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THE WHITE HOUSE
WASHINGTON

Don Rumsfeld -

The attached was
returned in the President's outbox.
I felt you would want to keep this
with the other reports on The
First Year

Jim Connor

THE PRESIDENT HAS SEEN.....

THE WHITE HOUSE

WASHINGTON

July 23, 1975

MEMORANDUM FOR:

THE PRESIDENT

FROM:

PHILIP BUCHEN

SUBJECT:

A First Anniversary Appraisal

William Manchester entitled his chronicle of U. S. history from 1932-72 as The Glory and the Dream. He took the title from Wordsworth's questions:

"Whither is fled the visionary gleam?
Where is it now, the glory and the
dream?"

As one reflects on the conditions which existed when you took office on August 9, 1974, (see Tab A), he is reminded how far this Government and its people were from sustaining "the glory and the dream" which had long inspired this Nation to greatness and its people to individual and cooperative feats of extraordinary accomplishment. Countless persons, not yet reduced to total disillusionment or cynicism, yearned for a revival of faith in both the governmental and private aspects of the system by which our Nation is designed to function and progress. This yearning manifested itself by the greeting of expectancy with which you were welcomed into office, "Hail to the Chief" in a sense became "Hail to the savior."

At the time, this situation was recognized by you and by those close to you, but any thoughts of responding dramatically to the widely hoped for break from the recent past floundered upon start-up problems in your Administration, upon the hangover effects of official and political misuses of power, and upon strong posturing and maneuvering by the Democrat-controlled Congress to influence the outcome of the 1974 elections. Had it been possible to get a smooth working team of your own in place at once and to deal promptly and decisively with the immediate problems -- both large

and small -- in ways that truly excited the imagination of the people, your first hundred days might have been comparable in their impact to those of FDR in 1932. Instead, the euphoria evident from the enthusiastic reception with which you were received as President declined sharply over the first few months of your Administration.

However, one has only to take a longer view of what has happened over the whole first year of your Administration to realize that you have built a more solid base of organization and achievement than you could have done by a flashy, but necessarily superficial, rush of actions during your first few months in office. See Tab B for a summary of how you have dealt with the problems you inherited. These achievements have resulted in a degree of popular acceptance which although not as wide as you had at first, is now much deeper and more unshakable.

As you look ahead to the second year of your Administration, you will be considering additional executive and legislative initiatives and also general themes or ideas you will want to advance. In respect to general themes or ideas, I have these few suggestions and observations:

1. Need for greater development and better articulation of a theme already advanced by you to signal that in contrast to our first century (when we built a nation) and second century (when we built an industrial society), our third century is one for emphasizing the role and development of the individual. (This concept and the point made below will contribute to reviving "the American glory and the dream.")

2. The need for our citizens to feel pride in our Nation by way of appreciating its qualities and values and having confidence in them. (This is not the same as urging an arrogant or "big power" national attitude but rather in instilling confidence that we can gain respect among nations for our basic principles through example and determined negotiations and do not need to be defensive in our attitudes or over-reactive in our responses.)

3. Continuing to win respect for your own candor, integrity and civility, for your readiness to receive and consider diverse views, and for your maintaining an unpretentious and unostentatious Presidency.

Attachments

Major Problems at the Start of your Administration

1. Lack of earlier executive responses to accelerating economic and domestic problems as a result of distractions caused by Watergate investigation.
2. A nation still reeling from earlier divisions and controversies over U. S. military involvement in Indochina and from distress over U. S. helplessness to resolve the unsettled Middle East situation, with a consequent deterioration in national pride and confidence.
3. A governmental fiscal situation that left little margin or flexibility for new or redirected program initiatives.
4. The pervading distrust by the Congress, the press and the public of the former President and of the people in government who had served him during his Presidency.
5. A much weakened Republican Party, a fragmented Republican representation in Congress, and an avid opposition party fresh from having brought down a two-term Republican President.
6. Loss of morale in the White House staff and a disruption of effective working relations with the rest of the Executive branch.
7. Difficulties of making an abrupt transition in the face of public expectation that the new President would accomplish a sharp break from the immediate past when the staff in place was necessary for continuity and yet was not adeptly responsive to new leadership while newcomers had to be merged into their places gradually.
8. The overhanging Watergate criminal investigations and civil suits involving officials of the former President.
9. The presence in White House custody of the documents and tapes of the prior Administration.

Steps Taken in First Year to Overcome Problems
Which Existed at the Start of your Administration

1. Comprehensive initiatives to deal with the problems of inflation, recession, and energy shortages.
2. Acceptance without handwringing of U. S. loss of control over events in Indochina, except for the decisive and measured actions taken to rescue Americans still there and those captured from the SS Mayaguez, (although because of the belated push for added military aid to the faltering South Vietnamese Government, the end was preceded by a brief but sharp revival of dissensions over our policies toward that Government) and exercise of a steady, although not determinative, influence in the Middle East.
3. Arousing a wider public concern over the inexorable and drastic effect of growing government expenditures while working for refinements and improvements in the use of funds and for reforms in administrative and regulatory rules and procedures.
4. Dispelling the causes of distrust by being open and candid to the Congress, the press, and the public.
5. Committing yourself to work for and with the Republican Party, its officeholders, and its candidates and to seek reasonable compromises with the opposition party in Congress.
6. Restructuring the White House staff, clarifying duties and responsibilities, and stimulating enthusiasm and improved performance through direct relationships between each of the different units and the President; also, at the same time allowing and encouraging initiatives and direct access by the executive departments and agencies.
7. Proceeding gradually but effectively to put "the Ford stamp" on the Executive branch and on the responses of the Administration to the problems of the day.
8. Avoiding by means of the pardon the prolonged spectacle of a former President made to pay by investigation, indictment, trial and possible imprisonment for deeds which had already produced his downfall and disgrace.
9. Leaving to the Courts and the action of the Congress the disposition of the Nixon papers and tapes and in the meantime fully accommodating the interests of the Special Prosecutor and protecting the safety and integrity of the collection.

THE PRESIDENT HAS SEEN...

Scowcroft
RF

PRESIDENT FORD -- THE FIRST YEAR

Virtually every country in the world looks to the United States for the vital leadership necessary to cope with the many complex problems facing mankind. The perception of United States constancy, confidence and sense of purpose is a fundamental and pervasive factor in determining the course of international relations.

President Ford assumed office at a time of immense international and domestic difficulty and uncertainty. The country had been undergoing a searing domestic experience which had created doubt, distrust, and discord. Many wondered whether a weakened Presidency could cope with a more assertive Congress and conduct any strong foreign policy. The world could not but question our steadfastness as we passed through this period of disunity. This was the first task of the new President -- to bind up the wounds we had inflicted on ourselves, to restore a sense of trust, openness, and integrity, and to renew upon this foundation a firm and purposeful foreign policy. These objectives -- domestic and foreign -- have been realized to an extraordinary degree. The public's confidence in the President at home and in his foreign policies has been transmitted to the world at large, and the sense of unease and fear of drift or withdrawal has greatly diminished.

One year ago, Southeast Asia was gripped in a gradually accelerating pattern of conflict. Laboring under severe restrictions on resources and his power to act, President Ford nevertheless acted with great moral courage and conviction as he determinedly stood by our friends in their tragic hours of need.

The defeat of Cambodia and South Vietnam sent shock waves throughout the international community especially in Asia. The President engaged his personal prestige to renew confidence that our purposes in the world had not changed, and our reliability had not diminished. His series of meetings both here and abroad with leaders of many countries were universally recognized as successful in demonstrating in a very personal way the spirit and steadfastness of the United States. His action in the Mayaguez incident further demonstrated his firmness in the face of challenge. While the trauma of Vietnam is not past, the President has already established a record of strength, has developed support for a strong foreign policy among the American public, and has won the respect of potential adversaries.

Amidst these extraordinarily difficult problems, the President has an extraordinary record of accomplishment over the past year on the more basic issues of our times -- feeding the world's population; reducing the tensions of the nuclear era; negotiating other

arms control measures; building cooperation between consumers and producers of energy; and in seeking peaceful solutions to age-old conflicts such as Cyprus and the Middle East:

-- The food program announced in Rome last November reflects the humanity of the American people, as well as the President's comprehensive approach to the many issues of interdependence. The President seeks to engage other nations in multilateral cooperation to expand production, to establish a system of reserves to cope with emergency shortages, and to apply American technology and skills for the benefit of mankind.

-- Recognizing the potential for international economic disaster brought on by the energy crisis, the President took the lead in a cooperative effort with the leading consumer countries of the world and proposed a comprehensive basis for constructive dialogue with the producer nations designed to relieve the potential for confrontation and to take into account the interests of developing countries.

-- Toward the objective of reducing nuclear tension, the President devoted his personal leadership to furthering the process of detente. In concluding the Vladivostok Accord, by his commitment to progress in Mutual Force Reductions between NATO and the Warsaw Pact and support for the Conference on Security and Cooperation in Europe, and by his personal commitment to the normalization

of U. S. relations with China, the President has made clear America's willingness to bring about more positive relationships with the major Communist powers -- on a reliable and realistic basis.

-- The President's long-standing belief in a strong U. S. defense posture -- especially vital in a period of detente -- is finding increasing support in the Congress and the public.

-- In the Middle East, the President has made clear his determination to achieve further steps toward a just and permanent settlement. His personal involvement has been a major factor in emphasizing the seriousness with which the United States is committed to continued progress.

Throughout the past year, the President has acted with calm decisiveness. His leadership has been recognized as a reaffirmation of U. S. resolve, of firmness in the face of challenge and of reliability as an ally. The legacy of President Ford's first year can be measured by the new confidence and respect of our allies, our competitors and the developing world.

THE PRESIDENT HAS SEEN...

THE WHITE HOUSE

WASHINGTON

July 17, 1975

MC-1

Mr. President:

I am pleased for the opportunity to share my thoughts on the first year of your Presidency.

The first year is appropriately described by the phrase "out of adversity comes opportunity." Adversity aptly describes the situation you inherited. Specifically:

- (1) The domestic economy was suffering from the highest inflation rate in our peacetime history, and the seeds of the worst recession since the 1930's were already sown.
- (2) The loss of Viet Nam was inevitable, based on the previous action of Congress.
- (3) The credibility of government, and especially the Presidency, was at an all-time low.
- (4) A huge federal deficit was inescapable--the result of congressionally mandated "uncontrollables."
- (5) Energy dependence had become a reality due to neglect by previous regimes.

Indeed, almost every trend line was going in the wrong direction. One could find little comfort, whether the view was of the domestic economy, foreign affairs, the Republican Party, or the confidence of the people in their government.

A year later it can be said that adversity produced an opportunity for some fundamental changes in the direction of our country and that through your leadership there are encouraging signs that the country is regaining its confidence and sense of purpose:

Mr. President
Page Two
July 17, 1975

- (1) Our worst recession is nearing an end and, even more important, the opportunity for sustained economic growth has arrived. Perhaps most importantly, fiscal responsibility has been elevated to a place of political significance.
- (2) Viet Nam is behind us, without the anticipated worldwide loss of prestige. U.S. leadership in foreign affairs is again evident, and the potential for new and significant accomplishments is great.
- (3) The credibility of the Presidency has been substantially restored through your open, candid conduct of the office.
- (4) The fight for sound, conservative economic policies is being won, not only in the Congress but with the people. As a result, the deficit is large but not out of control.
- (5) Energy leadership has been established, even though no program is yet in place. Greater numbers of our people now recognize our need for energy independence.

In short, new directions have been established, as promised in your State of the Union speech. Yet, a cautious optimism is necessary. The current easy prediction of a straight line to prosperity in November 1976 is tempting but uncertain. Much remains to be done. We must:

- (1) Address the financial problems of the cities, which could yet abort economic recovery.
- (2) Find ways to finance the capital needs of industry, especially the expansion of our energy capacity.
- (3) Mitigate the economic problems of particular industries--the airlines, railroads, and others--where bankruptcies could cause national problems.
- (4) Aid the economic suffering of older citizens and restore them to a respected place in society.

Mr. President
Page Three
July 17, 1975

- (5) Closely monitor the economy to assure action is taken if the anticipated recovery does not materialize as expected.
- (6) Act to help the unemployed in the inner cities and youth.

Beyond immediate recovery, the opportunity exists to restore the desire for fundamental American virtues--hard work, savings, fiscal responsibility, individual opportunity, broad ownership of capital, and reward for accomplishment. We must show that we have a view which does not forget those really in need while emphasizing rewarding those who, through hard work and real productivity, make it all possible. We can seize this opportunity to build a new economic freedom for all our citizens.

Bill Sudman

THE WHITE HOUSE

WASHINGTON

July 17, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: First Year Accomplishments

The most significant accomplishment of your first year in office, in my judgment, is this:

You have, single-handedly, restored for most Americans trust and credibility to the Office of the President of the United States.

You have brought back the historic feeling we Americans had, until sometime in the 60's, that we can believe what the President says.

A year ago I had come to the conclusion that the institution of the Presidency has been so dishonored that it would take several Presidents and perhaps 10 years to restore its honor.

Consequently, it is my view that what you have done for the institution in so short a time is an extraordinary achievement. And from the fact that Americans again have a President they can believe in, there flow additional achievements:

There is a sense of stability. The country doesn't quiver and shake as it did. We can go to sleep without wondering what awful new disclosure there will be tomorrow.

The economy is turning up, for several reasons of course; but I feel that the prime reason is that the people across the land who buy and hire and expand are regaining confidence and hope. From the first signs of this recession several years back, I have strongly believed that the causes were more psychological than economic.

People don't make affirmative business decisions when they wonder what the hell is going to happen next. So I feel that the revived sense of national stability is now bringing back confidence in the economic vitality of the country.

Politically, you have restored the integrity of the Republican Party. Many in politics and in the press were telling me a year ago that the Republican Party was finished, that it could not survive the hammer blows of Agnew, and then Nixon.

But the Republican Party is intact. And with a lot of hard work and a couple of breaks, I am convinced that the Republican Party will succeed and grow next year and in the years beyond.

Politically, you have also restored the idea that political leaders can and do act in the national interest. When you came into office you were generally perceived as a leader of a Republican minority; but now you have clearly established your position as a President of all the people who acts in the national interest and is interested in working with members of both parties toward national goals.

This achievement of yours is leadership; and as a President-watcher for some years, I feel that true leadership is very rare in American life. You came in at a time of political crisis that was unprecedented, at a time of intense public self-criticism, of economic pessimism, and general disarray and confusion and uncertainty, at a time when leadership was imperative. You provided that leadership; and, given the circumstances, that is a singular achievement.

THE PRESIDENT HAS SPOKE
THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 16, 1975

MEMORANDUM FOR JIM CONNOR

FROM: Alan Greenspan 
Subject: The President's First Year in Office

By far the most single important achievement of the President during his first year was to strip away the public relations gimmickry which had surrounded the White House for well over a decade. It may seem a rather modest accomplishment to have the President credible again, but it is an asset, in today's environment, of incalculable importance. Much of what has been wrong with our country in recent years stems from a deterioration of national spirit. The state of our society and economy are, in the broadest sense, secondary or derivative problems. Thus the re-emergence of a Chief Executive Officer who tells the truth, and is perceived as telling the truth, is an indispensable pre-condition to right what is currently wrong with America. As a necessary first step back to national sanity, we require a leader who can inspire our people to a recommitment to the basic virtues which have made this a great nation.

Building on this base of credibility the President has initiated a program to stem the ever growing presence of governmental intervention into the personal lives of American citizens. This has meant that, contrary to the conventional political wisdom, his major actions have been towards governmental disengagement, rather than further activist intervention. His achievements have not, and should not, be characterized by a "laundry list" of new governmental programs. The thrust of policy has been rather to refocus on the basic purposes and ideals of this country from which it has, in recent decades, regretably departed. One senses the gradual re-emergence of pride in being an American. Patriotism is ceasing to be a word of disparagement.

Had this President attempted to maintain the same public relations veneer that characterized recent past presidencies his call to America for a new sense of pride and achievement



would have been universally met with undisguised cynicism.

To be sure there have been many major first year achievements in the conventional sense: a dramatic decline in the rate of inflation, Mayaguez, NATO, etc. But conventional wisdom would also dictate that a 9 percent unemployment rate must surely overwhelm such successes, lead to national dissension, and disturbing stirrings of unrest. That such has not occurred is a signal that something quite profound is happening: the nation is no longer continuing to fragment into polarized special interest groups. It is perhaps only a mild exaggeration to state that G.R.F. has managed, in but one year, to start the country back on the road of belief in itself.

THE WHITE HOUSE
WASHINGTON

July 16, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX FRIEDERSDORF *M.F.*

SUBJECT: FIRST YEAR

Jim Connor indicated that I should prepare a brief summary of my assessment of your first year in office from the Congressional standpoint.

Insofar as Congress I think that you are probably at the peak of your strength since last August 9.

When you assumed office, of course, there was a tremendous sense of support from both sides of the aisle due to not only your own personal popularity with the Members but a sense of relief by a majority of Congress that the traumatic experiences of Watergate had at last ended, at least with respect to Congress.

This unanimity of support lasted until the pardon when our support decreased on the Democratic and to a great extent on the Republican side.

The Republicans also suffered another psychological blow as a result of the November elections and I think we were probably at our lowest point from the election time until late January when your energy initiatives went to the Hill.

Since that time it seems that there has been a steadily increasing strength on the Hill due to the continued integrity of your energy proposals, your firmness in holding the line on the budget, and success on sustaining vetoes.

I also think that a great deal of this strength you enjoy in your relationship with the Congress is due to the extremely heavy schedule you have maintained with regard to consultation with members of the Senate and House on various pieces of legislation, the large number of Republican and bipartisan and leadership meetings that you have held, and your willingness to meet with Congressional groups, both large and small, on a variety of matters regardless of how controversial they might be.

In fact, we find that your handling of the Presidency has wide respect and support from members on the majority side. This is due to your continued practice of good relationship and consultation of members of the democratic leadership and your accessibility to rank and file Democrats regardless of their position on the issues.

This Democratic support does not indicate any lack of support on the Republican side because we are receiving a constant stream of comments reflecting satisfaction among the minority members.

We also attribute your strength on the Hill to the large number of visits around the country in which your time has generously been divided with special attention to the pertinent Congressional delegations from the states and districts visited. This has had a notable impact and we can detect obvious upsurges of support within a state delegation after your visits. There is a great demand for these visitations as reflected in our daily Congressional mail.

Sustaining of the four vetoes has built up a spirit of team work among the House Republicans and the work by Rhodes and Michel as well as your own personal intervention has given our minority members a tremendous shot in the arm and a desire to defeat the Democrats on these vetoes.

However, there are some indications that some of the members would like to cast an "independent" vote so that we are bound to have some defections on some of the upcoming vetoes and ultimately I am sure we will be over-ridden on one of the motherhood bills such as Education Appropriations. The press will play it as the first Presidential defeat but I don't think the effects of the first over-ride vote will be all that bad because it will indicate that you are going to stick to your fiscal principal on these spending bills regardless of whether it can be sustained or not.

However, on the majority of the vetoes I think that we should continue to have a degree of success.

Energy remains the overlying big issue between the President and the Democratic Congress and as expressed in the Cabinet Meeting this week, I certainly believe that the Democratic partisans see a fuel crunch this winter and resultant economic damage as their political salvation in the Presidential race next year.

I think the issue has to be sharply drawn and if we are unable to obtain deregulation and decontrol close to your compromise plan, the potential effects on the economy and other fuel shortages this winter have got to be sharply drawn to alert the public that the Congress is fiddling while Rome burns.

Congress has looked inept on this issue and has jumped all over the lot since January while your position has remained steady and there have been some successes in areas that nobody thought was possible. I think if we hold to our course that we will emerge the winner on this issue over Congress.

Despite your present strength with Congress and the inability thus far to override your vetoes, we must face the practicality on every issue large or small, we face a two to one majority.

This handicap will be with us, of course, throughout the 94th Congress and our continued success depends upon nearly unanimous strength among the Republicans and the ability to syphon off enough Democrats to give us a majority or one-third plus one.

To do this we must continue to maintain your close consultation and rapport with Republican minority and all of our friends on the majority side.

~~THE PRESIDENT HAS SHOWN~~
THE WHITE HOUSE
WASHINGTON
July 15, 1975

MEMORANDUM FOR THE PRESIDENT

THROUGH: Jim Connor
FROM: Ron Nessen *RHN*
SUBJECT: Requested personal reflections on the President's first year
in office

It is not possible to assess properly where the Ford Administration stands today without first remembering the situation when the President took office a year ago.

The nation was in shock. The people's faith in and respect for the Presidency was severely undermined. The people's belief in the probity and candor of their elected leaders, which is essential in a democratic system, was shaken.

This damage to our society has not been completely repaired and will not be for a long time. But the healing process has begun and is proceeding faster than many thought possible. This is largely because of the personal qualities of President Ford. He has displayed the right qualities for this moment of our national history.

Just a year ago President Ford's qualities were not widely known. Now he is known, liked, trusted, and perceived to be up to the job.

Incidentally, I sense that the President's forcefulness and assurance as a leader are growing day by day as a result of the public acceptance and of his own increasing mastery and confidence in the job.

The Ford Administration's success in reviving the nation's spirit and restoring faith in the Presidency during this first year was just as important as any success in matters of policy and substance.

Another point to remember in assessing the first year is that a good deal of time was consumed cleaning up left-over problems. These included the status of Former President Nixon, his expenses, his papers, and his White House advisors; the Indo-China war; the inflationary and recessionary economic difficulties; and the whole range of domestic and international problems which had been allowed to drift without proper attention.

Despite the amount of time that had to be spent on these left-over problems, a good start was made toward creating a new Ford agenda for the nation:

- A plan to achieve independence from foreign sources of energy.
- A plan to reform the cumbersome, time-consuming, expensive, and often anti-consumer machinery of the regulatory agencies.
- A plan to restore the health of the economy without reigniting inflation.
- A plan to protect law abiding citizens from criminals.
- A plan to create a transportation system for the future, including a revision of the highway trust fund.

All these initiatives on the domestic front have a consistency that reflects the President's personal philosophy of opposition to ever-growing government and ever-growing tax bills. I sense that more and more of the public is coming to share this philosophy.

The public and press also seem to understand and appreciate the President's commitment to avoiding short term, politically popular solutions to problems in favor of longer range, more fundamental solutions which are not always immediately popular. This is in keeping with his method of telling the people the straight truth and hard facts.

One success which has been largely overlooked by the press and public was the selection of a really outstanding group of Cabinet members.

In foreign affairs, the end of America's involvement in Indo-China was the major event of the year. The President handled the end of the war in a way that saved the Americans who were there, and as many Indo-Chinese as possible, and did not further divide Americans or alienate Congress.

There were successes in foreign policy this year, notably the SALT Agreement and the Mayaguez rescue, as well as the reassertion of America's determination to play a leading role in the world. But again, the President's own personality and the favorable impression he made on foreign leaders, both friends and adversaries, perhaps outweighed any specific success.

As the second year of the Ford Administration begins, I see two matters that need attention:

1. The need to improve the internal workings of the White House so that problems can be anticipated and dealt with in a thoughtful way with a full range of advice from the President's staff prior to a decision. Too often we are forced to react hurriedly to problems that have turned into crises. The Solzhenitsyn affair is an example of this.

I have the feeling that too much of the President's time is taken up with short and relatively unimportant meetings, not leaving enough time to anticipate and consider the major problems before they get out of hand.

2. The need to answer the complaint which often appears in print and in conversation that the President is a nice and competent man who is doing a good job, but who lacks compassion for less fortunate Americans.

It seems to me the President can overcome this image of lacking compassion without violating his own philosophy on the economy and the proper role of government.

THE WHITE HOUSE

THE PRESIDENT HAS SEEN... WASHINGTON

July 13, 1975



MEMORANDUM FOR JAMES CONNOR

FROM: Roger Porter *RP*

SUBJECT: First Year of the Ford Administration:
Economic Policy

Mr. Seidman asked me to provide you with the attached copy of the material we submitted to the Press Office on the "First Year of the Ford Administration: Economic Policy."

Attachment

THE FIRST YEAR OF THE FORD ADMINISTRATION: ECONOMIC POLICY

The First Phase: Coping With Inflation

When Gerald Ford assumed the Presidency he inherited an economy suffering from accelerating, double digit inflation and a declining real gross national product. During his Vice Presidency he identified inflation as Public Enemy #1, the central economic problem facing the nation. He initially addressed the problem in two ways. First he proposed legislation creating the Council on Wage and Price Stability to monitor wage and price movements in both the private and public sectors. Secondly, he accepted the idea, expressed in a Senate resolution, of holding a Summit Conference on Inflation to bring to bear the best thinking of the country on the problems of the economy.

The Conference on Inflation, a cooperative Administration-congressional effort, provided a forum for all sectors of American society to explore with government leaders the state of the economy and to make their recommendations. The Conference served to demonstrate the openness to suggestions of the Ford Administration as well as its willingness to work cooperatively and constructively with the Congress on the problems confronting the nation.

The Conference on Inflation generated broad consensus that:

- (1) the economy faced multiple problems, the foremost of which was double digit inflation;
- (2) the near term outlook for the economy was a

basically flat pattern of growth; and (3) many government regulations which had accumulated over the past three decades imposed significant hidden costs on the economy. In addition, the Conference provided a host of specific suggestions and recommendations that were useful in fashioning the program announced in the President's first major address to the nation on the economy ten days following the conclusion of the Summit Conference.

In his closing remarks at the conclusion of the Conference on Inflation, the President announced the creation of two entities designed to assist him in the formulation of economic policy. The Economic Policy Board (Executive Order 11808), chaired by the Secretary of the Treasury and composed of the Secretaries of State, Treasury, Interior, Agriculture, Commerce, Labor, HEW, HUD, Transportation, the Director of the Office of Management and Budget, the Chairman of the Council of Economic Advisers, the Executive Director of CIEP, and the Assistant to the President for Economic Affairs, was charged with responsibility for advising the President and making recommendations regarding all matters relating to economic policy and for overseeing "the formulation, coordination and implementation of all economic policy." The Economic Policy Board Executive Committee, which meets daily, meets with the President on a regular basis and provides him with a mechanism that enables views and recommendations on economic policy within the Administration to be presented to the President

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in an orderly and systematic process. The President also announced the appointment of an Assistant to the President for Economic Affairs, who also serves as Executive Director of the Economic Policy Board, with responsibility for ensuring that economic policy within the Administration is coordinated and implemented.

The President also announced the creation of his Labor-Management Committee, composed of eight leading labor leaders and eight leading management leaders, to provide him advice on a wide range of matters. The President has met with the Labor-Management Committee on a regular basis throughout the first year of his Presidency.

The President delivered his first major economic address to the Congress on October 8, 1974, identifying inflation as the nation's foremost economic challenge and outlining a 10-point program designed to achieve full agricultural production; provide for the organization of a national energy effort; increase productivity and contain prices by ending certain restrictive practices and more effectively enforcing the laws against price fixing and bid rigging; require the preparation of inflation impact statements for all major legislative proposals, regulations, and rules emanating from the Executive Branch; promote capital formation through tax reductions for dividends on preferred stock and liberalized capital gains tax treatment; ease the plight of the unemployed through creation of public service employment and the extension of special

unemployment insurance benefits to those who had exhausted their regular and extended benefits; and propose legislation to increase funds available for Federal home mortgage subsidies. The President also announced his support for certain tax reductions benefiting low income taxpayers balanced by a proposed temporary surtax on upper income taxpayers.

During the following months, several portions of the President's economic program were enacted by the Congress. At the same time, conditions in the economy were rapidly changing. The closing months of 1974 witnessed an unprecedented accumulation of inventories unforeseen earlier in the fall by the Administration, the Congress, or the nation's leading economists. This rapid accumulation of inventories, partially fueled by the inflationary psychology, ultimately resulted in a decline in production even though retail sales held reasonably constant. As production declined, unemployment surged.

The Second Phase: Responding to the Recession

As the President undertook preparations for his first State of the Union address, the rapid decline in economic activity prompted an adjustment in the Administration's economic policy and resulted in a program designed to address the three interrelated problems of recession, inflation, and energy dependence. The unacceptable growth of foreign oil imports prompted the development of an energy program designed to

achieve the energy independence necessary for establishing a pattern of long-term stability and growth in the economy.

In his State of the Union message, the President proposed a \$16 billion temporary antirecession tax reduction, a series of energy conservation taxes and fees, and a permanent tax reduction designed to return to the economy the revenues from the energy taxes and fees in order to make the energy program economically neutral. The President also announced a 1-year moratorium on new Federal spending programs to help restore a measure of fiscal restraint and to serve as a first step in redressing the pattern of deficits which had characterized the Federal budget in 14 of the past 15 years.

By April, the Congress had passed a tax reduction act and the President had signed the measure into law.

The Third Phase: Managing the Recovery

Judged by almost any objective measure, the President's goal of reducing the inflationary pressures which characterized the last half of 1974 was well on the way to realization. The 12.2 percent rate of inflation of the last six months of 1974 had been reduced by more than half to under 6.0 percent during the first six months of 1975. Likewise, the upturn in the leading economic indicators suggested that the recession, which persisted while inventories were liquidated, was bottoming out and that the recovery was underway.

Having taken steps to address the immediate problems of inflation and recession, the Administration turned its attention to the long-term fundamental problems of the nation's economy and outlining a program which would place the economy on a path of sustained growth without inflation. The program outlined by the President includes:

- Pursuit of a policy of moderation, rejecting stop-go economic policies in response to exaggerated expectations.
- Fiscal restraint and holding the line on government spending programs with increased reliance on the private sector.
- Attention to the long-term need for the creation of 10 million additional jobs by 1980 through increased capital formation and productivity and proposal of a series of tax reform measures designed to promote capital formation.
- Reviewing and reforming the host of government regulations with the purpose of eliminating those regulations which have either outlived their usefulness or which are not justified in view of the costs they impose on the economy, and further to define an appropriate relationship between the public and private sectors at the present time.
- Providing an adequate energy base to support a pattern of sustained economic growth.

The President's economic program has also addressed a number of problems requiring immediate attention. Specifically, the President endorsed a series of proposals developed by his Labor-Management Committee designed to provide incentives for the construction of non-oil and gas fired electric utility plants. He proposed:

- An additional temporary extension of unemployment insurance compensation to alleviate the difficulties of the unemployed;
- A series of permanent changes in the unemployment insurance system designed to extend the system's coverage as well as place the system on a sound financial footing;
- The creation of a National Commission on Unemployment Insurance to undertake a comprehensive study of the Federal-State unemployment insurance system and to consider the relationship of unemployment insurance and the myriad of other Federal assistance programs;
- A series of tax reform measures designed to reduce inequities in the tax system while simultaneously providing incentives for the capital investment needed for sustained economic prosperity;

- A new plan for mortgage insurance on houses; and
- Special highway construction funds.

The Administration has also undertaken a series of periodic domestic economic policy reviews to monitor the direction of the economy as a whole as well as to examine the problems of specific sectors of the economy. Finally, the Administration has undertaken a comprehensive review of the nation's international economic policy.

The first year of the Ford Administration has demonstrated the President's readiness to confront the immediate economic problems facing the country as well as a commitment to developing and implementing policies designed to place the economy on a path of sustained and stable prosperity.

THE PRESIDENT HAS SEEN...

From Jack Marsh

For perspective, the Ford Presidency should be divided into four unequal time periods. They are:

1. Pre-transition -- beginning July 1, 1974 to August 8, 1974.
2. Transition -- August 9, 1974 to Election Day 1974.
3. Post-transition -- from Election Day to the State of the World Message, April 10, 1975.
4. The Fourth Quarter -- from April to date.

Pre-Transition

This Presidency has been driven in large measure by the political environment and other factors found in the pre-transition period. His Presidency cannot be fairly and objectively assessed without taking them into account.

Forces at work in this period include:

1. Danger signals of serious trouble in the economy.
2. Emerging energy problems.
3. A new and added international crisis, i.e., Cyprus.
4. The Watergate environment.
5. Paralysis of the Executive Branch of the Government, resulting from an embattled Presidency.

The Transition Period

The assumption to the Presidency by resignation was an historic first. Scholars will examine it, and I believe, conclude it is more difficult than either succession by election or after an incumbent's death. It lacks the orderliness

of election succession, and the finality, albeit tragic, of death. There was not a complete severance from the past. Problems of the past were part of an unwritten agenda for the new President. It included carry over personnel, past policies, old politics, and continuing relations with the former President.

The fact that the 93rd Congress was in its final stages added a major dimension to the problems and tasks of the office. The transition was compounded by an avalanche of legislation that descended on the new President's desk as the Congress drew to a close. Most of the bills were the products of another Presidency. Some had found their way to the White House despite ineffective Administration opposition.

The transition period dramatically reflected a change in Presidential style from the standpoint of openness and numerous personal contacts that contrasted with the former Administration. Gradually there would be evidence of not only reorganization of the Office of the Presidency, but of the roles and relationships of Cabinet officers and Cabinet responsibilities.

There was implementation of the many suggestions that were contained in the Transition Team's report and in oral recommendations of this group and others close to the President.

The high point of the new Presidency occurred at the first Joint Session of the Congress. August saw the beginning of a new pace at the White House that has continued.

Early on the Ford Presidency was accurately perceived to have a Congressional orientation. This orientation continues nearly a year later.

The problems of the past continued to dominate the new Administration which had to deal with questions involving Nixon tapes and papers, and more particularly, the question of President Nixon, which was resolved by the pardon that outraged public opinion. The adverse public reaction was heightened by the resignation of the Press Secretary. Although at the time the President was not able to change public opinion on his decision, nevertheless he would restore his own personal credibility and reaffirm his integrity by his appearance on Capitol Hill before a Subcommittee of the Congress. This appearance was also an historic first.

The transition period was marked by the Economic Summit, an earlier suggestion by certain Congressional leaders. At that time, the emphasis on the economic situation was inflation. The results of this conference would drive the President's Economic Message to a Joint Session, which included a call for a tax increase.

Added to the pardon issue was the question of conditional amnesty which was first broached at the National Convention of the VFW and later implemented by proclamation. The Congress began to test the President's strength on the GI Bill and would ultimately override his veto on that measure as well as his appeal for a postponement of a Federal wage increase.

Participation in the Fall campaign had a mixed response and its effectiveness is difficult to assess. Overlooked, however, is the inevitable criticism that would have ensued had the President not injected himself into the Fall campaign. This period marked entry of Rumsfeld as coordinator and the beginning of a new White House organization. The open Presidency began to take shape in internal operations and external relations. This transition period was also marked by an arrangement with the former President that was substantially less than that accorded other past Presidents.

Congressional cooperation on the Rockefeller nomination was not forthcoming and the speedy action forecast in August had not materialized in November.

Post Transition (Election Day to State of the World Message, April 10, 1975)

Gloomy predictions came true on Election Day and the Administration found itself with a lame duck session of Congress, whose ranks were filled with casualties. The new 94th statistically would be veto proof. The 93rd Congress wound up its legislative tasks by confirming its second Vice President.

The economy moved toward Recession. Mounting unemployment rather than inflation became the major area of concern.

This period was marked by the Vladivostok trip which was the President's

first venture into foreign affairs . Although over-shadowed by other events , it will be one of the highlights of the first year .

The President's first State of the Union Message would deal with economic and energy issues as opposed to traditional foreign policy and defense matters that are usually a substantial part of his presentation . The State of the Union Message made energy a National issue . This will be counted as one of the Administration's significant achievements .

By enunciating a policy of no new spending programs , the groundwork was laid for a strategy in dealing with the veto proof Congress . The first but inclusive test would occur about two months into the 94th Congress , when unsuccessfully , the Congress tried to delay his first one dollar oil tariff .

The impact of the Freshman Class was felt on the Hill and contributed to the lack of Congressional leadership evidenced in Congress' inability to develop its own consensus on an energy program . This period prior to the State of the Union Message , saw the development of the CIA question , the appointment of the President's Commission chaired by the Vice President , and in February , the end of the Nixon Transition . Prior to the Easter Recess , the Congress and the Administration had reached a compromise on a tax cut that left much to be desired , but did represent the achievement of a major

request of the State of the Union Message. However, it was achieved only after innumerable White House partisan and bipartisan meetings, one-on-one conversations, phone calls, and minority leader-type pressure which mark the Administration's style in handling key legislative issues.

By the State of the Union Message, there were a number of new faces not only in the Cabinet, but in many other senior posts.

The Fourth Period (April 10, 1975 to Date)

The last quarter of the first year witnessed a marked change of pace and public perspective of the Ford Presidency. Significant events occurred on both the national and the international scene. From this point forward, the term "caretaker President" was seldom heard.

The total disintegration of the situation in Southeast Asia was marked by several events in which Presidential decision-making and leadership were generally given high marks and included:

1. Evacuation assistance to refugees from South Vietnam.
2. The difficult but successful evacuation of Americans and others from Phnom Penh and Saigon.
3. The Mayaguez incident.

Each of the above raised serious questions as to the limitations on executive action by the War Powers Legislation.

On the home-front, favorable Presidential initiatives included, but are not limited to:

1. Sustaining four key vetoes and thereby striking an accommodation with Congress based on mutual strength by applying the concept of a "Floating Coalition."
2. Declaration of the President's candidacy.
3. Launching a program of regulatory reform.
4. Partial success in the Congress on budgetary control.
5. A markedly improved relationship between the Chief Executive and the press.

Summary

Although the Ford Presidency has made remarkably great strides under difficult circumstances in hardly a year, there remain a number of items on the agenda to be addressed, and some of which addressed, have not been resolved.

To cite a few:

1. Although the President has made the Nation aware of the energy question, so that it is considered of high priority, nevertheless efforts thus far to work out a national energy program have not been successful.
2. Great headway has been made on inflation as well as progress to turn the economic situation, but the unemployment situation still remains critical and progress on the economy still remains slow.

3. The battle on Federal spending still goes on notwithstanding the Administration's attempts to hold down new spending programs or unwise appropriations .
4. Administration programs and initiatives continue to be frustrated by a Congress with a 2-1 majority . Congressional inroads into traditional executive areas have not abated . Congressional inquiries into executive functions , legislative restrictions in the form of Congressional review or legislative vetos pose a major problem to this and succeeding Presidents .
5. Congress continues to inject itself in the day-to-day review of foreign affairs , witness the Trade Act restriction , the ban on Turkish aid , and others . With the possible exception of Turkish aid , the Administration has not been successful in overcoming these Congressional restrictions .
6. Although immense strides have been made in restoring confidence in government in general , and the Presidency in particular , nevertheless there continue to be attacks on many key institutions , notably the FBI and the CIA . Far reaching legislative inquiries involving these and other institutions are examples . The Administration finds itself in a

difficult position of trying to confine these hearings within reasonable bounds so as not to encroach into classical executive areas yet avoid the allegation of "cover-up."

As we approach the end of the year, I think the President finds himself in a position of strength with an earned public confidence in his ability to deal with these as well as the other items on the Nation's agenda.