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ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

AGENDA
8:30 a.m.
Roosevelt Room

February 9, 1976

- | | |
|--|----------|
| 1. Review of status of tax initiatives | Treasury |
| 2. Roles of State and STR | Seidman |
| 3. Services and the Multilateral Trade
Negotiations | STR |

THE WHITE HOUSE

WASHINGTON

February 6, 1976

MEMORANDUM FOR ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE

FROM: L. WILLIAM SEIDMAN *LWS*
SUBJECT: Roles of Department of State and
Office of the Special Representative
for Trade Negotiations

A series of meetings with representatives of the Department of State and the Special Representative for Trade Negotiations have resulted in the following delineation of roles between the Department of State and STR:

1. Commodity Policy Development and Strategy

U.S. Government commodity policy will be developed through the Economic Policy Board and the National Security Council.

The Assistant Secretary level EPB/NSC Task Force on Commodity Policy will report to the EPB/NSC on a biweekly basis and will include representatives from:

- The Department of State
- The Department of the Treasury
- The Department of Commerce
- The Council of Economic Advisers
- The Council on International Economic Policy
- The Special Representative for Trade Negotiations
- The Assistant to the President for National Security Affairs
- The Assistant to the President for Economic Affairs

Strategy for implementing commodity policy in the Conference on International Economic Cooperation (CIEC) will be developed through the CIEC Coordinating Committee and its four subcommittees. The Office of the Special Representative for Trade Negotiations will have membership on the CIEC Coordinating Committee. The CIEC Coordinating Committee will report to the EPB Executive Committee on a regular basis.

Interagency differences on commodity policy and strategy will be considered by the EPB/NSC.

2. OECD

Representatives of the Department of State and the Office of the Special Representative for Trade Negotiations will serve as Joint Chairmen of the United States delegation to the OECD Trade Policy Committee and as Joint Chairmen of the United States delegation to all ad hoc OECD committees relating to trade.

3. STR Membership on Economic Policy Board

The Economic Policy Board will recommend that the President designate the Special Trade Representative for Trade Negotiations as a member of the Economic Policy Board.

The Special Representative for Trade Negotiations is invited to attend EPB Executive Committee meetings when commodity or trade policy issues are considered.

The Special Representative for Trade Negotiations, as Chairman of the Trade Policy Committee, will report on trade policy issues periodically to the EPB Executive Committee.

The above procedural arrangements have been reviewed by the White House Counsel's Office, the Department of State, and the Office of the Special Representative for Trade Negotiations and have been found in compliance with the Trade Act of 1974.

February 6, 1976

ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE

Proposed Agenda

Monday, February 9, 1976

- | | |
|--|----------|
| 1. Review of status of tax initiatives | Treasury |
| 2. Roles of State and STR | Seidman |
| 3. Services and the Multilateral Trade
Negotiations | STR |

Tuesday, February 10, 1976 - EPB/ERC Executive Committee
PRINCIPALS ONLY

- | | |
|---|---------|
| 1. Clean Air Act Amendments | FEA |
| 2. Report on Project Independence | FEA |
| 3. Establishment of Labor Negotiations
Committee | Seidman |

Wednesday, February 11, 1976

- | | |
|---------------------------------------|----------------------|
| 1. Regulatory Reform and Broadcasting | MacAvoy/
Schmults |
|---------------------------------------|----------------------|

Thursday, February 12, 1976

No Executive Committee meeting

Friday, February 13, 1976

No Executive Committee meeting

THE WHITE HOUSE

WASHINGTON

February 6, 1976

MEMORANDUM FOR ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEMBERS

FROM: ROGER B. PORTER *RBP*
SUBJECT: Services and the Multilateral Trade Negotiations

Secretary Simon has requested that the attached letter regarding services and the Multilateral Trade Negotiations be reviewed by the EPB Executive Committee. It will be considered at the Monday, February 9, Executive Committee meeting.

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

Dear Bill:

One of the novel features of the Trade Act of 1974, as you know, was the inclusion for the first time of services within the President's negotiating authority. This was included at the behest of service industry representatives who stated that their international problems have not received adequate attention by the U.S. Government.

Since the passage of the Trade Act, we have received a number of requests from service industry representatives and organizations such as the National Chamber of Commerce and the National Foreign Trade Council for the establishment of a formal advisory structure for services related to the multilateral trade negotiations. In August we met with a number of service industry representatives at a meeting convened by the National Chamber and requested their assistance in providing topics that would be appropriate for discussion at the GATT meetings in Geneva. To date, we have received no response to this request. In addition, my staff has reviewed the extensive testimony given by service industry representatives on a number of occasions in the past to identify appropriate issues for inclusion in the MTN and we have come up with little in the way of meaningful results.

Service industry representatives have pointed out to us on a number of occasions that there is no single Federal agency that takes a direct interest in the problems and issues that they face in international markets. There are a wide variety of industries involved here, including transportation, communications, insurance, banking, technical services, and travel services. Some of these industries have relationships with Federal agencies such as State, Treasury, Transportation, and Commerce, but there is no overall Government mechanism that effectively addresses the problems they face.

We have discussed this situation with several Government agencies over the past months, particularly the U.S. Department of Commerce, to identify the best next steps to satisfy the responsibilities set out in this area in the Trade Act. The primary result of these discussions has been the conclusion, shared by the Commerce Department, that a comprehensive study should be coordinated with the service industries to accomplish the following:



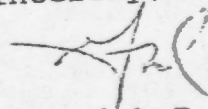
1. Review international issues of significance to U.S. service industries and describe what forums exist for international cooperation on these topics and how effective they are;
2. Identify the problems faced by the U.S. service industries in international commerce not adequately covered by current means of international cooperation; and
3. Identify the most appropriate solutions and how the multilateral trade negotiations could relate to these solutions.

The Department of Commerce has general responsibilities regarding business and industry, but a study of this magnitude would obviously have to include the active participation of a wide variety of Federal agencies. Accordingly, we believe that the best approach would be to organize the effort as an activity of the Council on International Economic Policy. Commerce has offered to chair the study within CIEP.

Since recent developments at Rambouillet and at the GATT Trade Negotiating Committee in December have prompted us to undertake an accelerated schedule for the MTN, I believe it would be appropriate to begin such an effort on a priority basis to be sure that the service industry interests are fully considered in our negotiating plans and strategies. I would be pleased to discuss this with you in more depth at a mutually convenient time.

Thank you for your consideration of this request.

Sincerely,



Frederick B. Dent

Honorable William E. Simon
Secretary of the Treasury
Washington, D. C. 20220

CC - Honorable James Baker
Under Secretary of Commerce

Honorable John M. Dunn
Council on International
Economic Policy





DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

February 3, 1976

MEMORANDUM FOR THE HONORABLE L. WILLIAM SEIDMAN
ASSISTANT TO THE PRESIDENT FOR
ECONOMIC AFFAIRS

Subject: The President's 1976 Tax Program -
Legislative Status

At your request, this memorandum will briefly outline the present status of the various tax proposals contained in the President's State of the Union Message.

Deepened Tax Cuts - We have drafted a bill to implement the deepened tax cuts on an interim basis as of July 1, 1976 and to put the President's full program in place as of January 1, 1977. No decision has been made as to whether this bill should be introduced in the House of Representatives at this time. The principal alternative would be to have the proposal considered by the Senate Finance Committee when it takes up the Tax Reform Act of 1975, as passed by the House, which contains tax cut proposals for the full year 1976.

Broadened Stock Ownership Plan - Pursuant to the meeting with Senator Long which Secretary Simon, you and I attended, we have not submitted a bill on BSOPs. Instead, we are working with Senator Long's staff to attempt to develop a mutually satisfactory proposal covering the concepts of broadened stock ownership and employee stock ownership.

Job Creation Incentive - Working with Bill Gorog, we have drafted a bill, which is to be introduced by the Republican members of the Ways and Means Committee, with some Democratic support as well, some time next week. The bill is in the final drafting stages, with the remaining problem being to incorporate certain suggestions made by organized labor.

Estate Tax Relief for Family Farms and Businesses - We have not drafted a separate bill on this topic as it will be considered by the Ways and Means Committee along with the general consideration of estate and gift taxes scheduled as part of "Phase II". It appears that hearings will be held on this subject in March.

Social Security Tax Increase - The Tax Policy office has not been given responsibility for drafting this particular legislation.

With regard to Committee activities on tax legislation other than that mentioned in the State of the Union Message, I attach for your information two memoranda prepared for the Secretary by John Hunnicutt relating to the schedules of the two tax-writing Committees over the next several months. With regard to the Ways and Means Committee, Treasury has already presented testimony relating to tax option bonds, bank holding company divestitures and tax return confidentiality. On the latter two items, Chairman Ullman is having bills drafted to be introduced by himself; prior to introduction, Treasury is supposed to be given the opportunity to comment.

With regard to the Senate Finance Committee, it is not anticipated that consideration of the Tax Reform Act of 1975, as passed by the House, will begin until March 16, 1976. As noted above, this is approximately the same point in time at which the Ways and Means Committee will be considering estate and gift taxes as part of the so-called Phase II. Finally, the Ways and Means Task Force on Capital Formation has commenced meeting on a regular basis. A copy of the agenda is also attached.

You should be aware that under the Budget Control Act of 1974, the tax-writing Committees must give their estimates of tax receipts for fiscal 1977 no later than March 15, 1976. Accordingly, major revenue decisions will have to be made by these Committees prior to that date. For example, if the Committees foresee changes in the estate and gift tax laws which would be effective in fiscal 1977 that would have a major revenue impact, they must be able to identify these changes prior to March 15, 1976.

William M. Goldstein

William M. Goldstein
Deputy Assistant Secretary
for Tax Policy

Attachments

Date: January 23, 1976

MEMORANDUM FOR: SECRETARY SIMON

From: John E. Hunnicutt

Subject: Ways and Means Committee Legislative Program

1. Miscellaneous Minor Tax Bills: Hearings were conducted during the last session and a "markup" is scheduled for January 29, 1976. Treasury submitted a report on each bill (see attached list of specific bills).
2. Tax-Exempt Bonds: Hearings were completed this week. No further action is scheduled at present.
3. Tax Treatment of Divestitures made by Bank-Holding Companies: A hearing is scheduled for Tuesday, January 27 (Goldstein to testify), and a "markup" is planned for the first week in February.
4. Tax Return Confidentiality: A hearing is scheduled for Wednesday, January 28, 1976, with a "markup" to follow during the first week of February. The Administration has submitted its own bill on this issue, H.R. 11090.
5. Tax Reform (Phase II) - Estate and Gift Tax: Hearings to be scheduled after the Lincoln Day recess (February 7 - 15). The Treasury position on these issues is to be developed.
 - a. Taxation of Capital Gains at Death
 - i. Carryover Basis
 - ii. Capital Gains Tax
 - iii. Additional Estate Tax
 - b. Liberalization of Marital Deduction
 - c. Rates and Exemptions
 - d. Unification of Estate and Gift Taxes



	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec
Surname						
Initials / Date						

- e. Taxation of Generation Skipping Trusts
- f. Liquidity Problems of Family Farms and Businesses

6. Task Forces:

- a. Capital Formation
- b. Tax Deferral for Foreign Subsidiary Earnings and the Taxation of Shipping Income

The specific timetable and agenda for each of the task forces is uncertain at this time. However, some report or recommendation is expected from each in May or June (see attached list for Members of each task force).

7. Debt Limit Extension (to expire March 15): Hearings likely to be scheduled late February or early March.

The Committee has not scheduled an executive session to consider its recommendations to the House Budget Committee regarding the level of federal revenues and the amount by which the aggregate level of revenues should be increased or decreased by bills to be reported by the Committee. The Committee's recommendations are due March 15. The First Concurrent Resolution incorporating the Committee's recommendations must be adopted by May 15.

Attachments

cc: Walker
Goldstein
Bradford
Collinson
Eberle



Date: January 22, 1976

MEMORANDUM FOR: SECRETARY SIMON

From: John E. Hunnicutt

Subject: Tentative Finance Committee Schedule

Senator Long has announced the following tentative schedule for the Finance Committee:

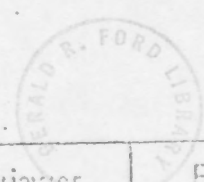
January 29 - 30 - Hearings on Trade and World Economic
February 4 - 5 Conditions: Secretaries Kissinger,
Simon, Butz, and Dent; public
witnesses representing industry,
labor and agriculture

February 7 - 15 - (Senate in recess)

Week of February 17 - Committee Executive Session on
miscellaneous tax amendments and
noncontroversial administrative
provisions in the House passed Tax
Reform Act

In the closing days of the first session, the Finance Committee agreed to a series of "minor tax amendments" which were to have been added to a pending House passed tariff bill. Objection was raised to the consideration of the bill and thus no action was taken. IRS has urged quick adoption of the noncontroversial administrative tax provisions. -----

February 24 - 27 - Executive Sessions for the Committee to develop its spending and revenue



	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec
Surname						
Initials / Date	/	/	/	/	/	/

recommendations for the first budget resolution due March 15th.

If the Committee's recommendations do not accomodate the President's several tax proposals and subsequently the Senate Budget Committee does not allow for these programs in the First Concurrent Resolution for fiscal year 1977, it will be very difficult to have the proposals enacted. -----

Week of March 9

- Hearings and executive session on the bill extending the debt limit (due to expire March 15, 1976); and an authorization bill for the U.S. International Trade Commission (required by the Trade Act of 1974)

March 16 - April 8

- Committee Hearings on Tax Reform Bill passed by the House (H.R. 10612).

Persons interested in the energy tax bill (including those who have already testified) will be permitted to submit modified views in writing. Also, hearings will cover any additional tax issues embodied in amendments to the House passed bill offered by Senators and referred to the Committee. -----

April 14 - 25

- (Senate in recess)

May

- Committee executive sessions on energy tax measures, tax cut extension, tax reform -- H.R. 10612.

No mention was made of Revenue Sharing in the schedule. Senator Long indicated he wants to wait for the House to act first. He expressed preference for the formula in present law (perhaps with minor modifications) rather than the House formula. Thus, he does not wish to send to the House a Senate formula and then find himself in a conference having to seek a compromise between essentially the present law formula and the House formula. He would rather amend the House formula



and be in a stronger position in conference. Also, he mentioned that the present Revenue Sharing program continues until the end of the year and he noted that county commissioners, mayors, and governors do not seem concerned since he has not heard from any of them.

cc: Walker
Goldstein
Collinson
Bradford
Eberle



February 3, 1976

AGENDA FOR CAPITAL FORMATION TASK FORCE

There are 11 free Tuesdays from February 10 to April 28. Under the assumption that the Task Force will meet once a week for 2 hours, the following agenda should cover the main topics on capital formation. In each case it is assumed there would first be a staff or panel presentation and in the last hour there would be questioning by, and summing up of positions of, the task force.

Meeting

No.

Date

1

Feb. 10

General Considerations

1. Investment during the current recession period
2. Investment and savings in the U.S. economy since WWII
3. The effect of savings and investment in an economy with slack employment and production.
The effect of savings and investment in an economy with full employment and production.
4. Comparison of U.S. and foreign experience with incentives.

2

Feb. 17

General Consideration of Alternative Tax Policies to Encourage Capital Formation

1. Integration of corporate and individual income taxes
2. Liberalizing depreciation or amortization rules
3. Lowering the corporate rate
4. Increasing savings in general
5. Using a countercyclical investment fund

3

Feb. 24

Integration of Corporate and Individual Taxes

1. Explanation of double taxation and effect on capital formation; equity considerations and excess burden with its effect on various income classes.

2. Main ways to achieve integration:
full, partial at corporate level,
partial at stockholder level, and
Wallich proposal to cut rate and
reduce deductability of interest
payments
3. U.S. experience with integration

4

March 2

Integration--Continued

1. Foreign mechanisms to achieve
integration
2. Distributional and burden considera-
tions
3. Relation of integration to other
tax policy issues: windfall gains

5

March 9

Integration--Concluded

1. Administrative problems with
alternative forms of integration:
foreign and tax-exempt sectors,
issues of refundability, inter-
corporate dividend flows, multi-
year accounting considerations
2. Revenue considerations, including
feedback effects and ways of phasing
plans into effect

6

March 16

Panel on Integration: Economics:

Break, Eisner, Jorgenson, Pechman,
McClure, Brazer, Richard Goode (These
are possible panelists; they have not
been contacted.)

7

March 23

Revision of Depreciation Laws

1. Effect of depreciation on investment
decision
2. Current law
3. Replacement cost depreciation and
indexing; inventory valuation
4. Selective fast writeoff, by industry
type of investment
5. Conformity between book and tax
depreciation



- 8 March 30 Depreciation--Continued
1. Rapid writeoff varying by State and local unemployment area
 2. Administration proposal and evaluation, revenue effects
 3. Administrative considerations
- 9 April 6 Investment Credit or Lowering Corporate Rate
1. Effect by industry
 2. Effect on employment of labor and capital
 3. Selective application of credit by industry (utilities; pollution; corp. construction)
 4. Revenue and economic effects
- 10 April 13 Increasing Savings in General
- 2
Assigned
1. Forms of savings
 2. Shifting of savings between categories
 3. Plans to encourage general savings
 - (a) Tax on consumption expenditures
 - (b) Taxes on production
 - (c) Distributional effects
 4. Plans to encourage special savings: mortgage credit, stock savings deductions (including employee stock ownership plans), life insurance, etc.
- 11 April 27 Capital Formation for Loss Companies and New Business
1. Net operating loss carrybacks for business
 2. Net operating loss carryforwards for new and expanding business
 3. Capital loss carrybacks for individuals

Capital Losses

Long Range Economic Considerations





THE SECRETARY OF THE TREASURY

WASHINGTON 20220

February 5, 1976

MEMORANDUM TO: Economic Policy Board

FROM: Secretary Simon *Wes*

SUBJECT: Title V of S.1284 (premerger notification and stay provision)

The Antitrust Improvements Act of 1975 (S.1284) has been scheduled for markup by the Senate Judiciary Committee on February 18 and 19. At hearings before the Subcommittee on Antitrust and Monopoly, the Justice Department generally supported the provisions of Title V of the bill relating to premerger notification and stay procedures. Senator Scott has asked the Attorney General for a clarification of the Administration's position on Title V.

Title V would enable the Antitrust Division or the Federal Trade Commission (FTC) to hold up a planned merger for an extended period without any review by a court. It does so in two ways:

1. By requiring the parties to give notice of a planned merger and barring the merger for 30 days while the Antitrust Division and FTC evaluate it. The Antitrust Division or the FTC could hold up the merger for another 45 days by asking for additional information about the merger or the parties.

2. By requiring a court to hold up the proposed merger when suit is filed if the Antitrust Division or the FTC certifies to the court that the public interest requires that the merger or acquisition not be completed until a final judgment is rendered.

Since the subcommittee reported the bill and since the EPB meeting on this bill on December 19, there have been discussions between the Justice Department, Treasury Department and various representatives of the business community concerning Title V. As a result of these discussions, the Justice Department has suggested a revision to Title V that would: (1) retain the premerger notification procedures; and (2) limit the period in which a merger could be held up pending notification litigation of the Justice Department's or FTC complaint challenging the merger to 30 days unless the court granted a 30-day extension of the stay "for good cause shown."



Title V would have the effect of creating a new regulatory scheme for all significant acquisitions. Mergers could be held up for extended periods unless the Antitrust Division and the FTC permitted them to go forward. This kind of new or additional governmental interference with business transactions should not be undertaken without a clear demonstration that it is necessary to achieve legitimate antitrust enforcement objectives, and that attainment of these objectives outweighs any adverse effects on the economy. Title V cannot be justified under either of these criteria.

Title V would discourage healthy, efficient, competitive change of ownership of businesses in response to economic conditions, decrease the availability of capital to firms and promote inefficient allocation of capital resources. It would give the Antitrust Division and the Federal Trade Commission the ability to hold up a proposed acquisition or merger for an indefinite period of time without having to make any showing in court that the transaction violates the antitrust laws. Even under the Justice Department's suggested revision of Title V, the government would have the ability to hold up an acquisition or merger for over 135 days without effective judicial review. The mere existence of this discretionary power in the antitrust enforcers could significantly deter lawful mergers and acquisitions to the detriment of the economy. More importantly by exercising this discretionary power, the Antitrust Division and the FTC could prevent -- not merely delay -- proposed acquisitions or mergers since the economic reasons for such transactions could well pass during the period of delay.

The Justice Department maintains that it needs greater ability to stay a proposed acquisition or merger pending antitrust litigation because divestiture of stock or assets is an inadequate remedy in most cases. Even accepting this contention, the Department has not demonstrated that existing procedure for enjoining a proposed acquisition or merger challenged by the government is inadequate.

Under present law, the Justice Department may obtain a court injunction barring a merger pending the outcome of its antitrust suit, if it can demonstrate a reasonable probability that it will succeed in establishing the illegality of the proposed transaction. Pending the hearing and determination of the Justice Department's request for an injunction, the court may at any time enjoin the challenged acquisition or merger for up to 20 days. This 20 days can, and frequently has been, extended by consent of the parties to give the court an opportunity to hear the merits of the case. Recent amendments to the Expediting Act have strengthened the Justice Department's power to secure preliminary injunctions by giving the Department, for the first time, the power to appeal at once from a denial of a preliminary injunction in an antitrust case.



The FTC is similarly authorized to obtain a court order enjoining an allegedly unlawful acquisition or merger.

Existing law allows the courts discretion to apply traditional standards of fairness and equity in determining the appropriateness of injunctive relief in merger cases. There has been no showing that the government needs the power to demand an automatic stay in order to guard against acquisitions that may be anticompetitive.

Nor has any demonstration been made of the need for the premerger notification requirements of Title V. This provision would permit the Antitrust Division and the FTC to delay an acquisition or merger for well over 75 days. Moreover, premerger notification would be required in any transaction involving two companies with annual sales or assets over \$10 million. Present FTC premerger notification rules have a \$250 million threshold and do not prevent the merger from going forward. Chairman Engman of the FTC testifying before Senator Hart's subcommittee on this provision, questioned the need for requiring notification of smaller merger transactions. He stated that the Federal Trade Commission's own premerger notification program appeared to be satisfactory.

Title V is inconsistent with the objectives of the Administration's program for regulatory reform and, therefore, Administration support of Title V is incongruous with these objectives. Title V represents a clear example of the failure to weigh the benefits of proposed regulation against its costs to the economy. It stands in stark contrast to the goal of achieving regulatory objectives in a manner that minimizes the cost impact on the economy generally. Finally, the broad coverage of the premerger notification requirements conflict with the goal of eliminating unnecessary government reporting requirements.

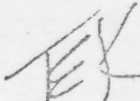
In view of these considerations, the Administration should oppose enactment of Title V, including its premerger notification and stay provisions.



Department of Justice
Washington, D.C. 20530

February 4, 1976

MEMORANDUM TO: Economic Policy Board

FROM:  Thomas E. Kauper
Assistant Attorney General
Antitrust Division

SUBJECT: Title V of S. 1284

Title V of S. 1284 would establish a procedural framework and substantive standard pursuant to which courts would evaluate motions for preliminary injunctive relief in cases brought by the Department of Justice or the Federal Trade Commission to challenge proposed mergers or acquisitions. Title V has undergone substantial modification since introduction of the bill, and this formulation of the stay provision represents the minimal intrusion upon business transactions that is consistent with the legitimate enforcement needs of the Department of Justice and the Commission.

I. The Need for Legislation

Under present law, there is no established mechanism by which economically significant mergers or acquisitions are brought to the attention of antitrust enforcement agencies. The Department of Justice learns of most proposed acquisitions through the Wall Street Journal and other such sources, and the Federal Trade Commission's pre-merger notice system is, as a practical matter, useful only when agreements to merge are reached substantially in advance of the proposed consummation date.

In those instances when either agency believes that a proposed merger or acquisition violates the antitrust laws, attempts are made to file a complaint before the transaction is consummated. Unless the parties agree to delay consummation pending resolution of the antitrust issues, our complaint will most frequently be accompanied by a motion for a temporary restraining order and a motion for a preliminary injunction. Historically, the purpose of a temporary restraining order is to assure that the plaintiff will not suffer irreparable harm until the court



can rule on a motion for preliminary injunctive relief. In the merger setting, consummation of a merger itself constitutes irreparable harm since post-consummation relief in the form of divestiture has proven ineffective and a burden to all parties.

Although the Department is generally successful in obtaining a temporary restraining order, we have found that district courts frequently are unable to hold a thorough hearing on our motion for a preliminary injunction prior to the expiration of the temporary restraining order. As a practical matter, therefore, companies are able to consummate a merger or acquisition while the matter is being litigated simply because the complexity of the anti-trust issues involved makes it impossible for the district court to rule on the government's motion for a preliminary injunction. Given the universal dissatisfaction with divestiture as an antitrust remedy, the existing procedural framework for resolving antitrust challenges to proposed transactions is deficient.

II. The Emergence of a Pre-Merger Stay Provision

As introduced in the 94th Congress, Title V would have provided for an automatic stay of any proposed acquisition upon institution of an action by the Federal Trade Commission or the United States and certification by the Commission or the Attorney General "that the public interest requires relief pendente lite." Under this standard, the district court would have been required to enter an order prohibiting consummation, which would remain in effect until the order of the Commission or judgment became final. The district court was further directed to expedite the proceeding or action.

The Department of Justice, testifying on behalf of the Administration, opposed this standard on the grounds that it was unnecessarily inflexible. Instead, we proposed that the district court be given discretion to lift a stay upon a showing by the defendant of irreparable harm or lack of merit of the government's suit. The Senate Subcommittee on Antitrust and Monopoly largely adopted this position when it reported the bill to the full Judiciary Committee on July 28, 1975.



Representatives of the investment banking community have contended that even this modified stay provision is too disruptive. They objected to the fact that the stay could be entered without any judicial determination of the merits of the government's case. To counter this concern, the Department suggested a standard under which an injunction would be entered only if a judge found a reasonable likelihood that the government would prevail on the merits of the case -- the standard presently applied by courts. The only condition to this proposal was that the court be guaranteed an opportunity to rule on the motion for a preliminary injunction before consummation of the merger or acquisition. To assure this condition, a temporary restraining order would be entered upon filing of the complaint and would remain in effect until the court's ruling on the preliminary injunction. The Department was committed to a timely ruling by the judge so that mergers or acquisitions would not be unduly delayed; to that end the judge was directed to give these matters priority and to expedite his ruling.

This formulation was unacceptable to representatives of the investment banking community. Although they professed to accept the Department's position on the need to preserve the status quo pending a ruling on the preliminary injunction, they were afraid that judges might not rule on these motions fast enough. Therefore they objected to any formulation that did not fix a maximum time on the temporary restraining order.

III. The Current Formulation

After a careful analysis of the steps necessary to allow a judge to make an intelligent ruling on a motion for a preliminary injunction, and in an effort to be as responsive to the various concerns raised as is consistent with sound antitrust enforcement policy, the Department presented the current formulation for a pre-merger stay provision. Under this proposal:

1. A temporary restraining order would be entered upon the filing of an antitrust complaint and certification by the appropriate antitrust official that immediate temporary relief is necessary.



2. The temporary restraining order would remain in effect for thirty days or until final disposition of the motion for a preliminary injunction, whichever period is shorter, unless extended.

3. The temporary restraining order could only be extended for up to an additional thirty days upon good cause, or for such period to which all the parties consent.

4. The Chief Judge of the United States Court of Appeals would be required to designate a District Judge who is available to hear the action in an expeditious manner, and that Judge would be directed to hold a hearing at the earliest possible time and to give the matter priority.

5. The preliminary injunction would be granted only upon a showing by the government of a reasonable probability of success on the merits. Even if such a showing is made, the defendant could have the injunction modified if it shows that it will be irreparably harmed by the injunction (except that loss of anticipated profits may not be considered).

The Department of Justice believes that any standard providing a shorter time period cannot assure the district court an opportunity to rule on the motion for a preliminary injunction before expiration of the temporary restraining order and would be unacceptable as a matter of antitrust enforcement policy. The steps a court must undertake in ruling on a motion for a preliminary injunction are numerous and include: pretrial conferences, evaluation of prehearing briefs, an evidentiary hearing, evaluation of posthearing briefs and proposed findings of fact and conclusions of law, and preparation of a written opinion. Historically, these proceedings have averaged about 50 days, although a significant number have taken over 100 days. Any period shorter than that contained in the present formulation is neither warranted by the concerns expressed nor consistent with affirmative enforcement efforts.

Under these circumstances, the only acceptable options for the Administration are: (1) continued support of the present bill, as amended pursuant to the Administration's suggestions; (2) suggest to the Judiciary Committee a substitute provision such as the current formulation; or (3) to withdraw Administration support for the concept of a stay procedure and express our preference for current law and procedure. The Department would favor these options in the order listed.



Notwithstanding which of these options is ultimately deemed preferable, the Department would support statutory language mandating the selection of a judge by the Chief Judge of the Circuit in which the case is filed, and requiring that such cases be given priority treatment. It is our understanding that, on this point, there is no disagreement among any of the interested parties.



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Business Conditions Report

February 6, 1976



U.S. Department of Commerce
DOMESTIC AND INTERNATIONAL
BUSINESS ADMINISTRATION
Bureau of Domestic Commerce

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FOREGOING RESTRICTIONS MAY BE REMOVED
90 DAYS AFTER PUBLICATION

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Enquiries and suggestions are welcomed.

INDUSTRY HIGHLIGHTS

PRODUCTIVITY AND UNIT LABOR COSTS: FOURTH QUARTER
INCREASE IN COMPENSATION RAISES UNIT LABOR COSTS

- CURRENT ° Fourth quarter 1975 output per man-hour in total private economy increased at 1.0 percent annual rate, according to Bureau of Labor Statistics. Output per man-hour in manufacturing rose at an annual rate of 5.6 percent in same period.
- ° Unit labor costs, as result of increase in compensation per hour, resumed its long-term climb in fourth quarter, rising 6.5 percent in private economy and 0.7 percent in manufacturing sector. (See chart in Business Indicators.)

AUTOMOBILES: JANUARY 10-20 NEW DOMESTIC CAR SALES

- CURRENT ° Auto sales during January 10 through 20 totalled 171,890 units, 31 percent above 131,127 units sold in same 1975 period, when sales were starting to improve due to introduction of rebates.
- ° Car sales for January 1 through 20 totalled 307,898 units, up 37 percent from year-earlier 224,367.
- ° Ford and GM are experiencing difficulty in selling smaller cars while intermediate sales are above expectations.
- ° Due to this uneven demand and resulting difficulty controlling inventories, during February, GM expects to close two small-car facilities; Ford plans cuts in small car output; Chrysler plans to close two of its six plants for certain weeks in February; and American Motors will close one Pacer line.

CONSTRUCTION: EXPENDITURES DOWN 4 PERCENT IN 1975

- CURRENT ° Construction expenditures grew from \$20.0 billion (current dollars) in 1947 to \$136.0 billion in 1973 and remained close to that level in 1974, at \$135.5 billion. 1975 expenditures declined 4 percent to \$130.6 billion.
- ° In constant (1967) dollars, construction expenditures amounted to \$68.9 billion in 1975, down 12 percent from 1974 and 25 percent lower than 1973 peak.

- ° 1975 constant dollar decline, while less than 15 percent drop in 1974, is steepest of any other year-to-year decline in construction volume since 1947.
- ° Seasonally adjusted annual rate of \$138.6 billion (current) dollars of new construction in December is up slightly from November and October revised figures of \$136.5 billion and \$135.6 billion, respectively. This gain reinforces recovery pattern for overall construction activity that marked second half 1975.
- ° F. W. Dodge's December contract award figures of \$5.4 billion (down 23 percent from December 1974) suggest, however, that awards picture must be monitored in coming months for evidence of continued upturn in new construction expenditures for 1976.
- ° Dodge awards index, which indicates amount and direction of future construction expenditures, stood at 137 for December 1975 (1967=100) close to 135 low point in January 1975. Total awards for all types of construction were down 4 percent in 1975.
- ° Non-building construction contracts, bolstered by multi-billion dollar Alaskan pipeline, reached record level of \$28.4 billion in 1975, and was only major construction category to show an increase (5 percent).

PLASTICS: GAINS IN PRODUCTION AND SALES RESUME

- CURRENT ° Preliminary figures for December 1975 show an improvement over last month in production and sales of the major volume plastic materials, according to Society of the Plastics Industry.
- ° December figures indicate a return to monthly improvements as data for November 1975 compared to October 1975 registered first decrease since March.
 - ° Sales in December 1975 totalled 1.5 billion pounds, a 7.2 percent increase over November 1975. December 1975 production increased by 1.4 percent over November to 1.6 billion pounds.
 - ° Sales in December 1975 were 29.3 percent higher than in December 1974 and production was 14 percent higher. However, production and sales in December 1974 were already taking a downward course before start of recovery in March 1975.

SOFTWOOD LOGS AND LUMBER: LOG EXPORTS UP SLIGHTLY
BUT LUMBER EXPORTS DECREASE FOR 1975

- CURRENT ° 1975 total softwood log exports of 2.6 billion board feet (valued at \$681 million) represented a quantity increase of 3 percent over 1974 exports.
- ° Log exports for fourth quarter 1975 increased 8 percent over same 1974 period. Japan, which accounted for 87 percent (quantity basis) of U.S. softwood log exports in 1975, increased yearly purchases from U.S. by 8 percent.
 - ° Total softwood lumber exports for 1975 of 1.36 billion board feet (valued at \$339.2 million) were down 9 percent from 1974.
 - ° Fourth quarter 1975 exports showed increase of 27 percent over same 1974 period. Japan, which accounted for 38 percent (quantity basis) of U.S. softwood lumber exports in 1975, showed a decrease of 9 percent from 1974.
 - ° Japanese General Demand/Supply Conference for Foreign Timber estimated that imports of American softwood logs and lumber would be down by 11 percent in first half of 1976 from same 1975 period.

FLUID POWER COMPONENTS: SHIPMENTS DECLINE

- ° \$1.3 billion fluid power systems components industry supplies major end users including aerospace and automotive industries, machine tool builders, farm machinery, construction equipment, lift trucks, and manufacturers of marine and special military equipment.
- CURRENT ° National Fluid Power Association (NFPA) reports that its November preliminary Fluid Power Index stood at 169 (1967=100). This represents a decline from 172 in October and a 27 percent decline from October 1974 record of 231. November figure is 6 percent above August low of 159.
- ° Existing order backlog has helped maintain present relatively level pace of shipments. Industry sources are cautious about the possibilities of a quick turnaround or a substantial increase in new orders.
 - ° Although pneumatic component index has shown strength, rising for fourth consecutive month to level of 200, the much larger hydraulic component index has fallen more than 25 percent since start of 1975.

COCOA: U.S. UTILIZATION DOWN FROM 1974

- ° U.S. is totally dependent on imported cocoa beans and is a principal consumer of world cocoa production, generally importing 20 to 25 percent of total world production. Cocoa bean grind figure is an indicator of future confectionery output.
 - ° U.S. utilization of cocoa beans is measured by cocoa bean grind and net imports of cocoa bean products in terms of cocoa bean equivalent.
- CURRENT ° Commerce announced, in first of quarterly series of reports, that U.S. utilization of cocoa beans for 9-month period January-September 1975 totalled 490 million pounds, 19 percent below 602 million pounds consumed in comparable 1974 period.
- ° Within 490 million pound total,
 - U.S. cocoa bean grind was 325 million pounds, 19 percent below same 1974 period; and
 - net imports of cocoa bean products totalled 165 million pounds, also 19 percent below same 1974 period.
 - ° Steep decline in cocoa bean product utilization was attributed to record prices and a tight supply compounded by high sugar prices. Improvement is expected in fourth quarter 1975 but annual total will be significantly below 1974 total.

PHOTOCOPIERS: SHIFT IN EQUIPMENT AND SUPPLIES MARKET

- ° As result of near-saturation of market, Xerox, IBM and Eastman Kodak have reduced per-copy lease fees for their copiers between 5 and 11 percent, depending on volume of copies.
- CURRENT ° Manufacturers are placing emphasis on increased revenue per copier, with a lower priority on new machine installations. Profit margins on supplies (paper and chemicals) exceed those on machines.
- ° Market is estimated at \$3.3 billion per year, comprised of machine sales of \$2.2 billion and supplies of \$1.1 billion. Ratio is expected to shift in favor of supplies, which will grow at rate of 14 percent per year, compared with 6 percent for machines.

- ° Sales of supplies will receive boost by penetration of copiers into lucrative short-run commercial printing market, where cost savings are possible because copiers require no clean-up or down time in changing from one job to another.
- ° Photocopiers cannot compete with speed of printing presses in long runs.

TRADE: CHEMICALS CONTRIBUTE STRONGLY TO U.S. TRADE SURPLUS

- CURRENT ° Chemical exports in 1975 were \$8.7 billion or 8 percent of total U.S. exports. Chemical exports in 1975 were 1 percent lower than \$8.8 billion in 1974.
- ° U.S. imports of chemicals in 1975 amounted to \$3.7 billion, decreasing by 8 percent from 1974 imports.
 - ° Decline in exports and imports in 1975 is first registered during past decade.
 - ° Trade balance in chemicals for 1975 amounted to \$5 billion, a 4 percent improvement over 1974 and represents approximately 50 percent of total U.S. trade balance in 1975.

AUTOMOBILES/INTERNATIONAL: VOLKSWAGEN CONSIDERING INVESTMENT IN U.S. PRODUCTION FACILITIES

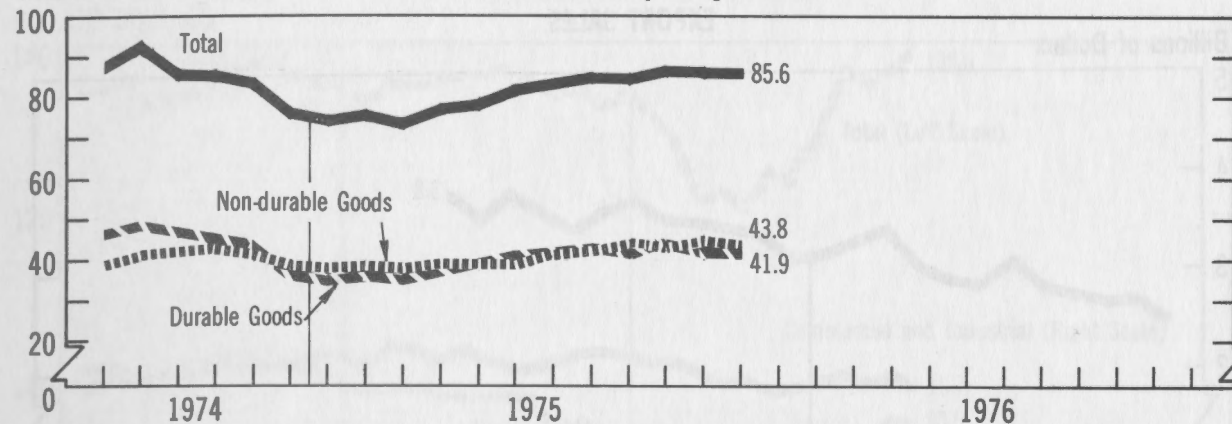
- CURRENT ° VW has concluded an agreement to allow American Motors Corp. to build a 121-cubic inch Audi engine in Richmond, Indiana for sale to VW, as well as for use in its own new subcompact.
- ° Discussions now under way would allow Chrysler to build a 97-cubic inch, 4-cylinder powerplant for use in VW Rabbit and its own new subcompact in 1977.
 - ° VW-Chrysler engine agreement would force cancellation of engineering contracts issued by Chrysler to U.S. tool builders for metalcutting equipment according to a trade publication.
 - ° VW is known to be considering several U.S. locations for a plant to begin producing cars in the U.S. within next three years, including sites in suburban Cleveland, Ohio, New Stanton, Pennsylvania, Detroit, and other north-eastern locations. Decision on plant location will probably be made in April.

BUSINESS INDICATORS

MANUFACTURERS' NEW ORDERS

BILLIONS OF DOLLARS

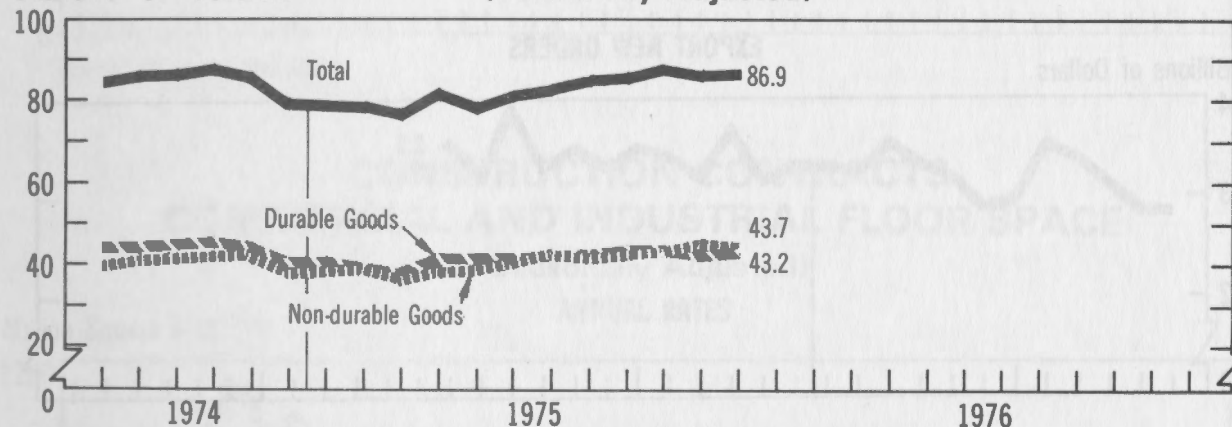
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MANUFACTURERS' SHIPMENTS

BILLIONS OF DOLLARS

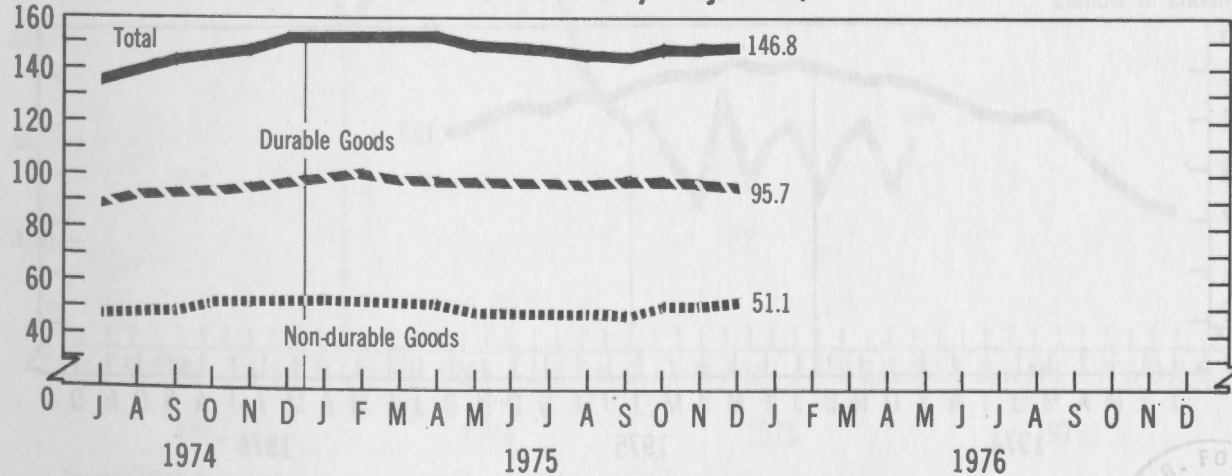
(Seasonally Adjusted)



MANUFACTURERS' INVENTORIES

BILLIONS OF DOLLARS

(Seasonally Adjusted)



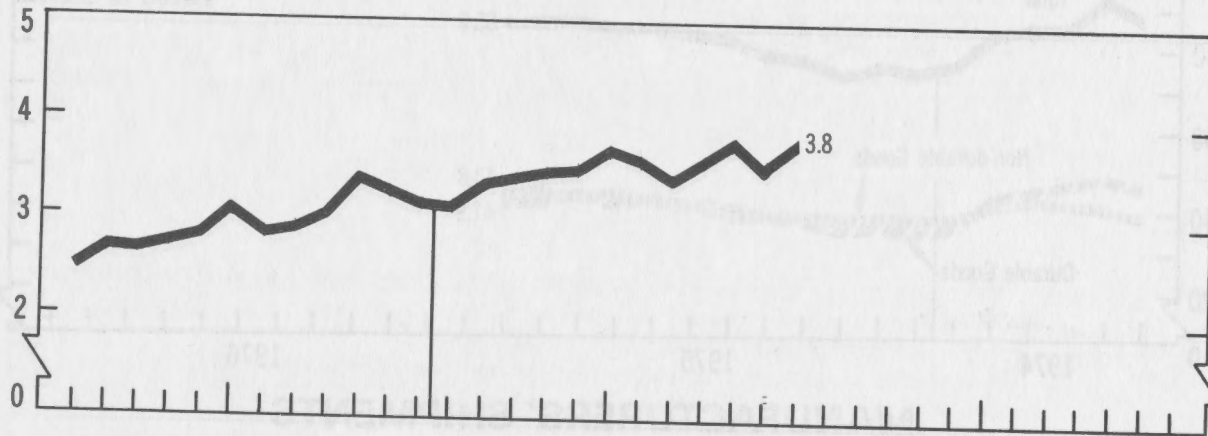
Source: Bureau of the Census



MANUFACTURERS' EXPORT SALES AND ORDERS OF DURABLE GOODS (Excluding Motor Vehicles and Parts)

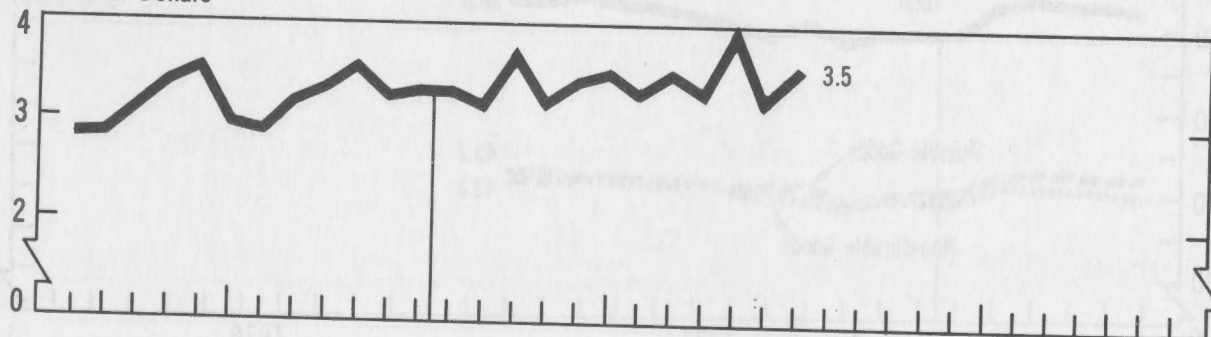
(Seasonally Adjusted)
EXPORT SALES

Billions of Dollars



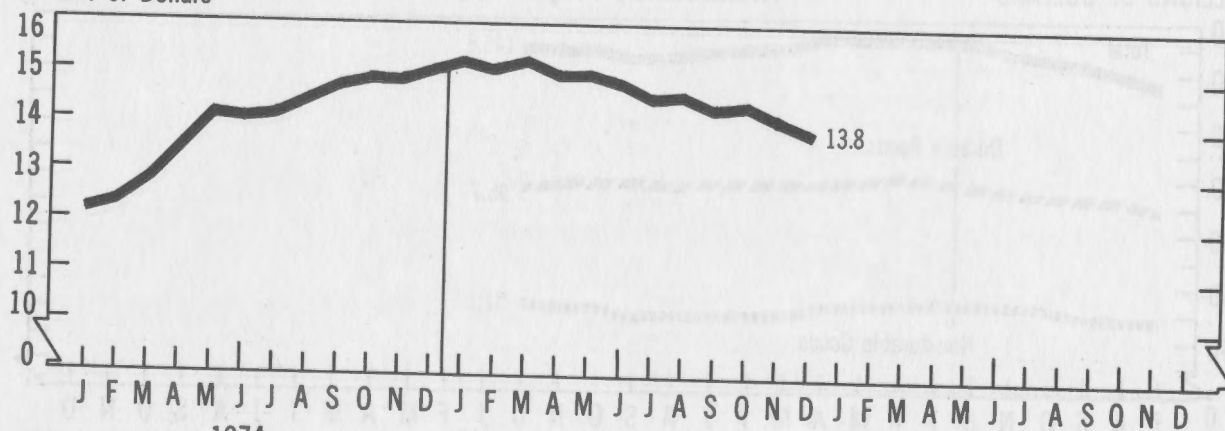
EXPORT NEW ORDERS

Billions of Dollars



EXPORT UNFILLED ORDERS

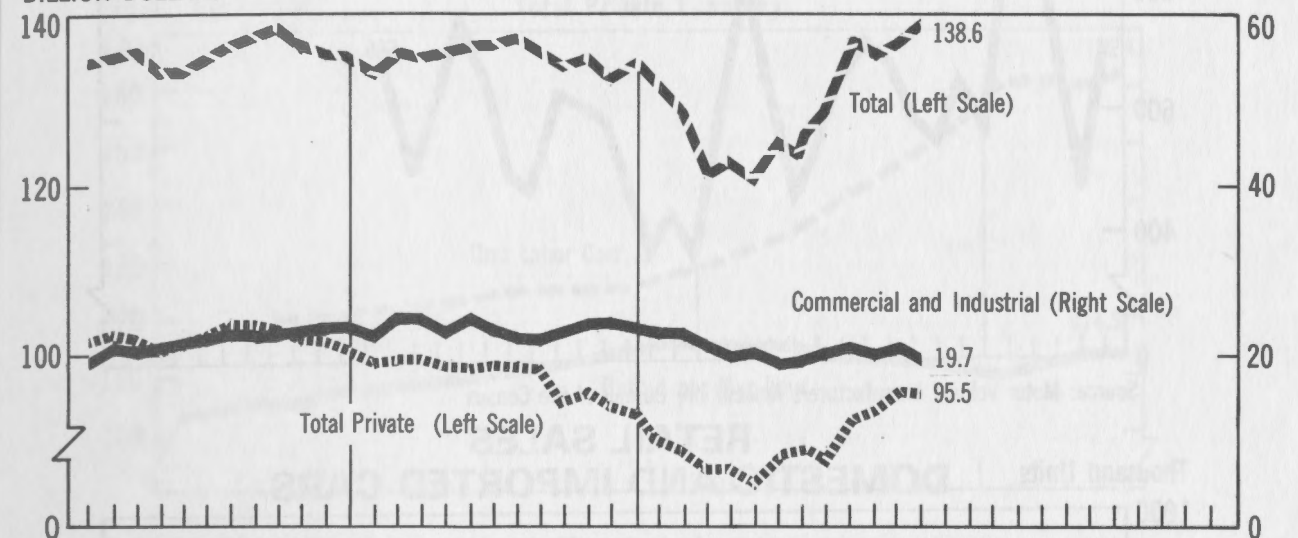
Billions of Dollars



Source: Bureau of the Census

NEW CONSTRUCTION (Seasonally Adjusted) ANNUAL RATES

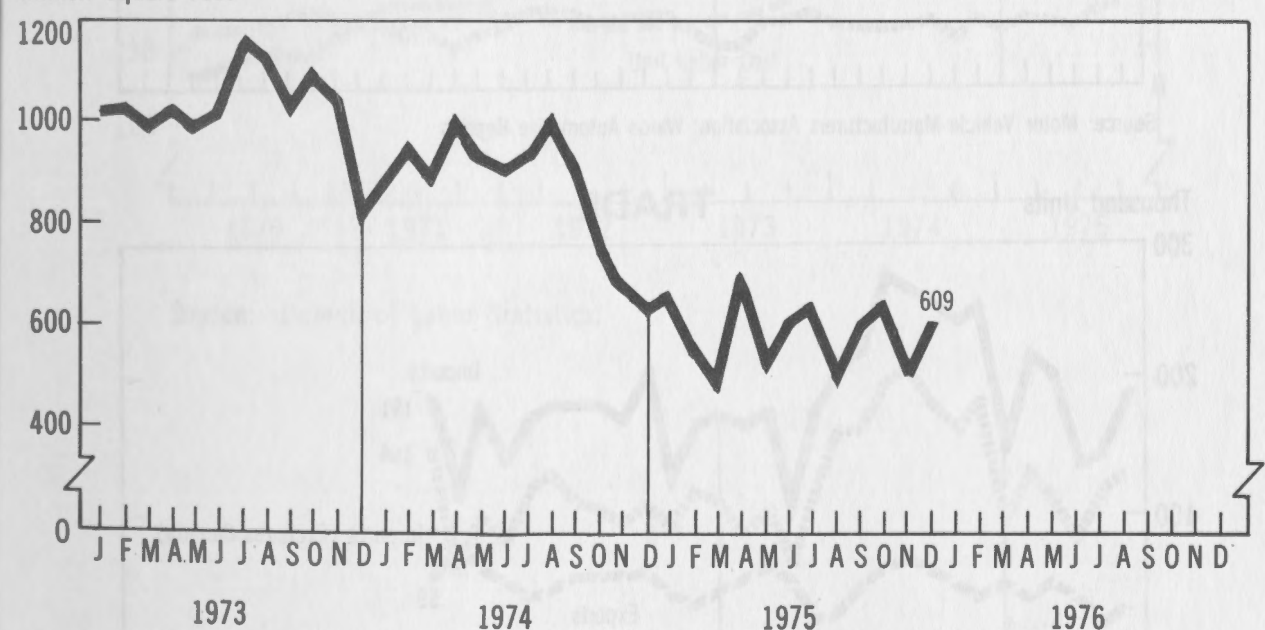
BILLION DOLLARS



Source: Bureau of the Census

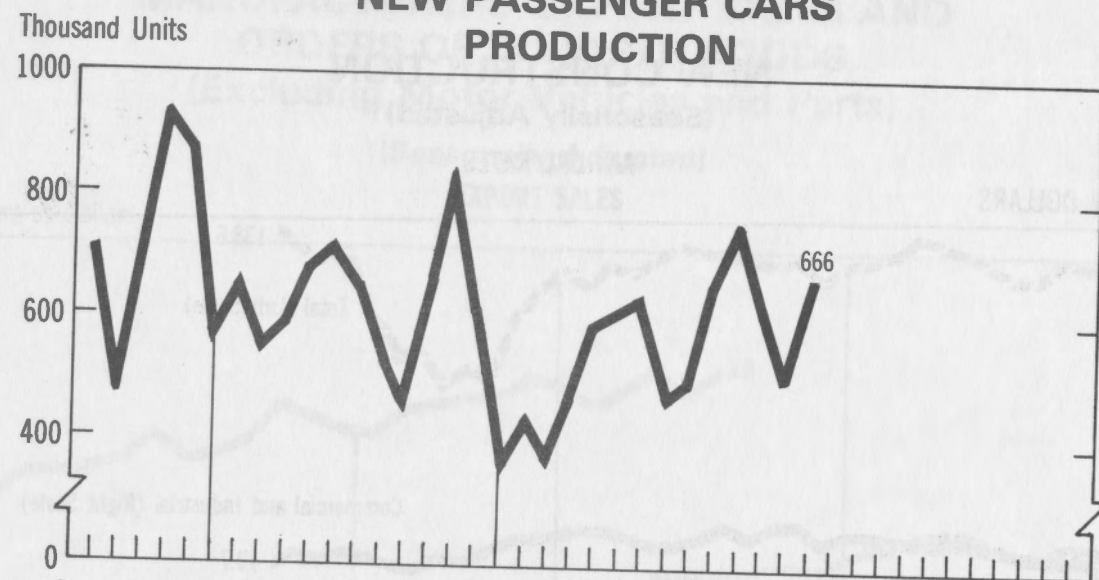
CONSTRUCTION CONTRACTS COMMERCIAL AND INDUSTRIAL FLOOR SPACE (Seasonally Adjusted) ANNUAL RATES

Million Square Feet

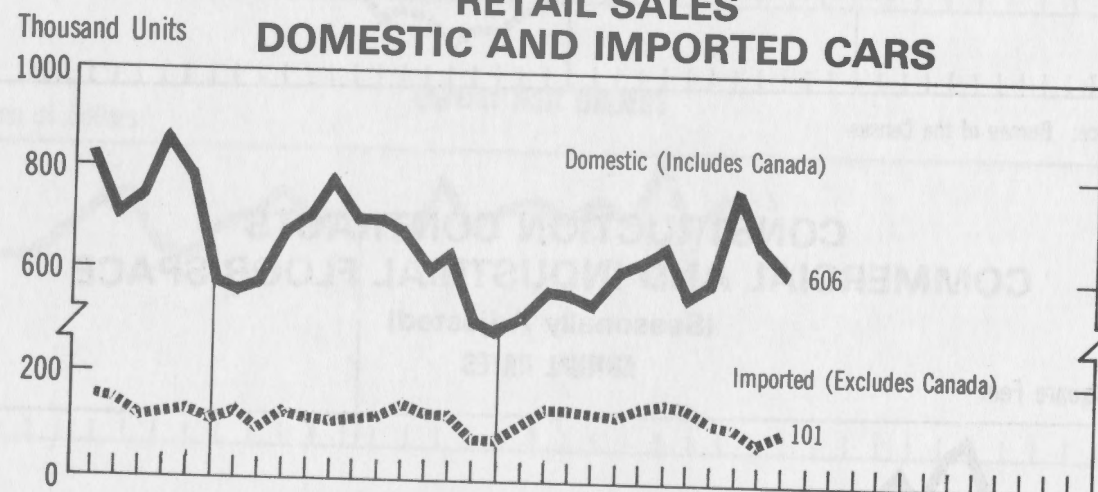


Source: F.W. Dodge Division, McGraw Hill

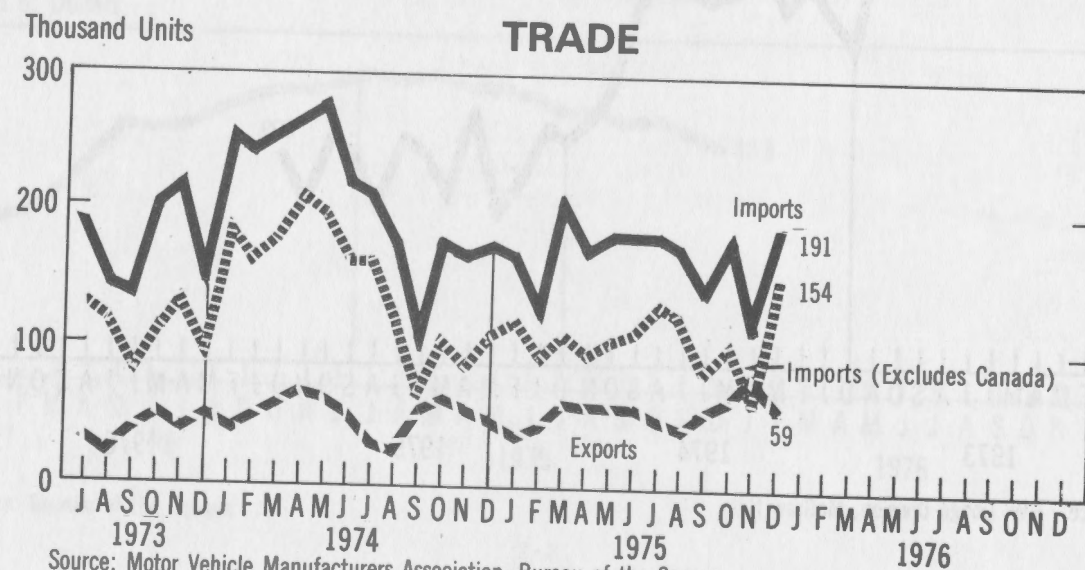
NEW PASSENGER CARS PRODUCTION



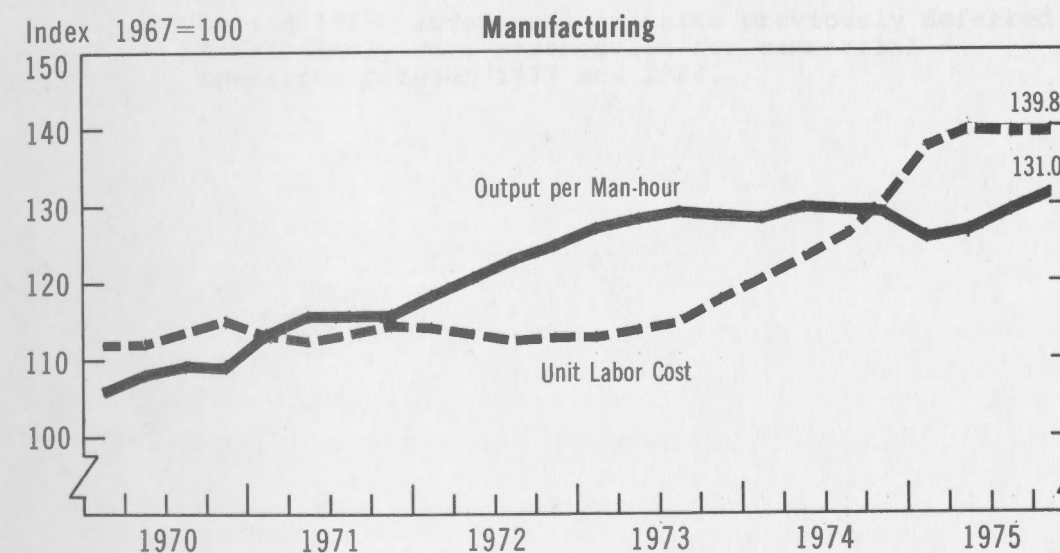
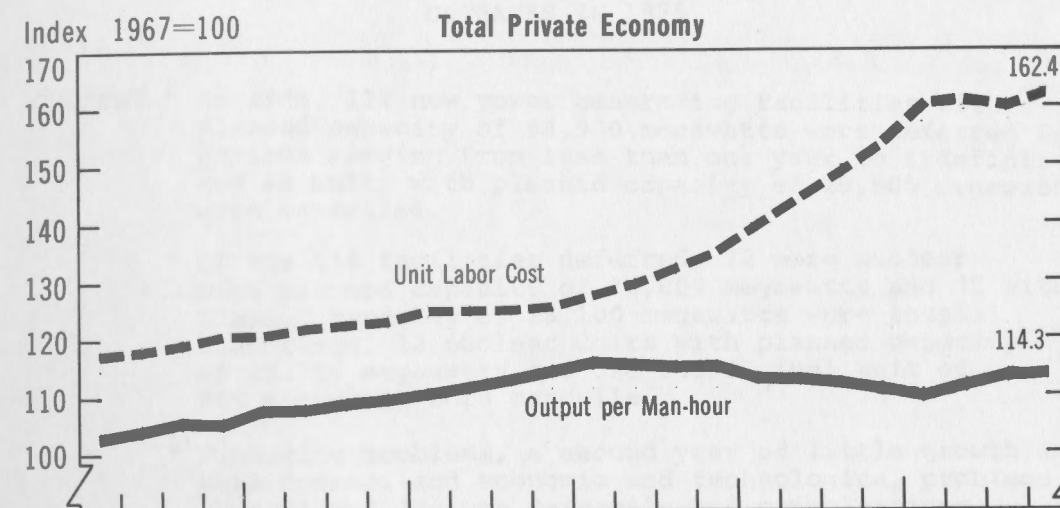
RETAIL SALES DOMESTIC AND IMPORTED CARS



TRADE



Productivity and Unit Labor Costs (Seasonally Adjusted)



Source: Bureau of Labor Statistics.

ENERGY

POWER GENERATING FACILITIES:
CUTBACKS IN 1975

- CURRENT ° In 1975, 114 new power generating facilities with planned capacity of 98,900 megawatts were deferred for periods ranging from less than one year to indefinite, and 13 units with planned capacity of 29,500 megawatts were cancelled.
- ° Of the 114 facilities deferred, 72 were nuclear with planned capacity of 70,800 megawatts and 42 with planned capacity of 28,100 megawatts were fossil fuel fired, 12 nuclear units with planned capacity of 28,700 megawatts and one fossil fuel unit of 800 megawatts were cancelled.
- ° Financing problems, a second year of little growth in peak demand, and economic and technological problems were blamed for the deferrals and cancellations.
- ° During 1975, seven nuclear units previously deferred indefinitely were rescheduled for commercial operation between 1977 and 1984.

SUPPLY

COPPER: CUTBACKS CONTINUE

- ° Poor business and high costs have plagued the copper industry during 1975 and early 1976 (see Business Conditions Report, January 30, 1976).
 - ° Present operating rate of industry in U.S. is approximately 80 percent of capacity.
- CURRENT
- ° Kennecott has curtailed production at its McGill, Nevada mine and mill affecting 500 of 1,200 workers. Production will continue at the smelter. (Smelter operations represent 5 percent of domestic blister capacity.)
 - ° Kennecott attributed cutback to a 120-day inventory overhang of concentrates (mill product used as smelter feed).
 - ° Also contributing to decision to reduce production is recent court decision (see Business Conditions Report, December 19, 1975) upholding Environmental Protection Agency's position to review annually Kennecott's measures to comply with air quality standards at McGill site.
 - ° Complete shutdown of McGill operations may be effected in May or June, according to Kennecott.

ALUMINUM: REYNOLDS REACTIVATES CAPACITY

- ° U.S. primary aluminum industry operated at 73 percent of capacity during most of 1975 due to decreased demand and high inventories.
- ° Total 1975 U.S. production of primary ingot was 3.88 million short tons or 21 percent less than 1974 production of 4.90 million short tons.
- ° There has been a gradual increase in rate of production since September 1975, due to utilization of new capacity brought on stream during fourth quarter 1975.
- ° A slight increase in shipments of ingot and mill products and a gradual decline in total inventories also occurred during fourth quarter.

- CURRENT ° Partially in view of these changing conditions, Reynolds Metals Company announced on January 29, 1976, that it was reactivating 17,000 short tons of capacity at the Arkadelphia, Arkansas plant, which had been idle since March 1975.
- ° The State of Arkansas announced decision to exempt Reynolds from paying three percent sales tax on electricity used for primary aluminum smelters.
- ° No appreciable changes in operating rates by other U.S. producers are expected until there is significant increase in demand and reduction of inventories to more normal levels.

NEWSPRINT

- CURRENT ° U.S. publishers have been gradually turning to alternative foreign sources for newsprint although U.S. newsprint inventories have not yet reached critically low levels. (See Newsprint article in Prices.)

LABOR

NEGOTIATIONS: GARMENT WORKERS REACH SETTLEMENT

- ° International Ladies Garment Workers Union (ILGWU) has been negotiating with dressmaker representatives since November, seeking contract that would serve as basis for future contract governing entire women's outerware clothing industry.
- ° Under old contract, hourly wages ranged from \$3.10 to \$5.
- CURRENT ° ILGWU settled on new 40-month contract with dress-makers, thus averting a strike that would have had national impact.
- ° Key provisions:
- Cumulative wage increases of 23 to 25 percent to be paid in four installments throughout the agreement.
 - New method of setting standard yields for piece workers on a factory-by-factory basis that both establishes a minimum wage for piece workers and allows manufacturers to increase productivity by emphasizing total earnings rather than amount and value of work involved.
 - Increased benefit contributions (pension and welfare fund).
- ° Contract covers 55,000 workers (30,000 in New York City) and serves as a guide for 30,000 additional workers whose contracts expire in coming months.
- ° ILGWU reaction to the settlement was favorable. Manufacturers' reaction was guarded concerning wage increases, but generally favorable to provisions concerning uniformity.

WAGES: COST-OF-LIVING ADJUSTMENT IN BASIC
STEEL AND CONTAINERS INDUSTRIES

- ° On February 1, 400,000 United Steelworkers employed in basic steel industry received an additional cost-of-living adjustment of 9 cents an hour.
- ° On February 15, 36,300 United Steelworkers in the containers industry will receive a similar adjustment.
- ° Under formulas in the 1974 contract settlements, employees in the two industries have received cost-of-living increases totalling 92 cents an hour.

STRIKES

(Source: Federal Mediation and Conciliation Service)

- ° During week ending January 28, approximately 39,500 employees were involved in 223 work stoppages throughout the United States.
- ° Six of the work stoppages were in major and/or significant category where 1,000 or more employees were in bargaining unit.
- ° During approximately same year-ago period, there were 195 work stoppages involving 45,700 employees. Eight stoppages were in major and/or significant category.

NEW AND SETTLED MAJOR STRIKES

- ° New: Junior Toy Division of American Machine & Foundry Co. and the IAM
Olney, Illinois
4,000 employees; began 2/2/76
- City of Newark and Newark Teachers Union
Newark, New Jersey
4,000 employees; began 2/2/76
- ° Settled: There have been no settlements in major and/or significant category since last week's report.

ENGINEER/SCIENTIST DEMAND INDEX: SHARP DROP IN DECEMBER

- ° Engineer Scientist Demand Index (1961=100) measures relative strength of employment demand for scientists and engineers as reflected by help wanted advertisements in selected newspapers and technical journals.
- ° Throughout 1975, index fluctuated slightly around average level of 75.0.

CURRENT ° In December, index fell to 68.6, down 13.3 points from November level of 81.9, the highest month of 1975.

- ° The annual average index for 1975 was 74.4, the third-lowest year in the 15-year history of the index.

- ° 1975 average index reflects across-the-board losses in demand in all geographic areas and in all technical fields.

PRICES

CATTLEHIDES: PRICES RISE

- CURRENT ° Cattlehide prices (composite of three major types) averaged 28.72 cents per pound in January 1976, 4 percent higher than in December 1975, but 120 percent higher than January 1975. (See chart in Price Indicators.)
- ° Buying interest, both domestic and foreign, was maintained throughout January, and prices accelerated for both light and heavy weight hides; however, demand and prices for heavy hides began to decline toward the end of the month.
 - ° 1975 commercial slaughter of 40.8 million head of cattle was 11 percent above comparable 1974 slaughter of 36.8 million, according to USDA.
 - ° Exports in 1975 of 21.2 million were 15 percent higher than 18.4 million exported in 1974.
 - ° Exports in 1975 were 52 percent of production, up from 50 percent in 1974.

HYDROFLUORIC ACID: HIGHER PRICES ANNOUNCED

- ° A large part of hydrofluoric acid (HF) produced is used captively either by fluorocarbon or aluminum producers; lesser amounts are used as catalysts in petroleum alkylation, uranium processing, pickling of stainless steel, etching glass, and other metallurgical applications.
 - ° 350,000 short tons of HF are produced annually for captive and commercial uses. Commercial sales account for 15 to 20 percent of total production.
 - ° Trade sources indicate producers are operating at 60 to 70 percent of capacity because of reduced demand.
- CURRENT ° DuPont, a leading producer, announced a \$60 per ton increase to \$880 for anhydrous grade and \$70 per ton rise to \$665 for aqueous acid.
- ° New prices became effective February 1 for spot sales and as terms permit for contract sales.
 - ° Reasons cited for higher prices are increased costs of sulfuric acid, transportation and labor, as well as higher cost from reduced operating levels.



NEWSPAPERS: HIGHER DAILY PRICES IN 1975

- CURRENT
- Over three-fourths of all U.S. daily newspapers carried a 15 cent or higher per copy price in 1975, according to the American Newspaper Publishers Association (ANPA).
 - In 1974, 988, or 53 percent of total, newspapers carried a 15 cent or higher price. By close of 1975, 421 additional newspapers had raised prices to the 15 cent or higher level.
 - Single copy prices on 1,861 U.S. daily newspapers in 1975, according to ANPA: 1,409 charged at least 15 cents per copy (76 percent of total) and 452 charged lower than 15 cents (24 percent of total).
 - 13 U.S. papers were priced at 25 cents per copy (compared to 4 in 1974), and one paper was priced at 30 cents per copy.
 - Increasingly higher labor and materials costs are indicated as main causes for price increases in this labor-intensive industry.

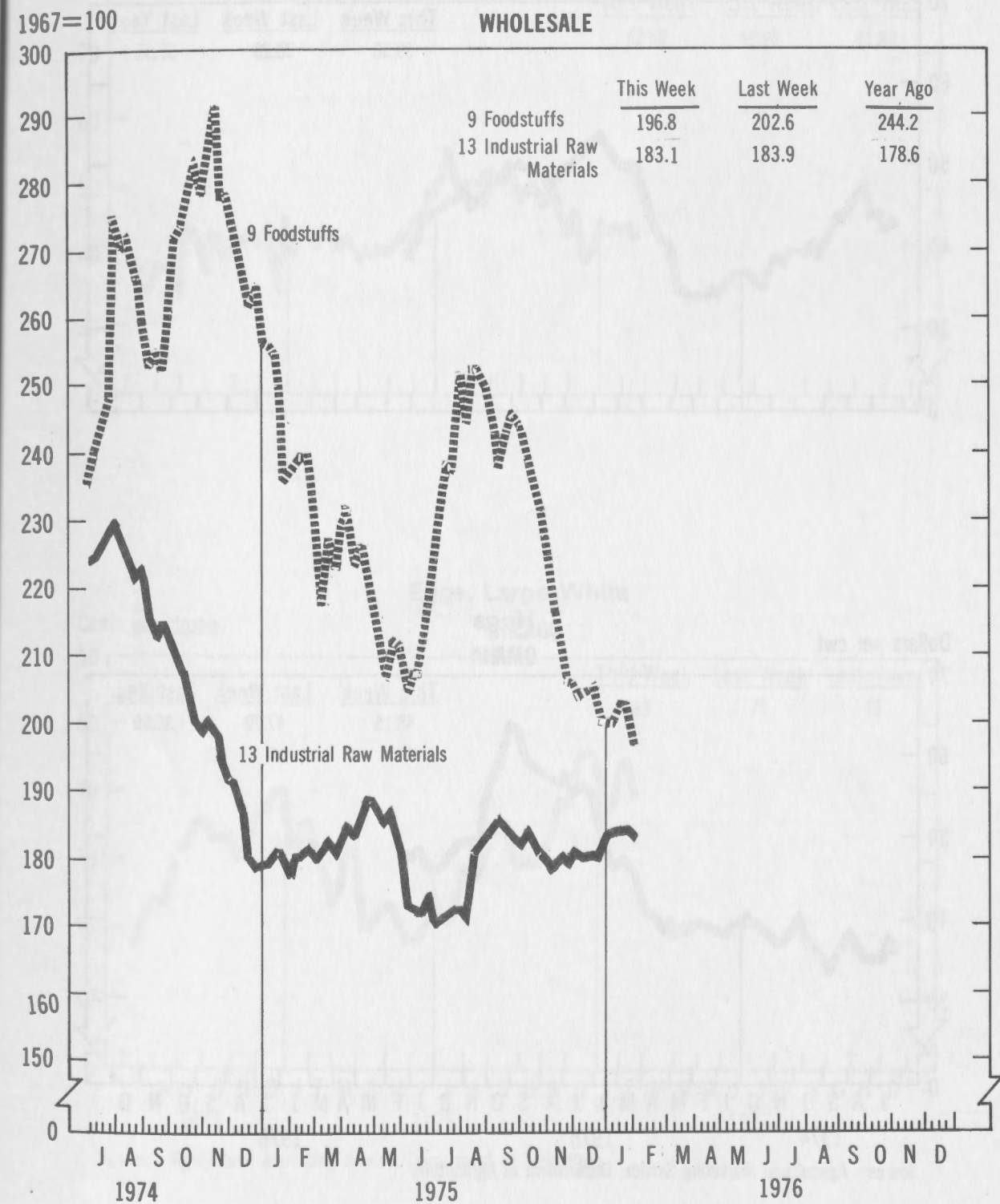
NEWSPRINT: PRICE RISES SCHEDULED FOR CANADA AND U.S.

- Despite resumption of operations at several Quebec newsprint mills and a New Brunswick pulp and paper facility last week, more than 20,000 pulp and paper workers remain on strike in Eastern Canada, mostly in Ontario, where little progress has been achieved in the continuing contract negotiations.
- 70 percent of annual U.S. newsprint supply is obtained from Canada. With two-thirds of Canadian newsprint industry idled by strikes, U.S. publishers have been gradually turning to alternative foreign sources for newsprint, although U.S. newsprint inventories reportedly have not yet reached critically low level.
- Two leading East Coast U.S. newspapers recently purchased a small amount of Swedish newsprint, while a major Midwest tabloid obtained a supply from Norway and France.
- A large Southern U.S. publisher is reportedly investigating sources in Western Canada, where newsprint mills are back in operation.

- CURRENT
- Newsprint prices will be increased by \$15 in Canadian market and \$25 in U.S. market in early part of 1976 as a result of the prolonged paper industry strike in Canada, according to industry sources.
 - Increase would raise price of Canadian newsprint in the U.S. market to range of \$285 to \$290 a ton.
 - Several leading U.S. newsprint manufacturers have also announced \$20 to \$25 price hikes effective March 1.
 - Other domestic newsprint producers are said to be considering similar increases.

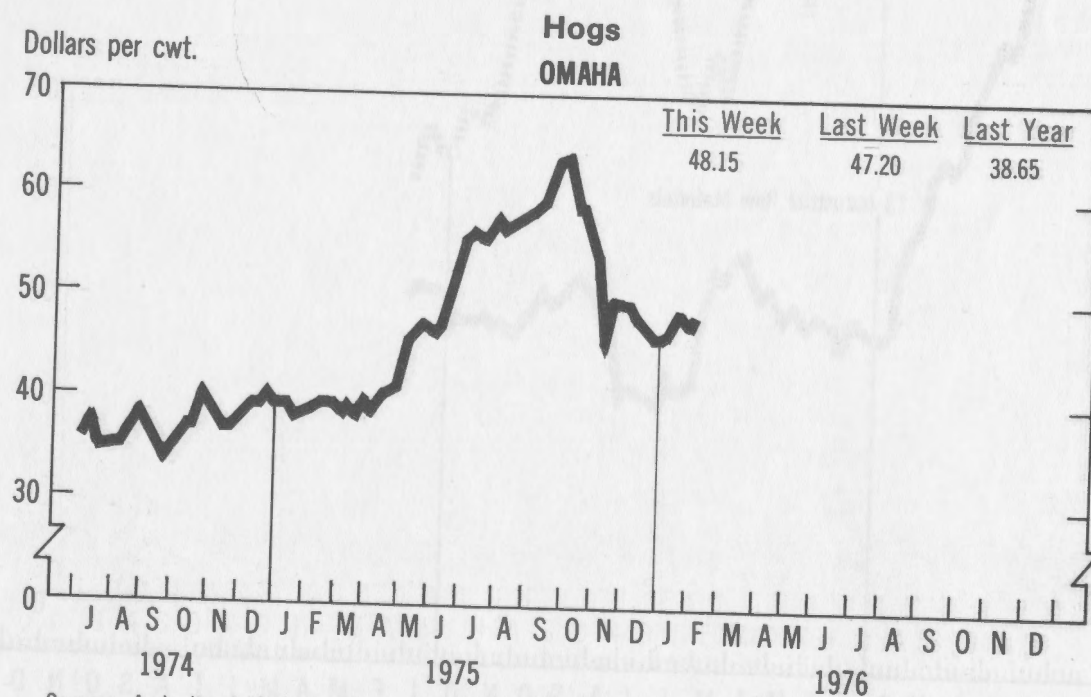
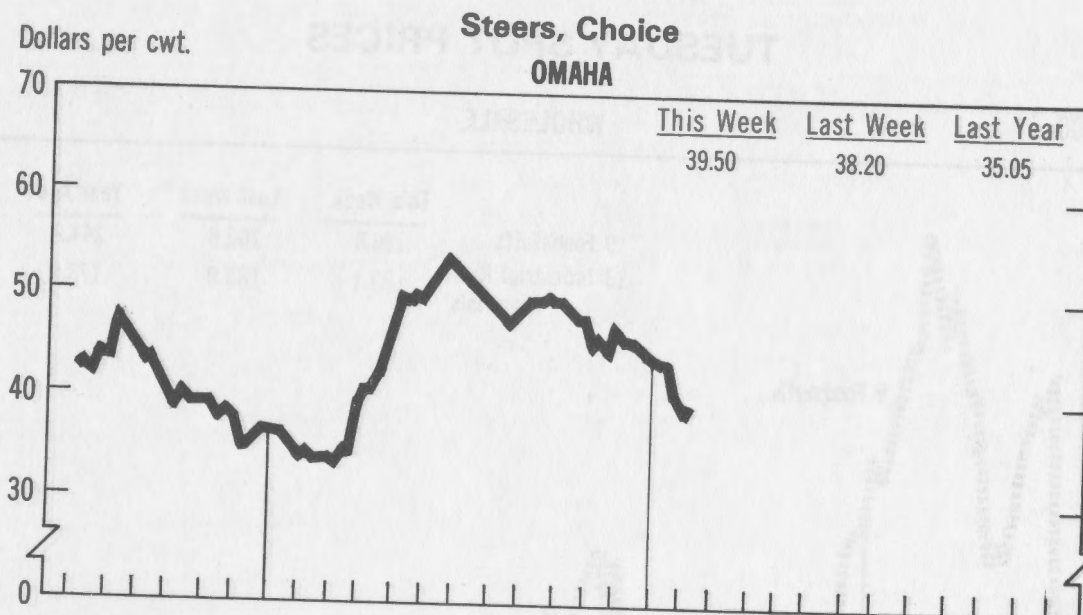
PRICE INDICATORS

TUESDAY SPOT PRICES



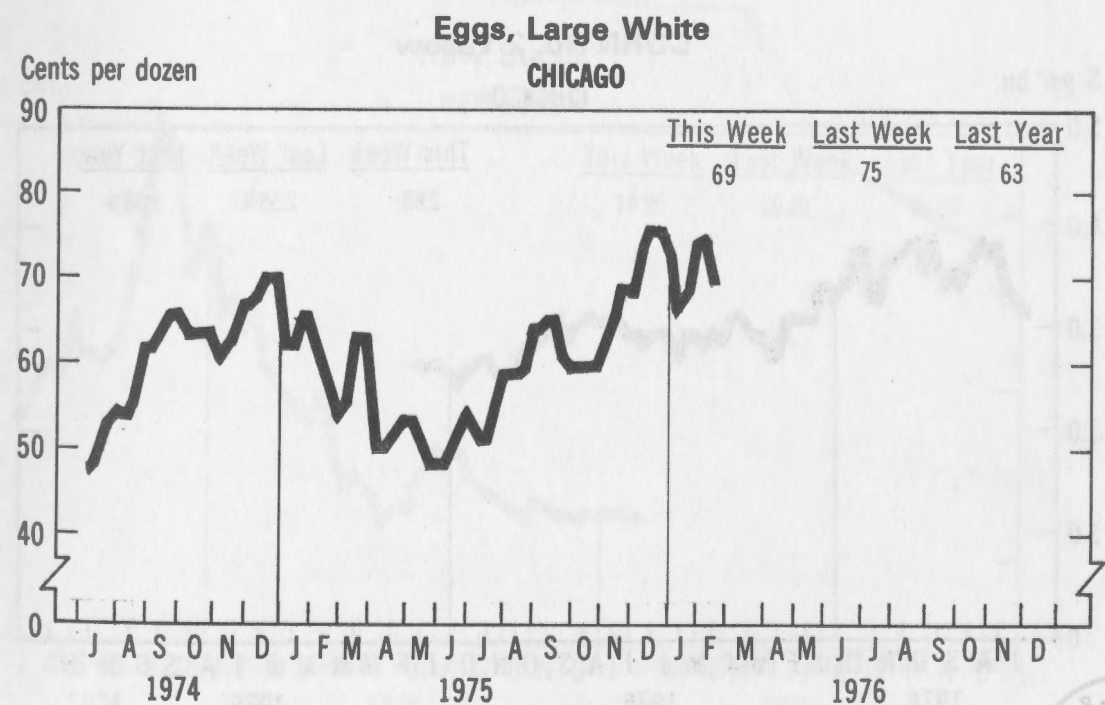
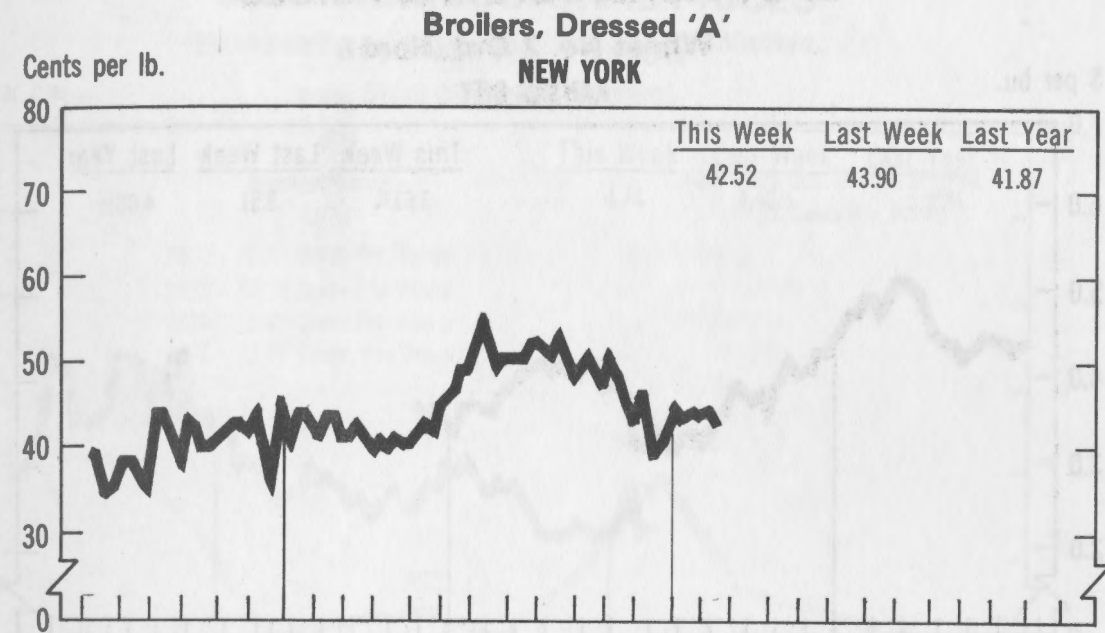
Source: Department of labor

SPOT AGRICULTURAL PRICES



Source: Agricultural Marketing Service, Department of Agriculture.

SPOT AGRICULTURAL PRICES

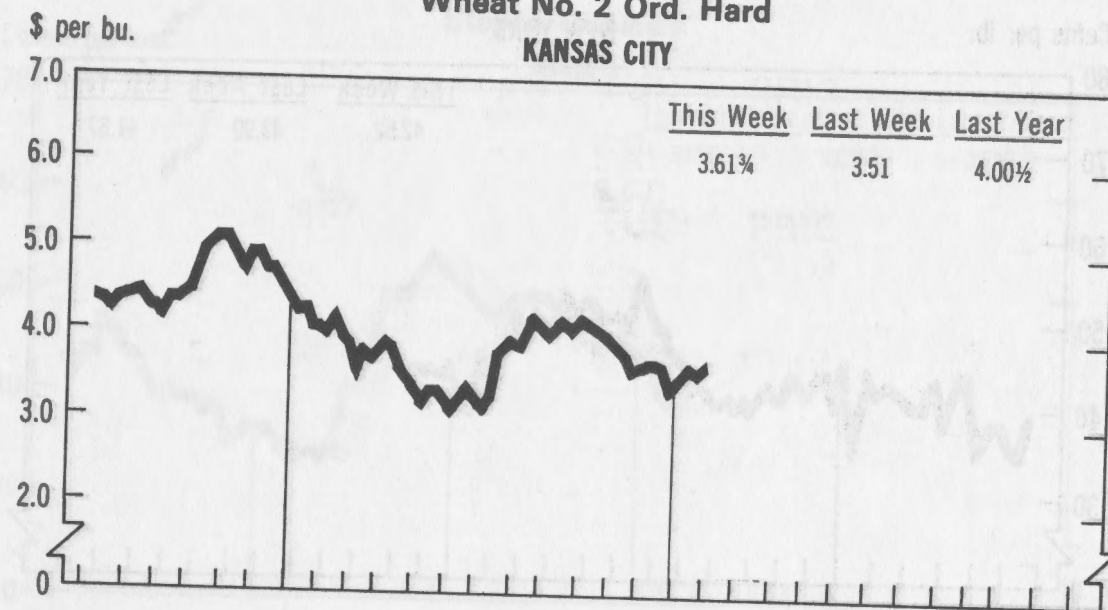


Source: Agricultural Marketing Service, Department of Agriculture.



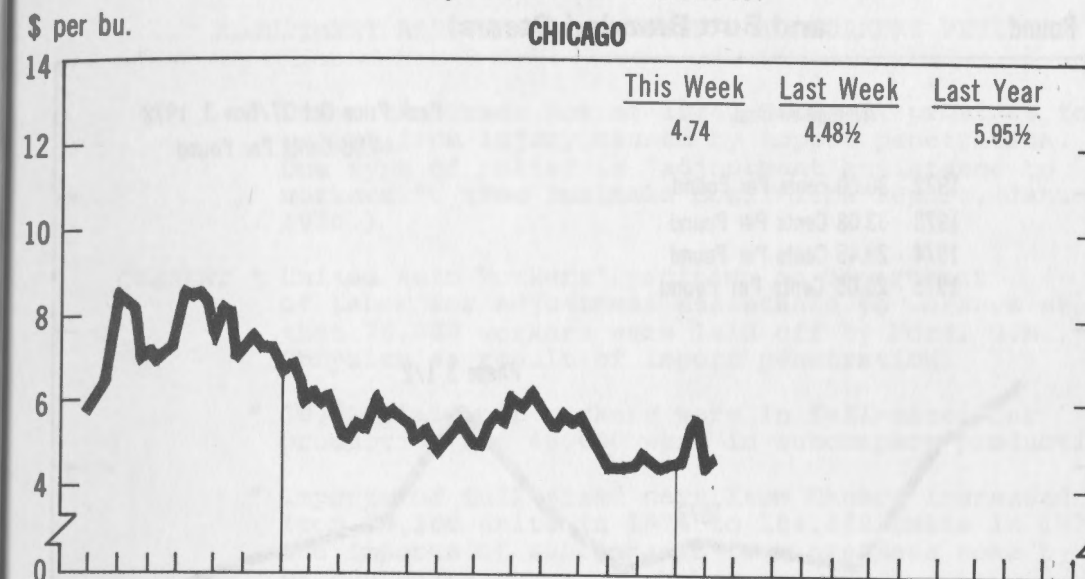
SPOT AGRICULTURAL PRICES

Wheat No. 2 Ord. Hard
KANSAS CITY

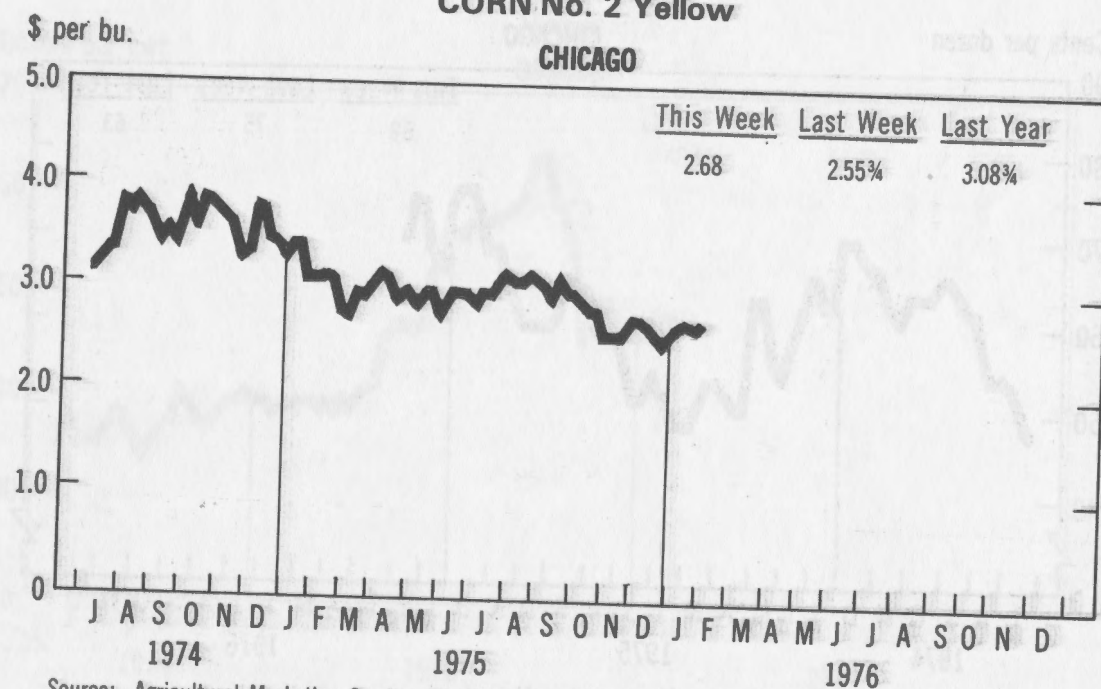


SPOT AGRICULTURAL PRICES

Soybeans No. 1 Yellow
CHICAGO

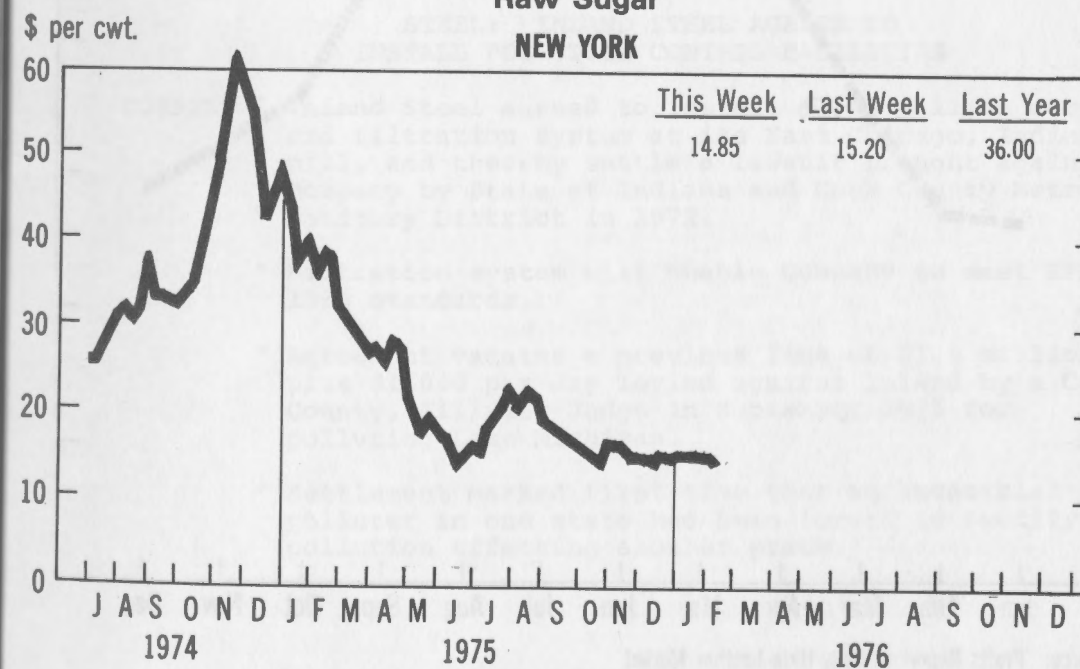


CORN No. 2 Yellow
CHICAGO



Source: Agricultural Marketing Service, Department of Agriculture.

Raw Sugar
NEW YORK



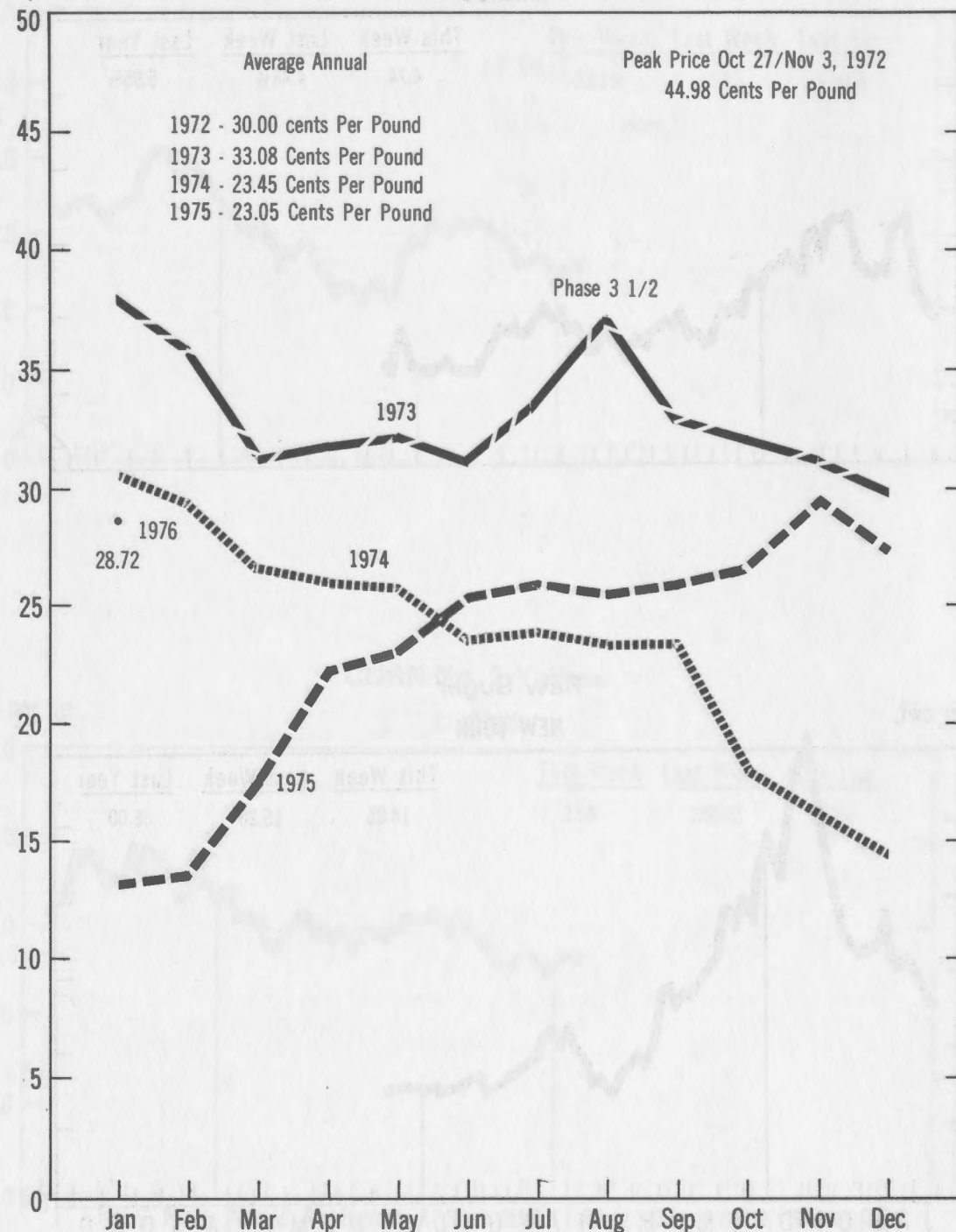
Source: Agricultural Marketing Service, Department of Agriculture

U.S. CATTLEHIDES

Monthly Average Prices

(Composite of Light Native, Heavy Native,
and Butt Branded Steers)

Cents per Pound



Source: Pratts Report of Daily Hide Leather Market

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ISSUES

ADJUSTMENT ASSISTANCE: UNITED AUTO WORKERS PETITION

- Under the Trade Act of 1974, Title II provides for relief from injury caused by import penetration. One type of relief is "adjustment assistance to workers." (See Business Conditions Report, January 2, 1976.)
- CURRENT United Auto Workers' petition to Department of Labor for adjustment assistance to workers stated that 78,000 workers were laid off by Ford, G.M., and Chrysler as result of import penetration.
- 30,000 laid-off workers were in full-sized car production and 48,000 were in subcompact production.
- Imports of full-sized cars from Canada increased from 20,100 units in 1974 to 184,400 units in 1975, and imports of subcompacts from overseas rose by 95,000 units.
- U.S. production of full-sized cars fell by 670,755 units in 1975, and production of subcompacts fell by 465,000 units.
- U.S. dealer sales of subcompacts built in North America fell by 150,000 units.

STEEL: INLAND STEEL AGREES TO INSTALL POLLUTION CONTROL FACILITIES

- CURRENT Inland Steel agreed to install a \$90 million recycling and filtration system at its East Chicago, Indiana mill, and thereby settle a lawsuit brought against company by State of Indiana and Cook County Metropolitan Sanitary District in 1972.
- Filtration system will enable company to meet EPA 1983 standards.
- Agreement vacates a previous fine of \$1.9 million plus \$1,000 per day levied against Inland by a Cook County, Illinois Judge in September 1975 for polluting Lake Michigan.
- Settlement marked first time that an industrial polluter in one state had been forced to rectify pollution affecting another state.

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LEAD: DUMPING CASE REOPENED

- CURRENT ° On January 26, 1976, the U.S. International Trade Commission announced it would reopen Canadian and Australian dumping case to determine whether 1974 injury ruling on primary lead metal from Canada and Australia should be revoked.
- ° Public hearings will be held on February 24, 1976.

POLYCHLORINATED BIPHENYLS (PCB):
MONSANTO TO CONTINUE PRODUCTION

- ° Manufacturers of capacitors and transformers have expressed fear that concern over toxicity and persistence of PCB's might lead chemical companies to cease production of this material, which is used as a dielectric insulator for capacitors and transformers. (See Business Conditions Report, January 16, 1976.)
- CURRENT ° Monsanto Company, a major supplier of PCB, has announced that it is planning to phase out production of the chemical, but will continue production and sale for use in closed systems until an alternate source or suitable substitute becomes available.

BANKING: REDUCTION OF FEDERAL RESERVE INDEPENDENCE SUGGESTED

- ° Hearings are in progress before House Subcommittee on Financial Institutions to develop a legislative package for reorganization and improvement of the nation's private financial institutions.
- CURRENT ° In testimony before the Subcommittee, Chairman of Board of Governors of Federal Reserve proposed that:
- Office of the Comptroller of the Currency, which supervises national banks, be merged with the Federal Reserve, which supervises state-chartered banks and bank holding companies; and
 - term of Chairman of the Federal Reserve Board be made coterminous with that of the U.S. President.
- ° Recommendation on term of office was in sharp contrast to the Chairman's past opposition to any action tending to reduce Federal Reserve's independence and its isolation from political influence.

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FOREGOING RESTRICTIONS MAY BE REMOVED
90 DAYS AFTER PUBLICATION



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MINUTES OF THE
ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

February 6, 1976

Attendees: Messrs. Simon, Seidman, Greenspan, Lynn, Richardson, Robinson, Dunn, Zarb, Tyler, Schmults, Parsky, Kauper, Katz, Collier, Albrecht, Gorog, Porter, Hughes

1. Report of EPB/NSC Task Force on Commodity Policy

The EPB/NSC Task Force on Commodity Policy reported on their review and analysis of the Third International Coffee Agreement. The Task Force analysis indicates that the likely economic effect is mildly positive. The Agreement relies on export quotas as its basic operating mechanism, with all operating decisions by a two-thirds distributed majority vote giving the United States an effective veto. Moreover, in contrast to earlier International Coffee Agreements, this Agreement will enter into force with quotas suspended and provides for periods when quotas would not be in effect.

The Task Force also reported that there are positive foreign policy considerations that are likely to flow from the United States signing the Agreement and that Congress is likely to perceive the U.S. joining the Agreement as a foreign policy instrument.

The Agreement is open for signature until July 31, 1976, and must be ratified prior to October 1, 1976. The discussion focused on the timing of signing the Agreement and submitting it for Senate ratification. In light of the anticipated continuation and possible further increase in coffee prices during the next six months, the Senate Agriculture Committee has scheduled hearings on coffee prices for March 16 through 18.

Decision

The Executive Committee approved recommending to the President that the United States sign the Third International Coffee Agreement and submit it for Senate ratification. The memorandum transmitting the EPB/NSC recommendation will include options regarding the timing of signing and submitting the Agreement for Senate ratification.



~~EYES ONLY~~

2.

2. S. 1284

The Executive Committee reviewed memorandums on Title V of S. 1284 prepared by the Departments of Treasury and Justice outlining their respective positions. The Treasury and Justice memorandums are attached at Tab A.

The discussion focused on the premerger notification and stay procedures and the impact that Title V would have on the Anti-trust Divison's effectiveness in dealing with mergers.

Decision

Representatives of the Departments of Justice and Treasury will jointly prepare a draft options paper on the outstanding issues.

~~EYES ONLY~~
RBP

