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1 Memo	William Hyland to John Marsh re Puerto Rico economic summit (3 pp.)	6/75	A

FILE LOCATION

Marsh Files
General Subject File
Economic - General

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WHM. 12/30/85

June 27, 1974

MEMO TO: Irv

FROM: Ken

RE: Meeting of nine economists on formulation of a Democratic congressional economic policy

Nine Democratic economists held a morning and afternoon meeting today, culminating with a 3:30 p.m. press conference, to discuss the formulation of a national economic policy which Democrats might offer as an alternative to the Administration's do-nothing approach.

The neeting is implicit recognition of the fact that no one knows precisely what to do about our deep and tangled economic difficulties. Additionally, it highlights the attempt by the Congress to obtain expert advice and to find solutions, in contrast with the Administration's attitude of resignation and economic defeat and its willingness to let economic events sweep us along.

The economists were called together by the Speaker, as chairman of the Democratic Steering and Policy Committee. The next step is consideration by the committee of this and other expert economic advice and to see if recommendations can be formulated for submission to the Democratic Caucus. The meeting was an historic first, as the Speaker said: never have so many distinguished economists gathered in the Capitol for such a conference. The economists themselves recognized and discussed the further implication, that never has the Congress sought so diligently to formulate economic policy in a way which traditionally has been expected only of the President. Further, the economists pointed out that the necessity and the opportunity for congressional leadership are here since the Administration, by its record of economic mismanagement and its disinclination to act now, has incapacitated itself as a leader of economic recovery.

Participating economists today were Drs. Otto Eckstein, J. Kenneth Galbraith, Walter W. Heller, Leon Keyserling, Robert Lekachman, Arthur M. Okun, Paul A. Samuelson, Charles L. Schultze and James Tobin.

Their recommendations for economic recovery are as follows:

1. Press for a relaxation of the tight-money policies of the Federal Reserve, which now threaten a greater toll in unemployment and reduced housing starts than can be justified by any dampening of inflation.

2. Enact a tax cut that would redistribute income but would not affect revenue levels, i.e., cut taxes for lower and moderate income groups and recoup the lost funds by closing of loopholes and other measures that would take money from the upper income levels, including the oil companies.

3. Pursue full employment policies which can lead us toward a balanced budget, not before fiscal 1976 and probably later; in this vein, create public services employment.

4. Work toward longer range planning so that misfortunes like food and fuel shortages and the shortage in industrial capacity do not surprise us again; in this the Administration bears heavy responsibility, and its forecasting capabilities need major improvement; but also Congress can play a much more active and effective role than in the past, thanks to enactment of the budget control bill and the excellent work of the Joint Economic Committee; the budget bill also gives Congress the opportunity to end its preoccupation with one-year spending cycles and consider spending measures in terms of their true effect over a period of five years or more.

5. Find ways to deal with shortages of supply which are becoming an ever more critical factor in our economic situation, particularly with regard to food production and energy development and raw materials generally.

6. Find some new way to deal with the growth of wages and prices; the effort must begin from scratch since the Administration's mismanagement of wage-price controls has utterly discredited this traditional form of control; the President should be urged to lead this effort and indeed all economic recovery efforts because only he can represent the interests of the entire nation.

7. Possibly consider selective types of credit control which could release funds to housing and other sectors which need it badly while maintaining restrictions in other areas.

COMMENTARY: The nine economists worked out this agreement during the course of the afternoon, many of them surpressing their own reservations so that differences could be reconciled and unanimity achieved

During press questioning after the panel's statement--which was given mainly by Dr. Eckstein as spokesman--some economists did explain their reservations. The major differences revolved around the first two recommendations for a relaxation of tight credit and for enactment of a carefully designed tax cut. In both instances, the fears were that these measures at this time might add undue stimulus to the economy which in turn would contribute to inflation. Economists did not agree as to whether even mild stimulus, aimed at avoiding recession, could be justified at this time. Another point raised by one economist was that any stimulus to the economy might create additional disruption if supply shortages proved inadequate to the increased demand.

The press was confused by the tax cut stand. Questioners asked whether this was a retreat from previous positions by individual economis and whether this stand was for or against the Kennedy-Mondale tax bill just defeated in the Senate. In reply, Dr. Keyserling restated the carefully designed tax cut position as described above.

Dr. Stein, of the President's Economic Council, also seems to have held a press conference today, probably to offset this one, and he seems to have announced that the worst is behind us. The press asked if this panel agreed, and the panel said yes, but things have been so bad that even the slight improvement foreseen by the Administration cannot lead to sufficient economic recovery.

Questioned about the size of the selective tax cut, Dr. Eckstein said that $7 billion to $10 billion would be acceptable.

August 26, 1974

MEMORANDUM FOR RECORD

I attended a 2:00 p.m. meeting on August 15, 1974 in which Arthur Burns urged the President to take the following actions with regard to the economy.

(1) Call for a balanced budget for Fiscal Year 1976

(2) Identify specific items to plan to cut.

/S/

John O. Marsh
Counsellor to the President

JOM:hjk:sc

m

THE WHITE HOUSE

WASHINGTON

September 20, 1974

ECONOMIC SCHEDULE MEETING
Friday, September 20, 1974
3:30 p.m.

From: L. William Seidman

I. PURPOSE

To discuss the schedule, format, and preparation for your major Economic Policy speech and related addresses.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: There will be much pressure following the conclusion of the Conference on Inflation for you to announce a series of measures designed to combat inflation. The schedule of your preparation, consultation, and speech is critical.

B. Participants: Philip Buchen, Robert Hartmann, Jack Hushen, Alan Greenspan, John Marsh, Paul McCracken, Kenneth Rush, Warren Rustand, William Seidman, William Timmons.

C. Press Plan: No press.

III. DISCUSSION POINTS

A. Schedule of Speeches and Activities

The Conference on Inflation begins one week from today and it is important that we clarify the schedule of my Summit Conference and post-Summit speeches and activities. Our discussion should include:

1) Pre-Summit Actions
2) Speech Opening the Conference on Inflation
3) Speech Closing the Conference on Inflation

4) Schedule of study and preparation time before the major Economic Policy Speech
5) Schedule of preparatory meetings
6) Date of the Economic Policy Speech
7) Dates for recommending legislative action
8) Schedule of speeches following the Economic Policy Speech

I would like Bill Seidman to begin our discussion.

B. Format for Major Speech on Economic Policy

Several issues regarding the format for the major speech on economic policy also require our attention. These include:

1) The method of communication
2) The audience
3) The length of the speech
4) The type of speech -- general or specific
5) The supporting material to be made public

I would like Bob Hartmann to begin our discussion of the format for the speech.

C. Participants in Formulating Economic Policy Address

1. It is essential that key groups and individuals be consulted with prior to the delivery of the Economic Policy Speech. I would now like us to turn our attention to discussing which government officials (executive and congressional) and which individuals outside government should be consulted in our preparation for the speech.

2. I would also like your views regarding which congressional, labor-management, and foreign officials we should touch base with prior to the delivery of the speech. I would like Bill Seidman to open our discussion.

D. Format of the Conference on Inflation

I would like Bill Seidman to open our discussion of the format of the Conference on Inflation and my role as chairman of the Conference.

E. Report on Presidential Labor-Management Advisory Group

I would like Bill Seidman to report on the progress toward recreation of an active Presidential Labor-Management Advisory Group.

F. Substantive Matters

1. Conference on Inflation Addresses. I will be delivering remarks at the opening and conclusion of the Conference on Inflation. I would like Bill Seidman to begin our discussion of the substance of those addresses.

2. Major Economic Policy Address. Paul McCracken has agreed to serve as a consultant in analyzing and evaluating the myriad of suggestions as to how we might most effectively combat inflation. I would like Dr. McCracken to report on the status of his efforts which will culminate in the Economic Policy Address.

Set up File

November 15, 1974

Legislative Status — House/Senate: 1. Introduced 2. Hearing 3. Reported 4. Passed — Conference: 1. Meeting 2. Reported

Target Date ●

ECONOMIC INITIATIVES AND FOLLOW-UP

Department of Agriculture

Legislative Initiatives

	House	Senate	Conference	Signature
Removal of restrictions on				
Rice	1 2 3 4	1 2 3 4	1 2	
Peanuts	1 2 3 4	1 2 3 4	1 2	
Extra-long staple cotton	1 2 3 4	1 2 3 4	1 2	
Amendment P.L. 480	1 2 3 4	1 2 3 4	1 2	

October — November — December — January — February

8 — 1 — 15 — 1 — 15 — 1 — 15 — 1 — 15

Administrative Initiatives

Voluntary monitoring of exports — Action completed

Review marketing orders

Review other Department Regulations — Reports Due Jan. 1 Thru July 1, 1975

Fertilizer

Reporting system — Can Be Reactivated When Needed

Voluntary effort with companies

Department of Commerce

October — November — December — January — February

8 — 1 — 15 — 1 — 15 — 1 — 15 — 1 — 15

Administrative Initiative

Industry conservation audits

Department of Housing and Urban Development

Legislative Initiative

	House	Senate	Conference	Signature
Conventional mortgages eligible for purchase by GNMA	1 2 3 4	1 2 3 4	1 2	

October — November — December — January — February

8 — 1 — 15 — 1 — 15 — 1 — 15 — 1 — 15

Administrative Initiatives

Determination of level of commitments under the conventional home mortgage program

Joint effort with Congress to develop solutions to mortgage credit problems

Department of the Interior

Legislative Initiatives

	House	Senate	Conference	Signature
Deepwater port facilities	1 2 3 4	1 2 3 4	1 2	
Surface mining	1 2 3 4	1 2 3 4	1 2	

October — November — December — January — February

8 — 1 — 15 — 1 — 15 — 1 — 15 — 1 — 15

Administrative Initiatives

Arctic gas — Due April 15, 1975

Coal leasing

NPR number 1 and number 4

OCS leasing — Leasing Schedule Issued

Oil shale, Geothermal leasing

November 15, 1974

Legislative Status — House/Senate: 1. Introduced, 2. Hearing, 3. Reported, 4. Passed; Conference: 1. Meeting, 2. Reported

Target Date ●

ECONOMIC INITIATIVES AND FOLLOW-UP

Department of Justice

Legislative Initiatives

House | Senate | Conference | Signature

Increase penalties for antitrust violations

Strengthen investigation powers of Antitrust Division

Administrative Initiatives

October | November | December | January | February

Price fixing and bid rigging enforcement

Department of Labor

Legislative Initiatives

House | Senate | Conference | Signature

Special unemployment insurance assistance program

Community Improvement Program

Administrative Initiatives

October | November | December | January | February

CETA Program

Department of Transportation

Legislative Initiatives

House | Senate | Conference | Signature

Surface Transportation Act

Administrative Initiatives

October | November | December | January | February

Automobile fuel economy — Continuing Program

55 MPH limit and traffic control measures — Continuing Program

Department of the Treasury

Legislative Initiatives

House | Senate | Conference | Signature

Financial Institutions Act

Elimination of withholding tax on interest & dividend income to foreigners

Increase Federal insurance on private deposits

Increase and restructuring of investment tax credit

Preferred Stock Dividends

Ways & Means Bill including windfall profits tax on oil & relief for low income families

Surtax

Administrative Initiatives

October | November | December | January | February

Request Federal and State regulatory authorities to eliminate rate schedules which encourage excessive energy consumption

Action completed; Further initiatives suggested

Executive Office of the President
Office of Management and Budget

Legislative Initiatives

House | Senate | Conference | Signature

ERDA and the Nuclear Regulatory Commission

Amending the Employment Act of 1946

Establishing a National Commission on Regulatory Reform

Administrative Initiatives

October | November | December | January | February

Require all major legislation, rules and regulations developed in the Executive Branch to include an Inflation Impact Statement

November 15, 1974

Legislative Status — House/Senate: 1. Introduced, 2. Hearing, 3. Reported, 4. Passed — Conference: 1. Meeting, 2. Reported

Target Date ●

ECONOMIC INITIATIVES AND FOLLOW-UP

Office of Management and Budget

Administrative Initiatives

October November

8 1 15 1

$300 billion spending target:

Determination of budget rescissions and deferrals

Council on International Economic Policy

Legislative Initiatives

House Senate Conference Signature

Trade Reform Act — House 1 2 3 4 — Senate 1 2 3 4 — Conference 1 2

Council on Wage and Price Stability

Administrative Initiatives

October November December January February

8 1 15 1 15 1 15 1 15

Monitoring wage and price movements in the private sector — Continuous Monitoring

Monitoring government actions — Continuous Monitoring

Other Agencies

Atomic Energy Commission

Legislative Initiatives

Joint Committee Signature

Nuclear plant licensing — Joint Committee 1 2 3 4

Environmental Protection Agency

Legislative Initiatives

House Senate Conference Signature

Amendments to Clean Air Acts — House 1 2 3 4 — Senate 1 2 3 4 — Conference 1 2

Federal Energy Administration

Legislative Initiatives

House Senate Conference Signature

Natural gas deregulation — House 1 2 3 4 — Senate 1 2 3 4 — Conference 1 2

Administrative Initiatives

October November December January February

8 1 15 1 15 1 15 1 15

Conservation within government — Continuous monitoring

Incentives to secondary and tertiary petroleum production

Utility coal conversion

Voluntary conservation of 1,000,000 bbls/day — Monthly reports

WIN Program

Organization and Preliminary Implementation — October 12 – November 28

Full Implementation — November 28 – July 4, 1976

M

ASSOCIATE DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET

Jack Marsh

A quick

reaction.

Walt

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 20 1974

December 19, 1974

Jack Marsh

MEMORANDUM FOR ~~WALTER SCOTT~~

From: Bruce Davie BD

Subject: Impact of a 15 Percent Tax Break on New Car Purchases

As I understand it this proposal from Bill France is to grant a 15% tax credit for the difference between the price of a new car and the value of a trade in. Presumably this would apply to domestically produced autos.

Total sales, in current dollars, of new domestic autos was $35.2 billion in 1973 is estimated to be $30.7 in 1974 and forecast by DRI at $30.2 and $36.4 billion in 1975 and 1976. The proposal would in effect be a 15 percent subsidy for the purchase of new cars. Purchaser's would always trade in a car with nominal value so as to maximize the amount of their tax break. Dealers would probably keep a $1 car on their lot to sell to a buyer so that it could then be traded in on a new car.

The impact of a 15% cut in new auto prices during 1975 can be estimated with the Chase model. The number of new cars sold would increase by about ½ million over base forecast levels. Real GNP would increase by about $5 billion by the end of the year. Initially the Federal Government's deficit would increase about $4.5 billion, at an annual rate, due to the tax loss. This would be reduced somewhat as the economy responded to the increased auto sales.

There are obvious equity questions regarding the distribution of a $4.5 billion tax cut in proportion to taxpayer spending on new autos.

Attachment

JAN 30 1974 [1975]

M

Public Hearings

The Committee intends to hold three days of public hearings calling upon experts from around the country to serve on three separate panels - one day for each panel. The first panel will discuss the economy in general with respect to economic forcasting, recessionary and inflationary trends, the use of a tax cut for stimulus and how the cut should be apportioned. The second panel will focus on the present recession hearing from industries that are suffering the most. The third panel will present its views pertaining to economic conditions on an overall basis targeting in on present conditions in the capital markets and prices. At the conclusion of these hearings, the committee will probably begin constructing its tax package with a target date of early March for floor action. I have attached a description of the program Al Ullman will probably advocate as an alternative to the President's.

Monday, January 27

General Economic Panel

- Charles Schultz - Brookings Institute
- Paul Volker - former Under Secretary of Treasury for Monetary Affairs
- Robert Gordon - University of California Professor
- Dr. Joseph Pechman - Director of Economic Studies - Brookings Institute
- Herb Stein - University of Virginia
- Michael Evans - Chase Manhattan Economist
- Philip Klutznick - Chairman, Research & Policy Committee, Economic Research Group

Tuesday, January 28

Recession Panel

- Leonard Woodcock - Autoworkers
- Henry Duncombe - GM Economist
- Michael Sumichrast - Economist, National Homebuilders
- Sherman Maiseil - former FED board, University of California Berkly - School of Business Administration
- Murray Weidenbaum - Public Utilities (Washington University - St. Louis)
- Arthur Okum - Brookings Institute
- Robert Nathan - Public Utilities - Consulting Economist

<u>Wednesday, January 29</u>

Capital Markets and Prices

Carl Madden - U.S. Chamber Economist
Nat Goldfinger - AFL-CIO Economist
Professor Dusenbury - Harvard Business School
Robert Baldwin - Morgan Stanley
Robert Roosa - Brown Bros. and Harriman
Paul McCracken - University of Michigan
Walter Heller - Department of Economics, University of Minnesota
George G. Hagedorn - Vice President & Chief Economist NAM

THE WHITE HOUSE

WASHINGTON

M

February 12, 1975

MEMORANDUM FOR: PHILIP W. BUCHEN
L. WILLIAM SEIDMAN

THRU: ✓JOHN O. MARSH
MAX L. FRIEDERSDORF M.F.
VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Feasibility of Seeking a Statutory Economic Policy Board (EPB)

This memorandum is not intended to analyze the merits or demerits of such a policy decision but to shed some light on possible congressional reaction should the decision be made to seek statutory authority for the Economic Policy Board (EPB) in conjunction with a merger of the Council on International Economic Policy (CIEP).

Legislative History

The EPB was created by Executive Order on October 1, 1974. CIEP was established by Executive Order in 1971 with statutory authority provided August 29, 1972 under the International Economic Policy Act of 1972. The original legislation was jointly considered by the Senate Banking, Housing and Urban Affairs Committee and the Senate Foreign Relations Committee and by the House Banking and Currency Committee. It should be noted that the committee chairmen involved were Senator Sparkman (Banking), Senator Fulbright (Foreign Relations) and Representative Patman (Banking). Both House and Senate conferees were appointed from the respective Banking Committees.

In addition to creating this Council by statute and delineating its functions, the Congress required an annual report to be transmitted to the Congress at approximately the same time as the report of the Council of Economic Advisors (CEA) and required "keeping fully and currently informed the banking committees and the foreign policy committees of the Senate and the House of Representatives, as well as the Joint Economic Committee". The move to require Senate confirmation of the Council's Executive Director was defeated in the Senate Banking Committee by a vote of 9 to 5. Statutory authority for the CIEP was to expire June 30, 1973 subject to extension by the Congress.

Apparently, enactment of this statute was not inspired by strong Congressional motivation but was rather the fruit of untiring and diligent efforts on the part of Peter Flannigan and was agreed to by the Congress at the Administration's request. Confirmation of the Executive Director was not included primarily as a favor to Mr. Flannigan although Senator Mondale was most anxious to include this provision in the basic law.

In 1973 the Congress adopted various amendments to the International Economic Policy Act of 1972. The two major provisions were as follows:

(1) Extended the expiration date of the Council from June 30, 1973 to June 30, 1977; and

(2) Appointment of the Executive Director of the Council other than the incumbent (Peter Flannigan) was made subject to Senate confirmation.

Anticipated Congressional Response

To accomplish merger of the CIEP into a statutorily authorized EPB requires two legislative steps:

(1) Abolution of the CIEP statutory authority; and

(2) Statutory creation of the EPB with transfer of CIEP functions to the EPB.

Congressional approval of this merger proposal will not be without difficulty and, in this regard, I believe we should be cognizant of the following:

(1) Repeal of the statute authorizing the CIEP will probably be jointly considered by banking and foreign policy committees of both Houses and, additionally, would be carefully scrutinized by the Joint Economic Committee. Particular attention should be given to the fact that the banking committees have new chairmen. Chairman Reuss of the House Banking and Currency Committee is generally considered to be a reasonably able economist with his greatest interest and expertise in the field of international economics. As a result, we could expect substantial opposition from him. On the other hand, Chairman Proxmire has greater interest in domestic economics and might favor such a merger and the "elevation" of the domestic side (although he understands the interrelation of domestic and international economic policy). Nevertheless, I suspect both committees would perceive this as a downgrading of accent on international economic policy. This would clearly be the view of the House and Senate Foreign Policy committees. Considerable opposition could emanate as a result of this perception.

(2) The role of the Special Trade Representative with respect to the newly created EPB/CIEP would need to be carefully distinguished in light of the recent elevation of the STR to cabinet rank. Chairman Long of the Senate Finance Committee would be particularly disturbed if in any way the STR's responsibilities were diluted. This could prompt jurisdictional involvement of the Senate Finance and House Ways and Means Committees.

(3) Most assuredly Senate confirmation would be required of the Executive Director thereby exacting a promise from the nominee that he will freely and willingly testify before the Congress. Given the state of the world economy and the problems here at home and the extensive politicizing of this issue, the Executive Director would be resolved to extensive congressional testimony and a deluge of written inquiries from the Hill. The congressional demands on his time would be substantial thus possibly diluting his ability to directly serve the President.

(4) In all likelihood the Congress would mandate frequent receipt of information both of a confidential nature as well as formal reports. This would impede the sensitive nature of his responsibilities with respect to the President.

(5) The Congress during consideration of the legislation may redefine responsibilities and purposes of the EPB in such a manner that the President's intent is substantially changed.

Conclusion

Congressional approval of the statutory authority sought could, I am confident, be obtained but there would be a price in the form of exacting numerous promises which may be unacceptable or have the effect of overburdening the Executive Director and impairing his ability to serve the President. I also caution against the extensive use of personnel "on loan" from other congressional appropriated organizations. There is the risk of attracting the attention of Congress thereby subjecting the President to criticism and overzealous scrutiny of the White House budget.

THE WHITE HOUSE

WASHINGTON

February 12, 1975

MEMORANDUM FOR: PHILIP W. BUCHEN
L. WILLIAM SEIDMAN

THRU: JOHN O. MARSH
MAX L. FRIEDERSDORF M.
VERN LOEN VL

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THE WHITE HOUSE
WASHINGTON

Mr. Marsh --

The attached is in reference to your request to Max.

donna

I thought we sent this one to D/R?

FEB 26 1975

THE WHITE HOUSE

WASHINGTON

February 25, 1975

MEMORANDUM FOR: JACK MARSH

THROUGH: MAX L. FRIEDERSDORF M.F.

FROM: WILLIAM T. KENDALL WTK

SUBJECT: Senator Brock's speech to the Senate Republican Policy Luncheon.

Attached is the edited text of Senator Brock's speech to the Senate Republican Policy Luncheon which Don Rumsfeld expressed interest in.

The most recent statistics on the economy are not comforting. Unemployment is at a 30 year high. Inflation continues at double digit levels.

Out of the maze of facts and figures that comprise President Ford's budget, a few stand out. Even with an anticipated deficit in 1975 and 1976 of $86.6 billion, it suggested that unemployment levels may remain above 6 percent until 1980. The Gross National Product, an indicator of our total output of goods and services, is not expected to reach 1973 levels, in constant dollars, until late 1977. Perhaps we should ask why.

After twenty years of reckless spending by the Congress, it is ridiculous to say that more of the same will cure the problem it created. We have mortgaged our policy options by spending the Federal debt to an outrageous half a trillion dollars. The result - high interest rates, stagnation, and inflation.

Traditional economic theory assumed that you had <u>either</u> inflation <u>or</u> recession. Unfortunately, our current experience teaches us that the old belief of a trade-off between higher rates of inflation and lower rates of unemployment is just plain wrong. We have both problems, plus a damagingly high rate of interest.

We cannot have a growth economy when four out of five available investment dollars are being consumed by government - as they will be in the next two years. Unemployment will not drop when home buyers and small businessmen find the interest rate increasing as it will with the proposed deficit. We will not have orderly economic growth with our prices exploding upward - as they will with exploding Federal spending.

If we are going to deal with unemployment, we must do so from a position of strength, using the free enterprise system - particularly in medium and small business. That's where most people work, that's where the jobs are.

To accomplish real recovery, we need a massive cut in Federal spending in every area, from defense to public works, coupled with real tax reduction for individuals and small businesses. The increased activity will create sales and jobs, the increased savings will reduce interest rates and cut costs. Our country will be back on track again.

United States Senate

MEMORANDUM

BB statement on economy

FYI

Bob P

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

FEB 7 1975

February 6, 1975

MEMORANDUM FOR JACK MARSH

Do you have any report on the speech Bill Brock made at the Senate Republican Policy Luncheon?

DON RUMSFELD

Max —

Could you have Bill K prepare a 1 pg summary in re the above.

T/U

Jack

MAR 14 1975

March 13, 1975

MEMORANDUM FOR: DOUG BENNETT

FROM: MAX FRIEDERSDORF

The Economic Policy Board will hold a meeting from 9 A.M. to 5 P.M. on Saturday, March 15, Room 208, Executive Office Building. It will be attended by Secretary Simon, Bill Seidman, Frank Zarb, Alan Greenspan, Sid Jones and representatives from CIEP and other interested offices.

The topic will be the general economic outlook and budget prospects. This will be the first meeting of this group since back in January prior to the State of the Union. I would like for you to represent our office in this session and be prepared to give our staff a report on Monday morning at our own staff meeting.

I will be attending part of the sessions on Saturday but would like for you to plan to attend the full day if possible.

cc: Jack Marsh
Bob Wolthuis

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THE WHITE HOUSE
WASHINGTON

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The World / Continued

Vital Dialogue Is Beginning Between the Rich and Poor

By ANN CRITTENDEN

The world has always been divided between have and have-not nations but the gap has recently been widening. For the last four years the per-capita income of the one billion people in the 30 poorest countries—already at subsistence levels—has declined still further, while the industrial nations have been holding their own. This means that the richest billion people have been claiming more of the earth's scarce resources each year, and a majority of the poorest have been receiving less.

An international dialogue is under way to alter the trend, and it is a necessary negotiation between the rich and the poor. In recent years, far from correcting this growing imbalance, a number of actions taken by the international community have actually contributed to it.

The Kennedy Round of tariff negotiations in the 1960's halved tariffs between industrial nations, leaving them often lower than tariffs on the main products of the developing countries. Subsequently, nontariff barriers particularly against developing country exports, have proliferated.

"Official development assistance," or foreign aid, has fallen from .52 per cent of the gross national products of the industrialized nations in 1960 to .32 per cent today. It is expected to drop even more.

Worst of all, the combination of increased oil prices, the higher cost of essential imports and recession in their industrial markets have hit the poorest countries harder than anyone. This year, their trade deficit is expected to be \$36-billion, up from \$9-billion in 1973.

The developing nations are particularly concerned about the drastic deterioration in their terms of trade—that is, in the amount of goods they can purchase abroad with the earnings from their exports. This trade drift means that real resources are flowing from the poor countries to the rich. The Organization for Economic Cooperation and Development, for example, estimates that because of the shift in the terms of trade, the industrial countries will gain \$7.5-billion from transactions with the poorest nations.

National Wealth and Its Effects

The charts below demonstrate the relationship between national wealth and the conditions of life in the countries of the world; the story at left discusses several options for change. The charts are based on information from the best known sources. Where indicated, information is incomplete or unavailable.

	Country	Per Capita Income (Latest available figures)	Over-all Balance of Payments (Latest available annual figures, in millions of U.S. dollars; Surplus / Deficit)	Age Limits for Compulsory Education	Infant Mortality Rate (Number of deaths per 1,000, one year old or less)	Life Expectancy (Latest available figures): Male	Life Expectancy: Female
Industrial Countries	Australia	\$3,426	\$1,913	6-16	[illegible]	67.9	74.2
	Austria	3,350	264	6-15	23.7	66.8	74.1
	Belgium	3,346	346	6-14	17.0	67.7	73.5
	Canada	4,751	27	6-16	16.8	68.8	75.2
	Denmark	5,029	-408	7-17	13.5	70.7	75.9
	Finland	3,312	10	7-16	10.1	65.9	73.6
	France	3,403	-83	6-16	12.9	68.5	76.1
	West Germany	5,040	-467	6-15	20.4	67.2	73.4
	Ireland	2,009	-4.8	6-14	17.8	68.6	72.9
	Italy	2,298	-4,611	6-14	25.7	67.9	73.4
	Japan	3,292	1,241	6-15	11.7	70.5	75.9
	Netherlands	4,103	973	7-15	11.6	70.8	76.8
	New Zealand	3,723	-453.8	6-15	16.2	68.4	73.8
	Norway	4,102	332	7-16	11.3	71.1	76.8
	Portugal	956	-415.2	7-13	44.8	65.3	71.0
	South Africa	1,000	-184	7-16	White 20.9; Black 122.1	64.7 / 49.6	71.7 / 54.3
	Sweden	5,596	-802	7-16	[illegible]	72.0	77.4
	Switzerland	2,963	-70	6-15	12.8	69.2	75.0
	Britain	2,503	-4,349	5-16	17.5	68.9	75.1
	United States	5,523	-8,375	6-16	17.6	67.4	75.2
Petroleum Exporting Countries	Algeria	[illegible]	NOT AVAILABLE	6-14	86.3	50.7	
	Ecuador	[illegible]	[illegible]	6-12	78.5	51.0	53.7
	Indonesia	110	NOT AVAILABLE	NO LAW	125.0	47.5	
	Iran	1,280	6,207	6-15	NOT AVAILABLE	50.0	
	Iraq	560	NOT AVAILABLE	NO LAW	28.1	51.6	
	Libya	3,010	1,724	6-15	NOT AVAILABLE	52.1	
	Nigeria	[illegible]	4,898	NO LAW	58.0	37.2	36.7
	Saudi Arabia	1,530	12,300	NO LAW	NOT AVAILABLE	42.3	
	Venezuela	1,240	4,001	7-14	51.7	66.4	
Higher-Income Countries	Argentina	1,191	[illegible]	6-14	59.6	64.1	70.2
	Brazil	425	[illegible]	7-14	170.0	60.7	
	Chile	590	-177	7-15	78.0	60.5	66.0
	Colombia	426	-93	7-12	62.8	44.2	46.0
	Costa Rica	725	-27.7	6-18	54.4	61.9	64.8
	Dominican Republic	406	4.2	7-14	48.8	57.2	58.6
	Greece	1,760	-169	5-11	27.8	67.5	70.7
	Guatemala	302	-10.3	7-14	79.1	48.3	49.7
	Israel	2,526	-816	5-15	22.1	70.1	72.8
	Jamaica	721	-62.7	6-15	26.2	62.7	66.6
	Lebanon	631	NOT AVAILABLE	NO LAW	13.6	NOT AVAILABLE	
	Malaysia	295	-222	6-13	32.0	56.0	
	Mexico	684	31	6-14	60.9	59.4	63.4
	Nicaragua	507	-27.6	7-13	46.0	49.9	
	Panama	754	-600.5	6-15	34.1	57.6	60.9
	Peru	335	259	6-15	65.1	52.6	55.5
	Singapore	1,268	289	NO LAW	20.4	65.1	70.0
	[illegible]	[illegible]	[illegible]	6-13	15.1	67.3	71.9

To: Marsh
From: Max

THE WHITE HOUSE

WASHINGTON

December 16, 1975

MEMORANDUM FOR: MAX FRIEDERSDORF

FROM: JACK MARSH Jack

Just a reminder that you will follow up on the relief bill involving Alan Greenspan and the report of the Council on Economic Advisers which is required to be filed on January 20.

Please keep Cheney and Alan advised as to the status of this matter, particularly if you encounter any difficulties.

Many thanks.

This was approved.

COMMONWEALTH CLUB OF CALIFORNIA
January 30, 1976
San Fransisco, California
FOR RELEASE ON DELIVERY

BICENTENNIAL ECONOMICS

L. William Seidman

A year ago, as our economy was rapidly sinking into the worst recession since the 1930's, President Ford, in his State of the Union Address, promised to turn the country in a new direction.

One year ago every key economic indicator was moving in the wrong direction. Unemployment and inflation were rising and our total production was falling -- rapidly. Some foresaw no bottom to the slide and predicted the demise of the free enterprise system.

The President's promise was a vintage display of what is now called "the new realism." He did not promise to produce an economic paradise, but simply to turn the economy around and start it in a new direction. This Administration has delivered on its promise.

As our bicentennial year begins, every basic economic indicator is headed in the right direction. The underlying fact about our economy is that it is steadily growing healthier.

As we look ahead, the Ford Administration's major goals for the American economy are concrete and simple.

- We need to provide jobs for those who seek work.
- We need to provide sustained economic growth without inflation.
- We need to maintain for future generations the integrity of our environment and our resources.

America must provide jobs for all who seek work. These must be productive, permanent jobs, not temporary or make work jobs. We will need 10 million new jobs by 1980. While the burdens of high unemployment may be helped by temporary public service jobs, an expanding economy that creates permanent jobs in private businesses is the only satisfactory solution.

Considerable progress has been achieved during the past 6 months in creating jobs for Americans. Last month over 85 million Americans were at work -- nearly 1.3 million more than at the low point in March. We have already recovered two-thirds of the jobs lost in the recession. People are being hired much faster than they are being laid off.

We expect that our policies will foster the creation of 2 to 2.5 million private sector jobs in 1976 and a similar increase in 1977. This is not as many as we would like. But, we are moving in the right direction toward our objective of a job for every able American.

America also must provide sustained economic growth without inflation. Inflation can destroy our economic way of life. Our system simply cannot function properly in an atmosphere of double-digit inflation.

Again, considerable progress has been made during the past year in reducing the rate of inflation. From a rate of over 12 percent in December 1974 and an average rate of over 9 percent in 1975, we expect a 6 percent rate for 1976.

Moreover, our economy is growing in real terms at over 6 percent a year at the same time that we are reducing inflation. We have a long way to go but we are moving in the right direction toward lasting gains in productivity and control of inflation.

America must preserve its environment and conserve its resources while increasing the material well-being of its citizens. The past quarter century has brought an awareness of the fragility of the environment and the limited supply of many natural resources. We have responded as a people by collectively committing to achieve certain standards that will maintain and enhance the quality of life in our land.

The achievement of these goals and standards will require a greater investment in equipment and facilities than we have made in the past. It is an investment we owe future generations.

Our economic situation reflects what the President said in his State of the Union Address: The state of the economy is better -- in many ways a lot better -- but still not good enough.

How do we plan to achieve full employment, sustained growth without inflation, and a quality environment? Five guidelines serve as the foundation of the Administration's economic policy.

First, we must not be stampeded into hasty, quick-fix remedies which appear to promise short-term gains and political advantage but which actually result in long-term problems.

Attempts to achieve our ultimate goals by crash programs of increased deficit financing and excessive money creation assure only the continuation of rollercoaster economics -- boom followed by recession, inflation followed by unemployment. All Americans can contribute to controlling inflation. Business, labor and government can curb their impatient desire to achieve every objective at once. As Richard Lyman, President of Stanford University perceptively observed not long ago:

> "The urge to legislate in haste and repent in leisure -- not just on the part of the Congress, but on the part of the people who elect the Congress -- is greater now than at any time since the early 1930's, in a nation that doesn't know quite what it wants but is terribly impatient with what it has."

A firm, steady policy will permit American businesses and households to plan with confidence.

Second, we must create the conditions by which factories, stores, farms, and shops will expand their businesses and create more jobs and increase productivity. We cannot order such expansion. But we can create the conditions under which these institutions will invest capital and expand. Capital investment is the barometer by which one can forecast future economic health.

As I mentioned, we need over 10 million new jobs by 1980. New jobs require additional capital--between $40,000 and $60,000 worth of capital for each new worker. Our long term employment problem requires greater investment.

The achievement of our national goals of a cleaner environment and energy independence will require additional commitment of resources for capital investment. Investment in pollution abatement equipment designed to clear our air and clean our waters is estimated to require more than $24 billion additional investment by 1980. And more investment in energy-related industries is needed to meet the goal of greater energy independence.

In short, capital investment is essential if we are to achieve our goals. This is not a new concept. I like to remember the phrase coined many years ago on the farm to emphasize the need to conserve rather than consume. They put it this way: "We cannot forever eat our seed corn or use our fence posts for firewood."

Basic to expansion and job creation in the private sector is reducing the ever-increasing demands of the Federal government for funds. We must restrain the growth of government spending. The Federal government's borrowing to support deficit spending reduced the amount of money available to business for expansion. Less investment will mean fewer new jobs and less production per worker. This is a principal reason why the President's budget proposes Federal spending of $395 billion in FY 1977. It cuts the growth in Federal spending to about 5 percent from a long-term growth rate of over 10 percent.

Our objective is to achieve a balanced budget in 3 years--and our plans show that it can be accomplished. It will happen only if we continue our proposed restraint--no growth in Federal spending in excess of 6 percent.

As part of our effort to revitalize the private sector, we must allow our citizens and corporations to spend more of the money they earn. Accordingly, the President has requested an additional tax cut effective July 1 of this year providing $28 billion in permanent annual tax relief. Additional tax cuts can be available by 1978 or 1979 if we can effectively limit Federal spending.

All of the President's new tax proposals are geared to the fundamental task of creating jobs and increasing production. He proposed new tax incentives for businesses that construct new plants, or expand existing facilities in high unemployment areas. Accelerated depreciation rates will be given for such facilities and their equipment if construction begins within one year.

The President also proposed incentives to encourage millions more Americans to save and invest in the ownership of American enterprises. This will help to increase the money available for job-creating investment. Many more Americans should participate in our growth and prosperity through ownership as well as through increasing job opportunities. Some have cynically labeled this proposal: "Let them eat stocks." I prefer the more accurate description: "Let them have a piece of the action--let's invest in America."

The President has also proposed changes in the estate tax laws to encourage expansion in family businesses and family farms. This reform will help ensure the survival of smaller farms and businesses for future generations and also allow them to expand their current operations.

The third objective of our economic policy is to curtail what I call the government's "regulatory drag" on our economy. The government's propensity to slow economic activity is exhibited in two ways--stifling competition and regulatory overkill.

We have begun a program seeking to eliminate those regulations that prevent competition. The beneficiaries will be the American consumer and the American taxpayer.

We want to ensure that the greatest variety of goods and services are available at the lowest prices possible. To accomplish this, we have already submitted several legislative proposals in the fields of energy, transportation, and finance.

To further promote competition we have proposed legislation to sharpen the legal tools and provide additional resources for antitrust activities. This will help protect the public from that small minority of the business community that might attempt to engage in illegal business practices at the expense of the consumer.

A second type of regulation is involved with social issues such as occupational and product safety, and, of course, the environment. This kind of regulation is becoming more costly every day. The central issue is the need for a proper assessment of costs and benefits. The question is not whether we want to do something about noise or safety, but whether making changes in our regulations makes common sense. Do the benefits gained justify the costs incurred? Too often, this question has not been asked and, if it had been properly answered, there would be less regulatory overkill.

<u>Fourth, our economic success requires a healthy international economic environment</u>. No nation today exists in economic isolation.

We have abandoned the comfortable illusion that America is immune to world economic problems.

The United States seeks a world of cooperation and mutual benefit, not confrontation and economic nationalism. But cooperation must not be a one-way street.

A key area for cooperative benefits is increased international trade. The competition provided by imports provides the consumer with better buys. Freer trade also provides our industries the opportunity to expand their markets and create new jobs. We have seldom been in a better position to compete in world markets.

Fifth, fundamental to a growing economy now and during the years ahead, is control over the most basic of all resources--energy. Energy independence is basic not only to our standard of living but also to the security of our Nation.

Creation of new sources of energy is essential in a world which has only a limited period ahead to rely on oil and gas. No economy can prosper in the long run unless this problem is solved. We seek energy independence at home--but we also seek energy resources for the world.

Taken together, these five guidelines outline the path to an economically restored and revitalized America.

- Firmness in the pursuit of long term gains not short term expedients.
- Reliance for economic well being on the incentives not guarantees, on opportunity not welfare.
- Balanced, common sense regulation not bureaucratic strangulation.
- International cooperation not confrontation.
- Increased energy conservation and production not careless dissipation of our national resources.

These guidelines are not new. They are the common-sense wisdom developed during our first 200 years.

Yet, there are those in recent days who have called for the Federal Government to assume a different role in the economy. They urge measures which they claim will immediately reduce unemployment. They propose much greater governmental intervention in the working of our economy.

But they do not look far or long. They do not ask what are the long term consequences. They do not acknowledge that government make-work programs are costly and do not enlarge the economy's productive capacity. They do not recognize that our great challenge is to bring economic prosperity without so enhancing the power of government that we lose our freedom of choice. They do not recognize that the long term vitality of the American economy comes from private initiative not from the public trough. They do not sense the American people's attachment to liberty. Americans are willing to forgo the temptations of the welfare state and the planned economy for the sake of freedom and opportunity.

In the spirit of our bicentennial, as a people, we are reexamining the foundations of our country. I am convinced that this reexamination will result in a reaffirmation of the principles that lead to our economic greatness.

APR 1 1976

THE WHITE HOUSE

WASHINGTON

March 30, 1976

MEMORANDUM FOR: MAX L. FRIEDERSDORF

FROM: CHARLES LEPPERT, JR. CL

SUBJECT: Economic Highlights

Attached hereto, is the next report in a regular series of economic highlights prepared by the Minority Staff of the House Appropriations Committee, sent by Rep. John Anderson.

Attachment

cc: Marsh
Seidman
Lynn
Cannon

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ECONOMIC HIGHLIGHTS

Prepared by
Henry Moore
Minority Staff
Committee on Appropriations

March 18, 1976

Introduction

This report is prepared on an approximate monthly schedule during this legislative session, to highlight latest important changes in the U.S. economy. Each issue is usable without reference to predecessor. Comparisons show monthly or quarterly changes at seasonally annual rates unless otherwise stated.

Summary

U.S. economic recovery continues at a brisk pace in 1st quarter 1976, with an upturn in growth of GNP, increased factory hiring, an improved overall employment situation with the best-known unemployment indicator down strongly, good gains in personal income and a strong improvement in leading indicators, while the price outlook continues to show declining inflation.

Key Economic Indicators:

1. The employment situation improved as total jobs rose and total jobless declined in February, according to latest U.S. Labor Department figures (USDL 76-159). Emphasizing seasonally adjusted figures, which smooth seasonal factors and seek to portray trends, the report shows total jobs returning in February to the prerecession peak of 86.3 million and those unemployed declining in February to 7.1 million, as seasonally adjusted. The jobless rate dropped to 7.6% in February from 7.8% in January, 8.3% in December, and 8.6% in October, as seasonally adjusted, indicating a strong 4-month trend gain.

2. Key unemployment rates generally improved with exceptions showing these January to February changes: Adult men jobless declined to 5.1% from 5.8%, adult women unchanged at 7.5%, while household heads dropped to 4.9% from 5.1%, Black and minority jobless rose to 13.7% from 13.2%, teenagers down to 19.2% from 19.9% but minority teenagers up by 0.6% to 35.2%.

3. Factory hiring rose in January, up nearly 16% over December, achieving the best pace since the July 1974 peak, tending to confirm trend figures showing a broader employment upswing.

4. Orders and output at U.S. corporations were better last month than in nearly three years, a survey of purchasing agents showed. Other findings indicated an end inventory liquidation and increased commitments for production materials.

5. Price outlook continues improvement as wholesale prices declined ½% in February, while consumer prices rose more slowly in January (February report due later).

a. Wholesale prices either declined or were unchanged overall for the last four months, industrial commodities moved up more slowly in February (at 0.3%, down from 0.4%), with non-metallic minerals down, fuels and power down, lumber and wood products down, and farm products down.

b. Consumer prices rose more slowly in January, continuing a 4-month trend from October onward, with same food and fuels lower, non-food commodities lower, and a wide range of services up about 1%.

6. Industrial production continued to rise in January, the 9th straight month, registering widespread gains by industry with consumer goods up 1%, business equipment and construction products up 0.7% and the overall industrial production index up 0.7% in January and about 4.9% over the year.

7. Personal Income rose about 1% in January to $1,313.8 billion annually, tripling the December gain and up 9.2% above a year ago. Private wage and salary payrolls rose $9 billion, about double the December gain and up 8.8% over the year. Service industries rose $2 billion over the month, 5 times the December gain, up 8.7% over the year.

8. Gross National Product, a measure of the nation's total output of goods and services, was estimated as rising at about 6.6% annually in January, according to Townsend-Greenspan & Co. of New York. This would show strong improvement over the 4.9% real output gain (GNP adjusted for price changes) reported for fourth quarter 1975.

9. New factory orders for durable goods showed a strong 2.3% monthly gain in January, nearly double the rate of preceding three months, rising about $1 billion to a $43.8 billion monthly rate. New machinery orders rose 9.8% and household durables rose 3% over the month.

10. The average workweek of production and non-supervisory workers has risen unevenly over the past year, up 1.5 hours over the year to 36.5

hours weekly, down 0.1 hour since January. Factory overtime held steady at three hours for the third straight month.

11. Average hourly earnings of production and non-supervisory workers rose 0.4% in February, gaining 7.2% over last February, while weekly earnings grew 0.2% in February and rose 8.9% over the year.

12. The U.S. economy's first quarter performance appears better than recent forecasts, according to the Commerce Department's index of leading indicators, just released. The January rise in the Index was 2.2%--about 26% annualized--the third consecutive monthly rise and largest since last July.

Please [illegible]

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

June 7, 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Financial Support for the United Kingdom

The recent sharp decline in the sterling exchange rate, reflecting disorderly market conditions, has in our judgment threatened the international monetary system and our open cooperative trading policy. Consistent with the agreement we reached in Jamaica in January, under which governments would respond to counter such disorderly market conditions, the Treasury Department and the Federal Reserve System, together with other major industrial countries, have reached agreement with the United Kingdom on a $5.3 billion financial package for the United Kingdom. The principal details of the agreement are as follows:

(1) $5.3 billion will be made available under "swap" agreements, whereby funds can be drawn upon by the Bank of England.

(2) Of this $5.3 billion, the Treasury Department will provide $1 billion, the Federal Reserve will provide $1 billion and the following participants will provide the remainder as indicated:

Germany	$ 800 million
Japan	600 million
Switzerland	600 million
Canada	300 million
France	300 million
Belgium	200 million
Netherlands	200 million
Sweden	150 million
Bank for International Settlements	150 million
	$3,300 million

Any drawings from the United States will not be more rapid than from other creditors.

(3) These agreements will be available for three months, with a possible three-month extension.

(4) The British have agreed, by letter from Chancellor Denis Healey to me, that at the end of the six-month period, the British Government will borrow directly from the International Monetary Fund (IMF) if necessary to repay any amounts outstanding under this arrangement. In agreeing to this, the British Government has accepted the strict conditionality which the IMF would require.

(5) As a condition to our agreeing to provide financial support, the British Government has communicated to me their intention to take immediate action to reduce the availability of domestic credit followed by a series of steps over the next six months to tighten fiscal and monetary policy.

I have been in close contact with Arthur Burns on this matter and we believe that this action is essential.

Bill Simon

William E. Simon