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POOL REPORT

Ford Cabinet Meeting Feb. 19, 1976

In what seems to have been an "historic first," a pool was admitted to the first part of the President's Cabinet meeting -- a visual-aid dissertation on the economy by CEA Chirman Alan Greenspan.

President Ford remarked, at the outset, that it was the first Cabinet meeting attended by Commerce Secy Elliot Richardson and Labor Secy Bill Usery.

Greenspan described his lecture as an account of "where we are and where we are going."

Its main points, as related by Greenspan:

-- The recovery has continued into early February -- the advance is "fairly solid." No evidence of any imminent demise...

-- Unemployment figures continue to decline, lay-off rate remains stable, production data continues to rise.

-- The decline from 8.3 to 7.8 per cent in unemployment "might be slightly exaggerated." But by any criberia better than anticipated. We still have a substantial way to go to bring rate down as quickly as feasible in ways that will keep it down.

--Substantial progress on INFLATION. CPI for food quite stable into Feb.

-- The evidence is that in early months of 1976, economy will continue to behave quite well on inflation front. The diffusion of inflationary pressures has been "quite consoderable."

Then Greenspan went into some "pluses and minuses." Consumer markets "exceptionally well,"...(autos, hardware white goods)... retail mkts ahead of expectations... housing figures "less than we'd like," although a rather significant increase in housing starts, especially in the West -- which presage some fairly good level of starts in the months ahead.

The Main problem, Greenspan said, was in capital goods... capital investment. All underlying evidence points to favorable forces: profit figures, financial state of business generally, liquidity., etc., much improved. No doubt level of confidence picking up... widespread concern dissipating. "Fog of uncertainty" beginning to be dissipated.

It is "extremely unlikely" that capital goods mkt will not move in ways that are encouraging.

Greenspan then reviewed, with a chart, the relationship between what he called "entitlements" (Soc. Sec., food stamps, etc.) and the Fedl budget in general. Since the 1950's, these programs have grown 9½ per cent a year, while the GNP has grown only in the area of 4 per cent.

He laid heavy and sustained emphasis on the need for private financing to be available for creating permanent jobs with high levels of productivity. It was standard Administration doctrine. This can be accomplished by holding down the Fedl deficit and by the $10 bn tax cut proposed by the President.

In the q-and-a period, Simon quoted Rep. Brock Adams of the House Budget Cmte as saying the budget will be $410 billion. Simon thot $420 billion would be more likely.

Ford interrupted to say that "we are certainly going to keep our program on the agenda both as to the $394.2 billion (budget) and the $10 billion tax reduction." Then he asked Jim Lynn what impact of override on vetoes would be. Lynn said, $2.5 billion, ojn thepublic works bill, but the combined effect would add $7 billion to the budget ~~deficit~~ before Congress has adopted its first concurrent resolution.

Ford asked how that would affect the deficit, and Lynn said a very large proportion, if not all, would go into the deficit.

Lynn added that only 120,000 jobs would be created by the $6.5 billion bill, and these would not become available until late calendar year 1977 or early 1978.

Some more q and a -- and then Butz told a story which leavened the meeting with a large laugh.:

These two heifers were trying to get fat sucking milk from each other, he began.

Rumsfeld, feigning shock, said, "Remember, Earl, the President is present." Ford was abeam with smiles.

"It didn't work," Butz concluded, because too much was spilled on the ground. It seemed an apparent reference to waste, but the point was lost in the mirth.

Richardson commented that we've been able to tolerate unemployment levels as well as we have because "transfer payments" amount to 4½ times the 1958 figures.

With no other questions, the pool got the nod to leave.

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