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THE WHITE HOUSE
WASHINGTON

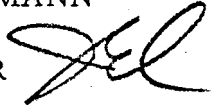
October 20, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

ROBERT T. HARTMANN

FROM:

JAMES E. CONNOR 

The attached letter was returned in the President's outbox with the following notation:

"This is a memo from Heath Larry which is excellent.

Seems to me it has some potential for a strong, patriotic speech, etc."

Please follow-up with appropriate action.

cc: The Vice President
cc: Don Rumsfeld

Attachment -

Letter of August 5, 1975 to
The Vice President re Productivity

Jim -

I would like to
cc the Vice President on
this one -- OK?

Trudy

A handwritten signature in cursive script, appearing to be the name 'Trudy', located below the typed name.

THE WHITE HOUSE
WASHINGTON

October 20, 1975

MEMORANDUM FOR: JIM CONNOR
FROM: DICK CHENEY

Attached is a note from the President and a memo on productivity.

Rumsfeld has seen it, so redirect it to Hartmann as potential speech material.

Attachments

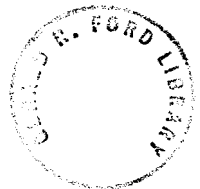


THE WHITE HOUSE
WASHINGTON

Don R

This is a memo from
Henth Lorry which is
excellent.

Seems to me it has
some potential for a strong,
patriotic speech etc.



THE PRESIDENT HAS SEEN.....



*United
States
Steel
Corporation*

R. HEATH LARRY
VICE CHAIRMAN
BOARD OF DIRECTORS

600 GRANT STREET
PITTSBURGH, PENNSYLVANIA 15230

August 5, 1975

Memorandum to
The Honorable Nelson A. Rockefeller

PRODUCTIVITY

If the "NATIONAL PRODUCTIVITY AND QUALITY OF WORKING LIFE ACT OF 1975" is passed by Congress and signed into law in a form closely resembling S2195, as reported out of the Senate Committee on Governmental Operations, it will, I believe, be an historic development. It means the Congress, as well as the Executive, is committed to a recognition of the importance of productivity growth as a prime necessity for maintaining the competitive position for our nation in the world economy and as the foundation for continuing economic progress in real terms for its citizens. The law will, in addition, give recognition to some very important fundamentals:

1. That the federal government cannot do the job -- cannot mandate it -- cannot force it -- but it must and can provide the leadership and be the rallying point for a national effort.
2. That virtually everything affects productivity, and thus productivity improvement does not depend only upon those conditions and relationships affecting work performance on the job, but rather requires the efforts and cooperation of all segments of the national economy -- in all phases of business, political and social activities.
3. Improvements can be brought about only slowly and over a period of years....
4. That Government can and has impeded, as well as supported, the efforts of the private sector; thus, all government agencies are mandated to review all of their own plans, functions, and programs in terms of their impact on national productivity growth.





VICE CHAIRMAN
BOARD OF DIRECTORS

- 2 -

One might call it almost a charter for a Bicentennial Commitment to renewing the spirit of productive enterprise upon which our nation was founded.

A full-blown plan for implementing the new law should perhaps await its final enactment and signature. However, it would seem both desirable and practical soon to reconvene the Executive Committee of the existing National Commission, in order to obtain concurrence upon some action programs which ought to be started.

I have reviewed several memoranda prepared by the staff outlining possible activities as "next steps," after the Commission approves the "policy statement." I have also studied the report of the Senate Committee on Governmental Operations which accompanied S2195.

With this background, I would like to suggest that the following ideas be explored promptly with the Executive Committee, and then with the full Board, if appropriate.

1. One of the most important areas for examination is that concerning the extent to which federal, state and local laws, regulations and procedures impact upon productivity growth. S2195 will require all federal agencies to examine their own procedures and rules in light of this concern. The Administration has already expressed its own concern. Asking a federal agency to appraise its own rules may not produce opinions which are completely objective. It's a little like asking the barber if you need a haircut. A full and fair analysis can probably not be made without requesting and obtaining a reasoned input from the other parties and interests, principally the businesses affected. There are probably a dozen or so "priority industries" which could be requested to develop detailed recommendations concerning what they feel government might do most fruitfully -- or refrain from doing -- to encourage productivity improvement within their industry. A timely schedule of visitations with the Executive Committees or Boards of Directors of major industry associations would give an opportunity to explain the sense of commitment which the Administration has toward improvement of productivity, and the imperatives behind its concern, as a foundation for requesting the careful and detailed study of the kind just mentioned. Emphasis could be placed upon the need for responding in a manner reflective of the public interest as well as the industry concern, and in a manner containing recommendations which could be termed realistically "do-able" from a political standpoint. There is no sense in reaching for the politically absurd, however economically justifiable.

Realizing that all industries do not deal with a single union, nevertheless, the industry associations should be requested to test the acceptability of their analysis with appropriate union officials and union organizations which not at least represent a substantial portion of their employees, recognizing that the viewpoints thus obtained would be important as and when the recommendations come back through the Commission (or the Center) which has, and will have, significant union membership. Although the need for obtaining specific knowledge concerning regulatory impediments applicable to specific industries suggests approaching specific industry associations, I believe the opportunity should not be missed to explain the purpose and importance of the effort to general business organizations such as the Roundtable, the NAM and the Chamber. And under proper circumstances, I think there would be value in carrying the message and the discussion to the Boards of major unions as well, if they were agreeable.

2. Another major concern relating to productivity is the climate for capital formation -- or perhaps it should be more properly described as the climate for job creation. Here again it might be desirable to avoid "asking the barber about the haircut" and seeking credibility for the analysis of need by asking, not the major industrial companies or associations, but rather those specifically engaged in finance and financial policy. I am thinking of the CPAs, organizations of investment bankers, or of insurance companies and the like. Some such group could be asked to organize to provide an impartial projection of capital needs, an analysis of depreciation policies and other accounting rules from a productivity standpoint, and analysis of the impact of inflation upon capital formation. It might also be desirable for such a group to recommend means for supplementing whatever data government does or does not have on hand on the age of plant equipment and on the comparative depreciation and capital accumulation programs of our competitors in other countries. Whatever task force is established should probably work closely with the CEA, Treasury and Commerce.
3. Two segments of our economy may deserve somewhat specific and specialized consideration. I refer to the energy and transportation industries. Both are caught up with the somewhat universal problems of governmental regulation and capital formation. But both also reflect an unusual and difficult mixture of regulated industry and private ownership, which exists in varying degrees, depending upon which component of the industry is being considered.

- (a) Thus, in transportation we have the railroads, river transportation, ocean transportation, trucking, airlines, and pipe lines. The industry reflects a coterie of unusual regulatory bodies, each of which seems to be concerned with its own branch of transportation and none with the total transportation picture. These bodies and the companies in the industry are both going to have to help in developing a future prospective from which it can be determined whether the best interests of society lie either in reconstituting all of the separate regulatory boards into a single one concerned with transportation -- or in moving toward eliminating them all in recognition of the fact that regulatory concept first emerged with respect to railroads in light of the fact that they then had no competition in transportation. The selection of direction will be most critical, from the standpoint of productivity -- and from the standpoint of the future direction of our entire economy. If it has not already been done, the respective industries comprising transportation should be requested to help in establishment of a high level task force for the development of the best recommendations of which they are capable.
- (b) A somewhat similar situation exists with respect to the energy industry, comprised as it is of coal companies, petroleum companies, gas companies, and electrical utilities, and some self-suppliers of each. Energy availability, like transportation availability, will be absolutely critical to maintaining and improving our nation's productivity. Shortages, which are greater in some areas than in others, are putting great strains on the current mixture of federal and state regulations; moreover, they are putting great strains upon our current economic system in terms of the pressures which they generate for public ownership. Thus the energy industry might be tackled as a whole -- so that in light of the total picture (as opposed to the narrow scope relating to any one of its segments) we could look to the development of those energy regulations which will be fair to society, while being most conducive to continuing improvement in productivity for the total economy.
4. In terms of promoting labor management cooperation, it seems to me that the staff of the existing Commission has already shown considerable imagination in promoting the spread of knowledge through its "show and tell" programs. Possibly, however, its

efforts could be enlarged in effectiveness by encouraging it to take advantage of opportunities presented by meetings of major associations (be they labor or management groups) which are normally scheduled to review labor management developments. Once again, I am thinking of associations like the Roundtable, NAM, the Chamber, MAPI, the Mining Congress, etc., all of whom have labor management committees.

5. There is still much to be learned about how to measure real productivity growth, and therefore how to measure the relationship between it and inflationary pressures. One of the contributions the Commission and subsequently the Center can surely make is to encourage the development of refined means of measurement, and their translation into understandable context. We could now begin to assemble an appropriate task force for such purpose.
6. Another area of importance to the ultimate efficiency of our economy and its best use of its manpower and money, would relate to an analysis of the impact of unemployment and welfare payments, pension payments, etc. on productivity. Obviously, a proper system of social security -- or employment security -- is relevant to the continuing capacity to improve productivity -- both because it tends to cushion economic downturns -- and because it encourages greater acceptance among the citizenry. It can, however, be overdone -- to the detriment of the majority of citizens who normally remain at work and must support the burden of those who don't. Possibly both industry and union experts in these fields may be so deeply involved in worrying through the ultimate regulations under ERISA, that they have little time to devote to the problems in the short-range future. Nevertheless, a proper mix of economists, sociologists and industry people might be put together and asked to organize how a proper study should be approached.

If the above or any part of it is at all compatible with your thinking, I would be glad to carry the message, on your behalf, to the respective Vice Chairmen of the Commission, the respective Secretaries of Labor and Commerce, and the Acting Director.

R. H. Larry

