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THE PRESIDENT HAS SEEN

# Experts view President's program

By LAWRENCE R. KLEIN

Dr. Klein is a Benjamin Franklin Professor of Economics at the University of Pennsylvania and a pioneer in the field of economic forecasting. He is chairman of the Wharton School's famed Econometric Forecasting Associates, who feed economic variables into a computer to produce forecasts.

Some critics of contemporary policy would like to see longer term and more immediate problems compartmentalized — between energy and purely economic problems — but I think that President Ford is quite correct in dealing with a triad consisting of recession, inflation, and energy all at once.

He should be introducing long and short run policies all together now because we cannot afford to be swept away in a cumulative recession or inflation movement — these demand immediate attention as short run issues — and the longer term complications of energy difficulties have been ignored too long already. They must be dealt with forcefully at some point — better now than muddling through in a drawn-out process.

The President has taken up the right problems; my point of contention is that he has not forged the right policies to deal with them.

The energy policies in particular are ill-conceived. The excise taxes, duties, and the freeing of prices on oil and gas are definitely inflationary. According to Wharton econometric calculations, it appears that they would add two full percentage points to our inflation rate this year. It is important psychologically, and otherwise, that inflation be brought to levels well under double-digit rates. The oil and gas levies are just large enough to keep us from attaining this important objective. In addition, the higher prices restrain "real" economic activity and worsen what already appears to be a lackluster performance for the economy in 1975.

The President should have pursued his conservation target of one million barrels-day saving of oil,

President Ford's related energy and economic programs are under heated debate in Congress, and within the Ford Administration itself. To encourage a wider ranging discussion The Bulletin asked leaders in commercial and professional fields to give their views, with the understanding that these would be personal expressions, not the opinion of the institutions or businesses with which the writers are associated.

Here are several of these "guest" columns. Others will appear later.

By ROBERT W. DONAHUE

Mr. Donahue is Executive Vice President of the Sun Oil Co. and has been with the firm since 1941. He is a chemical engineer and has attained widespread professional recognition for his work in product research and development. To this background he has added a full personal involvement in civic affairs.

The President's budget message is, basically and uniquely, apolitical in nature. It contains something unpalatable for everyone.

The refreshing and encouraging thing about it is the President's display of real leadership in attempting to steer the ship of state between the shoals of depression on the one hand and the whirlpool of inflation on the other.

From a personal point of view, I am apprehensive about how Congress will treat his recommendations on personal income taxes, and I do not like the prospect of an increase in the national debt of \$50 to \$70 billion. The proposed so-called "windfall" profits tax on petroleum companies is also highly disturbing, not only for its crippling effect on the ability of the companies to finance new energy-development projects, but because of the false underlying assumption that they are profiteering.

There are, however, steps the President is recommending that will in the long term solve some of our more serious problems.

In the energy area, Mr. Ford's proposals are aimed at increasing our available supply, rather than merely apportioning a shortage. Decontrol of crude oil and natural gas prices, which he recommends, should encourage the development of new supplies and promote conservation. Both objectives are important. He also recommends the development of strategic storage of petroleum to cushion the effects of any future embargo. While this will take three or four years, I derive comfort from the fact that at least some action is being recommended, and I would hope that production from Naval Petroleum Reserves might be dedicated to the creation of the strategic storage.

The program to accelerate leasing and development of the land under



Robert W. Donahue

the ocean of the Outer Continental Shelf will upset some environmentalists, but I must again applaud affirmative action to gain more independence in energy. My reaction is the same to the program to develop alternate sources of energy.

The President's budget presents Congress and the nation with several serious issues. It outlines the beginning of changes in direction — in his words, "new directions." Here it speaks to the concerns of conservative opinion that the rate of transfer of income from the producing segment to the nonproducing segment of our society is too rapid. This is a deep sociological and philosophical issue which will probably not be debated as it should be nor decided in the near future.

I would like to believe that spelling out the unhappy facts concerning our economic condition will have a salutary effect. The better people understand the situation, the better they are equipped to deal with it.

This is a time not for politics as usual, a theme the President has clearly cast aside, but a time for statesmanship. Congress has a tremendous responsibility to respond to the President's message in kind because much more than perpetuation in office is at stake.

Individual citizens can do no less. Unpleasant as it may seem, some sacrifice is unavoidable in solving our economic woes. I wish it were otherwise.

By JOSEPH A. HOFFMAN

Mr. Hoffman, 40, is Secretary of Labor and Industry for New Jersey and lives in Plainsboro. He is a lawyer whose varied experience in his field included service with the Jersey Bell Telephone Co. a stint as First Assistant Attorney General under former Gov. Hughes.

This country is faced with a host of interrelated problems all of which contribute to our current economic malaise. These problems — recession, inflation, energy and the balance of trade — simply cannot be challenged with the same dogmatic vigor at the same time. Priority must be established by actions which present the most immediate danger to our society.

There is no question in my mind but that the recession is our pressing concern and must be the top priority.

While the President has taken some constructive steps in the right direction, such as a proposed cut, it seems clear that his economic advisers persist in maintaining that inflation is our major concern.

In my view they are not wrong, they are dangerously wrong.

The recession must be our number one target against which we must immediately declare a scale war.

In this regard, while I support such concepts as public service employment as transitory expedients, I do not feel that such temporary programs are the wisest method of generating the economy.

The best way to stimulate the economy and to provide employment, while at the same time defusing some of our long-term needs, is by significant federal investment in much-needed construction. One important example would be for the President to release now the billions of piled-up funds for waste treatment plants and sewerage facilities. Not only would this provide massive employment for many of the long-term needs of our communities, but it would up the housing industry in those areas where the lack of such

