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RON NESSEN

JOHN G. CARLSON

BRIEFING BY BILL SEIDMAN AND
ALAN GREENSPAN ON THE
CONFERENCE ON INFLATION

FORMAT FOR THE SEPTEMBER 27 and 28 CONFERENCE ON INFLATION

At 9:30, each of the ten sectors who had their own Conferences on Inflation will summarize their meetings for 45 minutes. 15 minutes of this will be a presentation, followed by 15 minutes of discussion among the 30 participants, and 15 minutes for questions and answers from the floor, approximately 800 delegates. The morning session will include reports from banking and finance, business and manufacturing, and labor.

At 2 o'clock, the session will reconvene with housing, transportation, food and agriculture, and natural resources making their presentation for 45 minutes each.

On Saturday, HEW, state and local governments, will make their presentation, followed by the economists at 10:55 a.m. From 11:40 to 12:30, there will be an open discussion, followed by closing remarks by members of Congress and the President. The above is still tentative and not locked in place.

WHAT IS COMING OUT OF THIS SUMMIT?

Mr. Seidman remarked that the ten conferences held so far plus the final conference on Friday and Saturday represent the most thorough exploration ever of the state of the economy. Everyone now agrees that inflationary situation is complicated, world-wide, has many causes, and that there is no quick and easy solution. Mr. Seidman said he feels that these conferences have calmed the fears that we are going into a deep depression. This is not 1932 again. All who have attended have said that we are not going to experience a depression.

Problems Causing Inflation (brought out by the Conference)

Federal spending, too much easy money, oil cartel, food and drought, devaluation of the dollar, cost to clean up the environment, government restrictions on industry, labor restrictions, and lack of accumulation of sufficient capital.

Mr. Seidman then remarked that there has been general agreement that wage rates were not a principle cause of inflation. However, the wage and price spiral could be a real problem if something is not done soon.

ECONOMIC OUTLOOK FOR THE NATION

Mr. Greenspan remarked briefly that the economy is in poor shape and that obviously, we are looking for a means to change it. The United States cannot live with double-digit inflation, because our financial structure is built on low rates of inflation with interest rates moderate to low. Our financial system at the present time is under tremendous strain, and will eventually shake apart with a double digit inflation.

Mr. Greenspan also remarked that we must get started now on controlling inflation, since it may take 1-1/2 to 3 years. He also remarked that we cannot have a crumbling economic structure and maintain our political and financial freedoms.

In a Q & A following his initial remarks, Mr. Greenspan stated that one way to cure inflation is to suppress Federal expenditures and let revenues move ahead, thus creating a surplus. Mr. Greenspan felt this is the ideal method of controlling inflation. He mentioned that we must have fiscal discipline or we won't lick our inflation problems.

Mr. Greenspan predicted that the inflation rate for the next two quarters will be high, but by the first half of 1975, the rate of inflation should be down to 8%. He also mentioned that unemployment will rise, and we'll probably not be able to keep it under 6%.

Mr. Seidman was then asked if the Administration is considering a tax cut for low income people. Mr. Seidman remarked that many sectors, including labor, management, and economists, all agree that the impact of inflation hits low incomes the hardest because they spend a larger proportion of their total income on food, gas, and medicine, which has had the largest increase. Therefore, a tax cut for low incomes is on the agenda for consideration.

Interest (rates)

September 26, 1974

SUBJECT:

PRIME RATE CUT

Chase Manhattan and Morgan Guaranty Trust cut their prime rate from 12% to 11-3/4%. The prime rate is that rate charged by banks on loans to their most credit worthy corporate customers.

What is your reaction to the drop in the prime rate?

GUIDANCE: Arthur Burns said he was pleased to see the reduction.

Do you feel this is a sign of better times to come and that further banks will follow this lead?

GUIDANCE: I would just point out that Chairman Arthur Burns has said that credit will remain under restraint for some time in the future.

Why would you be pleased to see a drop in the prime rate? Wouldn't this just make money cheaper and increase demand?

GUIDANCE: I think you'll all agree that the prime rate is still quite high, and don't see any major effect from this reduction.

Any major reduction will have to depend on the gradual progress against inflation. The reduction at this time will help improve the outlook for financing somewhat, but the markets are still very strained by the current rate of interest.



September 26, 1974

SUBJECT:

TAX CUTS FOR THE POOR?

There has been a lot of talk in the press that President Ford is considering cutting the taxes of lower income persons and, to avoid increasing the Federal deficit, have offsetting tax increases elsewhere. Is this correct?

GUIDANCE: Many of the sector meetings just held throughout the country, including labor, management, and the economists, all agreed that the impact of inflation hits the low incomes the hardest. Therefore, a tax cut for low incomes is on the agenda for consideration. However, I'm not sure whether any final decisions will have been made by the time of the summit.

September 30, 1974

SUBJECT:

ECONOMIC QUESTIONS

What is the basic function of the Economic Policy Board?

GUIDANCE: As the press release said, the new Board will be the focal point for coordinating all economic policy decision making in the Federal government, both domestic and international. They will meet periodically to consider the whole range of economic policies and issues. In addition, the Executive Committee will meet daily.

Who is a member of the Executive Committee?

GUIDANCE: As your release showed, Chairman of the Executive Committee is Bill Simon, and the Executive Director is Bill Seidman. Other members include Alan Greenspan, Bill Eberle, a senior member of OMB, and Arthur Burns, when appropriate.

Who is the Chairman of the Labor Management Committee? (Dr. Dunlop is the Coordinator).

GUIDANCE: The President will act as Chairman of the Labor Management Committee.

What is the President's position on Wage and Price Guidelines?

GUIDANCE: As with the wage and price controls, the President is opposed to wage and price guidelines.

Last Thursday, you mentioned that in a conversation with Mr. Greenspan, he stated that it would take 1-1/2 to 3 years to curb inflation from the time we start. You stated that you did not know at that time, when we would start. Have you found out?

GUIDANCE: I asked Mr. Greenspan about that, and he told me that he could not set any hour or date, but felt that in this last few days, we have started our fight against inflation.

(More)

The original plan was to have a televised address on the economy, October 10, 11, or 12. Has that time schedule been moved up?

GUIDANCE: I'm not sure where you got the dates October 10, 11 or 12, but I would just advise you that the President said, "I will present my recommendations to the Nation and to the Congress within the next ten days."

The President said that he would soon propose a national energy program, aimed at assuring adequate internal supplies while reducing dependence on external sources. When will this program be proposed?

GUIDANCE: As you will recall, the President is to receive a report on Project Independence in November listing alternatives on what we can do to increase our supplies and reduce demand. This national energy program will be part of that. However, I am sure that the energy question will be addressed in the President's up-coming speech on the economy.

September 30, 1974

MEMORANDUM FOR:

RON NESSEN

FROM:

JOHN G. CARLSON

SUBJECT:

TALKING POINTS ON THE
CONFERENCE ON INFLATION

The President was very pleased with the Conference on Inflation and appreciated the input from the many people participating. As the President said, there is a great deal of work to be done. (~~He was very pleased to see the President's Summit in his second year~~) "FINE MEETING"

I might just point out every recommendation made during the pre-summit conferences, along with every recommendation made during the final two-day summit Conference on Inflation, was recorded, indexed, cataloged, and cross-referenced by subject and meeting.

On Saturday, following the conclusion of the Conference, an expanded group of the Executive Committee of the ~~Economic~~ ^{Economic} Policy Board met for several hours in a planning session and reviewed each of these recommendations. On Sunday, this group met again for almost three hours. Specific assignments were made whereby each of these recommendations are to be analyzed and reviewed by one of the President's Economic Advisors and the Agency concerned. They are then to prepare option papers for specific program recommendations.

These recommendations will then be reviewed by the President and the Executive Committee of the ~~Economic~~ ^{Economic} Policy Board. Of course, the final decisions will be announced ~~by~~ the President's ~~early~~ ^{By} early next week.

President will be spending a good deal of his time this week ~~and~~ concentrating on these decisions and these issues.

ECONOMY

THE WHITE HOUSE

tpd

WASHINGTON

October 1, 1974

GUIDANCE: SYLVIA PORTER AND INFLATION FIGHTER CAMPAIGN

Background: Paul Theis is working with the Advertising Council and trying to reach Sylvia Porter on the Inflation fighter. He says that much of the impact of the campaign will be its surprise element and he strongly urges that we keep it as low-profile as is possible. He is meeting with the Ad Council again today to restructure and, hopefully, vastly expand a planned anti-inflation campaign. Although plans have not been finalized, it is likely that such things as lapel pins, buttons, bumper stickers will be part of the campaign.

Q: What will Sylvia Porter's role be in the inflation effort?

A: She told the President she would help out when she could, and he ~~understands~~ understands that she is quite busy with her column and other commitments. (If pressed, status is that ~~she~~ we are talking to her about how much time she can devote and what her role might be.)

Q: Is the White House printing up buttons, bumper stickers and the like for the inflation campaign?

A: No. (FYI: Obviously, we wouldn't do that--it would be done by Advertising Council, with our advice and consent.)

Q: Is the White House considering a major campaign against inflation--with ads, buttons, etc.????

A: (Theis urges you to stick by this, for the moment). The President will present his program in the next week or so ~~and~~ to the Congress and the American people, and until he does so we really can't know what the fight against inflation will consist of.

9.1.74

Ron,

Here are some talking points for any questions in connection with the announcement of me as White House Coordinator of the Citizens Mobilization to end inflation.

1. We will put a Citizens Inflation Control Office into operation after the President speaks Tuesday. (Avoid the term Command Post)
2. The plan now is to have the offices in the new EOB, 17th and Pennsylvania Avenue, which has better public access than the White House or the old EOB. This will serve as a communications point, clearinghouse and coordination center for the citizens mobilization to whip inflation.
3. People President Ford talks to emphasize that a spirit and will to fight inflation must be crystalized nationwide.
4. I think, in my case, we can emphasize my 25 years with a communications background. Making sure that citizens organizations, labor and management and government are communicating with each other and with the nation will be an important and vital part of my job.
5. The steering committee of the National Advisory Council to the mobilization, with Sylvia Porter as Chairperson, will be named in the next few days by the President. (tentatively set for Wednesday)
6. I am taking a leave of absence from my regular job to do this. I will be paid government per diem for a consultant at a rate equal to \$36,000 a year. The plan now is to have me stay two to three months. The operation then is expected to be ready to be turned over to one of the citizens organizations. (Like the Center for Voluntary Action).
7. We are starting with a staff of four. It could go as high as 15, but that is an uneducated guess.
8. We want to get this out of the Federal Government as soon as we can to avoid government spending. The staff I will have will be on detail to the White House from other government departments.

Ron Iceberg

THE WHITE HOUSE
WASHINGTON

*Nat
Volunteer*

TEXT:

I have one announcement this morning regarding the President's request for citizen participation in the effort to fight inflation and conserve energy, which, you will recall, he made in his closing speech to the Conference on Inflation. Russell W. Freeburg, a long-time Washington journalist and now a public affairs consultant, has agreed to serve as a consultant here at the White House to coordinate voluntary citizen participation in the fight against inflation and the effort to conserve energy.

I think most of you know Russ, but we will provide you a biographical sketch right after the briefing.

Q: How long will he be here?

A: I would think for about 2-3 months.

Q: How much will he be paid?

A: He will receive a daily consultant fee of \$. .

Q: What is his title?

A: He will be a consultant here at the White House and his duties will be to coordinate voluntary citizen participation in inflation fighting and energy saving.

Q: Did Sylvia Porter back out on you?

A: Sylvia Porter is kept busy with her column and other activities, but will spend as much time as she can on this. We do need a full-time coordinator, at least for the next couple of months, in addition to Miss Porter's assistance.

Q: Does Russ have any experience as a coordinator?

A: He was managing editor of the Chicago Tribune and before that ran the Trib's bureau here.

OCTOBER 7, 1974

Office of the White House Press Secretary
-----THE WHITE HOUSERUSSELL W. FREEBURG
Biographical Data

Russell W. Freeburg, 51, is a Washington public affairs consultant with Wagner and Baroody, Public Affairs Consultants. He joined the firm after serving as Managing Editor of the Chicago Tribune in 1971.

From 1958 to 1971 Mr. Freeburg was with the Chicago Tribune's Washington Bureau, ~~XXXXXX~~ covering the economy and the White House and serving as Bureau Chief from 1968 to 1971. He joined the Tribune in Chicago in 1950 after two years with the City News Bureau in Chicago.

He was born on March 4, 1923, in Galesburg, Illinois. Mr. Freeburg attended Knox College, Galesburg, Illinois, and received his B.S. degree from Washington University, St. Louis, Missouri. During World War II he served overseas in the U.S. Army.

Mr. Freeburg and his wife, Sally, have three children: Jon, a student at Beloit College; Holly, a student at Salem College; and Allison, a high school student. The Freeburgs reside in

_____, # # #

October 1, 1974

SUBJECT:

FOLLOW-UP TO THE CONFERENCE
ON INFLATION

Talking Points

Just to keep you up to date on the follow-up activities from the Conference on Inflation, I would mention to you that the Executive Committee of the Economic Policy Board met this morning at 8:30 to continue reviewing and analyzing the recommendations of the Conference on Inflation.

At 11:30 this morning the full Economic Policy Board ^{met} ~~will meet~~ and that will be followed this afternoon at 2 o'clock when the Executive Committee meets with the President.

Also we have available the Exec orders etc.

What is the purpose of the meeting with the President? Are all the option papers and recommendations ready for his review?

GUIDANCE: The basic thrust of this initial meeting with the President is to review the progress made by the Executive Committee and the Economic Policy Board, to get the President's thinking on key measures and key areas, etc.

Decisions? = Get guidance so don't go off in a direction he is unalterably opposed.

Don't know what's coming up.

October 2, 1974

SUBJECT:

ECONOMIC/ENERGY QUESTION

The President met yesterday with the Economic Policy Board's Executive Committee. Were any decisions made at that meeting?

GUIDANCE: Yes, there were some tentative decisions made. However, we will not announce these piecemeal, but the President will address these early next week.

Is the President considering gasoline rationing?

GUIDANCE: Yesterday, I believe I said that I did not believe he was considering gas rationing. Here I can tell you flatly that the President is opposed to gas rationing.

Does the White House anticipate any fuel shortages this winter?

GUIDANCE: With the continued support of the American people, it appears that the supply of petroleum and petroleum products will be adequate this winter. However, there may be some natural gas curtailments in certain areas.

FYI: If there is a coal strike, coal production, and the availability of coal could be a serious problem. However, no mention should be made of coal or the coal strike. END FYI.

JGC

October 8, 1974

ECONOMY

Q. The President says that fighting inflation is not a partisan job, then how come he never consulted with any Democrats before giving the speech today?

A. As the proposals took shape, Bill Simon and other economic advisers held informal phone conversations with a number of Democrats in Congress.

Q. Who were they?

A. The Democrats on the various Congressional committees effected by what the President will propose this afternoon. Also, after the speech this afternoon, the President's economic advisers will meet with Congressional leaders of both parties to discuss the proposals in detail.

October 10, 1974

SUBJECT:

ECONOMIC GUIDANCE

Why does the President feel that we are not in a recession?

GUIDANCE: I realize that according to the popular shorthand method, two quarters of decline in real GNP constitute a recession, and GNP declined at an annual rate of 7% in the first quarter and about 1-1/2% in the second quarter. However, the prestigious National Bureau of Economic Research considers a number of indicators and to date it has been their position that the slowdown has not been "wide enough" and "deep enough" to call it a recession.

Several additional factors must be considered, such as unemployment rate and its duration, industrial output, etc. The overall economy is strong. Factors that should be considered are:

- Although GNP declined slightly in the first two quarters, demand in general is still at a high level.
- There is less speculation in the stock market on borrowed money.
- Business investment in plant and equipment remains strong.
- Our financial institutions remain healthy, and are carefully regulated through state, the national banking system and the Federal Reserve.
- There are built-in safeguards for individuals, such as federal insurance of bank deposits.
- Individuals have much greater wealth, and they have greater useable assets, such as savings accounts, insurance policies, etc.
- There are built-in stabilizers that work automatically in time of trouble - numerous income supports we now have cranked into our economy, such as unemployment benefits, Social Security, Pension programs, Welfare programs, Food Stamp programs and Manpower Training programs.

(More)

The President yesterday never really set any goals or made any predictions on what the rate of inflation you expected or would consider satisfactory. What rate of inflation would be acceptable?

GUIDANCE: The Administration feels it is wrong to have a specific numeric goal. The basic goal is to reduce the rate of inflation to a point where it becomes of no significant influence in the economic decisions of consumers and business and industry in making future economic plans. The Price indices by themselves are not the sole determination and can be deceptive. Other factors must be considered--such as monetary growth, interest rates and financial markets.

We will not know that we have succeeded until we find the economy in a stable growth pattern over a period of several months.

Does the President really expect to have some meaningful reductions in the rate of inflation by early in 1975?

GUIDANCE: As the President said yesterday, he feels if the Congress responds to his 31 specific recommendations, and if the American people respond in a voluntary way, that we can have, hopefully early in 1975, some meaningful reduction in the rate of inflation (President's words).

The Administration continues to blame the higher costs of food and fuel for this inflation. Is anyone ever going to start recognizing the industrial commodities component as the major problem?

GUIDANCE: In the first 12 month period concluding in August, the problem had been concentrated in food and fuel. Both of these are due to special circumstances and are likely to be less troublesome next year. Food, gasoline, fuel oil, coal, and other energy-related items directly accounted for about 36% of the increase in the Consumer Index. However, in the past three months, these items accounted for about 8% of the increase.

The most disturbing aspect right now, in our opinion, is the large, consistent increases in prices of a great many industrial commodities. These increases may have been caused primarily by the fact that they were held down during the long period of wage-price controls. Some of the increases may represent secondary effects of a huge rise in petroleum costs, and some of them are directly related to petroleum. For example, many chemicals are made from petroleum.

JGC

October 10, 1974

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*Economy
up*

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THE WHITE HOUSE

WASHINGTON

October 10, 1974

MEMORANDUM FOR RON NESSEN *LS*

FROM: LARRY SPEAKES

SUBJECT: "WIN" BUTTONS

Q: How can people get WIN buttons?

A: By clipping the enlistment form that ran in the newspapers and mailing it to the WIN Coordinating Committee, The White House, Washington. They will receive in a return packet a WIN button, a certificate and some other material.

Q: Who is footing the bill for all of this?

A: When the President began his citizen fight against inflation, the Advertising Council (which, as you know is the public service activity of the advertising industry) volunteered its services. The President worked with the Ad Council to come up with the WIN program. So far, there has been no cost.

Q: Who will pay for the WIN buttons?

A: Don Howard Associates, 156 East 52d Street, New York City has offered, and we have accepted, a donation of 100,000 buttons free of charge. The buttons will be produced at Four Ward Industries in Franklin Park, Illinois. The Advertising Council and the advertising agency of Benton and Bowles will provide original artwork to any button companies in the United States that also would wish to contribute. (The Advertising Council and Benton and Bowles released this information last night.)

Q: It will cost money to mail out these buttons. How can the President justify a 100,000 ten cent stamps when he is saying "tighten your belts?"

A: This will be a small cost if the President, through his leadership, is able to create the spirit among all Americans to fight and win the battle against inflation. Of course, the White House has a tradition of answering its mail--and we think the people who write in to pledge to fight what the President calls "Public Enemy Number One" deserve an answer.

Q: How many people are being paid by the taxpayers to answer this mail?

A: Right now Russ Freeburg has four people in his office. These were people who already were working on the Federal payroll and they have simply been transferred to his office for a couple of months. After two or three months, we anticipate this business will be handled entirely by a volunteer group.

TAX

October 10, 1974

SUBJECT:

EFFECT OF 5% SURCHARGE

<u>INCOME</u>	<u>SINGLE PERSON</u>	<u>FAMILY OF FOUR</u>
\$ 7,500	\$ 0	\$ 0
\$10,000	\$ 24	\$ 0
\$15,000	\$ 78	\$ 0
\$20,000	\$139	\$ 42
\$25,000	\$212	\$ 97
\$30,000	\$293	\$158
\$40,000	\$476	\$307
\$50,000		\$482

JGC



Recession?

Q: The President has said we are not in a recession. Arthur Burns has said that we are. Whom should we believe?

A: The important point here is that almost everybody agrees economic activity is sluggish. Whether or not this period will qualify as a recession is a question we can leave to the recognized experts at the National Bureau of Economic Research. At last report, they had not made the call that this is a recession but perhaps they will later.

Whatever you want to call this period, there is no question it has many characteristics that are not typical of recession. Certainly the rate of inflation is extraordinarily high. Also, while the declines in housing and stock prices have been particularly severe and the physical volume of retail sales has been weak, there has been no decline at all in employment, which climbed to an all-time peak in September. Similarly, investment spending is still booming, which is most un-recession-like. Thus our economy is sluggish in a rather peculiar way.

Treasury/Fiedler

October 11, 1974

October 11, 1974

SUBJECT:

MORTGAGE LOAN BILL
APPROVED BY SENATE

The Senate passed and sent to the House an Emergency Home Mortgage Bill that would provide up to 7.75 billion a year in government mortgage money for middle and upper income housing. The bill originally provided for an interest rate of 9 1/2% which would have paid for the program with no government expenditure. A last minute amendment would lower the interest rate to 8 1/2%.

In view of the tight housing situation, will the President sign such legislation?

GUIDANCE: By lowering the interest ceiling to 8 1/2%, thus requiring a government subsidy, this could be highly inflationary and may force the President to veto it.

October 12, 1974

COMPANIES PASSING ON SURTAX

There was a question about whether companies would pass on the surtax to customers. The President doubts that competition would allow companies to pass on the entire surtax to their customers. It is going to depend on the competitive situation in each particular business. But the President assumes that they would not be able to pass on the full tax because of competition. And also the President points out that in addition to this tax surcharge, his proposals contain certain tax benefits. I am thinking of tax credit and he would also hope that the companies would pass that tax, in effect a tax decrease, on to their customers.

October 15, 1974

SUBJECT:

TEXAN ATTENDS EXPENSIVE
WHITE HOUSE BRIEFING

According to a story in this morning's Baltimore Sun, Millard Holden spent \$400 last week to watch President Ford's Economic Address to Congress on television. He says he was invited to the White House to sit in on a briefing regarding the President's economic policy. He says they were then to be asked their views as consultants. He says he spent over \$400 flying to Washington, there was no briefing, and then they watched the President's address on television.

Do you have any reaction to Mr. Holden's comments?

GUIDANCE: Mr. Holden was invited to attend a one-hour White House briefing and discussion on the President's Economic Message to Congress. The briefing was conducted by the President's top economic advisors, and began at 2 o'clock p.m., Wednesday, October 9. Since the President had a press conference at 2:30 p.m., television sets were turned on to allow the attendees to watch the press conference. Following the press conference, there was an opportunity for a question and answer period after the meeting.

We are sorry that Mr. Holden did not feel the trip was worth his time and money, but we feel it is our obligation to make senior White House officials available to answer questions and explain the Administration's policy in detail.

October 15, 1974

SUBJECT:

PRESIDENT MEETING WITH SECRETARY
LYNN AND OTHERS

For Announcement

At 12:15 this afternoon, the President will meet with Jim Lynn, Secretary of Housing and Urban Development, Roy Ash, Alan Greenspan, Bill Timmons, and Ken Cole, to discuss the Senate-passed S.3979, The Home Purchase Assistance Act. As you may recall, in the President's address to the Joint Session of Congress, the President said he urged the Congress to enact before recess, this Act which would make most home mortgages eligible for purchase by an agency of the Federal government. As the law stands now, only FHA or VA home mortgages, about 1/5 of the total, are covered.

pending
housing
leg.

The President said once this legislation is signed into law, at least \$3 billion will be immediately available for mortgage purchases, enough to finance about 100,000 more American homes. Following the President's address, the bill, before the final passage by the Senate, was amended so that the subsidy incurred by the Federal government was increased substantially, making this government subsidy much higher than intended. The purpose of today's meeting is to discuss the Senate-passed bill, and to decide on a position to take in the House.

October 23, 1974

SUBJECT:

SIMON CONCEDES WE MAY BE IN
A RECESSION

What is the President's reaction to Bill Simon stating that
we may be in a recession?

GUIDANCE: The important point is that almost everybody agrees that economic activity is sluggish. Whether or not this period will qualify as a recession is a question of semantics which will be determined by the National Bureau of Economic Research.

Whatever you want to call this period, there is no question it has many characteristics that are not typical of a recession. Certainly the rate of inflation is extraordinarily high. Also, while the declines in housing and stock prices have been particularly severe and the physical volume of retail sales has been weak, there has been no decline at all in employment, which climbed to an all-time peak in September. Similarly, investment spending is still booming, which is most unrecessionlike. Thus, our economy is sluggish in a rather peculiar way.

Nevertheless, the basic facts are that we have a combination of declining economic activity, and double-digit inflation--what has been appropriately called "stagflation"--and it looks like those conditions will continue into next year.

JGC

October 25, 1974

SUBJECT:

PROJECT INDEPENDENCE BLUEPRINT

Is the White House holding up the issuance of the Project Independence blueprint until after the election, knowing that it will be controversial?

GUIDANCE: No. The blueprint has not been received at the White House. There is a preliminary draft being circulated to the interested agencies by the Federal Energy Administration for comment and corrections prior to the writing of a final report. Agency comment is due to be completed very soon according to our information.

At that time, and this is expected to occur around the first of November, the blueprint report will be submitted to the Energy Resources Council. The Council will review the report which consists of energy alternatives and then submit its findings to the President.

When will the report be made public and when will the President receive the recommendations from the Energy Resources Council?

GUIDANCE: I do not have any final word from either Secretary Morton or John Sawhill on when that report will finally be ready. I suggest you direct those questions to Secretary Morton, who is Chairman of the Energy Resources Council.

JGC

ARE WE IN A RECESSION ???

(Greenspan, Seidman, and Simon have approved the following:)

As of September, all the evidence indicated we were not in a recession at that time. The data shows the situation has eroded since then. By the time the November statistics are in and analyzed, it will probably appear that we are, this month, moving into a recession.

The latest official data that have been published shows we were not in a recession. But the next set of figures will probably appear that we are entering a recession. Although the data probably will show a recession, it is an unusual recession in that we have high inflation. It should be noted that ~~my~~ ^{the President's} advisers predicted that conditions would be about what they are now when ~~we~~ ^{they} put together ~~my~~ ^{the} 31-point program.

November 11, 1974

SUBJECT:

PRESIDENT URGED TO ASK
HEALTH INSURANCE TAX

According to UPI, Frank Carlucci, Under Secretary of HEW, proposed in a memo to President Ford on August 29, that he make compromises in order to obtain passage of the National Health Insurance Plan this year. One of these compromises would have been an increase in payroll taxes which was opposed by the medical profession, the insurance industry, and private business, but favored by the House Ways and Means Committee.

Was President Ford prepared to compromise in order to achieve passage of the National Health Insurance Program?

GUIDANCE: As you recall, the President in his address to the Joint Session of Congress on August 12, stated that as Vice President he had studied various proposals for better health care financing. He then asked that, in the greatest spirit of cooperation, together, the Congress and the Administration write a good health bill on the statute books in 1974 before this Congress adjourns.

So, it was no secret and is no secret that the President is willing to cooperate and work with Congress in order to obtain National Health Insurance. It was within this context that the memo was written by the Under Secretary on ways in which we could possibly compromise in order to achieve passage of the health bill this year.

JGC

November 12, 1974

SUBJECT:

ARE WE IN A RECESSION?

Is the White House still refusing to admit that the United States is in a recession?

GUIDANCE: There has been very little disagreement with respect to what the situation of the economy was, or what the forecast would be. What has been involved in the discussions largely is whether what we are looking at should appropriately be described as a recession.

As of September, all the evidence indicated we were not in a recession at that time. The data shows the situation has eroded since then. By the time the November statistics are in and analyzed, it will probably appear that we are, this month, moving into a recession. The latest official data that have been published shows we are not in a recession.

What statistics and figures have eroded from September to November to change your view?

GUIDANCE: Industrial production has apparently been slipping. Evidence of unemployment from the insured unemployment rolls has indicated a deterioration, i.e. auto industry sales and production layoffs. Lead times on material deliveries has continued to shorten in line with further slipping of orders. Of course, the figures have already been released showing unemployment increasing to 6% and GNP declining in the third quarter. While these factors in themselves still do not confirm that we are moving into a recession, the odds now significantly favor that when viewed in retrospect six months from now, this period in all likelihood will be designated as a beginning of a recession. The above factors suggest a softening in the economy.

Do you still see any strong signs in the economy?

GUIDANCE: Business investment in plant and equipment is holding up quite well. This is despite the fairly widespread evidence of curtailments, stretch-outs, and cancellations. However, this may be due to the previous high commitments. In addition, through early October, employment remained at an all time high. We suspect that in November this may slip, but the data is not yet available.

(More)

What is the Administration doing to insure that we do not enter into a prolonged recession?

GUIDANCE: The problem we have and essentially confronted all along was a very complex issue of confronting both inflation and the weakness in the economy. We recognize fully that any attempt to deal with either solely without viewing the problem related to the other side of this problem would only create a far greater difficulty a year or two hence.

It should be noted that the President's advisors predicted that conditions would be about what they are now when they put together the President's 31 point program. The President's program was formulated to confront what is an extraordinary and unprecedented state of affairs in the United States. We are still hopeful that the program will be enacted by the Congress when it returns next week.

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

November 27, 1974

MEMORANDUM FOR: RON NESSEN

FROM: JOHN G. CARLSON

SUBJECT: FOLLOW UP ON QUESTIONS
 CONCERNING INFLATION
 IMPACT STATEMENTS

What is the major purpose of the Inflation Impact Statements?

GUIDANCE: The Executive Order released today concerning the Inflation Impact Statement is the first step in fulfilling the President's commitment on October 8 that all major Executive Branch actions will be weighed as far as their potential effects on the economy. Department and agency heads will have to certify that the impact of their actions were taken into consideration before new programs are proposed or implemented.

Will there be further directives coming out or is this it?

GUIDANCE: There will be additional regulations put out in the form of a circular by OMB. These are now being staffed, but should be out within the next week or ten days. The President has drawn up the broad guidelines, and has now turned to OMB for their implementation. One requirement of the OMB circular will be for the departments and agencies to develop their own criteria which will be more applicable to their individual department or agency. Each individual department and agency will have their regulations reviewed by OMB.

(More)

Doesn't this Inflation Impact Statement give a great deal of additional authority and power to the Director of OMB? Isn't this contrary to the recommendation of the Transition Team?

GUIDANCE: This does not give OMB any additional power or authority, but merely directs OMB, as part of their management and budget function to implement the President's directive. The President has given OMB the responsibility, in line with what they now do in preparation of the budget, to fulfill his Executive Order. One might ask who else would be better able to monitor and implement the President's directive. This is a regular statutory function of OMB.

Does the Inflation Impact Statement apply to the independent regulatory agencies?

GUIDANCE: The Inflation Impact Statements apply to the independent regulatory agencies to the extent not precluded by law. In addition, the President has no reason to believe that they would not want to cooperate in this program.

December 11, 1974

The Administration's positions on the following health-related bills scheduled for action in the House are as follows:

1. H.R. 17085 -- NURSE TRAINING

The Administration strongly opposes this bill.

It fails to eliminate capitation grants for the essentially undergraduate fields of nursing, as the Administration had proposed.

2. H.R. 17084 -- HEALTH MANPOWER

The Administration strongly opposes this bill.

It fails to reduce the level of capitation grant subsidies to health professions schools and eliminate capitation grants for the essentially undergraduate field of pharmacy, as the Administration had proposed. These and other features result in excessive authorizations.

3. H.R. 16204 -- HEALTH POLICY, PLANNING, AND RESOURCES DEVELOPMENT

The Administration strongly opposes this bill. Major unacceptable features include:

- excessive authorizations
- the formula grant mechanisms the bill would use to allocate planning and development funds could be misconstrued as entitlements to excessive funding levels
- continuation of the outmoded and inefficient Hill-Burton State formula grant program for medical facility construction assistance

SUBJECT: WHOLESALE PRICE INDEX

Dec. 12, 1974

What is the President's reaction to the 1 1/2% increase in the W. P. I. ?

GUIDANCE: The President is grateful to the trend implied, and is at about the level projected by the economic advisors.

We are particularly pleased with the decline in the rate of increase in the industrial commodities. This is the lowest rate in over a year, and the 4th month in a row that this indicator has eased.

Moreover, the highly sensitive index of crude materials has declined absolutely for the second month in a row.

All of these data indicate that the process of price easing is pretty close to our earlier expectations.

December 13, 1974

HOUSE ACTION ON TAX BILL

Q. The House Rules Committee has blocked action on a tax bill which would end the oil depletion allowance and give a tax cut to 40 million low and middle income Americans. What is the President's reaction?

A. Of course, the President is disappointed. He feels he has recommended to the Congress a responsible program and he feels there should be some action in this area. In view of some of the strong statements made in Congress about the economy, it seems that this is one piece of legislation that should be acted on.

December 20, 1974

CONSUMER PRICE INDEX

Q. What is the White House reaction to today's CPI?

A. There is still no significant improvement in the figures at the consumer level because of the continued, rapid increase in food prices. Some areas of the index continue to look a little better. An example is "commodities excluding food" where the rate of increase has slowed in the last two months.

*Shows need that to let up
in battle against inflation.*

Feb 6 Wash 1792

"Delay is preferable to error."

December 20, 1974

ECONOMIC POLICY BOARD

The Economic Policy Board today is engaged in an intensive, day-long session, moving toward of final focus on a wide range of options and recommendations for the President. This meeting is taking place in the Executive Office Building and is expected to go on most of the day. It is my understanding that they will continue right through the lunch period, with the mid-day meal being served in the conference room. Attending are Secretary Simon, Executive Director Siedman, OMB Director Ash, CEA Chairman Greenspan, and Ambassador Eberle -- as well as their staff members.

Today's session is the culmination of the economic initiatives which began immediately after President Ford took office. It is the final session which caps the planning that began in August with the mini-summits and the Conference on Inflation September 27-28. Since that time, as you know, the President has met continually with his economic advisers to review the options that he has on the economy.

At the President's direction, the Economic Policy Board is drawing up its final set of options and recommendations today. And tomorrow -- I believe the time is 2 o'clock -- this group will meet with the President for a full-scale review of the economic options. I anticipate this will be a meeting also of some length. (No decisions anticipated or announced)

Once the President has these recommendations and options in hand, he plans to spend the next two to three weeks personally reviewing them. He will spend a good bit of his time in Vail engaged in this type of work. Based on this study, the President will come down with his decisions, which I anticipate he will announce sometime in mid-January.