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1/10/75

THE WHITE HOUSE  
WASHINGTON

Bill Seelman



VANDERBILT UNIVERSITY

NASHVILLE, TENNESSEE 37203

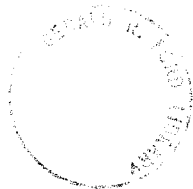
80 Graduate School of Management • 2505 West End Avenue

Mr. President.

I believe you will  
want to read this  
letter from Dewey  
Dane.

Bill Sedman

The President  
The White House  
Washington, D. C. 20501



# VANDERBILT UNIVERSITY



NASHVILLE, TENNESSEE 37203

TELEPHONE (615) 322-7311

THE PRESIDENT HAS SEEN *ref*

*Graduate School of Management • 2505 West End Avenue • Direct phone 322-2534*

January 8, 1975

The President  
The White House  
Washington, D. C. 20501

Dear Mr. President:

I had hoped to have a word directly with you in response to my letter requesting an appointment but can understand fully the priority claims on your time. On my visit to Washington today I did, however, talk with Bill Seidman and passed along to him my thinking on the very serious economic issues confronting you.

In capsule, I believe it is necessary, and indeed vital, to demonstrate a positive, constructive and coordinated approach to the related problems of inflation, recession and energy. The major ingredient left out of many of the standard economic forecasts of a recovery in the latter part of 1975 is, in my judgement, the expectational factor. The present pervasive uncertainty and fear, reflecting in part a feeling of government inaction or piecemeal steps, is itself serving as a major depressant on economic activity. And the weakness in consumer and business demand is very widespread; it even shows up in a relatively insulated and growth area such as Tennessee and is dramatically evidenced in key industries such as autos, copper, aluminum, etc.

To implement such a coordinated and constructive approach in a way that will reassure the business and financial community, and the public at large, without rekindling inflation in expectation and fact, is not an easy task but I believe it can be done. To continue to maximize the pressure against inflation while minimizing the adverse impact on lower income groups I would suggest the following:

(1) A moderate rather than massive tax cut; on top of the sizeable budget deficit already in prospect the latter could only lead to intolerable financial consequences and lay the base for an inflation we could never control.

(2) Such a cut should aim in about equal proportions at stimulating investment (through a tax credit) which helps to fight both recession and inflation, and at cushioning the position of lower income workers. To the maximum extent possible the investment stimulus should be directed toward energy related projects, possibly including the much needed rehabilitation of the railroads. This in itself could result in

The President  
January 8, 1975  
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significant rehiring of workers and additions to employment. And an outright tax reduction for lower income families seems appropriate. If a modest tax on gasoline, say 5 to 10 cents a gallon, or its equivalent, could be imposed the tax credit stimulus to investment, and the benefits to low income people, could be correspondingly increased.

(3) A continuance but not dramatic acceleration of the modest easing of money already accomplished by the Federal Reserve. To try to force money supply growth markedly above the 6 percent rate under present circumstances could only serve to exacerbate the inflation problem.


(4) An effective Congressional spending ceiling would be a welcome, if at all feasible, addition to the above measures and prevent an overreaction that again could only result in double digit inflation or worse.

Finally, to assure a more coordinated approach procedurally, I would resurrect the idea which I mentioned to you in our discussion some months ago, namely the setting up of a small but influential group of experienced and concerned citizens to meet regularly with the Secretaries of Treasury and State to monitor a program dealing with inflation, recession and energy.

Again I apologize for this rather shorthand way of detailing my views but I wanted to make available to you all of the experience I have had over many years in the forefront of the policy battle against inflation and recession.

My personal best wishes and prayers for you as you wrestle with these complex problems.

Sincerely,



J. Dewey Daane  
Frank K. Houston Professor of Banking

JDD:bw

THE WHITE HOUSE  
WASHINGTON

January 10, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: L. WILLIAM SEIDMAN  
FROM: JERRY H. JONES

The attached letter has been reviewed by the President and is sent back to you for appropriate handling.

Thank you.