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MEETING WITH GOVERNOR LINWOOD  
HOLTON AND ANGUS POWELL  
Friday, November 7, 1975  
JMCs Office  
2:00 p.m.

*Cancelled*

THE WHITE HOUSE  
WASHINGTON

October 10, 1975

MEMORANDUM FOR: JIM CANNON  
FROM: PAUL LEACH  
SUBJECT: E. Angus Powell Paper

This paper covers a lot of old ground, e.g., we must "bring Government, Business and Labor together in a common effort to eliminate the root causes of Inflation."

I would recommend against a meeting with the President

Unless Powell (or Holton) is someone you want to court, I think a meeting with you would also be relatively unproductive.

To the President of the United States

HOW TO ATTACK INFLATION  
AND RELATED MATTERS

by

E. Angus Powell  
Richmond, Virginia

Business Executive, Former or Present Member  
of Boards of Trustees of Institutions of Secondary  
and Higher Education, Corporate and Bank Boards,  
and the Federal Reserve Bank Board of Richmond, Va.

September 1975

The program outlined herein represents my  
personal views on this subject as the result  
of years of research and concern over the  
impact and effects of Inflation on America  
economically and morally.

## INTRODUCTION

The President and the Congress has the opportunity as well as the responsibility to successfully attack Inflation. There is no painless and simple answer to the disease of inflation and it will take time to accomplish the ultimate goals because the economic cancer called Inflation has a head start and is well entrenched. Inflation is one of the major causes of the current recession (or depression).

Any attempt to resolve this scourge will fail unless the program is designed specifically to bring Government, Business and Labor together in a common effort to eliminate the root causes of Inflation. Each of the above groups must share a measure of responsibility for Inflation. Correspondingly, each group, as well as each American citizen, has a tremendous stake in the outcome of this battle. If it is lost, the alternatives are frightening.

This is no time to pass the buck. This is the time for innovative, fresh and constructive thinking on the part of our Government Leaders, Business and Professional Leaders, and Trade Union Leaders. We must analyze and critique the past to chart our future course. But it is dangerous and wishful thinking if anyone thinks we can turn the clock back. Rather we must move ahead with a program to move America toward a new era of "Super-Capitalism" under which many millions more of American working men and women share in the profits and/or the equity of their respective companies, thereby receiving premium pay on the basis of a job well done rather than

continue the present uneconomic practice of getting more and more for less and less.

The Government must and can lead the way because of the powers vested in it.

1. It must set the proper example:

(a) In the area of Fiscal Responsibility.

(b) In the area of Bureaucratic Practices which involve excessive payrolls and administrative authority without corresponding accountability.

2. Pass Tax Legislation designed to encourage our American Free Enterprise System to move ahead vigorously:

(a) To create Investment Capital in the private sector through increased profits that is needed to create jobs and support government commitments.

(b) To spread the base of capitalism to a higher percentage of American citizens (voters).

(c) To encourage business and labor to join in a common effort to excel in their respective enterprises by reducing costs, improving quality and increasing profits. Such goals are not only important domestically but are needed also to strengthen our ability to meet foreign competition in all markets.

To set the stage and lead the way, the President and the Congress must enact legislation that affords a major tax relief for companies that adopt programs designed to unify our people and to create capital to generate business expansion and jobs, and move America ahead economically and morally. Further, Congress must demonstrate its commitment to live within the resources of the country.

There is a logical and sensible way the above can be accomplished.

### REALISTIC CONSIDERATIONS

There are fundamentals that have to be accounted for and duly recognized if any orderly and comprehensive attack on Inflation is to be effective. The attack has to be on a broad front and must take into account the following:

1. Inflation is a political issue of the first magnitude and the solution must be politically acceptable not only to Congress but also to business and labor and a majority of the American voters.

2. It is an utter waste of time to continue policies and practices which to date have produced our present predicament. Consequently, the solution lies in taking a fresh look regarding the entire subject of Inflation and its causes and how it can be stopped.

3. The control of money rates alone by the Federal Reserve can not do the job nor can wage and price controls. This is a proven fact as evidenced by the conditions which exist today. The basic solution to Inflation under our free enterprise system (capitalism) is to stabilize costs and get our productive capacity more in line with demand requirements. - Americans must work smarter, and harder if necessary, and give value received and take pride in what they do.

It is obvious that because of certain basic shortages that are developing in the field of energy and certain basic raw materials, some type of appropriate governmental controls or guidelines will be needed in these areas.



4. (a) Ask a labor leader what are the major causes of Inflation and he will usually blame excessive profits and the greediness of businessmen, and the Republican Party.

(b) Ask a businessman the same question and he will blame monopolistic and partisan labor laws and excessive government spending and bureaucracy.

(c) Ask a politician this question and his answer will be governed to a large extent by the thinking and pressure of his constituents. The fact is that Government, Labor and Business are to blame for Inflation.

5. To accomplish the above objectives we must acknowledge the fact that if the private free enterprise system is to survive under a democracy where one man has one vote and where the majority vote rules, we must update our economic and business system to parallel in concept our democratic political system -- we must institute a program that is designed to make the majority of the American working men and women in this country capitalists in fact. The place to start is to encourage, but not force, industry to institute substantive profit sharing and stock purchase plans for its own employees. If this program is executed fairly and sensibly, the trade off would be that the demand for across the board wage increases in industry without regard to productivity would be tempered substantially. On the other hand, the economic right of American workers would be substantially strengthened and the motivational impact would be exceptional.

THE SOLUTION RESTS IN THE HANDS OF  
THE FEDERAL GOVERNMENT

Many years ago Chief Justice John Marshall said, "The power to tax is the power to destroy". This classic statement has been confirmed on many sad occasions in the past.

Conversely, the proper use of the Taxing Power by the government will result in stimulating desirable and constructive action by corporate as well as private citizens. This is an established principle already employed by the government.

There is no conceivable simple solution to combat Inflation but a decisive step will result if the Congress will promptly enact the following tax legislation designed to attack the economic and moral cancer facing America as a result of Inflation:

1. The law would permit any company to deduct as a business expense in figuring income for tax purposes, 6% to 8% of invested capital (net worth), provided the company does the following: (The rate would be determined by a designated government agency and should relate in a reasonable way to appropriate current money rates.)

(a) Pay out the entire sum deducted in dividends to the company's shareholders. This would put substantial sums of money in circulation through the private sector that would in various ways stimulate investment. Federal tax revenues on

this money, in all likelihood, would be as high as revenues collected directly from corporations under our present system because of the substantial roll over of these funds and the regenerative effects they would have in the marketplace.

(b) The company would have to institute an approved profit sharing and/or stock purchase plan for its employees that would be substantive. In order to qualify the plan as an approved plan for tax purposes the share of profits would have to be in the range of 20 to 30 percent of pre-tax profits, depending upon the nature of the business and the capital requirements per employee. The profit sharing fund would be used: (1) For cash distribution to all employees - such distribution to offset demands for any general pay increase higher than a company's ability to pay such increases without raising prices in order to maintain a necessary profit level to finance the needs of the company. (2) To finance the purchase by the employees of the company's stock. In the case of listed corporations the objective would be that approximately 20% to 35% of the corporate stock would eventually be owned by a large percentage of the employees.

(c) When General Wood, President and Chairman of Sears Roebuck for many years, installed such a plan years ago, his objective was to reward Sears employees for their contribution to the success of the company and upgrade their attitude and effectiveness, and thereby make Sears a more successful company. This plan was not installed after Sears became highly successful. Rather the plan has been a major factor in creating Sears' success and thousands of Sears' employees have become substantial stockholders in Sears. (The Profit Sharing Research Foundation, 1718 Sherman Avenue, Evanston, Illinois 60201 (phone 312 869-8787) can furnish substantial information on profit sharing in American industries today.)

2. Companies adopting the above program would be protected by law against economic strikes or boycotts. As stockholders and substantive profit sharers, employees would become substantial economic partners in the company and receive remuneration as a result of the success of a company. Obviously economic adversity would likewise be shared by employees under this plan. The divisiveness which exists between labor and their respective companies would be greatly reduced, if not totally eliminated. The role of trade union leaders would continue to be that of

monitoring the interests of hourly paid employees but in addition, their interests and able efforts would be directed more constructively to the common objectives of the company in question. The motivational impact on a national basis would be tremendous. Furthermore, a system that actively encourages employees to become equity owners, will make better citizens and Americans of them, as well as higher income earners.

3. Legislate a new labor law to create a labor tribunal system equivalent to our Federal Courts that would have highly specialized judges properly appointed and qualified to handle and adjudicate labor management disputes.

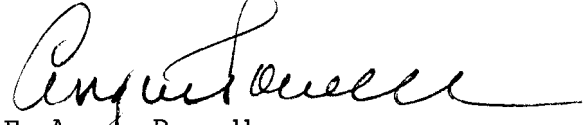
4. Institute laws that would permit companies to receive tax credits as an incentive not to increase prices during periods of Inflation.

The program outlined above is innovative in many ways. It is not unproven, however. America is in trouble - to deny it is utterly foolish.

Yet our leaders in government, business, labor and the professions can meet and resolve this challenge if we will put the well-being of our country first. We must unify our efforts and take a fresh approach in solving our problem for which all of us must share part of the blame.

The worst thing we can do is to try to hang the cross on the other fellow. We must pull together and be of a mind to try to move America ahead

and save our system of government and business that has made us the Great Nation America is. The alternatives are frightening. This is no time to flounder or permit our own self-interest to prevail.



E. Angus Powell  
Richmond, Virginia

September 1975

*Fri. Nov. 7*  
*2:00*

# HOGAN & HARTSON

815 CONNECTICUT AVENUE  
WASHINGTON, D. C. 20006

FRANK J. HOGAN (1877-1944)  
NELSON T. HARTSON (RETIRED)

TELEPHONE (202) 331-4500  
CABLE "HOGANDER WASHINGTON"  
TELEX 89-2757

WRITER'S DIRECT DIAL NUMBER  
331-5753

EDMUND L. JONES  
SEYMOUR S. MINTZ  
GEORGE E. MONK  
EDWARD A. MODERMOTT  
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J. WILLIAM FULBRIGHT  
OF COUNSEL

October 20, 1975

Mr. James Cannon  
Executive Director  
The President's Domestic Council  
The White House  
Washington, D. C. 20501

Dear Jim:

Enclosed is a copy of Angus Powell's letter indicating a strong desire to talk to you about his productivity program.

If you do have time to see him, I would appreciate it and will be pleased to set it up if you can give me a couple of dates.

Cordially yours,



Linwood Holton

LH:mf  
Enc.



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1005 SYCAMORE SQUARE • SUITE 202 • MIDLOTHIAN, VIRGINIA 23113  
PHONE (804) 794-4464



October 16, 1975

E. ANGUS POWELL  
President

The Honorable Linwood Holton  
Hogan & Hartson  
815 Connecticut Avenue  
Washington, D. C., 20006

Dear Lin:

Thank you very much for your letter of October 10 and your comments regarding the possibility of a visit with your friend Jim Cannon. I would hope very much that he would be able to give me an hour of his time for the questions involved and the programs outlined deserve the right comments and explanations.

I have a few short trips out of the city routinely but can adjust my schedule if given some advance notice. I am rather tied up through the week of October 20.

Hope you and Jinks may have a chance to visit Richmond and, if so, that we may be able to catch a glimpse of you. Very best regards.

Sincerely,

A handwritten signature in cursive script, appearing to read "Angus Powell", written in dark ink.

Angus

EAP:c

A handwritten mark consisting of a circle containing the letters "AP" and the number "20" written below it.