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THE WHITE HOUSE

WASHINGTON

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT
FROM: L. WILLIAM SEIDMAN *fws*
Subject: Senator Muskie's TV Address on the State of the Economy *MR3*

Senator Muskie gave the Democrats' reply to the Kansas City speech. He began with the following criticisms:

- (1) Purchasing power and real income have declined.
- (2) Economic policy-making over the last six years has been chaotic and shortsighted.
- (3) The Administration's program aims entirely at slowing inflation and denies the threat of deep recession.
- (4) There is inequality among the sacrifices called for in the program.
- (5) Economic policy is still made by "President Nixon's men of narrow vision in the White House."
- (6) The President's message "strikes hardest at the average American family. It exempts those who already have most. It does little for those who have least."

He called for:

- (1) The Federal Reserve to "ease its tight money policy."
- (2) The President to "tell us the cuts he proposes to make before the election next month, so we can debate what he has in mind."
- (3) An increase in the minimum income tax on the wealthy and making estate taxes more equitable rather than the 5% income surtax.

- (4) Aggressive action to slow the wage price spiral including guidelines and agreements for restraint. "If vigorous, voluntary wage and price control efforts fail, mandatory action must be taken."
- (5) An extension of the 5% surtax on corporations for as long as the investment tax credit lasts.
- (6) Fuel rationing if voluntary efforts to reduce oil imports do not succeed.
- (7) A major commitment to the development of alternative energy sources.

Summary:

Senator Muskie specifically criticized little in your announced program and made but two significant proposals:

- (1) To replace the 5% income surtax with a minimum income tax on the wealthy and making estate taxes more equitable.
- (2) A vigorous appeal for voluntary wage and price controls.

In short, it appears that while Senator Muskie does not openly accept your program he has little substantive to offer in its place.