NOTES SPARTA, MICH AUG. 6, 1973

U.S. HOUSE OF REPRESENTATIVES
OFFICE OF THE MINORITY LEADER
WASHINGTON, D.C. 20515

OFFICIAL BUSINESS

Gerald R. Ford
M.C.

PEACH RIDGE FRUIT
GROWERS ASSOCIATION

Jerry:

Attached is background information for your talk to the Peach Ridge Fruit Growers Association August 6 at Sparta. They want you to talk about Phase IV and pesticides.

--Paul

Return to DL

Paul

MARCELLO CAETANO

. . . visit stirs protest

en bomb, an "utterly igno-nt person" who "groveled efore the capitalist order . . to smear his own coun-y." Sakharov had said in interview with Swedish levision that Soviet social-n was nothing more than npty words and propa-nda.

gypt Spy Trial

BEIRUT — An Egyptian litary court has sentenced army colonel and a wom-student to death on rges of spying for Israel, magazine Al Hawadess d. It was the first time Egyptian officer was ac-ed of spying for Israel, magazine said.

he case cost Egypt $80 lion to change locations military installations, in-mation about which had n passed on to Israel, the ort said.

staff reports and news dispatches

U.S. Pesticide Safety Rules Blocked by Federal Judge

NEW ORLEANS, La., July 12 (AP)—A set of government restrictions on the use of agricultural pesticides, scheduled to go into effect Friday, has been blocked by a federal court here.

The Fifth U.S. Circuit Court of Appeals said in an order issued Tuesday that the Occupational Safety and Health Administration cannot implement its June 21 guidelines for using 12 organic phosphorous pesticides "pending further order of this court."

Included in the guidelines are stipulations that workers cannot enter fields or orchards for periods ranging from 1 to 14 days after spraying them.

The guidelines also include provisions for clothing to be worn by field workers, how the clothing was to be washed and how workers would be warned about the treated areas.

Consumers have long been protected from crops with excessive pesticide residues, but the guidelines are the first attempts to protect farm workers from such residues.

The court's order came on a petition by the Florida Peach Growers Association Inc., but included 24 other petitions from 14 states filed in eight other circuit courts. The court's one-sentence ruling went unnoticed until today.

The occupational safety administration originally issued a set of standards for the use of pesticides May 1. John Stender, assistant secretary of labor, said that 800 persons were killed and 80,000 injured each year by insecticides.

Representatives of farm groups protested the standards, and the administration revised its statement on June 15, saying that "careful review suggested some modifications and clarifications seem to be necessary."

The guidelines set to become effective Friday were issued June 21. About half the proscribed insecticides were deleted and the periods of waiting before entering treated fields were shortened. Those revisions were then criticized by a farm laborers' group, which said they took the strength out of the protective program.

The suit, first filed against the May 1 guidelines, was later directed at the June 21 guidelines.

Meanwhile, the guidelines troversy surrounding the farm troversy surrounding tht farm bill stalled in the House. A provision in the farm bill, which brought on strong labor opposition, makes the guidelines null and void and transfers authority over any such guidelines from the Labor Department to the Agriculture Department.

The guidelines apply to growers of apples, oranges, grapefruit, lemons, grapes, peaches and tobacco. They are designed to protect those engaged in such activities as picking or pruning, but do not involve workers merely passing through a field, mowing, repairing equipment or the like.

Farmers are required to furnish employees with approved respirators while they are working in treated fields They are also required to provide "whole body clothing of either a closely woven washable fabric or disposable material, hat, gloves, impermeable shoes or shoe coverings . . . for protection from pesticides."

Under the guidelines, the farmer would be responsible for seeing that the clothing is properly washed or disposed of as each employee finishes using it for the day.

6 Die in Train Crash

Reuter

STOCKHOLM, July 12—A crowded high-speed commuter train jumped its tracks and smashed into an embankment near here today killing at least six people.

Ceausescu Visits Bonn For Talks

Washington Post Foreign Service

BONN, June 26—Romanian President Nicolae Ceausescu arrived here today for a five-day state visit, the first chief of state from a Warsaw Pact country to visit West Germany.

Ceausescu's schedule today was filled almost exclusively with such ceremonial flourishes as the signing of the Golden Book at Bonn city hall and lunching with federal President Gustav Heinemann.

The Romanian leader will begin the first of his political talks with Chancellor Willy Brandt Wednesday.

The two leaders are expected to give special attention to the European security conference which begins in Helsinki July 3. Romania sees the conference as a potential vehicle for loosening some of the Soviet hegemony over Eastern Europe, and Ceausescu undoubtedly will stress the importance to his regime of the West pursuing this goal in the conference.

Similarly, the Romanian leader is expected to give priority attention to the NATO-Warsaw Pact negotiations on military force reductions, now anticipated for October.

In these talks Romania has been relegated against its will to observer status, and Ceausescu will probably plead that the West should reexamine the situation and seek to open the force reduction talks to broader participation.

U.S. Eases Pesticide Safeguards Under Pressure From Farmers, Hill

Associated Press

Pressured by Congress and farmers, the Labor Department issued revised pesticide regulations yesterday, narrowing the scope of required safeguards for farm workers.

Assistant Secretary of Labor John H. Stender said the original rules were "broader than necessary to protect employees from grave danger."

Stender, who heads the department's Occupational Safety and Health Administration, acknowledged that the changes were "in response to petitions by the Florida Peach Growers Association and other organizations as well as additional information from pesticide experts."

"They've taken the guts out of it," said Miriam Guide, an attorney for the Migrant Legal Action Program who represented several farm workers in petitioning the government for the emergency standards issued May 1.

The initial regulations governed the use of 21 organophosphorous pesticides used in treating seven crops—apples, peaches, tobacco, grapes, lemons, oranges and grapefruit. They restricted the time when employees could re-enter a field after it had been sprayed.

The revised regulations, scheduled to become law July 13, govern only 12 of the 21 chemicals originally included and reduce re-entry times by at least two days.

In announcing the original rules last May, Stender cited 800 deaths and 80,000 illnesses annually from pesticide poisoning.

But the regulations met heavy opposition from farm state congressmen. Several grower associations filed law suits seeking to revoke the rules.

The new regulations are temporary. Oral arguments of proposed permanent regulations will be heard in July and August.

6/27/73 Wash. Post.

Pesticides

From the office of: Earl F. Landgrebe
1203 Longworth Building
House of Representatives
Washington, D. C. 20515

For more information, call: Harold A. Welter 202-225-5777

For release: IMMEDIATELY

OSHA ORDER "TRAGIC" FOR CONSUMER: EARL

(Washington, D. C.) -- Second District Congressman Earl F. Landgrebe has been joined by more than 70 House members in urging President Nixon to intervene toward revocation or suspension of a new "emergency" regulation of the Department of Labor restricting the entry of farm workers to orchards and fields treated with certain pesticides.

The regulation, scheduled to go into effect July 13, is a modification of one which Labor's Occupational Safety and Health Administration (OSHA) previously had issued and then withdrew in the face of Congressional objections and court actions by grower groups.

In their letter to the President, the House members emphasized that their complaint was against the "emergency" characterization of the new order. They insisted that the Department of Labor had produced no credible scientific evidence of a major hazard from re-entry of treated areas, and, in fact, had substantially ignored the recommendations of its own technical advisory groups.

"My objection is not to the promulgation of realistic standards protecting the agricultural worker," Landgrebe noted, "but to the issuance of an emergency order when no emergency exists."

"To impose this type of unnecessary regulation on the farmer at the time of a virtual crisis in food prices is not only ridiculous, but tragic for the consumer, as it must result in even higher prices and an increase in the absence of products on the shelf," Landgrebe concluded.

The legislators asked that the "emergency" proceeding be abandoned, and that reasonable permanent standards be developed after public hearings.

-30-

7473

Phase IV

ECONOMIC STABILIZATION PROGRAM

COST OF LIVING COUNCIL news

Office of Public Affairs
Room 2104
Washington, D.C. 20508
Phone: 202-254-8830

FOR RELEASE AT 12:30 P.M. PDT
San Francisco, California
July 23, 1973

REMARKS BY JAMES W. McLANE
DEPUTY DIRECTOR, COST OF LIVING COUNCIL
DIRECTOR, SPECIAL FREEZE GROUP
BEFORE THE
COMMONWEALTH CLUB OF CALIFORNIA
SAN FRANCISCO, CALIFORNIA
JULY 23, 1973

I am very pleased to have the opportunity to meet with you here today. Not only is it an honor to talk with such a distinguished gathering, but the support and active assistance of people like yourselves are basic to the success of our anti-inflationary efforts.

What I'd like to do today is to put Phase IV into perspective -- to give you an idea of how we at the Cost of Living Council view this last of the Economic Stabilization Program's phases -- and, when I say last, I mean last. Phase V will be phase-out and return to a free competitive market.

We have already gone through many phases, trying your patience with each change. So you ask, why are we having a Phase IV instead of an immediate return to the free market. Public opinion polls show that a majority of Americans, including a majority of businessmen, favor wage and price controls even though they cause distortions in the economy and shortages of various products. This opinion has been reflected in the Congress where the Democratic Caucus in the Senate voted unanimously in early June to impose a 90-day freeze across the board. A majority has not objected to the freeze.

Hence, a return to economic freedom now would most likely turn into a detour back into the swamp of even more lasting and onerous controls. It is this swamp the President is determined to avoid.

OBJECTIVES OF PHASE IV

Quite simply, Phase IV is designed to moderate the rate of inflation which has existed in this country during the first six months of 1973, while minimizing adverse effects on supply. We are trying to limit the speed and the size of the pass-through of cost increases now in the system, and potentially in the system, while not inhibiting capacity expansion and supply increases so necessary to reduce long-run inflationary forces.

THE ECONOMIC SETTING

The principal cause of inflation this year has been the rapid increase in costs in two areas: basic materials, such as oil, copper, zinc and steel scrap; and feed grains for livestock.

Industrial wholesale prices have increased at a 12.5% annual rate during the first half of the year, the highest rate since the Korean War experience. Most of these increases have come at the basic stages of the production process meaning that further price pressures can be expected at consumer levels. During the year ending in June, 1973:

-- wholesale prices of crude materials for further pricing were up 17.7%

-- wholesale prices of intermediate materials and supplies were up 8.3%

-- wholesale prices of consumer finished goods, excluding foods were up 7%, while

-- consumer prices of commodities less food have only risen 3.6%.

On the food side, strong international demand, combined with a worldwide shortage of animal feed grains, has resulted in particularly sharp price increases. The price of feed grains constitutes the basic costs of meat production. High feed prices have reduced incentive to expand production of beef and pork, poultry and eggs. Output of a number of major food commodities was down sharply in the first six months of 1973, and we forecast production for the last half of 1973 in meat, broilers, eggs and milk to be below the comparable period in 1972.

The results of this strong demand and restricted supply have caused dramatic price movements. Prices for farm products in June averaged 35% above a year earlier -- accounting for 67% of the total increase in the WPI for this period.

-- Grains are up 89%;

-- Crop prices are up 47%;

-- Livestock prices are up 32%.

With record increases in employment and consumer incomes, consumer food prices have followed farm product increases -- up 13.7% from a year ago and 11% over the last six months.

THE 60-DAY FREEZE

It was these numbers that created a public and Congressional outcry for tougher controls. The 60-day freeze announced on June 13 ~~has~~ dramatically arrested these price increases and ~~has~~ provided shock therapy to the inflationary psychology which was again sweeping the country. It ~~has~~ also caused some severe problems. Confectioners, processed grain millers, poultry and egg producers, margarine and vegetable oil processors, potato chip manufacturers, just to cite a sample, faced costs greater than their allowable freeze price. In some cases, low market prices prevailing during the base period, and in other cases freeze prices based on last year's crop caused fresh fruit and vegetable farmers to incur losses and to dramatically alter their normal marketing practices.

In pork and poultry, producers have been slaughtering their breeder stocks at alarming rates. About 20% of sows being slaughtered have been pregnant. The normal rate is 5% to 10%. Each piggy sow slaughtered removes some 1,000 lbs. of pork from the market in the future -- that's a lot of ham and bacon. The same situation has been occurring in chickens. Heavy hen slaughter, for example -- a good barometer of future broiler and egg production -- was 52% above last year for the week ending July 7.

In the non-agricultural sector, the freeze has created problems principally for the textile/apparel industry and for the metals industries. In textile/apparel, fall clothing is normally produced and shipped during June, July and August and reflects input costs of January through May. Substantial increases in wool, cotton, and synthetic fiber prices cannot be passed on. Many of these companies would go out of business. The broad exception granted this industry on Friday should help. In the metals, there are incentives for more exports since world prices continue to rise above domestic freeze prices. Abnormal increases in inventory accumulations are being noted, reflecting some reluctance to deliver during the freeze. The Zuni Indians, for example, are unable to obtain silver for their bracelets and necklaces.

Since the freeze started, we also have had 118 verified plant or company slowdowns and closures, just about half of which have been pork packing and processing plants. I don't think I need to recount the sizable losses many firms, particularly the small firms with little flexibility, have had to absorb during the freeze. In short, the freeze has caused some damage to the economy while halting spiraling price increases temporarily.

THE DESIGN OF PHASE IV

So here is where we find ourselves in ~~July~~ August, 1973: strong demand, tight supplies -- especially in food -- high rates of inflation throughout the world and strong public opinion in the United States favoring tight controls, even if it means some shortages. It is in this context ~~in~~ ~~which~~ that we should assess Phase IV.

Phase IV is a nine-point program:

- A balancing of price restraint and the need for supply.
- A spreading of price increases, management of the anticipated post-freeze bubble.
- A sector by sector approach to controls.
- Tough mandatory controls.
- A flexible exceptions policy.
- Continuing consultations.
- Consistent treatment of wages.
- A built-in mechanism to end controls.
- A balanced Federal budget for FY '74.

Balance price restraint and need for supply

Phase IV allows for the immediate thawing of the freeze in the agricultural area where problems caused by the freeze have been the most severe. Raw agricultural cost increases, except for beef increases, now can be passed through to the consumer on a dollar-for-dollar basis. Not allowing price increases in this sector immediately would have created further dislocations and shortages causing even higher prices in the future. We are saying "sound economic policy means moderate price increases now rather than shortages on the shelves later."

The same can be said for the petroleum sector where the proposed program involves both adjustable price ceilings and incentives for production. Adjustable ceilings will be placed on domestic crude oil and on retail gasoline, heating oil and diesel fuel prices. New crude oil production has been exempted from these ceilings.

Spread price increases

Having recognized the costs and potential costs already built into the economy, Phase IV attempts to manage the price bulge without unduly penalizing the producer on the one hand or the consumer on the other. Phase IV phases controls in at different stages:

-- dollar-for-dollar pass-through of raw agricultural cost increases since June 8, except beef, allowed now;

-- health sector of the economy placed under mandatory Phase IV rules now;

-- all other sectors of the economy remain under the freeze until August 12 at which time pass-through of cost increases is permitted; and

-- on September 12, beef ceilings are terminated, and the food sector is allowed to pass through not only agricultural cost increases, but all cost increases.

Prenotification is required after August 12, 30 days in advance of any product or service price increase for firms with sales of $100 million or more. This requirement will further delay the implementation of price increases.

Sector by sector approach

Phase IV is a selective approach to controls. It treats problems in different sectors of the economy separately and is designed to be consistent with the unique characteristics and structural problems of each sector. Sectors given special approaches include: food, health, petroleum, construction, insurance, industrial and retail/wholesale. Secondly, Phase IV exempts from controls sectors which are no longer inflationary, where controls are no longer needed or useful, or where an industry is controlled by other regulatory agencies. The sectors immediately exempted include utilities, which are controlled by state and federal regulatory agencies; the lumber and plywood industry, which is experiencing and is expected to continue to experience declining prices, and long-term coal contracts where exemption should encourage long-run supply-enhancing investment. Structuring the program in a manner which permits partial decontrol enables a greater concentration of energy on problem solving in sectors in which structural or other reforms are essential to improved price performance.

Tough mandatory controls

Phase IV is a tough system of mandatory controls. Prenotification by the larger firms is required and quarterly reporting of all firms over $50 million is required, as is a one-time annual report from all small firms with over 60 employees. Phase IV requires considerable cost absorption. The base period for prices and cost justification has been changed to the fiscal quarter ending prior to January 11, 1973. All costs incurred earlier and not already reflected in price increases may not be used to justify higher prices. The base price from which price justification can be measured is average actual prices for the fiscal quarter which ended before January 11. Only dollar-for-dollar pass-through of costs is allowed. No additional profit margin is allowed on additional costs. The profit margin restraint, as established in Phase III, remains in effect. The staff of the Economic Stabilization Program is being increased substantially to insure compliance with these rules.

Flexible exceptions policy

A restrictive price control system must have a realistic exceptions policy. It is envisioned that Phase IV will have a flexible exceptions policy to accommodate the special problems of various sectors of the economy under the strains of full capacity. Production can and should continue to expand under these rules. A senior committee of top level government officials will be established within the Cost of Living Council to continually assess the exceptions and exemptions policy.

Continuing consultations

Phase IV continues the consultation process. The Cost of Living Council held many consultations with consumers, businessmen, labor, farmers, Congressional leaders and government officials throughout the country in developing Phase IV. Suggestions ranged from complete elimination of controls to the establishment of a permanent system of ceiling prices, rationing, and a 250,000 man enforcement agency. Phase IV reflects many of the views, particularly a general favoring of a return to a Phase II type of controls, where the terms and procedures are familiar.

We recognize that we do not know all the answers and, therefore, ~~have~~ issued the Phase IV regulations for comment. We want your views on how we can improve these regulations. If you can help us make them more sensible, we welcome your comments so that we might achieve our mutual goal of reducing the rate of inflation as soon as possible and as practically as possible. All comments should be forwarded to the Executive Secretary of the Cost of Living Council by July 31. — time for comment has expired.

Consistent treatment of wages

Phase IV has a wage policy consistent with its price controls. The general wage and benefit standards of Phase II and Phase III will be retained. More detailed information for reporting wage and benefit increases will be required. Notification of wage and benefit increases by the largest bargaining units will be required. Prenotification will be required in individual cases. Detailed review of wages in the construction, food and health industries continue. A new unit has been established to review wage, salary and benefit increases in the state and local government sector.

Mechanism for ending controls

Phase IV envisions the creation of a mechanism within the Cost of Living Council for removing controls from firms or from industries when current and projected price performance will justify it. Price and wage controls are not to become a permanent feature of the American economy. We are saying "have patience." While controls are necessary now, we will terminate them as soon as we can do so without incurring unacceptable inflation rates. We must preserve incentives for investment and production. We will have to work together to create conditions in which controls can be terminated without disrupting the economy.

A balanced Federal budget for FY 1974

Phase IV of the Economic Stabilization Program continues its reliance on that old-time religion -- the fundamentals -- a restrictive balanced Federal budget. The President established the goal of a $250 billion budget in FY '73 and then disciplined the Federal Government to meet this goal. As some of you have noted by now, the budget for FY '73 will actually come in at less than $249 billion. A target was set and was achieved.

For FY '74 the President has established a $268 billion target for the Federal budget. Two hundred and sixty-eight billion dollars is certainly a lot of money, but it is a balanced budget. The President intends to achieve this target, vetoing budget-busting bills as necessary -- several billion dollars will have to be cut from expenditures already probable due to higher interest rates, new legislation, and Congressional bills already far advanced but not yet completed.

Some are criticizing the Administration for not increasing taxes in conjunction with Phase IV. The idea of tax increases was rejected. By spending less and not taxing more, the budget can be balanced. Tax increases take a long time to become effective. Also, tax increases tend to precipitate Parkinson's fiscal law: spending increases to meet the amount of money the Government takes from you in taxes -- meaning bigger and bigger Government. It is clear that the President is opposed to bigger Government. In fact, another commitment made as part of the Phase IV announcement is to reduce the number of Federal civilian personnel at the end of FY '74 to a level below the number now budgeted.

CONCLUSION

The American economy is complex. So are the Phase IV rules. But we want them to be the best rules possible to restrain inflation without impeding production. This is where we need your help. We have issued the proposed regulations for comment. We want your recommendations on the specifics. Wherever possible, within the basic policy decisions that have been made, the regulations will be improved to make Phase IV as practicable as it can be made. We want business to continue to prosper, industrial peace to be maintained, and production to continue to expand under these rules.

We also need your help in explaining the "economic facts of life" to all Americans. You can no longer sit on the sidelines and just expect the American consumer to understand higher prices. There is no need for me to expiate on the benefits of a free market economy to this group. But, it is this group that needs to think in terms of the public at large, or we may never get our message out.

From scientifically sampled polls to the chance comment overheard on the street, the indications are that a great many Americans hold some fundamental misconceptions about economic life. Any increase in prices, however moderate, is, for example, coming to be viewed as downright bad. Profit is viewed a four-letter word. Freezes solve all our problems. Many people simply do not understand the relationship between economic growth and prices . . . I'm sure that if we put our heads together we could come up with a fantastic string of basic misinformation.

This lack of public understanding probably springs from the fact that we've generally had a problem-free economy which has treated us well. Most people just have not needed, or wanted, a wider comprehension of economic events. Business has an opportunity for significant contributions.

Increasing public understanding of economic growth is a difficult task. Businessmen, labor leaders and government officials who undertake it will face some charges of being self-serving. But it will be a worthwhile endeavor. The Government cannot do it alone.

Increased supply is what will bring prices down. Fortunately, bumper food crops are on the horizon for this fall -- the corn harvest is expected to be up 6% from a year ago; wheat up 13%; soybeans up 24% -- enough to meet the needs of the United States and foreign countries as well. All acres are to be brought back into production next year. There will be no set-aside acres.

We are committed to making Phase IV work -- to moderate the rate of inflation. We are also committed to increasing production and available supplies so we can have moderate price growth without controls.

We have difficult problems to grapple with in the coming months, With your support we are confident we can overcome the problems, achieve our goals and reach Phase V.

oOo

CLC-336