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EPB/ERC EXECUTIVE COMMITTEE MEETING

AGENDA

8:30 a.m.

Roosevelt Room

August 25, 1976

1. International Aviation Policy Statement DOT
2. Release of \$2 Billion in "Tandem" Mortgage Purchase Funds for Multifamily Housing HUD
3. Natural Gas Curtailments FPC
4. Post-1980 Automobile Efficiency Goals Report DOT
5. Lead Phase Down EPA



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

August 24, 1976

MEMORANDUM FOR: The President

FROM: Carla A. Hills

SUBJECT: Release of \$2 Billion in "Tandem"
Mortgage Purchase Funds for Multi-
family Housing



Background

The Emergency Housing Act of 1975 authorized the purchase, subject to appropriations and release by the President, of \$10 billion of 7.5 percent mortgages on residential property. The 1976 HUD-Independent Agencies Appropriation Act approved the Administration's request for authority to purchase \$5 billion of mortgages. On January 6, you authorized me to release \$3 billion of that authority for the purchase of mortgages on multifamily apartment projects, and that \$3 billion was committed by the end of June.

Current Status of the Multifamily Housing Industry

While single-family housing starts have been improving steadily over the past year, the recovery in the multifamily sector has been extremely disappointing.

- o Multifamily starts (5 units or more) in FY 1976 totaled 240,000, only 13 percent above the 212,000 recorded in FY 1975, and far below the 500,000 desired for an adequate continuing supply of apartments. Starts in these two years were the lowest in the 18 years for which we have data.
- o July multifamily starts dropped to an annual rate of 194,000 units, 36 percent below the June level and 6 percent below the discouraging rate of one year ago.
- o Because starts have been low for so long, the number of completed apartments becoming available for rent has been dropping steadily. In FY 1975, some 534,000 apartments were completed; in FY 1976, completions dropped to 289,000 units. The completion rate is expected to decline still further in FY 1977.
- o Vacancy rates have dropped from the 6 to 6.5 percent range of 1975 to a 5.5 to 5.8 percent range in 1976. At the same time, the rate at which new apartments are rented increased sharply, and has been at historic highs for the first six months of 1976.
- o Unemployment in the construction trades is at 17.7 percent.

Recommendation

I strongly recommend that you authorize the release of the \$2 billion remaining from the 1976 Appropriation Act in the next few days.

There is a substantial demand for the tandem money in the multifamily sector. We estimate that when the \$3 billion of tandem money for multifamily projects was exhausted in June there was an additional \$1.1 billion of eligible projects for which funds were not available. Since then the number of eligible projects has increased significantly. This pent-up demand has caused the National Association of Home Builders, the National Corporation for Housing Partnerships, and many members of Congress to urge that the additional \$2 billion of tandem authority be released. Release of the funds would clearly establish the Administration's continued commitment to recovery in the multifamily sector.

We believe we can make a substantial contribution in assisting the nation's short-term as well as a longer term multifamily recovery with tandem assistance. Approximately 9,200 multifamily units have reached the last stages of FHA processing without tandem financing, and it is our judgment that a large proportion of these units will not proceed to start of construction without tandem financing.

If released, the funds would assist approximately 80,000 units. Based on the rule of thumb that each multifamily start generates 2 construction jobs, the assisted units would provide 160,000 jobs and thereby alleviate unemployment in the building trades and demonstrate to the building trades our concern over their plight.

THE WHITE HOUSE

WASHINGTON

August 24, 1976

MEMORANDUM FOR

THE EXECUTIVE COMMITTEE
ECONOMIC POLICY BOARD

FROM: WILLIAM F. GOROG *WFG*

SUBJECT: Update of Selected Economic Statistics

1. Money Stock Measures

		M	(%Change)	M
Change in July from		<u>1</u>		<u>2</u>
April	1976	4.1		9.1
January	1976	6.6		11.2
July	1975	4.4		9.3

2. Total Industrial Production (Real Terms, seasonally adj.)

(Index: 1967 = 100)	Index	% Change
July 1976	130.4	+0.2
June 1976	130.1	+0.4
May 1976	129.6	+0.9
April 1976	128.4	+0.2
March 1976	128.1	+0.6
February 1976	127.3	+1.3

(July 1975 - July 1976) +10.1

3. Retail Sales (Current dollars, seasonally adj.)

Total:		\$ Billions	% Change
July	1976	53.21	-1.4
June	1976	53.99	+2.7
May	1976	52.56	-2.1
April	1976	53.69	+0.7
March	1976	53.34	+1.4

(July 1975 - July 1976) +7.7

4. Housing Starts and Building Permits (Seasonally adj.)

Starts (annual rates):		<u>Units</u>	<u>% Change</u>
July	1976	1,387,000	-9.2
June	1976	1,527,000	+7.4
May	1976	1,422,000	+5.5
April	1976	1,367,000	-3.5
March	1976	1,417,000	-8.4

(July 1975 - July 1976) +14.9

Permits (annual rates):			
July	1976	1,219,000	+6.0
June	1976	1,150,000	-0.7
May	1976	1,158,000	+7.0
April	1976	1,082,000	-4.6
March	1976	1,134,000	-

(July 1975 - July 1976) +14.3

5. Employment and Unemployment (Seasonally adj.)

Civilian Labor Force (CLF): Millions of Persons - 16 yrs.+

July	1976	95.33
June	1976	94.64
May	1976	94.55
April	1976	94.44
March	1976	93.72
March	1975	91.88
December	1974	91.64

Employment:

July	1976	87.91
June	1976	87.50
May	1976	87.70
April	1976	87.40
March	1976	86.69
March	1975 (low)	84.11
December	1974	85.05

Unemployment:

		<u>Millions of Persons</u>	<u>% of CLF</u>
July	1976	7.43	7.8
June	1976	7.14	7.5
May	1976	6.86	7.3
April	1976	7.04	7.5
March	1976	7.03	7.5
May	1975	8.25	8.9
December	1974	6.58	7.2

Unemployment:

Heads of Households:			<u>(% of Group)</u>
July	1976	-	5.4
June	1976	-	5.1
May	1976	-	4.8
April	1976	-	4.8
March	1976	-	5.0
December	1975	-	5.7
May	1975	-	6.1
December	1974		4.6

6. Manufacturers' Shipments and Orders (current dollars, seasonally adj.)

Total Shipments:		<u>\$ Billions</u>	<u>% Change</u>
June	1976	94.03	-0.5
May	1976	94.51	+0.7
April	1976	93.84	+0.8
March	1976	93.05	+2.3
February	1976	90.91	+1.8

Total Inventories:			
June	1976	150.78	+1.1
May	1976	149.17	+0.7
April	1976	148.12	-
March	1976	148.15	+0.6
February	1976	147.32	+0.2

Total New Orders:			
June	1976	95.50	-0.6
May	1976	96.05	+2.0
April	1976	94.14	+0.8
March	1976	93.39	+3.5
February	1976	90.20	+2.4

7. Consumer Price Index

All Items - 12 mos. previous to:		<u>% Change</u>
July	1976 (+0.6% for month)	+5.4
June	1976 (+0.5% for month)	+5.9
May	1976 (+0.6% for month)	+6.2
April	1976 (+0.4% for month)	+6.1
March	1976 (+0.2% for month)	+6.1
February	1976 (+0.1% for month)	+6.3
January	1976	+6.8
December	1975	+7.0
September	1975	+7.8
June	1975	+9.3
March	1975	+10.3
December	1974	+12.2

8. Wholesale Price Index

All Commodities - 12 mos. previous to:		<u>% Change</u>
July	1976 (+0.3 for month)	+4.9
June	1976 (+0.4 for month)	+5.4
May	1976 (+0.3 for month)	+5.0
April	1976 (+0.8 for month)	+5.3
March	1976 (+0.2 for month)	+5.4
September	1975	+6.3
June	1975	+11.6
March	1975	+12.5

9. Gross National Product (constant 1972 dollars)

Change from previous Quarter:		<u>% Change</u>
Second Quarter	1976	+4.3
First Quarter	1976	+9.2
Fourth Quarter	1975	+3.3
Third Quarter	1975	+11.4
Second Quarter	1975	+5.6
First Quarter	1975	-9.9

10. Real Spendable Earnings

12 Months previous to:		<u>% Change</u>
July	1976	+0.3
June	1976	-0.2
May	1976	+0.2
April	1976	+4.3
March	1976	+4.5
December	1975	+3.8
September	1975	+1.6
June	1975	+0.2
March	1975	-4.6

11. Personal Income (current dollars, seasonally adj.)

Annual Rate:		<u>\$ Billions</u>	<u>%Change</u>
July	1976	1,384.3	+0.9
June	1976	1,370.4	+0.5
May	1976	1,362.9	+0.8
April	1976	1,352.5	+0.8
March	1976	1,341.9	+0.8
February	1976	1,331.4	+0.8
January	1976	1,320.8	+1.0
December	1975	1,308.2	+13.3
December	1974	1,153.3	-

12. Composite Index of Leading Indicators

Change from previous month:		<u>% Change</u>
June	1976	+0.3
May	1976	+0.7
April	1976	+0.5
March	1976	+1.0
February	1976	+0.7
January	1976	+1.2

EYES ONLY

MINUTES OF THE
ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

August 24, 1976

Attendees: Messrs. Seidman, Lynn, Dixon, MacAvoy, Malkiel,
Vetter, O'Neill, Gorog, Moskow, Greenwald, Walker,
Porter

1. Policy Initiatives to Deal with Structural and Induced
Unemployment

The Executive Committee reviewed a memorandum, prepared by an Interagency Task Force chaired by the CEA, on "Policy Initiatives to Deal with Structural and Induced Unemployment." The discussion focused on the nature of the unemployment problem, developments in the unemployment situation during the past 2 months, and short-term and longer term alternatives for addressing the problem of structural and induced unemployment. The short-term alternatives discussed included reserving public service employment positions for individuals with work experience who have exhausted their unemployment insurance entitlements, reserving public service positions not filled by UI exhaustees for youths with long-term unemployment, and targeting CETA Title I training funds to UI exhaustees.

The longer term alternatives discussed included a youth differential in the minimum wage or exempting the earnings of youths paid near the minimum wage from payroll taxes; establishing an interagency group to work with the Department of Labor for expanding experiments with exemptions to the minimum wage within the current FSLA framework; requesting the Commission on Paperwork to undertake a study of the impact of paperwork burdens on the summer employment of youths and to consider ameliorative policies; requiring states to increase the extent of experience rating of firms in the unemployment compensation tax; treating unemployment compensation benefits as if they were labor market earnings for Federal income tax purposes and for the determination of social security benefits for retirees receiving both benefits; and establishing a task force to examine ways of reducing barriers to occupational and geographic mobility.

EYES ONLY

Decision

The Executive Committee approved submitting a memorandum to the President on the issue of what position the Administration should take on H.R. 12987 to extend the Title VI public service employment program. Executive Committee members were requested to provide their comments and recommendations to Mr. Seidman's office by c. o. b. today.

2. Tax Reform Bill and the 1976 Republican Platform

The Executive Committee discussed the Administration's position on various issues in the tax bill in light of the 1976 Republican platform. The discussion focused on the Roth amendment to provide a non-refundable tax credit for certain post-secondary educational expenses.

Decision

The Executive Committee approved submitting a memorandum to the President on the issue of what position the Administration should take in the Conference Committee on the Senate amendment providing a tax credit for certain post-secondary educational expenses.

The Executive Committee approved continuing the Administration's opposition to the ESOP provision in the Senate tax bill.