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THE WHITE HOUSE  
WASHINGTON

September 3, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

BILL BAROODY

FROM:

JIM CONNOR *JEC*

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

"Jeno Paulucci's proposal. It should be looked at. If we can give it a tentative blessing and I think it has some merit, it probably will tip him our way."

Please follow-up with appropriate action.

cc: Dick Cheney

Attachment:

Blue Booklet:

"The President's Council for  
Business Responsibility"

THE WHITE HOUSE  
WASHINGTON

Dick Cheney

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John Paulucci's  
proposal.  
It should be looked  
at. If we can give it  
a tentative blessing, I  
think it has some merit  
it probably will tip him  
our way.

Harold

THE PRESIDENT'S  
COUNCIL  
FOR  
BUSINESS  
RESPONSIBILITY

A Proposal For  
Organization, Establishment,  
And Operation

By: Jeno F. Paulucci  
Chairman of the Board  
Paulucci Enterprises  
525 Lake Avenue South  
Duluth, Minnesota 55802

PROPOSED: THE PRESIDENT'S COUNCIL FOR BUSINESS RESPONSIBILITY

CONCEPT:

Appointment, organization, establishment and operation of The President's Council for Business Responsibility which would actively pursue and generate involvement of the private business sector in funding and administering specific regional programs to meet civic and social needs, particularly in relation to regional economic and environmental rehabilitation objectives.

NEED:

The Gallup Poll has underscored a lack of knowledge and understanding of the free enterprise system and indicates a generalized opinion that business is too concerned with profits and not concerned enough with public responsibilities. It is incumbent upon business, in its own behalf, to correct both the facts and the images that prevail.

- A. America's 200 largest corporations control nearly 80% of the nation's products and services, a situation resulting in deterioration of the free enterprise system because all of the remainder of business are competing with those 200 for only 20% of the market.
- B. The conduct of major corporations is creating a lack of credibility in business among the American public because of incidents of corporate campaign contributions, bribes, tax dodges, mishandling of pension funds, shoddiness of product quality and value, and an apparent lack of ethical standards in business.
- C. The abdication by business of its public responsibilities has brought about increasing federal government encroachment into the daily lives of its citizens and companies, to the extent of becoming a socialistic system. Billions of dollars are being spent, at federal deficit, for civic and social welfare programs which could be better administered through the private sector if regional business responsibility organizations were established. Such organizations would be privately administered by the business community and funded by a maximum of 5% of pre-tax income from such corporations on a voluntary basis.

- D. Pre-tax dollars, professionally administered by business concerns, would reduce the amount required of the federal government for civic and social programs, resulting in reduction of the federal debt, restoration of the free enterprise system, and business would regain the confidence and support of the American public.

#### FUNCTION:

The President's Council for Business Responsibility would promote, counsel, and organize on a regional basis the largest corporations, foundations, and labor organizations to fund and administer regional business responsibility organizations, reducing the role of federal government in meeting primary civic and social needs of the region. An example is the Ford-General Motors organization presently rehabilitating downtown Detroit.

#### ORGANIZATION:

The President's Council for Business Responsibility would derive its authority and responsibility from the President of the United States and would be appointed by the President. The council would be a non-partisan group consisting of five members of the national business community, who would serve without compensation, to include Jeno F. Paulucci, a nationally recognized political independent as Chairman, two Democrats and two Republicans. The council's base would be in Washington, DC, where it would meet periodically and report as designated by the President.

#### BUDGET:

Since council members will serve without compensation, only a minimal budget will be required for administrative, operational and travel expenses incurred in the conduct of the council's duties.

THE PRESIDENT'S  
COUNCIL  
FOR  
BUSINESS  
RESPONSIBILITY

Questions and Answers

Jeno F. Paulucci, Chairman of Paulucci Enterprises, has proposed formation of The President's Council For Business Responsibility, a program totally voluntary in nature with the business community's response anticipated to be such that the program would be national in character.

Examination of the proposal has brought specific questions to be considered. Following are responses to primary questions by Mr. Paulucci.

## THE PRESIDENT'S COUNCIL FOR BUSINESS RESPONSIBILITY

### QUESTION 1:

Given that the program is directed toward regional socioeconomic problems with "public" goods and programs involved, would not the level of funding for the Regional Business Responsibility Corporations be functionally related to the business cycle? That is, if the percentage as well as the absolute value of the contributions fluctuate with the business cycle, what effect would this have on the projects and programs of the corporations already under way?

ANSWER: The premise of the Regional Business Responsibility Corporation is based on normal business practices, and must be so to prevent the start-stall syndrome experienced when government relies on deficit spending policies and a haphazard philosophy that can undercut funding for worthwhile programs before they have an opportunity to bloom and prove their worth.

Any planned program or project would involve certain expenditures over a certain period of time to be completely successful. The same form of controls, budgets, funding plan and commitments that corporations would employ on a private business project must apply to the RBRC project.

No program would be embarked upon which required a certain specific number of dollars and years unless the corporations involved in the RBRC organization had committed themselves --in terms of dollars and years-- to bearing their share of the program.

The wasteful extravagance we are trying to preclude is the sporadic approach of initially funding a program, setting up the necessary organization, then withdrawing funding because of whims or pressures before the program has had its opportunity of proof. This has been, in many cases, the approach of governmental programs. It has seldom, if ever, been a business-like approach, and has never been a successful approach.



# THE PRESIDENT'S COUNCIL FOR BUSINESS RESPONSIBILITY

## QUESTION 2:

The proposal states that each region (Responsibility Corporation) would receive the funds contributed by its members. If this is the procedure, how will the donations be collected and allocated, i.e., will the donations be collected and dispensed by the geographic location of the home offices of the corporations or by the geographic location of the plants where the income is earned? If the home office's region was identified as the point where the funds would be allocated, a redistribution of social well-being could be anticipated.

ANSWER: The plan is based on regional organizations as outlined earlier and not based on restricting funds to the geographic location of headquarters of the corporations. The headquarter site would have nothing to do with these regional development organizations.

The system used by Dayton-Hudson for years in which they allocate 5% of their pre-tax income has been to allocate a certain amount of that for their own private implementation for the United Fund, Red Cross, etc. Then the rest of it is allocated to those areas in which they do business on a basis of need for joining hands with other corporations in launching worthwhile projects such as those which we are embracing under this concept.

Most major corporations in the U. S. do business on a national basis. Therefore, it would be in direct ratio to where they do business, and the Regional Responsibility organizations would do what they could with each corporation to secure part of their funds, up to the 5%, for allocation to such specific regional organization. Again, this has to be done on a negotiated basis.

Most major corporations will readily recognize the favorable corporate image that would ensue from such responsible participation which would be best served where their manufacturing or processing plants --their major base of employment-- is located and their participation can be readily, frequently recognized by all those who represent the company to the public, rather than some disassociated recognition from a remote headquarters. All good that accrues in the plant community on behalf of the corporation also is reflected on the corporation. The reverse is not always true, because it does not have first-hand believability.

THE PRESIDENT'S COUNCIL FOR BUSINESS RESPONSIBILITY

QUESTION 3:

How would the regions be identified? In order to "cover the nation," the geographic distribution of the corporate community would have to be considered.

ANSWER: The regions would be such that you would start region by region, such as we do in marketing --market by market-- possibly starting with three regions. . .one in the West, one in the East, one in the Middle West, which, of course, is pretty well started here in the Minnesota area.

Then, as these are beginning to function, other regions would be added which would then result in a complete coverage of the United States.

Let's bear in mind that we are celebrating our 200th year and nothing has been done up until now. I don't suggest it will take another 200 years, but rather I would say five years to implement this program on a nationwide basis might be a long time, but if it does take that it still is a helluva lot better than what we have done to date. It is better to go slowly and carefully than to rush pell mell.

THE PRESIDENT'S COUNCIL FOR BUSINESS RESPONSIBILITY

QUESTION 4:

Will the 5% (or more) contributions to the Responsibility Organization be a substitute for other voluntary agencies such as the Red Cross and United Givers Fund?

ANSWER: First of all, let me correct the reference to "5 per cent or more." It can never be more than 5% because the Internal Revenue Service only allows a maximum of 5% for credit.

Secondly, in our judgment, it never will be a substitute for the local voluntary agency contribution, such as Red Cross, United Fund, etc., but rather an additional amount.

The corporations have got to be sold on this idea. That's the part we would expect to play.

As an example, we talked with 3M. First, they rebuffed us. . . then later they came back and said, well, they wouldn't come in with 5%, but to begin with a certain committed dollar amount in order to get their stockholders a little accustomed to this. Eventually, I am sure they would come up to the 5%, and still that would remain separate from their contributions to such voluntary agencies as Red Cross and others.

## THE PRESIDENT'S COUNCIL FOR BUSINESS RESPONSIBILITY

### QUESTION 5:

The coordination between the Regional Business Responsibility Corporations and Federal agencies has been explicitly identified in the proposal. Will coordination exist between the Responsibility Corporations and organizations such as state and local industrial development corporations, state and local Chambers of Commerce, and the National Association of Businessmen? Since the major regional and community leaders are associated with these organizations and will also be associated with the Responsibility Corporations, such coordination and interactions would seem to follow; it would be helpful to know how this is envisioned.

ANSWER: The question of coordination is a good one. Let's realize that for the Regional Business Responsibility organizations to succeed on this premise, that they must work with our Washington office which will act as a catalyst between the various federal agencies, and then the regional organization itself would also operate as a catalyst between the business community that supports it financially and the various state, county and city organizations, industrial development groups, etc.

The purpose would be to get the absolute maximum leverage from every dollar that is available on the federal, state, county and city level as well as all the effort and organization prevalent to get the most important programs working on a coordinated basis, utilizing the highest leverage possible of the funds available. It does not mean that any of the public officials involved in the above would have any active part as directors or in management of the responsibility organizations.

THE PRESIDENT'S COUNCIL FOR BUSINESS RESPONSIBILITY

QUESTION 6:

A basic question which is likely to arise relates to the ability of a private corporation making decisions to allocate public goods (e.g., land reclamation, recreation areas, public transit systems) to a regional economic system. Critics of private sector participation in the allocation of public goods will certainly raise this point.

ANSWER: This relates to the ability of a regional responsibility organization to make decisions to allocate public goods. My answer to Question 5 covers Question 6, for if the RBRCs are to be successful, they are going to have to work hand in hand in getting cooperation, complimenting one another with the public sector rather than being adversaries. We have proved this can be done with our private involvement organization, NEMO, Inc. (N. E. Minnesota Organization for Economic Education), and it isn't always done on the basis of everyone being in harmony, but rather getting the cooperation of the majority. It is no different than running a business.

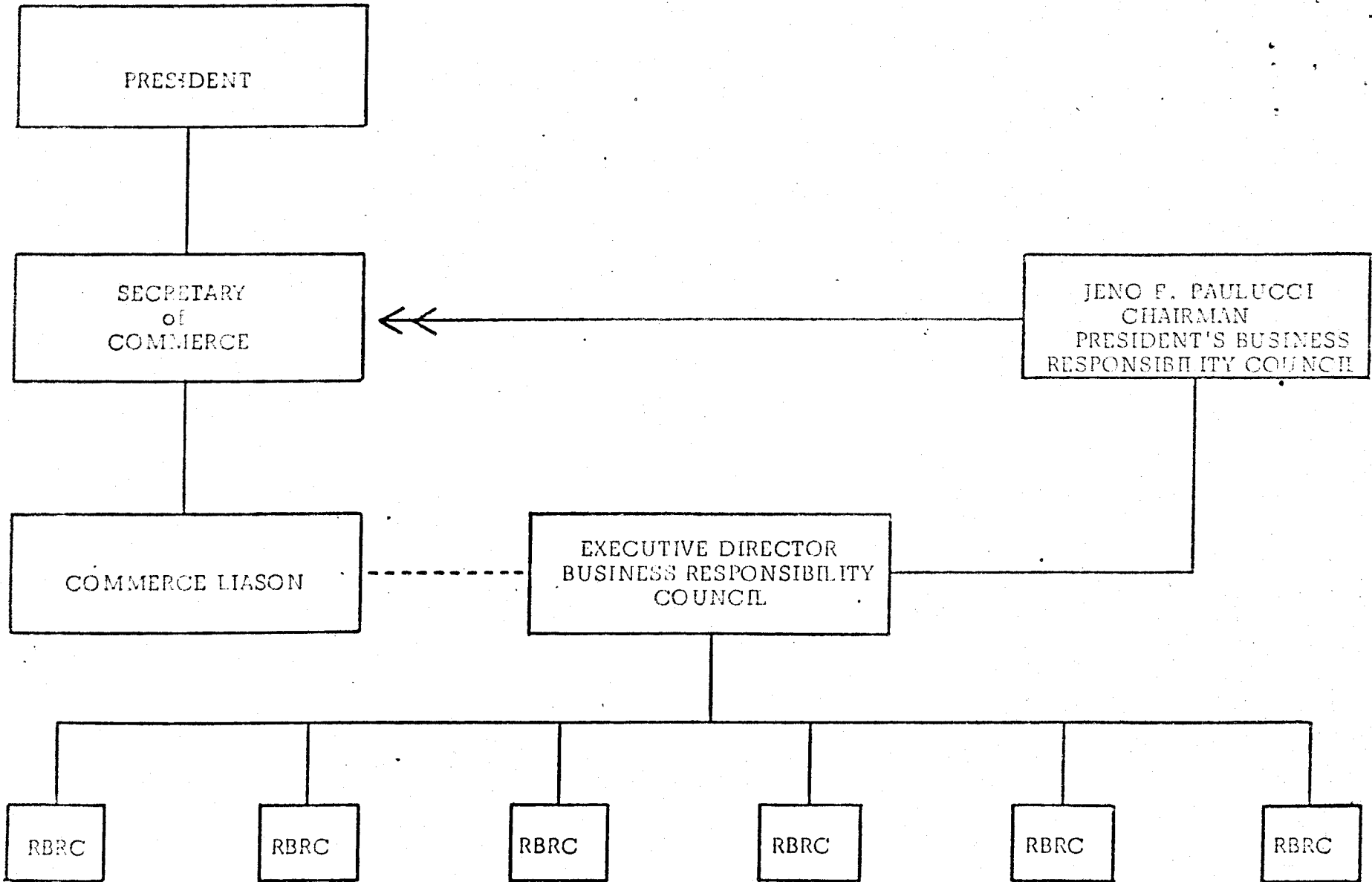


FIGURE 1 -- Regional Business Responsibility Corporations

THE WHITE HOUSE

WASHINGTON

September 2, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: Appointment with Mr. Jen0 F. Paulucci on  
Thursday, September 2, 1976 at 2:00 p.m.

On several occasions during the past year, Secretary Richardson and I have met separately or together with Jen0 Paulucci to discuss his proposals. Our discussions have focused on two areas of great interest to Mr. Paulucci.

First, he has proposed the creation of a President's Business Responsibility Council designed to generate involvement of private businesses and firms in funding and administering specific regional programs to meet civic and social needs, particularly in relation to regional economic and environmental rehabilitation objectives.

The objective of the proposed Council would be to promote and organize on a regional basis the largest corporations, foundations, and labor organizations to fund and administer regional business responsibility organizations to help reduce the role of the Federal Government in addressing civic and social needs.

Mr. Paulucci is currently working with the Commerce Department Regional Office in Chicago to design and implement a pilot program in the Midwest area.

Secondly, Mr. Paulucci is also actively supporting efforts to strengthen small business principally through changes in the tax law to benefit small businesses relative to large corporations.

Neither of these issues may arise in your conversation with him but I wanted you to be aware of the discussions that Secretary Richardson and I have had with him over the past several months.