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THE PRESIDENT HAS SEEN *J.F.*

THE WHITE HOUSE

WASHINGTON

January 7, 1975

ECONOMIC REVIEW MEETING

January 7, 1975

3 p.m.

From: L. William Seidman *LWS*

I. PURPOSE

- A. To report on the current state of the economy.
- B. To consider economic policy options for the State of the Union Message.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

- A. Background: At the Saturday, January 3 Economic Review a number of decisions were reached. A summary of those decisions is attached at Tab A along with the summary of decisions reached at the December 28 Economic Review at Vail.
- B. Participants: William E. Simon, L. William Seidman, William D. Eberle, Roy L. Ash, Arthur F. Burns, James T. Lynn, Milton Friedman, Kenneth Cole.
- C. Press Plan: White House Press Corps Photo Opportunity.

III. DISCUSSION POINTS

- A. Review of the current state of the economy.

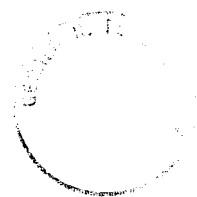
Mr. Greenspan will briefly review the current state of the economy.

- B. Taxes

Secretary Simon will review the tax package with emphasis on:

- (1) duration of the temporary tax cut;
- (2) the energy tax and rebate;

- (3) windfall profits tax; and
- (4) the amount of the energy tax rebate (gross and net).



SECRET

Economic Review
Saturday, January 4, 1975
Cabinet Room

Attendees: The President, the Vice President, Secretary Simon, L. William Seidman, Alan Greenspan, Roy L. Ash, Arthur F. Burns Secretary Lynn, William D. Eberle, Donald Rumsfeld, Kenneth Cole, Frank Zarb, Ron Nessen, Richard Cheney, Thomas Enders, Fred Hickman, James Connors, Gerald Warren, Robert Goldwin, Paul Theis, Roger Porter.

Summary of Decisions

I. Tax cut for Temporary Economic Stimulus

Decisions

1. Size of temporary tax cut: \$15 billion.
2. Division of allocation of tax reductions between individuals and corporations:

Three-fourths individuals, one-fourth corporations.
3. Form and speed of a temporary tax reduction:

Three periodic refund payments for tax liabilities applicable for calendar year 1974.
4. Distribution of temporary tax cut to individuals:

Same percentage for everyone, i.e. a proportional reduction. Maintains the present degree of progressivity.
5. Kind and amount of restructuring of the investment tax credit:

Increase rate of present credit for utilities from 4 percent to 12 percent and for all other corporations from 7 percent to 12 percent plus temporary restructuring of income limitations for utilities. No basis adjustment.

II. Energy taxes.

Decisions

Determined to be an administrative marking
Cancelled per E.O. 12356, Sec. 13 and
Archivist's memo of March 16, 1983

By KBH NARS date 7/19/90

1. Timing of decontrol and imposition of a windfall profits tax:

Announce decontrol of all oil prices effective April 1 and request a windfall profits tax effective April 1 which will in the aggregate amount recapture from producers the full amount of the price increase resulting from decontrol.

2. Distribution of the refund of energy taxes to individuals:

Individual income tax reductions weighted to proportionately benefit lower income brackets. Increases degree of progressivity.

3. Distribution of energy revenues to corporations:

Temporary rate reduction in corporate income tax with understanding that revenues may be reassigned for restructuring business taxes.

4. Division of allocation of energy revenues between individuals and corporations:

Three-fourths individuals, one-fourth corporations.

5. Oil depletion allowance:

Continue to oppose the elimination of percentage depletion.

6. Assisting people who pay no income taxes:

A per capita cash refund based on the filing of an income tax statement.

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Economic Review
Saturday, December 28, 1974
Vail, Colorado

Summary of Decisions

Attendees: The President, Secretary Simon, L. William Seidman, Alan Greenspan, Roy L. Ash, Arthur Burns, Secretary Lynn, William D. Eberle, Donald Rumsfeld, Frank Zarb, Kenneth Cole, Thomas Enders, Ron Nessen, Richard Cheney, Milton Friedman, Roger Porter.

I. General Review of the Economy and Thrust of Economic Policy

Decisions

1. The need for restraint in budget outlays requires that no new spending programs be proposed in 1975.
2. Moreover, restraint in budget outlays requires reform of unnecessary or inefficient current programs.
3. The current economic situation requires a stimulus in the form of a tax cut. (See VII)

II. Housing

Decisions

1. Extend the Tandem Plan for conventional mortgages into the new year using the \$600 million to \$750 million expected end year residual.
2. Secretary Lynn will develop further for Presidential decision a two-tier Tandem Plan program which could be implemented without additional legislation.

III. Automobiles

Decisions

1. No specific measures to aid the automobile industry will be proposed.
2. The trucking industry should be encouraged to submit their comments on the DOT regulation on air brake systems.

IV. Agriculture

Decisions

1. The President will veto the bill raising milk price supports to 85% of parity.
2. Secretary Butz has indicated that he will support and promptly announce USDA action to raise the milk price support level to 80% of parity.

V. Wage and Price Restraint

Decisions

1. The Administration will not request any additional powers for the Council on Wage and Price Stability.
2. The Administration will announce that progress has been made (U.S. Steel, etc.) and that COWPS is expected to pursue such efforts vigorously.
3. The President will include in his State of the Union Message a call for restraint in both wage and price increases.

VI. Lender of Last Resort

Decisions

1. Treasury and the Federal Reserve Board will work together to prepare legislation for an RFC type institution.
2. This legislation will not be proposed or mentioned in the State of the Union Message

VII. Taxes

Decisions

1. The surtax will not be resubmitted to the Congress.
2. The investment tax credit and deductions for preferred stock dividends will be retained as part of the economic program.
3. A 5% cap in the increase in cost of living escalators for such programs as social security, civil service retirement pay and veterans retirement pay will be

proposed along with a 5% cap in federal employee comparability pay increases for the coming year. These proposals would realize about \$5 billion savings in federal outlays.

Tax Proposals and Options Paper

4. Step I -- Issue 1
Option A (A proposed moratorium on new spending programs)
5. Step I -- Issue 2
Option A (One year duration of temporary tax reduction)
6. Step I -- Issue 3
Size of temporary tax cut -- \$15 billion (Tentative)
7. Step I -- Issue 4
Division between Individuals and Corporations
A decision will be postponed until after the meeting of the Labor-Management Committee.
8. Step I -- Issue 5
Option A (Form of a temporary tax cut for individuals)
Lump sum rebate (Tentative) Treasury will work on details.
9. Step I -- Issue 6
Option A (Form of a temporary tax cut for corporations)
An increase in the investment tax credit. Treasury will develop the details including a broadening to include as many businesses as possible and a revision of the basis adjustment change originally proposed in the October 8 Message.
10. Step II -- Issue 1
Option A \$2 per barrel crude oil tax
11. Step II -- Issues 2,3, and 4
The ERC will prepare a paper outlining the options for the President by January 5.
12. Step II -- Issue 5
Division of allocation of offsetting tax reduction between individuals and corporations.
A decision will be postponed until after the meeting of the Labor-Management Committee.
13. Step II -- Issue 6
Use of crude oil tax revenues to create energy conservation incentives. Recommendation adopted.

14. Step II -- Issue 7
Option C (Form of the tax cut for individuals)
Option C tentatively selected subject to review after the Treasury prepares the specifics of what this would mean for each income level.
15. Step II -- Issue 8
Option A (A negative surtax or cut in the corporate tax rate)
16. Step II -- Issue 9
The Administration will not propose any additional compensatory measures for the poor who cannot benefit from a tax reduction beyond the assistance entailed in increases in the CPI.

ECONOMIC UPDATE MEETING

Tuesday, January 7, 1975

3:00 P. M.

THE PROSPECTIVE CAN BE SEEN *df*



Presidential Notes from
Economic Review Meeting

January 7, 1975

THE WHITE HOUSE



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2 - State + local
18 - Individual
.55 - "pool"
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