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8/12/30/76

THE WHITE HOUSE  
WASHINGTON .

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: Inflation Impact Statement Program

On October 8, 1974, in your first economic message to the Congress, you announced the establishment of an inflation impact statement (IIS) program which was subsequently outlined in Executive Order 11821 issued in November 1974. The program is designed to improve decision making by requiring departments and agencies to systematically consider the economic impact of their major legislative and regulatory proposals.

The inflation impact statement program expires December 31, 1976, unless you determine to extend Executive Order 11821. This memorandum seeks your decision on whether or not to continue this program.

Purpose of the Inflation Impact Statement Program

Widespread concern that departments and agencies frequently propose major changes in legislation or regulations without adequately analyzing or considering the economic impact of such changes prompted establishment of the IIS program. The program was designed to stimulate better quality assessments within departments and agencies of the costs and benefits of major proposals and of alternative approaches to achieving the same legislative or regulatory objectives.

The details of the program are outlined in OMB Circular A-107. Each agency is responsible for determining which of its proposals are major and for completing an inflation impact statement on each major proposal. Guidelines differentiating major and minor proposals were developed by departments and agencies in cooperation with OMB. Each inflation impact statement analyzes the proposal's economic costs and benefits. Prior to submission of major legislation to Congress, an agency must complete, and submit to OMB upon request, an inflation impact statement on its proposal. Agencies must submit inflation impact statements

to the Council on Wage and Price Stability before a major regulatory proposal is published in the Federal Register. OMB has responsibility for monitoring the inflation impact statement program as a whole and for evaluating legislative IISs. CWPS has primary responsibility for evaluating IISs of proposed rules and regulations.

### EPB Evaluation of the Inflation Impact Statement Program

On May 17, 1976, the EPB Executive Committee requested OMB and the staff of the Council on Wage and Price Stability to prepare an evaluation of the IIS program for use in considering whether or not to extend the program. A copy of the summary of their report, which was considered by the EPB Executive Committee, is attached at Tab A.

The OMB-CWPS study included evaluating the quality of analysis in the inflation impact statements submitted to date, soliciting agency and public comments on the program, and interviewing individuals in participating agencies. Public comment on the program strongly supported retaining or strengthening it, and a large majority of departments and agencies also favor continuing the program.

Implementing the concept of an inflation impact statement revealed the predictable weaknesses of such a program. Inflation impact statements require additional time and effort and sometimes entail certain delays. The quality of the analysis in inflation impact statements varies considerably between and within departments. Sometimes those making decisions about regulations or any legislation still pay relatively little attention to the results of the inflation impact statement analysis.

Despite these limitations, there is general consensus that the inflation impact statement program has had a positive effect and should be extended. It has helped create a new atmosphere in which departments and agencies are more sensitive to the broader concerns of the overall impact of their legislative and regulatory proposals.

The term "inflation impact statement" has caused some confusion in certain departments and agencies regarding the scope of the analysis required. There is general agreement that changing the name to "economic impact statement" would help clarify the original intent of the program to focus attention on the need to consider the overall economic impact of major legislative and regulatory proposals.

Recommendation: The EPB Executive Committee unanimously recommends that you continue the inflation impact statement program by extending Executive Order 11821.

Approve NR7

Disapprove \_\_\_\_\_

Length of Extension

The WPB Executive Committee unanimously approved a one year extension of the program and changing the name to economic impact statement to more accurately reflect the intent of the program to focus attention on the need to consider the overall economic impact of major proposals.

The OMB-CWPS evaluation also contained a number of recommended administrative changes to strengthen the program which the Executive Committee approved. One reason for the recommended one year extension was to permit implementation of these changes before the program was evaluated again by the new Administration.

Subsequent to the EPB Executive Committee discussion of this issue, Ed Schmults suggested that there would be a greater chance of strengthening the program if you extended the Executive Order for a shorter period of time -- four months. To be effective, Ed says that President-elect Carter should address and put his stamp on the program at the outset. A memorandum from him outlining his reasons is attached at Tab B.

Options

Option 1 NR7 Extend Executive Order 11821 for one year and change the name to economic impact statement.

(An Executive Order to this effect for your signature is attached at Tab C. A draft press release is also attached at Tab C.)

Supported by: EPB Executive Committee

Option 2 \_\_\_\_\_ Extend Executive Order 11821 for four months  
and retain the name inflation impact statement.

(An Executive Order to this effect is attached at  
Tab D. A draft press release is also attached  
at Tab D.)

Supported by: Ed Schmults, Domestic Council

EXECUTIVE ORDER  
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ECONOMIC IMPACT STATEMENTS

By virtue of the authority vested in me by the Constitution and statutes of the United States of America, and as President of the United States of America, it is hereby ordered as follows:

Section 1. The title of Executive Order No. 11821 of November 27, 1974 is amended to read "Economic Impact Statements".

Sec. 2. Section 5 of Executive Order No. 11821 of November 27, 1974 is amended by deleting "December 31, 1976" and substituting therefor "December 31, 1977".



A handwritten signature in black ink, reading "Gerald R. Ford", is written over a horizontal line.

THE WHITE HOUSE

, 1976