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THE PRESIDENT HAS SEEN *ds*

THE WHITE HOUSE

WASHINGTON

SENIOR ECONOMIC ADVISERS' MEETING

August 27, 1974
2:00 - 3:15 PM
Oval Office

Present: The President, Secretary Simon, Director Ash, Governor Burns, Chairman Greenspan, Secretary Lynn, Counsellor Rush, and Mr. Seidman.

HOUSING

Lynn presented a report on Housing Options. It was agreed that the principal immediate problem is the condition of the housing construction industry. The principal long term problem is the availability of adequate housing. The main cause of the present depressed state of the housing industry is a shortage of mortgage funds at acceptable interest rates. The distribution of new homes reveals over building in some areas which is an additional reason for the weak position of the housing industry.

A problem for immediate legislative remedies is the fact that the Congress will only remain in session until October 15 before recessing for the election. Moreover, any legislation may well become a Christmas tree bill. However, a Christmas tree bill can be lived with as long as the expenditures are not mandated.

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Legislation providing for subsidized conventional mortgages (Option C of the Lynn Paper) was recommended. In reviewing the timing of any action Lynn and Seidman recommended that the program be announced at the Summit Meeting on Housing and Construction. Assuming that the program will receive a favorable reception, legislation should be introduced promptly after the meeting on Housing and Construction on September 12.

GOLD

Three issues were reviewed: (1) Whether U.S. citizens should be permitted to purchase gold prior to the legislatively re-

ferred date of December 31, 1974; (2) If citizens are allowed to purchase gold prior to December 31, 1974, what should be the timing on the permission; and (3) Whether the U.S. government should sell gold.

It was agreed that there is no way to accurately estimate the demand for gold. However, most felt that there would be a substantial initial demand that would decline after a relatively short period of time. Opinions differed on whether gold should be sold by the Treasury. Simon argued that it should. Burns argued that it should not.

No attempt was made to reach a decision.

PAY INCREASE FOR FEDERAL EMPLOYEES

A 5.52% federal employees pay increase was deemed justified on grounds of equity. Consideration was given to deferring all, or a part of the increase. Full deferral saves \$200 million per month. One suggestion was to grant a 2.76% increase for six months.

Another concern is pension costs. It was suggested that a study of the issue of government pension costs including military, civil service, and social security pensions be prepared. Another suggestion was for a reduction in the President's salary to serve as an example.

No attempt to reach a decision was made.

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Toward
selling*