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ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEETING

October 13, 1976

8:30 a.m.

Roosevelt Room

AGENDA

- |   |          |
|---|----------|
| 1. Small Dollar Coin                      | Treasury |
| 2. Report of Task Force on Small Business | SBA      |

October 8, 1976  
JMC - attend which  
EPB mtgs.  
*sent to ART.*

ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE

Proposed Agenda

Monday, October 11, 1976

No Executive Committee Meeting

*But*  
Tuesday, October 12, 1976

1. Maritime Policy
2. Report of Task Force on Productivity

Labor

CEA

Wednesday, October 13, 1976 EPB-ERC

- Five*
1. Shoe Industry Monitoring Report
  2. Small Dollar Coin
  3. Reduced Dependency Objectives (oil)
  4. Alaskan Natural Gas Legislation
  5. Report of Task Force on Small Business

CIEP

Treasury

FEA

FEA

SBA

Thursday, October 14, 1976

No Executive Committee Meeting

Friday, October 15, 1976

No Executive Committee Meeting



EYES ONLY

MINUTES OF THE  
ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEETING

October 12, 1976

Attendees: Messrs. Seidman, Greenspan, Lynn, Dixon, Zarb, Vetter,  
Malkiel, Perritt, Biller, Kasputys, Porter, Hormats,  
Rosenblatt

1. Budget Authority and Outlays During 1976

The Executive Committee discussed the issue raised recently regarding the size and nature of any shortfalls in Federal budget obligations and outlays during 1976.

Decision

The Office of Management and Budget will prepare a question and answer on this subject for use by Administration officials.

2. Report of Task Force on Productivity

The Executive Committee reviewed a white paper prepared by the Task Force on Productivity. The discussion focused on reasons for the slowdown in productivity growth, including a decline in the increase in the stock of capital per worker, demographic characteristics of the labor force, shifts in the composition of output, and effects of changes in technology. The discussion also focused on a series of policies for improving productivity growth, including tax incentives to encourage investment, the promotion of technological progress through increased research and development expenditures, regulatory reform to eliminate unnecessary and obsolete regulation which impedes efficiency of production, and the need for balanced economic growth. The Task Force will continue their efforts to relate these findings to measuring potential output.

Decision

Executive Committee members were requested to provide their comments on the white paper to Mr. Malkiel.

EYES ONLY

### 3. Secretary Usery's Propeller Club Speech

The Executive Committee reviewed a draft speech by Secretary Usery to the Propeller Club scheduled for Thursday, October 14. The discussion focused on the general thrust of the speech and specific elements which should be included or not included.

#### Decision

The Executive Committee recommended that a thrust of the speech address the national security needs for a strong merchant marine. Commerce, NSC, and Labor will coordinate the preparation of material on the national security needs for a merchant marine for inclusion in the speech. It was agreed that the speech would not include mention of Alaskan oil or changes in the administration of the cargo preference system.

### 4. Shoe Industry Monitoring Report

The Executive Committee reviewed the report of the Task Force on the status of the non-rubber footwear industry. The discussion centered on the softening of domestic production and increase in the import penetration ratio, the existing monitoring system, and the adjustment assistance program.

#### Decision

The Executive Committee approved the Special Trade Representative endorsing the reopening of the shoe escape clause case by the International Trade Commission and requesting that the investigation be expedited by the ITC. The Executive Committee also requested the Task Force to study possible changes in the adjustment assistance program.

EYES ONLY

RBP

10.12.76

THE UNIVERSITY BUSINESS DEVELOPMENT PROGRAM  
(UBDC)

The Small Business Act of 1953, which created the Small Business Administration, recognized that preservation of the free enterprise system, upon which our national security, individual freedoms, and well-being depend, rested on developing the actual and potential of small business.

As President Ford pointed out recently, "...small business has serious problems developing the management capabilities it needs. I have been impressed by the tremendous aid that the Nation's universities have been to the farmers and to large businesses over the years, and I advocate a network of University Business Development Centers, cooperating with a number of Federal departments and agencies, who can give similar aid to small and medium-sized business."

What is a University Business Development Center (UBDC)?

It is a comprehensive framework for cooperatively interrelating the academic, professional, and technological resources of universities and colleges with the appropriate existing programs of Government Agencies to strengthen the Nation's business community and to contribute to the development of the American economy.

The basic idea behind the UBDC is the mobilization of available private and public resources to meet some of the Nation's most critical economic needs while providing broad-based, relevant education to students. This can be done at very little additional total cost to the taxpayer.

The example serving as a point of departure for UBDC activities is that of agriculture. Since the enactment of the Morrill Act, more than 100 years ago, the understanding developed through university and governmental cooperative activities has been shared and enjoyed on a continuing basis with American farmers and farm communities. The result has been the emergence of the United States as a leading world food producer, and the acceptance of farming by the American people as an important and meaningful pursuit of life.

Emphasizing the need of the small business community and the Nation for assistance are figures released by the National Center for Productivity (and Quality of Working Life). These show that between 1950 and 1971, the average annual improvement in output per man hour was 5.8 percent for the farm sector as compared with 2.9 percent a year for trade and manufacturing. The figures for service-oriented businesses--heavily dominated by small business--are estimated to be even lower. The Nation's current low standing in the world productivity race is in no small part caused by lack of management ability and applied technology in the small business sector.

Let us examine the UBDC concept more closely. UBDC's will differ depending on the needs of each area's business community and the resources available to the cooperating school. The university will manage the UBDC. It will correlate the programs of several Government Agencies which now exist on university campuses. Mutually-supportive existing private and public, Federal and State programs are being gathered together into a cohesive master plan for increased efficiency and greater leveraging of resources for the support and assistance of the small business community.

These include such participants as:

- o The Cooperative Education Programs of HEW;
- o The Economic Development Administration's University Center, Minority Business Development, and Technology Information Programs of Commerce;
- o SBA's Small Business Institute's counseling programs involving 20,000 students and 2,000 faculty members in 398 colleges and universities.
- o The Innovation Center Program of the National Science Foundation;
- o The Training Programs of Labor;
- o The Financial, Procurement and Technical Assistance Programs of SBA; and
- o The Farmers Home Administration Business, Industrial, and Recreational Development Programs of Agriculture;
- o And many others.

Add to these the volunteer services of 8,000 retired and active business executives in the Service Corps of Retired/Active Executives (SCORE/ACE) numerous professional, trade and service organizations who also volunteer aid to the small business community; cooperating individuals and organizations from the local private sector; national foundations; and the full resources of the universities themselves to provide the necessary linkage. These are examples of the resources UBDC will draw upon for the benefit of the small business sector.

The secret of UBDC is that coordinated university management will make this collection of proven programs work as an integrated unit serving the whole community, rather than as a patchwork quilt of variously administered programs, all with different aims and without the opportunity of functioning in the very heart of the university.

One reason we believe this concept will work is the fact that all the participants--Federal agencies, communities, organizations and individuals, universities, faculty and students--and the small business community for whose benefit it is being created--have something tangible to gain from their involvement in UBDC.

For members of the small business community who are plagued by more than just money problems, the program offers in-depth counseling to correct the management deficiencies which cause most business failures. For skilled craftsmen and technicians who want to go into business but lack the necessary management skills, the program offers training and experienced advisors. Such help should prove invaluable to present and prospective business owners who could not otherwise afford it, and might fail without it.

For participating students from the Nation's colleges and universities, UBDC offers a practical training ground which supplements academic theory by permitting them to address live problems in a real business environment. For the graduate students in the program there will be a whole new field of research and thesis subjects. Students in some of the cooperative education programs will be able to earn part of their tuition.

Faculty members will have the opportunity to broaden the scope of their activities, and to use a whole new range of research for the academically-oriented articles and books which are so vital to their professional advancement.

Both state-supported and private schools will be provided with valuable--and measurable--community service opportunities which local townspeople and state legislators will appreciate. Desirable public approval and the addition of adult study courses may be important in these days of declining school populations.

For the local small business community, the establishment, retention, and continued growth of the small businesses as employment-furnishing, tax-paying entities is implicit in the UBDC program.

And, finally, for the Nation's free enterprise system, UBDC may serve as a quasi-guarantee that it will, indeed, continue to exist. Aid to new businesses, restoration of existing businesses which are troubled, and the encouragement of increasing numbers of well trained college graduates to enter the world of business for themselves--all of these are benefits we have every right to expect from UBDC. Just as each local UBDC has the capacity to relate directly to--and influence for the better--the economic status of its community, with emphasis on



the special needs of the disadvantaged and the minorities in our midst, so the combined efforts of a UBDC network operating throughout the country can have great impact on the economic development of the Nation.

A functioning UBDC can offer the following services to its business clients:

- o Business and product evaluation and development;
- o Entrepreneur evaluation, recommendations, counseling and training as required;
- o Analysis, correction and followup of financial, marketing, technical, production, legal, and any other type problem faced by small business owners.
- o Feasibility studies and development of business plans for present and future entrepreneurs.
- o Access to and application of technology, paid for by the taxpayers in over \$350 billion worth of research and development projects since 1947, which will open new avenues to small business owners who could not otherwise afford it.
- o Assistance in not only surviving (when 57% of new businesses fail during the first five years) but in expanding on a solid basis.

Today, because of the lag of our small and medium-size business sector, our country ranks last among the eleven leading nations of the world in productivity growth. With the establishment of each new University Business Development Center the small business sector of that area will be assisted to grow and flourish. As UBDC's become operational throughout the country, they will do for the small business community of this country what the Agricultural Extension Service has done for the farming community.

This is not an SBA program - although SBA's small business constituents stand to gain substantial benefits. It must be an all-Government program, and needs the support of the Economic Policy Board and all Cabinet Departments and Agencies if it is to succeed. The program has been receiving excellent cooperation to date.

The Office of Management and Budget has given approval to a modest budget to pilot the concept in ten universities in this calendar year. The first will hopefully be opened by President Ford this month in California.