ECONOMIC MEETING ANNOUNCEMENT

This Saturday the President will meet with his top economic advisers to review the current economic situation and review the work the Economic Policy Board has been doing under the President's guidance and direction. You will recall that in his remarks to the Business Council, the President said that his economic advisers would be working through the holidays to look at ways to augment and update the proposals the President ~~has~~ made to the 93rd Congress. This meeting, like the Friday energy meeting, is ~~[illegible]~~ part of the President's preparation for his presentations to Congress in January. Those attending the economic meeting Saturday will be: Secretary Simon, Bill Seidman, Alan Greenspan, Arthur Burns, Roy Ash, Bill Eberle and Ken Cole. (FYI: Also Milt Friedman.)

Q: How and when do they arrive?

A: They will be coming out here Friday morning by Government aircraft with the people attending the Friday session on energy. The whole group will be going back Saturday afternoon. (FYI: Ash is actually coming in from California, where he was with his family for Christmas.)

Q: What do you mean "January presentations to Congress"?

A: Well, there's the State of the Union, the annual Economic Report, the Budget and I'm sure there will be other legislative messages, as there customarily are early in each session of Congress. I didn't mean to imply anything other than those.

12/26/74

(Page 2 announcements)

The CIA report that you're all interested in, will be arriving late this afternoon via military courier. Contrary to published reports, the courier will be traveling by commercial aircraft to Denver and then be driven to Vail. This is a regularly scheduled courier (twice weekly).

Tomorrow morning the President's energy and economic advisors will be arriving here at about 10 o'clock local time. The pool will be able to photograph their arrival at the residence and the beginning of the energy meeting at about 10 or 10:30 a.m. Because the energy meeting will probably run 2 hours, our regular briefing will be delayed until 12:30 or 1 p.m. Either I or one of the participants will give you a read-out on the meeting at that time.

On Saturday we will have the same coverage for the economic meeting, which is scheduled for 9 or 10 a.m. (No final decisions, but if pressed, some tentative choices).

(FYI: The energy and economic advisors will fly from Andrews to Grand Junction via a C-135, then helicopter to Avon and drive to Vail. They are scheduled to depart sometime late Saturday.)

On Christmas Eve the President called Joy Chiles' grandmother, Mrs. Helen Hall, in Liberty, Missouri, to wish her a happy 86th birthday. On Christmas day, the President called a few personal friends to wish them a Merry Christmas, but I don't have any names for you.

At about 4:30 or 5 o'clock yesterday afternoon, the President telephoned Former President Nixon to wish him a merry Christmas and asked him to pass along Christmas greetings to Mrs. Nixon and the girls. Former President Nixon asked the President to convey his Christmas wishes to the Ford family. (Discussion was entirely related to Christmas greetings.)

ECONOMIC POLICY BOARD

July Report of Economic Conditions

This report is the first of a series of monthly summaries which will be prepared for use by the Administration and the media. Its purpose is to standardize our reporting procedures and present the data in easily understood graphic form.

The bulk of this information is taken from standard Department of Commerce, Department of Labor, Federal Reserve Board and industry sources. This publication is not intended to replace releases made by those Departments, but rather, to supplement that effort by pulling the different sources together into one monthly report of our economic condition.

GRAPH # 1

1. Employment and Unemployment

The most frequently cited statistics concern employment. The chart below indicates that, at this point, approximately nine out of every 100 people who indicated that they were looking for work could not find it -- the highest since before World War II. The employment trend shows that over a half million workers were added to the ranks of the employed between March and June. However, during that same period, many more new workers came into the total civilian labor force with the net result that the total number of unemployed was not reduced. Our challenge is to increase productive job opportunities so that employment will open to the young people entering the work force and those who lost their jobs because of the recession. Over ten million new workers will come into the labor force by 1980 and ways must be found in American industry to create approximately two million new jobs each each year to meet this work objective.

2. Price Levels

Many economists believe that the recession was caused by rapid inflation --the inability of incomes to keep pace with rising prices. As a result, people bought less or postponed purchases, sales fell off, production and employment were cut back until huge accumulated inventories of goods on the shelves were sold so that production could pick up again. Chart 2 shows the sharp rise in food prices in late 1974, occasioned by world-wide shortages. In early 1974, industrial price levels shot up sharply because of a capacity shortage in industry and because of the impact of the sudden increase in imported oil prices. As of today, the rate of inflation has been cut from approximately 12% last year to a rate of about 6% so far in 1975.

GRAPH # 2

GRAPH # 3

3. Income and Retail Sales

We believe that a recovery in consumer spending will be one of the key elements initiating and sustaining the overall recovery in the economy. With inflation coming under control and price levels stabilizing, disposable personal income is once again rising, helped by the recent Federal tax cut and rebates. Retail sales have turned upward as shown on this chart. The upward turn was very early in the year prior to tax cut. With increased confidence in the value of tomorrow's dollar and better bargains, consumer spending has recently returned to its historic upward trend.

4. New Orders

New orders are one of the real early indicators of whether the economy is picking up. Rising orders eventually lead to recall of workers to productive jobs. As shown in this chart, new orders are showing strong signs of recovery.

GRAPH #4

5. Business Inventories Chart

Business inventories were reduced by a record $3 billion in May, doubling April's figure. As evidenced in chart 5, continued mammonth cutbacks since the beginning of the year are a prelude to upturns in production and employment. Increased sales and lowered inventories led to a small reduction, from 1.65 in April to 1.63 in May, in the ratio of inventory to sales. Considerable further inventory shrinkage is expected since this ratio is well above the 1.47 figure in May a year ago.

CHART #5

6. Automobile Production

Two sectors which employ millions of Americans are critical to a solid economic recovery. One is the automotive industry. This chart indicates a slow but steady climb in automobile production as sales improve. As of this point in mid-1975, production has improved to the point where half of the workers laid off early this year have returned to work.

CHART #6

7. New Housing Starts

The second sector critical to the economic strength is the housing industry. Although many of the latest signs point to a resurgence in homebuilding, a great deal of uncertainty is expressed with regards to sustained recovery. Housing will depend on our ability to maintain mortgage loan rates of interest which are attractive to potential homeowners. As economic recovery picks up, large Federal deficits may be competing in the market for the Nation's money supply. A continued recovery pattern in housing will depend upon rigid controls of Federal spending to keep the deficit as low as possible.

GRAPH # 7

8. Prime Interest Rate

With the rate of inflation dropping and the decline in business demand for new loans, and in the demand for mortgage and consumer credit, the prime interest rate has fallen sharply from a peak of 12% eighteen months ago to 7% today.

GRAPH # 8

9. The Federal Deficit

Federal tax collections from individuals and businesses have fallen because of the recession. More significantly, Federal spending has mushroomed in recent years. Chart 9 shows the current enormous gap between Government spending and income. The deficit must be financed by either borrowing the money from individuals, banks, and businesses, or by increasing the money supply--or a combination of both approaches. If sustained for too long, this would risk igniting the fires of inflation through creating excession increases in total demand in the economy. Government borrowing reduces the amount of capital available for industry to create new job opportunities. Printing large amounts of money and adding it to money in circulation eventually makes each dollar worth a little less and refuels inflation.

GRAPH # 9

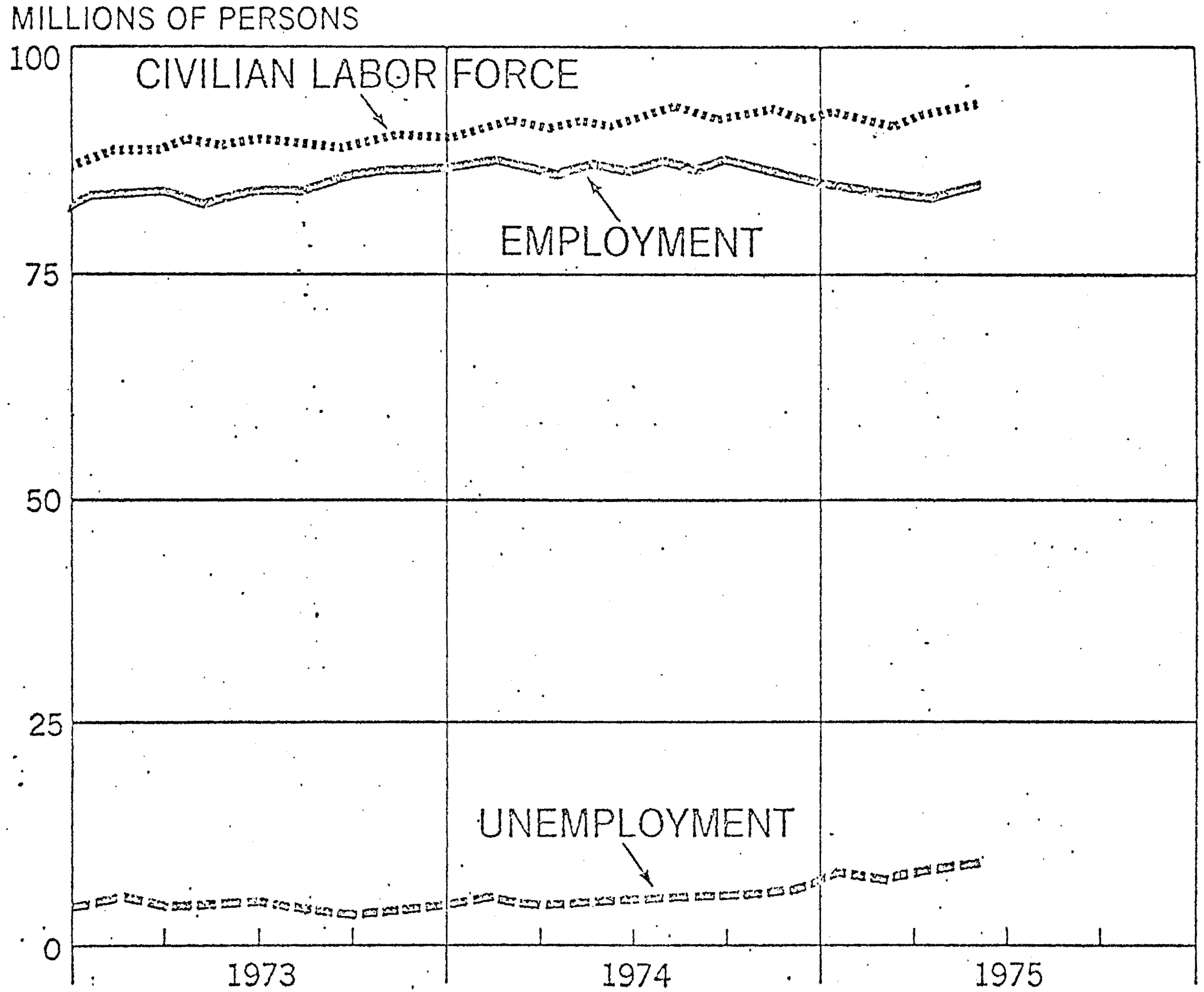
10. Composite Index of Leading Economic Indicators

Historically, several activities in our economy have been found to be reliable early warning signals indicating where the economy is heading. The Commerce Department has selected twelve, including the job layoff rate, average workweek, new orders for consumer goods, price changes, and other items. The last chart combines all these leading indicators to show the total trend of economic activity. The great majority of leading indicators have been moving upward for the last three months and point toward a significant recovery from the recession.

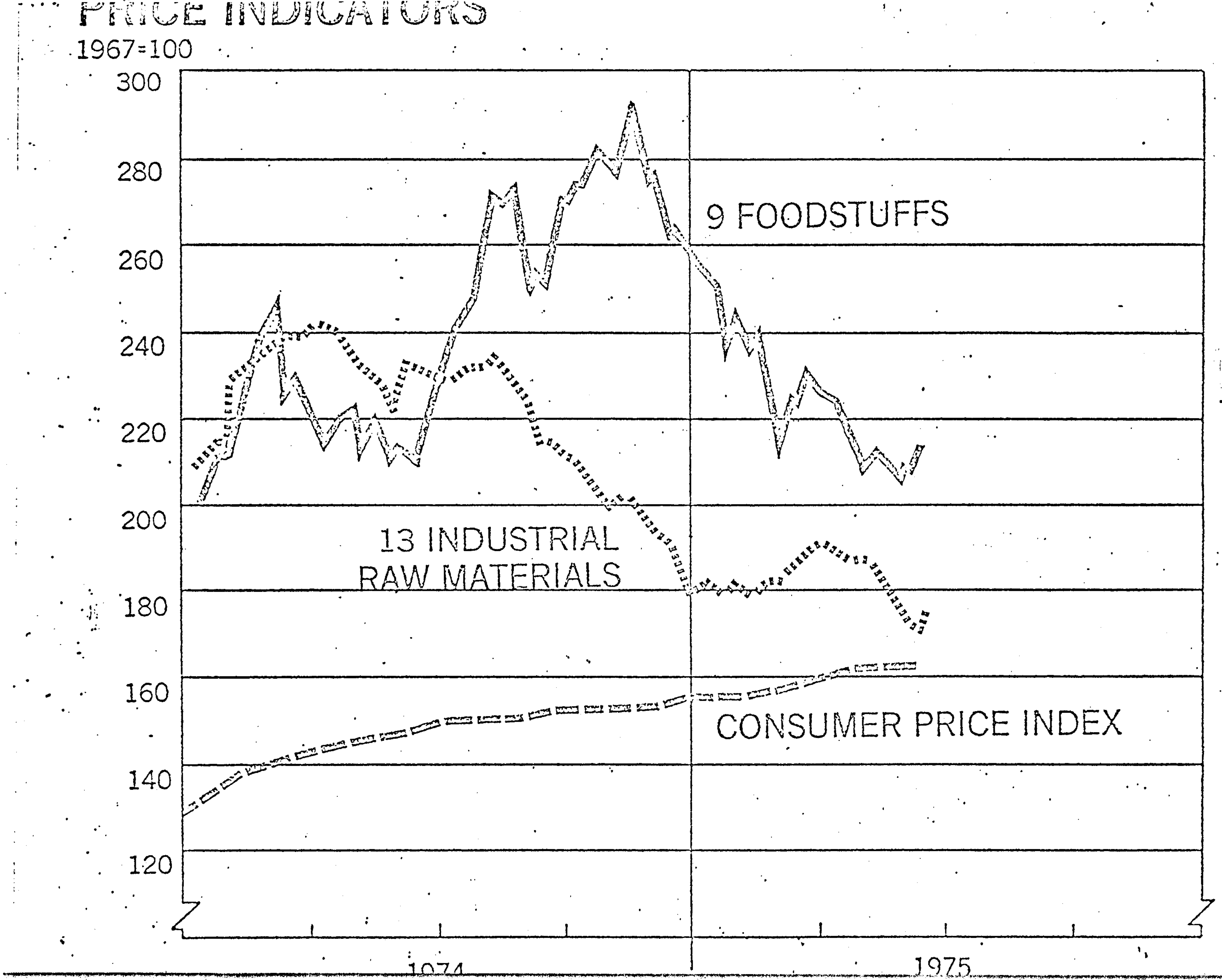
GRAPH # 10

STATUS OF THE LABOR FORCE

#1



SOURCE: COUNCIL OF ECONOMIC ADVISORS



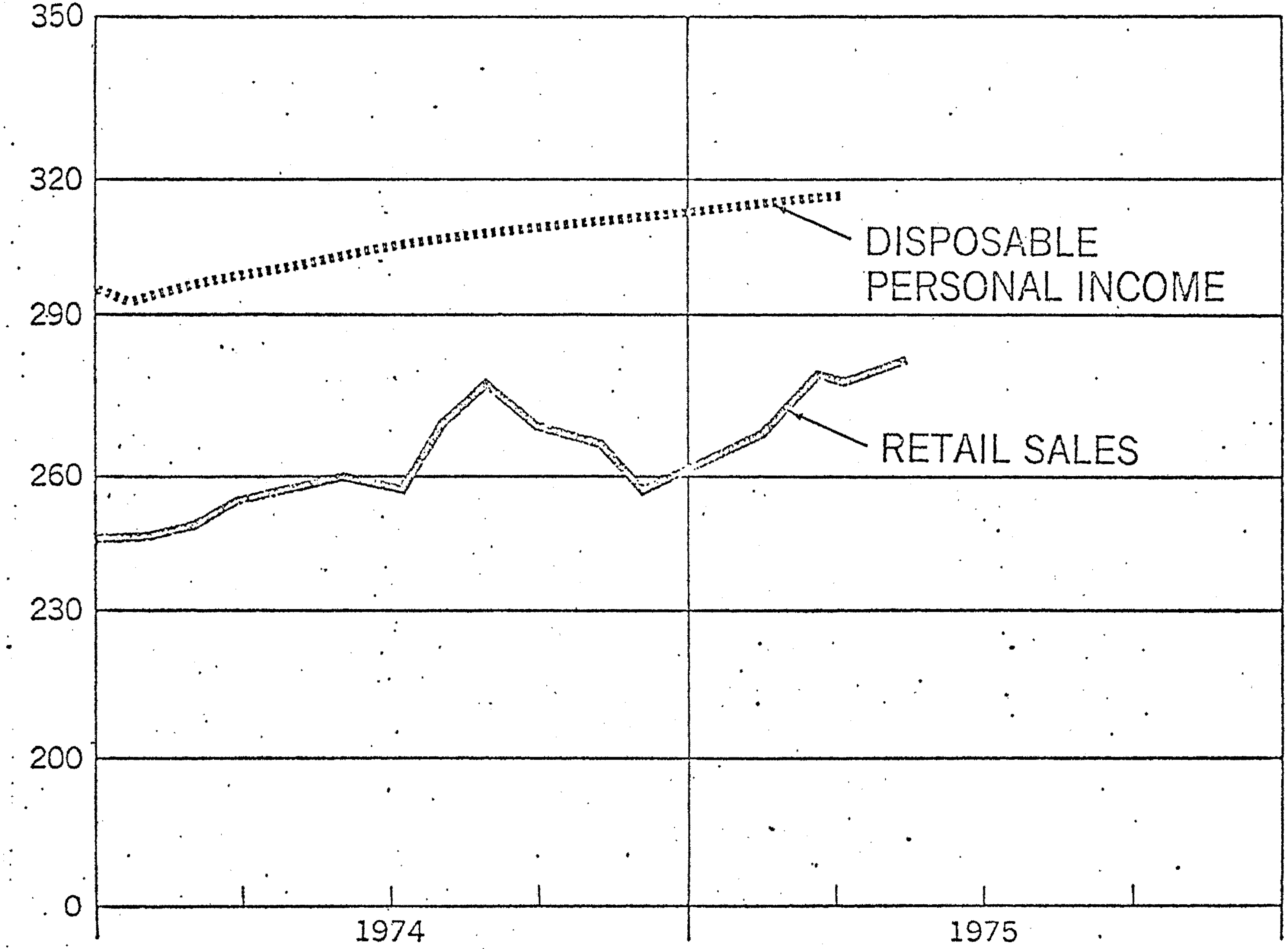
PRICE INDICATORS
1967=100
300
280
260
240
220
200
180
160
140
120
9 FOODSTUFFS
13 INDUSTRIAL RAW MATERIALS
CONSUMER PRICE INDEX
1974
1975

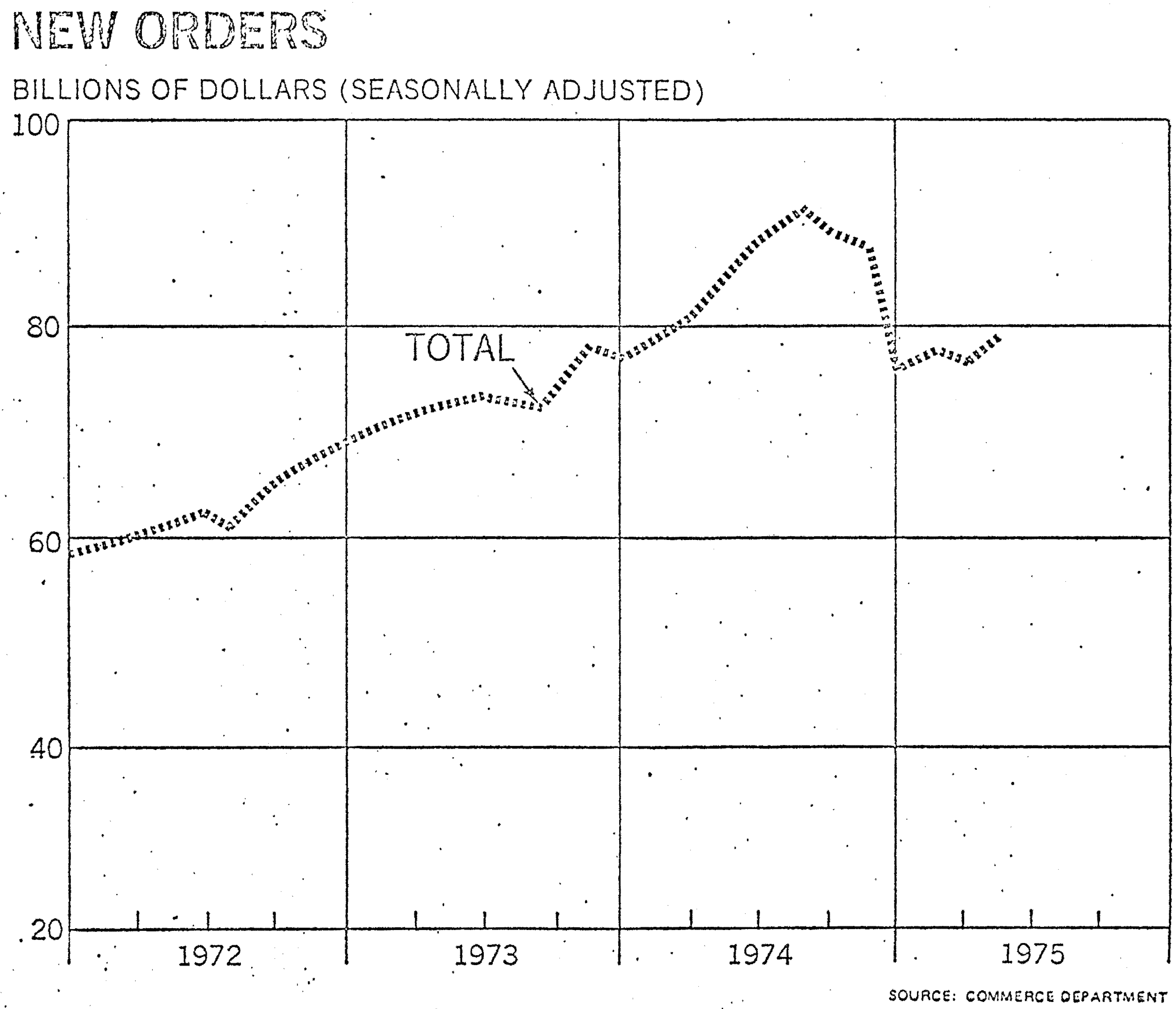
#2

#3

INCOME, [redacted] & RETAIL SALES

INDEX, 1957-59-100

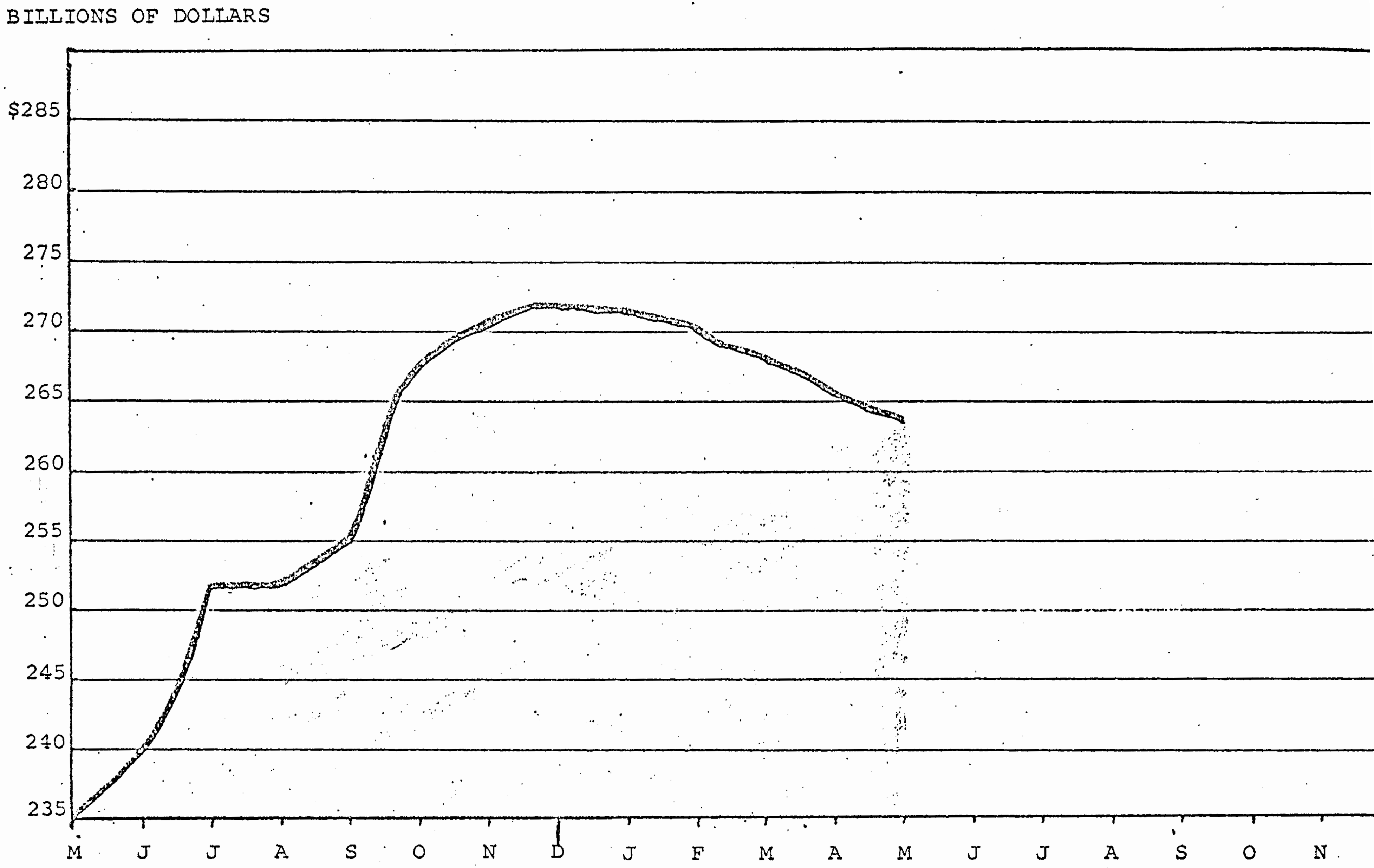



NEW ORDERS
BILLIONS OF DOLLARS (SEASONALLY ADJUSTED)
100
80
60
40
20
TOTAL
1972
1973
1974
1975
SOURCE: COMMERCE DEPARTMENT

#4

#5

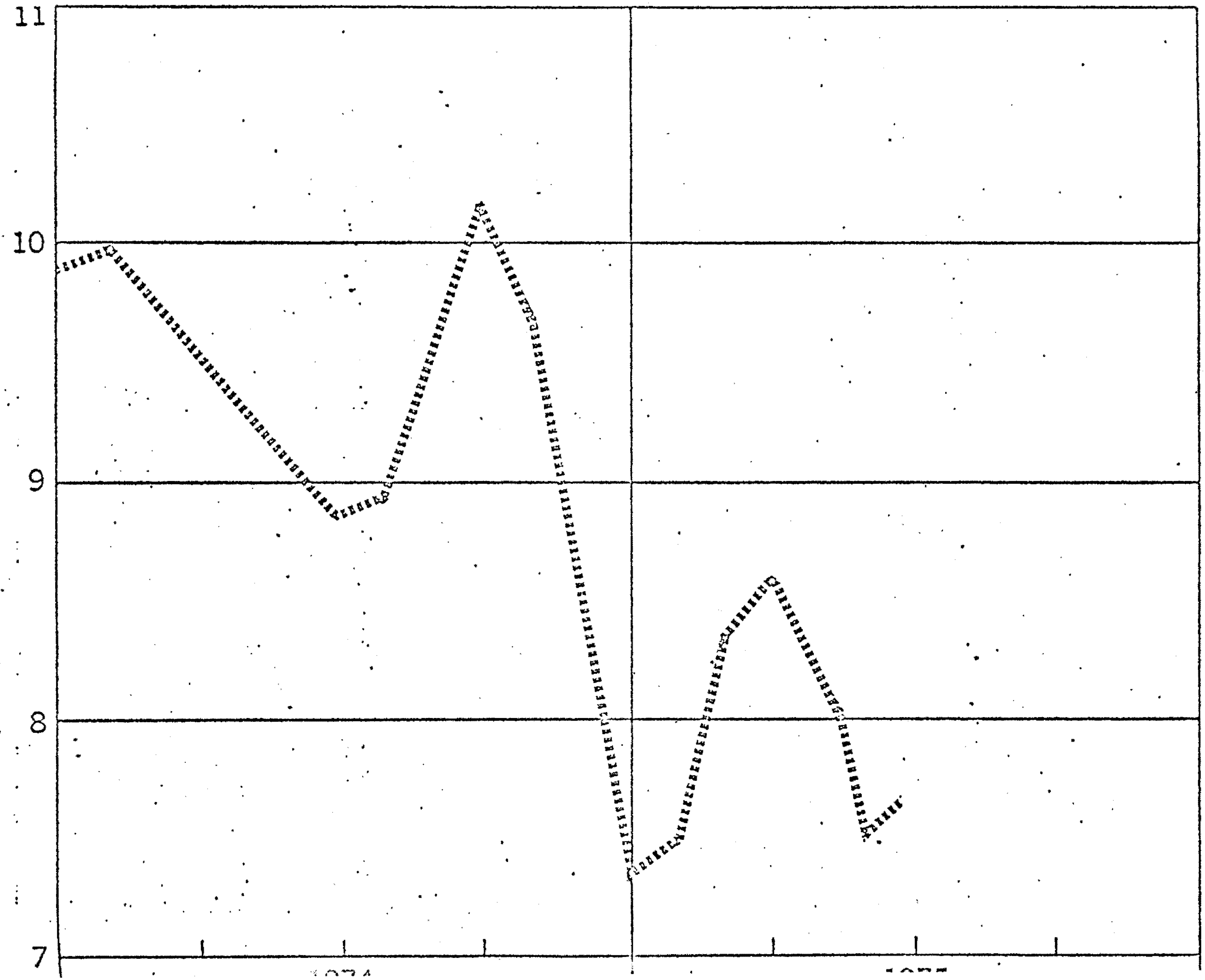
BUSINESS INVENTORIES



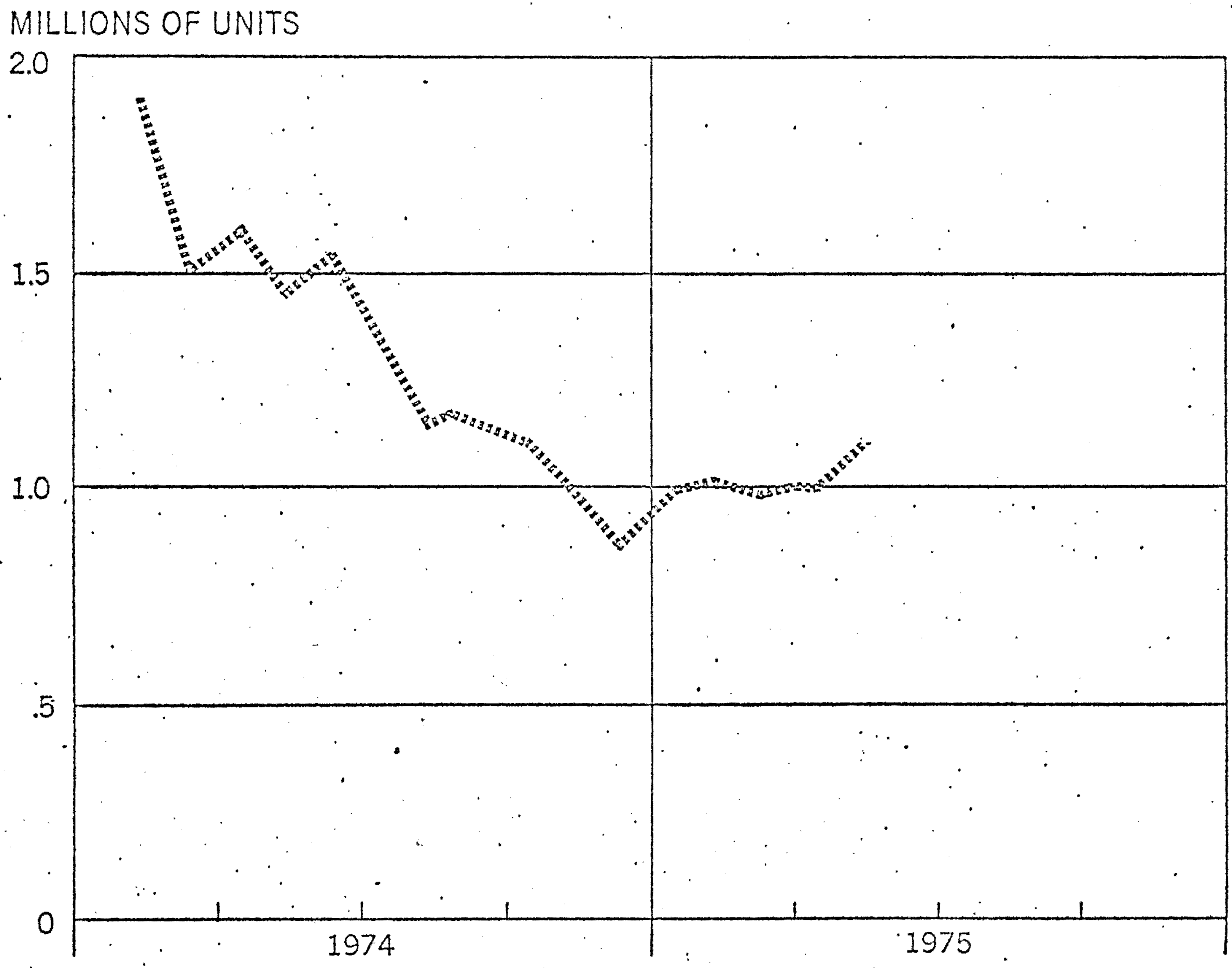
#6

RATE OF CAR SALES

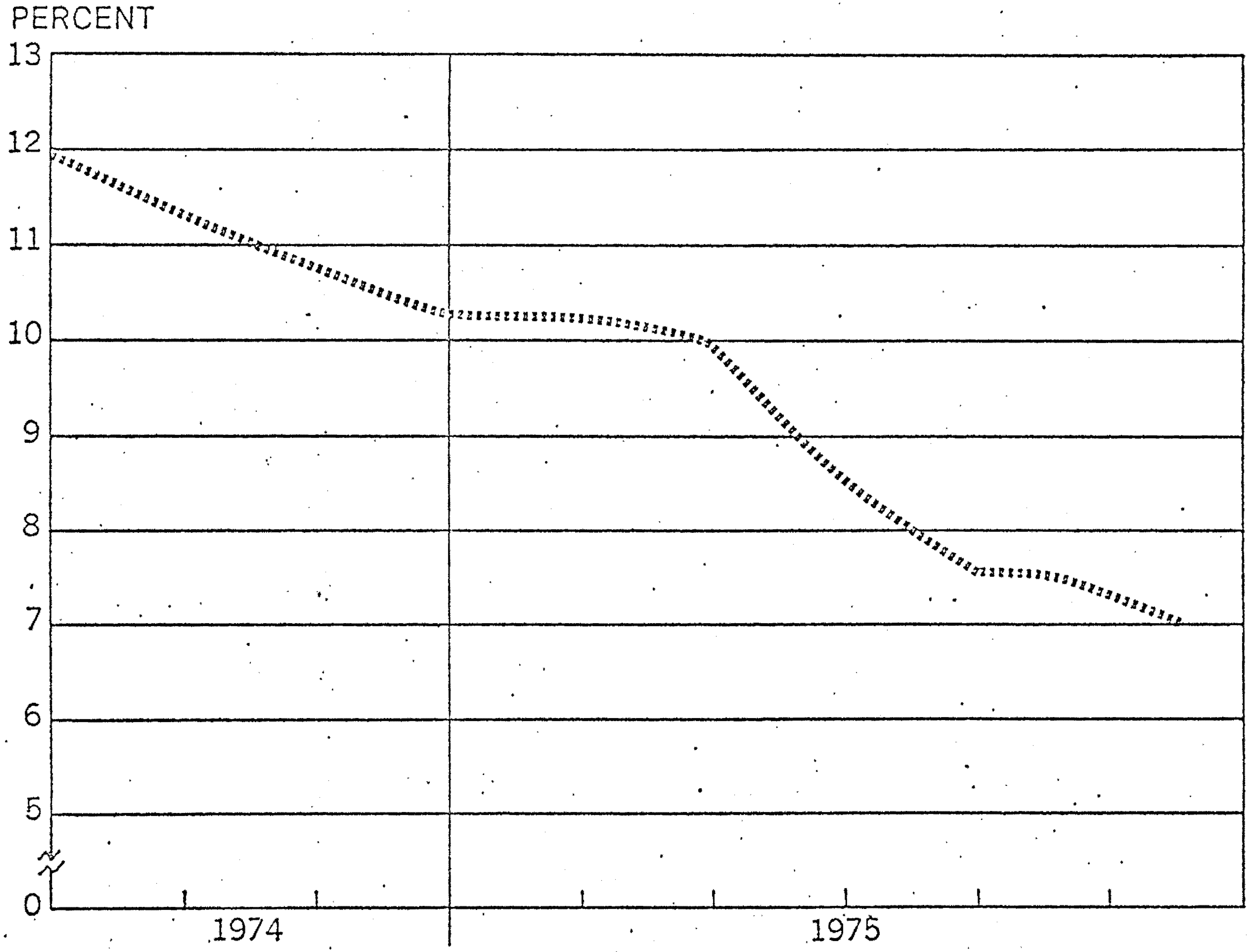
MILLIONS



NEW HOUSING STARTS



PRIME BANK LOAN RATE

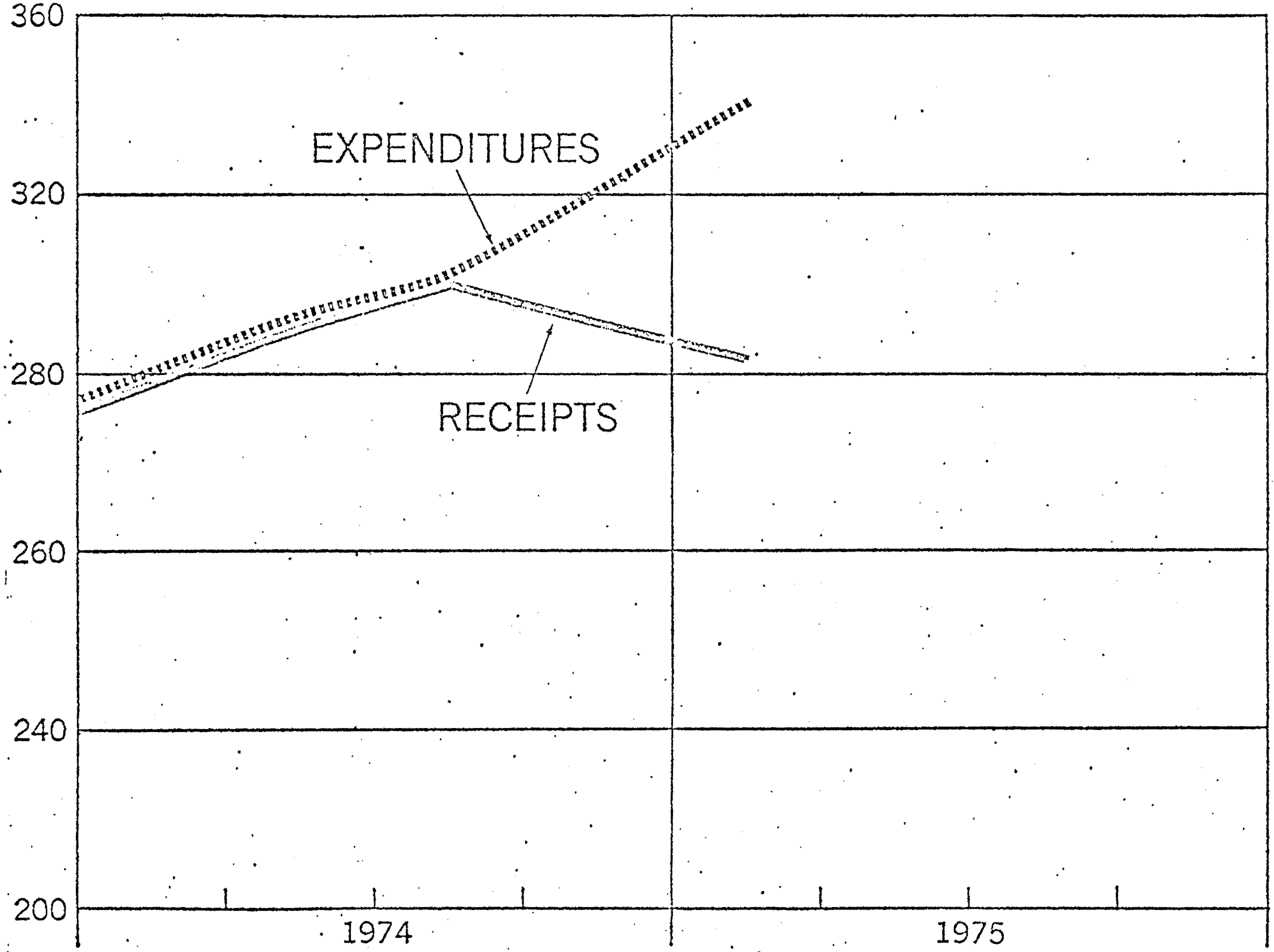


SOURCE: FEDERAL RESERVE BOARD

#9

FEDERAL BUDGET AND INCOME

BILLIONS OF DOLLARS



LEADING INDICATORS

10