

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TO REVIVE THE ECONOMY:

A CONGRESSIONAL PROGRAM OF ACTION

The 94th Congress, convening at a moment of historic challenge to the American economy, must assume a responsibility for decisive and resourceful leadership. The critical problems of this immediate time will not yield to half-way measures, timid initiatives or public relations appeals to voluntarism. The nation at this juncture could ill afford a passive Congress which did no more than await and then react in leisurely, piecemeal fashion to Executive recommendations. The public expects and is fully entitled to a coordinated program of legislative action beginning immediately and clearly designed to rebuild a healthy and stable economy in the United States. We are determined that the American people shall not be disappointed in this rightful expectation.

For too long has the economy been allowed to drift, devoid of purposeful direction. For three consecutive quarters the gross national product has shrunk. Unemployment has mounted steadily while the debilitating increase in the basic cost of living continues, its rate abated only slightly. During the past year, the purchasing power of real wages has declined by 5.6 percent. Bankruptcies and foreclosures have grown alarmingly. Residential housing starts have been cut approximately in half. Waning business investments in new plant and equipment and sagging consumer purchases reflect a lack of confidence in the future.

Mirroring the general economic malaise, the Federal budget has become a principal victim of the inflation-recession. Declining economic output and rising joblessness have diminished government revenues while the extortionate and unprecedented level of interest rates has added many billions of dollars to the cost of public debt service and the swelling ranks of unemployed have added extra billions to the cost of providing welfare and unemployment compensation. It is clear that the government cannot realistically expect to balance its budget until it comes to grips with the recessionary forces which have contributed so massively to the budgetary imbalance.

The Democratic majority in the 94th Congress totally rejects the theory that the tides of economic decline are inexorable. We do not believe

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that the nation has grown old and tired and incapable of a vigorous economic revival. We shall not recline in supine acquiescence to forecasts which point toward an 8 percent unemployment rate by the end of 1975. We believe that there are things which can be done to reverse the trends of deterioration. We are determined that these things shall be done. To the maximum extent consistent with the responsibility of careful legislative draftsmanship, we shall insist that several of them be done very quickly.

As one of the three equal and coordinate branches of government, we invite and wholeheartedly welcome the cooperation of the Executive branch in supporting the following legislative recommendations, in suggesting refinements and improvements, and finally in faithfully and diligently executing such programs as we shall enact. Meanwhile, the Democratic congressional leadership calls upon various committees of the Congress to begin immediately in the implementation of the following agenda.

I. IMMEDIATE ACTION GOALS

Due to the critical state of the nation's economy, we urgently request the committees of respective jurisdiction to prepare for presentation to the House the following items as soon as possible and in no case later than 90 days after our convening:

A. Tax Relief and Reform -- The quickest way to generate the added purchasing power needed to counter the current recession and to ease the burden of those most damaged by inflation is through tax relief for low and middle income families. This can be achieved by increasing the personal income tax exemption, the standard deduction and minimum income allowance, by reducing the weight of payroll tax liabilities upon the working poor, and/or by a system of individual tax credits. The committee may wish to consider alternate or additional proposals. In any event, the amount of purchasing power released to the hands of Americans of modest income should be substantial and made quickly available.

The revenue loss thus suffered should be recouped to the extent possible by reforms in personal and corporate income taxes including a larger minimum

income tax with no loopholes for escape, certain excess profits taxes, and eliminations of tax favoritism to foreign oil producers and investors in foreign enterprises.

Action: Committee on Ways and Means

B. Lower Interest Rates -- A primary cause of the nation's simultaneous suffering from both inflation and recession is the misbegotten and prolonged policy of attempting to halt inflation solely by monetary restrictions and high interest rates. Manifestly, this policy has been counter-productive. It has not abated inflation. It has fed its fires, adding an extra layer of cost at every level of the market place. It has contributed cruelly to the massive tide of small business bankruptcies, brought homebuilding to a virtual halt, dipped a heavy hand into the pockets of most American families, added a multi-billion dollar burden to the national budget through increased debt service costs, and actually set in motion a retrogressive redistribution of national income, widening the gap between rich and poor and largely undoing the beneficial results of a decade of costly public programs.

Two immediate steps are needed to reduce interest rates and stimulate the flow of credit to vital economic sectors:

(1) Increase the supply of credit -- Between July 1 and October 1 of 1974, the Federal Reserve Board constricted the growth of the money supply to less than 2 percent per year at an annual rate, far below the 4-6 percent growth needed to finance the long-run needs of the economy. Furthermore, the stop and go policies of the Federal Reserve Board and the uncertainty generated by these policies have contributed in a major way to excessive inflation, combined with excessive unemployment.

Steady and stable economic growth requires a steady and stable policy and a gradual but determined reduction of interest rates to a liveable level.

(2) Credit Allocation -- With any given supply of new money overall, a credit allocation program is needed to channel credit away from speculative and inflationary uses -- ranging from conglomerate take-overs to gambling in foreign exchange or gold -- and toward vital credit-

LEGISLATIVE

starved areas, such as housing, small business, food production, State and local governments, and productive capital investment. The expanded supply of credit for these purposes could be expected to lower interest rates for these necessary activities, thus lowering costs and reducing inflationary pressures, stimulate production of vital commodities and generate jobs in the private sector.

Action: Committee on Banking, Currency and Housing

C. The Problem of Rising Unemployment -- The Democratic Congress is unequivocally dedicated to the task of increasing productive jobs and reducing unemployment! The rate of unemployment hovers today at approximately 6.5 percent. Even by the optimistic forecasts of Administration economists, this figure is expected to exceed 7.5 percent by mid-1975. This is intolerable. The recent report of the Joint Economic Committee portrays an even grimmer picture, estimating that the modest goal of a 5 percent unemployment rate cannot be expected before 1980 in the absence of a sustained overall economic growth rate of 5 to 6 percent. At a minimum, this is what we intend to achieve. As a direct immediate attack on this problem we propose two approaches:

(1) Acceleration of approved public works -- It is ironic that the nation suffers increasing unemployment in the building trades and a growing inventory of idle construction equipment, with ever mounting public costs for unemployment payments, at the very time that literally billions of dollars worth of badly needed and Congressionally approved civil works projects (water pollution abatement, flood control, highway, public transit and other constructive works) suffer unconscionable delays in administrative processing of grant applications. Legislation should be enacted to mandate early administrative funding of such projects already authorized by Congress. Such legislation should dramatically reduce the time lag created by redundant reports and proliferating paperwork and mandate a swift acceleration of construction starts.

Action: Committee on Public Works and Transportation

(2) Additional public service jobs -- The Joint Economic Committee estimates the overall national need for public service jobs at 750,000.

Recently enacted legislation has authorized programs to create perhaps two-thirds of this number, leaving a shortfall of some 250,000 such jobs. The stagnating state of the economy is distressingly revealed in the ratio of funds provided in the most recent appropriation, which earmarked roughly three times as much for unemployment compensation as for public service employment. While clearly the duty of a humane nation which cannot provide useful and remunerative work, unemployment compensation is by comparison economically non-productive and personally unsatisfying. Public service jobs, admittedly second best to gainful and lasting employment in private industry, should be provided in an adequate dimension to fill the slack productively while other policies are generating a revival of the private sector.

Action: Committee on Banking, Currency and Housing (?)

D. An Emergency Housing Program -- Probably the most seriously depressed sector of our economy is the housing and construction industry. As in the automotive industry, depression in housing starts has widespread "ripple" effects throughout countless other sectors of the economy. It is imperative, therefore, that significant stimulus be applied rapidly. We ask the appropriate committees to consider and recommend emergency housing measures, including such alternatives as (1) tax exemption for the first \$250 or \$500 annually from modest family investments in savings and loan or thrift institutions whose paucity of capital in the era of escalating interest rates has starved the mortgage markets, (2) interest rate subsidies for low and medium priced housing for the near term until concerted effort succeeds in reducing interest rates to an acceptable level, (3) incentives for the rehabilitation of older existing housing, including multi-family dwellings, and (4) relaxation of superfluous or overly stringent FHA housing codes, especially for the near term. Recognizing the complexities of the housing market and the mortgage market which fuels it, we expect the appropriate committees to exercise broad judgment and discretion in weighing these and other alternatives and to report specific recommendations to the Congress for action early in this session.

Action: Committees on Banking, Currency and Housing and Ways and Means

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On page 6, middle paragraph, strike item (6), and add the following as a separate paragraph.

We believe that every effort should be made to preserve the legislative steps taken in recent years for the protection of our environment, and that any relaxation of these standards should be considered only as a last resort after other methods of energy conservation have been tried and found to be insufficient.

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E. Emergency Energy Conservation Measures -- It now is apparent to

all with the will to see that the alarmingly increasing gap between domestic production and domestic consumption of energy (especially petroleum) in the United States threatens not only our basic national economy but our national security as well. Just as the long term solution must lie in discovering ways to increase our production of energy, our interim salvation can be found only in vastly more effective conservation measures. We must control runaway energy consumption if the nation is to retain economic independence, let alone achieve stable and enduring economic growth. Voluntary restrictions simply have not worked. More stringent short-term measures are imperative.

To reduce our immediate energy usage and our resulting dependence on foreign oil sources, we commend to the appropriate committees for their consideration and recommendation one or more of the following courses: (1) imposition of mandatory petroleum allocations, (2) enactment of higher gasoline taxes, (3) gasoline and home fuel oil rationing, (4) higher manufacturer's excise taxes on pleasure craft and private automobiles of high horsepower, (5) restricting the sale of gasoline on certain days such as week-ends, (6) possible temporary relaxation of environmental strictures on the burning of coal and upon automobile (7) long term, low interest loans for home insulation improvements, emission controls, and (8) a national examination of utility rate structures of a type that encourage energy wastefulness by rewarding large usage with low rates.

We recognize that the above include hard and in some cases unpalatable choices and that the range of options should not be limited to those here enumerated. In specific connection with (2) above, we urge very cautious and careful consideration of any proposed fuel tax increase upon the millions of working Americans who have no available or practical alternative to the use of their automobiles in getting to and from their daily work and in the conduct of their necessary business activities. A punitive retail sales tax in the range of an additional 20¢ per gallon on gasoline, as advocated by some, predictably would penalize most harshly those whose consumption of fuel is directly related to their essential employment, while providing a relatively negligible disincentive to the use of scarce fuel by the wealthy for purposes of pleasure. We recommend, therefore, that any increase in the gasoline tax at the retail level be confined to that amount necessary to provide adequate funds for a sharply accelerated program to develop alternative fuel sources (See II B below) and that all addi-

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tional revenues deriving from any such increase be dedicated by means of a Trust Fund to the early realization of the goals of increased energy development and production.

Action: Committees on Commerce and Health, Ways and Means

F. Wage and Price Stability -- We need a tough but selective program to halt the current wage-price spiral. Phases I and II of the Nixon Administration program controlled wages with a vengeance while permitting prices to rise, resulting in a cruel diminution of the wage earner's purchasing power. There must be no return to such a policy. The present Council on Wage and Price Stability is a toothless tiger. The need is for an agency with subpoena power, the resources to hold extensive hearings, the authority to delay price and wage increases up to 90 days, and in extreme cases the authority to impose controls more permanently on a selective basis. The selectivity should be aimed at those industries where near-monopoly and "administered" prices render the forces of true competition inoperable.

Action: Committee on Government Operations (?) (Or Committee on Banking, Currency and Housing?)

II. OTHER IMPERATIVE GOALS OF THE 94TH CONGRESS

While the six goals listed above claim a priority of very early attention due to the impelling need for swift and decisive action to begin the economic revival, there are other goals no less imperative and no less important to the nation's economic growth and health. These goals, too, should be effectively addressed by the 94th Congress during its 1975 session.

A. Health and Medical Care -- Circumstances dictate the timely enactment of a comprehensive national program of health and medical care. The ravages inflicted upon family income by the steadily rising costs of medical care are well known to most Americans. Less well recognized is the significant impact such a plan could have on the nation's economy. The job-creating effects of public works programs, housing and other construction activities are easily apparent, but none of these exceeds health and medical care programs in the potential for generating useful employment. Health care is one of the most labor-intensive industries in the entire economy. It has been estimated, for example, that a \$5 billion health program would result in 423,000 new jobs almost immediately.

Action: Committee on Ways and Means

LEGISLATIVE

B. New Sources of Energy -- In addition to the strictly conservation methods outlined above (Part I, Item E) it is obvious that the nation urgently needs to take major steps toward energy self-sufficiency. We ask the appropriate committees to consider and report their recommendations on ways to encourage exploration for new domestic oil and gas supplies, to encourage the development of secondary and tertiary recovery techniques for existing wells, and to mandate a concentrated program of research and development aimed at other sources and methods of energy production.

The long term solution must of necessity feature the earliest possible development of energy alternatives to petroleum. This concentrated effort should include the rapid perfection of economically viable methods of coal conversion and the acceleration of pure and applied research in solar energy, atomic fusion, geothermal power, the environmentally acceptable recovery of oil from shale, and any other alternatives that committees may choose to consider.

Twice before in our history we have made monumental achievements through concentrated "crash" programs: the Manhattan Project which resulted in unlocking the secrets of the atom and the Space Program spurred by President Kennedy's audacious promise to put a man on the moon in less than a decade. Our present crisis involving the need for energy self-sufficiency is surely no less urgent. To guarantee the steady and consistent maintenance of effort, free from starts and stops, we have suggested the possibility of a Trust Fund dedicated expressly to this singularly vital endeavor.

Action: Committees on Science and Technology and Ways and Means

C. Anti-Trust Legislation -- Mindful of the recent action of Congress in increasing penalties under existing anti-trust laws, we feel the time has come for a broad new look aimed at tightening and strengthening these basic laws. Increasing sectors of our economy have become alarmingly vulnerable to monopoly and effective oligopoly conducive to administered pricing practices based solely on the seller's demand, regardless of the efficiency of production. We have witnessed the systematic development of planned obsolescence in a variety of products and a growing tendency to reduce output rather than prices and thus make

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the growing unit of profit compensate for a declining volume of sales.

These practices manifestly contribute to inflation and mitigate against national economic recovery and against the best interests of consumers everywhere. The fundamental laws of competitive marketplace economics are effectively repealed where such concentrated economic might is permitted to operate. Without attempting an all-inclusive list, we feel that this condition has come to apply particularly in the sectors of steel, automobile production, communications, banking, oil and electrical production and marketing. We ask the appropriate committees to initiate careful oversight hearings on the effectiveness of present anti-trust laws and where justified to report new legislation to tighten and strengthen those laws so as to make these economically destructive practices impossible.

Action: Committee on the Judiciary

D. Consumer Protection -- It is manifestly in the interests of the consumer that safeguards be established against inferior goods as well as deceptive advertising and merchandizing techniques. Equally important to the long-run health and vibrancy of our economy is insistence that the nation's manpower and material resources be expended to produce durable, high-quality goods and services at prices affordable by the mass market. In pursuit of this goal, the Congress should promptly enact legislation establishing an effective and workable Consumer Protection Agency.

Action: Committee on Government Operations

E. Food Production -- In the past decade sweeping changes have dictated dramatic reversal in our basic agricultural policies -- away from efforts aimed at curtailing excess production to avoid surpluses and toward the new goal of maximizing the nation's agricultural production to avoid shortages. The old programs contained certain built-in incentives not to produce. The new programs must feature incentives to achieve greater production from the nation's agricultural acreage. We request the appropriate committees therefore to conduct a careful review of such basic agricultural programs as acreage allotments, soil bank and acreage reserves in light of the nation's present and future requirements.

We also recommend that consideration be given to: (1) establishing a food export monitoring and management system to anticipate and prevent the development of domestic food shortages, (2) reestablishing a national grain reserve system to stabilize supplies, and (3) appropriate ways to guarantee a significant

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increase in competition and efficiency in the processing and distribution sectors of the food industry and an equitable rate of return to the growers themselves.

Action: Committee on Agriculture

F. Aid to Specific Industries -- We ask the appropriate committees to consider and recommend (1) means of identifying specific industries in need of special assistance, and (2) methods of rendering such assistance, including the establishment of a new Reconstruction Finance Corporation, similar to that of the 1930's, to provide government-sponsored credit to specific hard-hit sectors of our economy. Enabling legislation should define the mandate of such a Corporation, including the kinds of activities it should aid and the circumstances under which aid should be rendered.

Some industries that are presently depressed due to the slack economy and/or the energy shortage may in fact be faced with even more profound long term problems. Automobile production, where massive lay-offs recently have occurred, is a prime example. High prices, lack of consumer confidence and energy shortfalls may have been exacerbated by official government policy requiring the installation of devices which added both weight and price and in some cases have reduced energy efficiency. This particular industry looks to Congress for future guidance and direction. We request the appropriate committees to consider carefully what incentives may be provided to assist this industry in meeting the public need for less expensive and more energy-efficient vehicles.

Action: Committees on Banking, Currency and Housing, Commerce and Health, Ways and Means.

The above action agenda is not intended as an exhaustive recitation of the problems confronting the nation or of the important legislation to be considered by the 94th Congress. Its purpose is to bring direct and immediate focus upon the truly urgent problems of the nation's economy which demand creative initiative and swift, decisive action on the part of the people's elected representatives in Congress. Some of the problems have been years in developing. They cannot be solved in a day. But they are not insoluble. Every day of unnecessary delay in coming directly to grips with them will only aggravate their dimensions. So let us begin.