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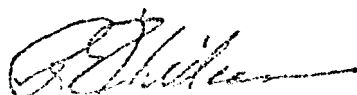
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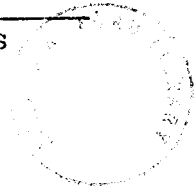
Q's & A's

QUESTION: Without increasing prices through taxes or decontrol do you expect to curb demand simply through the voluntary and mandatory measures announced today?

ANSWER: Yes. The amount saved will depend on the appreciation by the American people of the seriousness of the situation, which this Nation faces, and their willingness to help the country to solve the problem. If it doesn't, however, I am prepared to implement more stringent measures. We will keep monitoring the situation and make adjustments as the situation develops.



Robert E. Williams  
X5994  
533-7866  
10-7-74



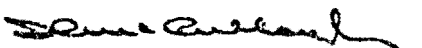
QUESTION - What is the reasonable goal for further reduction in government energy requirements? Of this how much can defense take?

ANSWER - I believe an additional five or six percent reduction for the government agencies is reasonable. Keep in mind the seven percent goal which was exceeded last year makes it more difficult to achieve this year's goal. Defense is the largest user of energy in the government, and I would expect them to reduce at least the percent planned in this year's goal.

*W. E. Steger*  
\_\_\_\_\_  
W. E. Steger  
X5891  
548-3144  
10-7-74

QUESTION - The energy goal outlined in the President's message is geared to simply reducing our dependence upon insecure foreign supplies of energy by only one million barrels per day by the end of 1975. Is that all there is to our energy policy?

ANSWER - Certainly not. Our ultimate goal should be one of moving the United States from its present non-renewable hydrocarbon energy base to a renewable energy base. Achievement of these goals will include the development of solar, geothermal, nuclear, and eventually, fusion power. However, the switch over to these sources will extend over a period of many years. What is needed now is a clear national commitment to increase our domestic oil and gas production, and concurrent moves to develop on a large scale our abundant domestic coal reserves. Our coal initiatives will be in the areas of requiring increased use of coal (and nuclear) for new electric power generation, conversion of existing power plants, and development of full scale coal gasification and liquefaction plants. We will be actively promoting coal production on federal and private lands, consistent with appropriate protection of environmental values.

  
Douglas L. McCullough  
X5071  
356-3299  
10 5 77

QUESTION: What do you think the reaction from the oil producing country cartel will be for this program?

ANSWER: I think the OPEC cartel will agree with the objectives of the program and, in fact, applaud them. OPEC, on numerous occasions, has itself stressed the need for conservation. As recently as last week, high government officials from cartel countries specifically indicated that US conservation measures would not be considered grounds for adverse OPEC reaction.



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Peter C. Tosini  
X5808  
469-8574  
10-7-74

QUESTION - Will the one million barrels of oil per day reduction come from imports alone? If so, what is the reduction in dollar outflow?

ANSWER - We expect that in cutting back consumption by one million b/d we could reduce imports of high priced foreign oil by the bulk of this amount. Such a cutback of imports would reduce the outflow for our oil import bill by about \$4 billion.

*William Bredo*

William Bredo

X5891

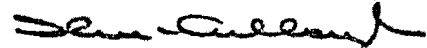
979-5666

10-7-74

QUESTION - Is a million barrels per day large enough?  
Why not a million and a half?

ANSWER - We need all the fuel savings we can get, but the complex interrelationships between our energy requirements and our economic situation, as well as our environmental concerns, impose practical limitations upon what we can do.

The target we have set represents a balance between all of these considerations, and is a starting point from which we can continue to move to reduce our dependency of foreign energy sources.



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Douglas McCullough  
X5071  
356-3299  
10-7-74



QUESTION - When will leasing take place on the Atlantic Outer Continental Shelf? The Gulf of Alaska?

ANSWER - Current plans call for leasing on the Atlantic Outer Continental Shelf and the Gulf of Alaska during 1975, pending the results of environmental impact statements to be prepared by the Interior Department.

The simple fact is, as a nation we have no choice: we must develop and use our oil reserves in the Outer Continental Shelf as quickly as possible, consistent with the reasonable assurances of minimal environmental risk.

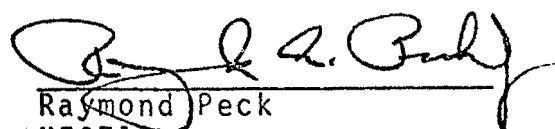
TB

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Thomas Brock  
X5994  
362-6638  
10-7-74

QUESTION - Does the government believe that it can safely  
develop oil off the California coast?

ANSWER- We do so believe, and we will not do so if that  
is not the case.



Raymond Peck

X5071

387-2283

10-7-74

QUESTION - Does the action that you are taking with respect to the Naval Petroleum Reserves mean that we are going to see the depletion of those reserves?

ANSWER - Certainly not. The Naval Petroleum Reserves contain the only petroleum specifically dedicated to the defense of our country. Our national defense is of paramount importance and these petroleum reserves which support it must not be frittered away in the name of expediency. We must, however, develop the production capability of these reserves so that they will be ready when we need them. In addition, in view of the recent national deficits in the balance of payments and the increasing costs of petroleum to the Department of Defense, the use of these resources may be appropriate to offset national economic distress as well as military needs.



Douglas L. McCullough  
X5071  
356-3299  
10-6-74

QUESTION - How much petroleum could we get from the Naval Petroleum Reserves?

ANSWER - In terms of immediate production, we can obtain 160,000 bbl/day within 60 days from Elk Hills. With additional drilling and appropriate pipeline connections, production could be increased to 250,000 bbls. Naval Petroleum Reserve #4 in Alaska is estimated to have at least 10 billion barrels of reserves. With full development extending over several years, we anticipate production could reach 2 million bbls/day.

*W. E. Steger*  
\_\_\_\_\_  
W. E. Steger  
X5891  
548-3144  
10-7-74

QUESTION - When will we receive the beneficial effects of newly produced oil and gas from Alaska?

ANSWER - We estimate that in a priority development of the Alaskan North Slope (Prudhoe Bay) field, about one million b/d could become available within three years, and two million b/d within another year via the Alyeska Pipeline, and up to 2.5 million b/d upon completion of an additional looping of the Alyeska Pipeline.

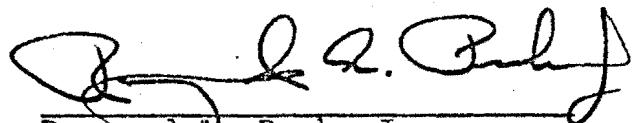
Exploration and development of natural gas in Alaska is moving very rapidly. By next year, we should have available the basic information for determining whether Alaskan gas should be brought to the U.S. via a pipeline across Alaska or a pipeline across Alaska and through Canada.

*William Bredo*  
William Bredo  
X5891  
979-5666  
10-7-74

QUESTION - What assurances do we have that increased well-head prices for natural gas will result in increased production?

ANSWER - The greatest incentive to increase exploration and development is the assurance to the private companies involved that they will be able to recoup their exploration and development cost out of the price of new gas.

Deregulation would allow the market to set the price to which new gas will be sold. Gas destined for the intrastate market is presently being sold at higher prices than the interstate market, and deregulation will predictably cause new wellhead interstate gas to rise in price accordingly. While there is no question that this would represent some increased cost to the consumer, it would, in fact, be minimal, and in our view, more than offset by the increased supplies that deregulation would bring on line.



Raymond A. Peck, Jr.

X 5071

387-2283

October 7, 1974

QUESTION -

How is the demand for additional coal production going to be met under the power plant oil to coal conversion plan and the building of many more coal fired power plants?

ANSWER -

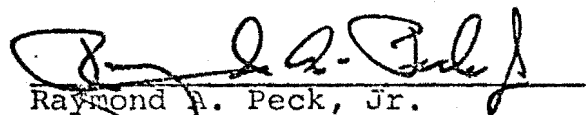
Coal is our most abundant natural resource and represents the quickest and most direct way to reduce dependence on foreign petroleum imports.

Under the programs I am announcing today, we are, therefore, increasing our degree of reliance on coal.

We have supported, and will continue to support, legislation that would allow increased production of coal at a reasonable price to the nation's consumers, but at the same time, impose strict environmental controls to prevent the type of abuses which have occurred in specific cases in the past. I am hopeful that the surface mining legislation presently before the Congress will achieve this result and that I will be able to sign it into law if and when it reaches my desk.

The measures we have taken will insure an adequate market for increased coal production and should encourage the additional capital investment necessary to expand production to required levels. This should be enough.

In the event that additional incentives are determined to be needed, we will review available measures at that time.



Raymond A. Peck, Jr.

X 5071

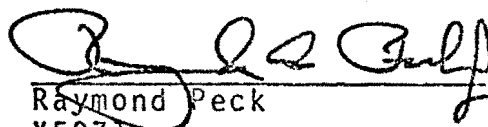
387-2283

October 7, 1974

QUESTION - If you intend to submit legislation to require the use of coal and nuclear for new electric power generation and the conversion of existing plants, do you intend to make adjustments in the Clean Air Act and proposed surface mining legislation?

ANSWER- Certain requirements of the Clean Air Act and State and federal regulations adopted under its provisions would prevent the burning of coal or other relatively high sulfur content fuels. We may need to burn such fuels to meet our energy requirements, but we will under no circumstances compromise the public health to do so.

With respect to surface mining, it is a fact that large quantities of the nation's low sulfur coal lie in beds that are not mineable except by surface mining methods. I am hopeful that the bill now pending before the House-Senate Conference Committee will reconcile our need for energy with appropriately strict reclamation and environmental protection standards, and allow speedy, increased production of this vital resource at a realistic price to the nation's consumers.

  
Raymond Peck  
X5071  
387-2283  
10-7-74



QUESTION - How would you modify or relax the standards set by the Clean Air Act?

ANSWER - There are several problems created by the Clean Air Act.

First, the deadlines set for meeting the National Ambient Air Quality Standards have proven to be unrealistic in some ways. We must have the authority to allow and encourage appropriate extensions where public health factors are not involved.

Second, installing permanent control systems on all sources of sulfur dioxide will take a substantial amount of time and capital investment. It seems to make far more sense to allow the use of the intermittent control systems on sources where major controls are necessary only in adverse meteorological conditions. Authority to do this will also enable such sources to burn higher sulfur content coal under favorable conditions and maximize our use of available resources.

Third, some states may have adopted requirements more stringent than are needed to meet national standards. Under existing legislation, EPA is now reviewing state plans to determine whether and where this might be the case.

If it is the case, we should have the authority in the national interest to adjust or require the

adjustment of such restrictions to eliminate  
"overkill" where public health is not involved.

Finally, we are undertaking a review of  
existing Federal requirements to determine  
whether they might present a hindrance to our  
efforts to increase reliance on coal and decrease  
reliance on imported oil.



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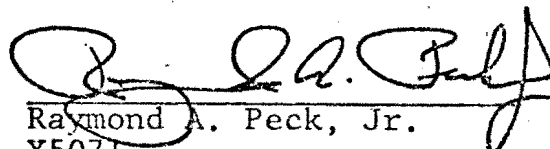
Raymond Peck  
X5071  
387-2283  
10-7-74

QUESTION - Would you compromise environmental restrictions currently placed on surface mining operations?

ANSWER: Existing restrictions are generally a matter of state law. While early surface mining efforts were clearly subject to abuse, recent state laws are much more responsive to environmental needs. They will of course not be interfered with as a matter of federal law.

The pending legislation which has now passed both houses of Congress goes far towards imposing environmental controls, but contains several provisions which could seriously affect our ability to expand production, or have serious inflationary impacts on the economy.

Secretary Morton and his staff are in constant touch with the House-Senate Conference Committee, and I am hopeful that these problems can be resolved in acceptable legislation that reconciles our need for federal environmental protection and reclamation standards with our urgent need for increased production of this vitally needed resource at a realistic price to the nation's consumers.

  
Raymond A. Peck, Jr.  
X5071  
387-2283  
10-7-74

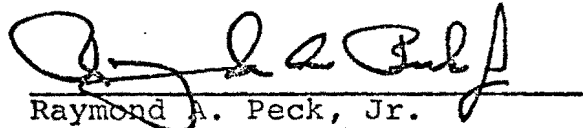
QUESTION - Don't the steps you are announcing today represent a substantial trade-off in favor of energy and economic considerations and against environmental goals?

ANSWER - The touch-stone of our Federal commitment to environmental protection is the National Environmental Policy Act. It is the policy of the Federal government under that Act "to use all practicable means and measures, in a manner calculated to promote the general welfare, to create and maintain conditions under which man and nature can exist in productive harmony, and to fulfill the social, economic, and other requirements of present and future generations of America." This includes attaining "the widest range of beneficial uses of the environment without undesirable and unintended consequences," and achieving "a balance between population and resource use which will permit high standards of living and a wide sharing of life's amenities."

Over the past years, we have made significant environmental progress in implementing this policy. The long-range environmental

goals set forth in the Clean Air Act,  
the Federal Water Pollution Control Act,  
and the other major Federal environmental  
legislation are certainly not going to be  
set aside by this Administration. Some  
of our intermediate stages may, however,  
take longer to achieve than we had originally  
hoped for.

We will continue to develop, impose, and  
enforce the strictest environmental controls  
possible upon the development, production,  
and transportation of energy resources,  
consistent with our obligations to fulfill  
the social, economic, and other requirements  
of present and future generations.



Raymond A. Peck, Jr.

X 5071

387-2283

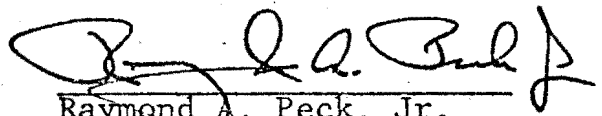
October 7, 1974

QUESTION: Do we propose that final siting authority for all energy facilities be vested in the federal government? Has the Administration any plans for reducing the time required for putting new nuclear power plants on stream?

ANSWER: Siting authority for energy facilities are matters of land use considerations which this Administration continues to believe are matters for determination by state and local governments. We would continue to support siting authority at that level.

At the same time, we also support legislative measures to expedite the permit application, review and decision mechanisms to eliminate unnecessary red tape, duplication or delay.

To the extent that it is possible to resolve all relevant questions in single proceedings at the state and federal levels, we would support measures to achieve this end.



Raymond A. Peck, Jr.

X5071

387-2283

10-7-74

QUESTION: Do you expect gasoline savings this year?

ANSWER: We presently consume more than six million barrels of gasoline each day. Our present consumption rates for gasoline are down 3.3%, or about 200,000 barrels per day, from last year's levels. We expect to be able to further reduce consumption by several hundred thousand barrels per day. It is difficult to predict the exact amount of gasoline that we will save through voluntary conservation.

*Steve Berg-Hansen*  
\_\_\_\_\_  
Steve Berg-Hansen  
X2073  
393-5375  
10-7-74

QUESTION - What is a reasonable figure in terms of miles per gallon that we should achieve within a five-year period?

ANSWER - It is impossible to state desirable miles per gallon figures, since different models, makes, weight classifications and accessories all contribute to the actual mileage a vehicle will get under driving conditions.

On the other hand, we are currently exploring the possibility of setting goals for overall reductions in gasoline consumption on a manufacturer's fleet basis.

The Department of Transportation and EPA in conjunction with the Council on Environmental Quality and the Secretary of the Treasury, are engaged in a study on this subject pursuant to the Energy Supply and Environmental Coordination Act of 1974.



Raymond A. Peck, Jr.

X5071

387-2283

10-7-74

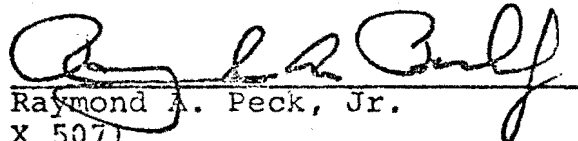


QUESTION - What mandatory actions are you considering if the automobile industry does not develop a satisfactory program?

ANSWER - As you can appreciate, this is an extremely complex question. Even if the industry takes appropriate measures to develop and manufacture more efficient automobiles, ultimate reductions in fuel consumption will depend also upon actions of the public: First, in choosing to purchase higher efficiency autos and, second, in achieving actual reductions in the vehicle miles traveled.

The government could, for instance, use its taxing authority either to penalize the sale or use of inefficient automobiles or encourage the sale and use of more efficient cars. We are presently exploring the various other ways to do this as well, including the possibility of imposing mandatory fuel economy standards on a manufacturer's overall fleet production.

After our meetings with automobile industry executives, we will be in a better position to assess whether and how we might take specific Federal regulatory actions to reduce fuel consumption by private vehicles.



Raymond A. Peck, Jr.

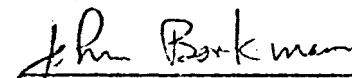
X 5071

387-2283

October 7, 1974

QUESTION - Does the part of your energy message concerning the automobile industry and industry in general to develop energy saving programs mean that we are going to see a large regulatory bureaucracy created to enforce or monitor these programs?

ANSWER - Certainly not. As you know, inflation is a major concern of this Administration. I have no intention of adding inflationary pressure by increasing the government bureaucracy and consequently the tax bill. Nor is a large bureaucracy envisioned for controlling the automobile industry. What is called for are programs to encourage investment to expand the production of smaller vehicles and other measures which can give greater gas mileage. The public, too, must cooperate by changing driving habits, car pooling, foregoing rapid accelerations, driving slower, and maintaining their vehicles.

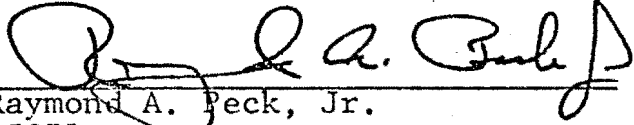
  
\_\_\_\_\_  
John Borkman  
X 5073  
657-8154  
October 7, 1974

QUESTION: Do you have any specific proposals in mind for increasing car pooling?

ANSWER: Experience under the Clean Air Act has shown that transportation control measures, including car pooling, are among the thorniest problems faced by state and local governments in attempting to reach the national air quality standards. Reconciling the competing social, economic and budgetary considerations appear to us to be a matter for state and local governments.

The federal government, of course, will assist in every way possible to offer technical assistance, and the on going programs in The Department of Transportation and the EPA are geared towards this end.

In the long run, it's up to all of us to contribute to reduce the vehicle miles traveled in all localities, and thus both reduce fuel consumption and alleviate serious air pollution which jeopardizes public health in so many cities.

  
Raymond A. Peck, Jr.

X5071

387-2283

10-7-74

## OIL COMPANY PROFITS

### Question:

Oil companies are continuing to report high profits. Do you think that this ripoff of the American consumer should continue or are you going to do something about it?

### Answer:

It was quite clear last December that the actions by the oil producing nations to restrict supplies and increase royalties would lead to substantially increased market prices and crude oil profits.

President Nixon announced a proposal last December for a special tax on windfall profits that would have addressed this problem in a way that was in the long term interest of both the industry and the American consumer, but that legislation still awaits Congressional action.

We must move to recapture windfall profits, but do it in a way that does not interfere with the enormous investments that must be attracted in order to increase domestic energy production.

I am not satisfied with the lack of action to deal with windfall profits but I am pleased to note that oil industry investments for exploration and production are increasing sharply and that those investments substantially exceed profit levels during the second quarter of 1974.

### Background:

President Nixon announced a windfall profits tax proposal on December 19, 1973. This proposal was described in detail in Secretary Shultz' testimony before the House Ways and Means Committee on February 4, 1974.

Bill reported by House Ways and Means Committee (and then retracted for combining with tax reform bill) would institute a windfall profits tax but most of the tax would in fact be forgiven. Committee bill relies instead on phasing out of domestic depletion allowance for higher taxes on petroleum industry -- a move not supported by the Administration.

9/11/74  
G. R. S.

QUESTION - Would you say passage by Congress of the windfall profits tax on oil companies is more urgent than before in light of oil exporting countries' moves of late to tax away the "excess profits" for themselves?

ANSWER - As best we can determine, the move to increase taxes in foreign crude is a device which results in two different benefits to producing countries. First, it brings in more revenue to the producing country; and second, it reduces the competitive advantage of company-owned "participation" crude. For the most part, cutbacks in production have been absorbed in the "participating" crude supplies, because of the higher incremental price.

Our proposal for a windfall profits tax is a method of insuring that extraordinary profits resulting from a companion action, the elimination of the two-tiered crude oil pricing system, would be channeled back into domestic exploration and development.

The two actions are not directly related.

*W. E. Steger*

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W. E. Steger

X 5891

548-3144

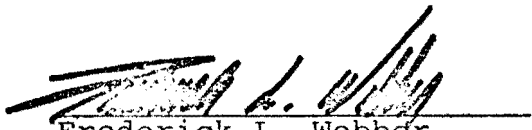
October 8, 1974

QUESTION - What is the status of the Oil Tax legislation:  
Will it pass this year?

ANSWER - The Oil and Gas Energy Tax Act which was  
scheduled to be taken to the House Floor  
last spring has been folded into the General  
Tax Reform legislation which the Ways & Means  
Committee will be taking up again when the  
Congress returns on November 12.

In his recent economic message to the Congress  
the President generally endorsed this legislation,  
although we have reservations about certain pro-  
visions such as the phase out of the depletion  
allowance for domestic oil production.

We are still hopeful that the Congress will be  
able to take some action on the President's tax  
proposals after the election recess.



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Frederick L. Webber  
Ext 2037  
768-1083  
October 11, 1974

QUESTION - Pennsylvania Governor Milton Shapp (Democrat) last week proposed that "fuel stamps" similar to food stamps be issued to help the poor burdened by high home heating costs. Shapp said his suggestion would cost about \$1 billion a year nationwide, and that "I don't think taking care of our needs is inflationary." What do you think of Governor Shapp's idea and would it be inflationary? Senator Hugh Scott (R-Pa.) agreed the idea is worthy of consideration. (Shapp suggested the program be financed from an excess profits tax on oil companies.)

ANSWER - As a matter of administrative policy, I would object to the type of program proposed by Governor Shapp because it would lead us into another complex ticket program. I feel that it would be impossible to manage because of the widely differing needs for fuel and types of fuels used. To me it makes more sense to simply increase the monetary allowances of welfare families who are burdened by high home heating costs rather than trying to develop a formula which would recognize specific requirements for each area of the country and type of housing.

*ABH*

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Steve Berg-Hansen  
X2073  
393-5375  
10-8-74

QUESTION - Does the Defense Production Act permit the allocation of scarce raw materials for civilian purposes?

ANSWER - Control of the general distribution of material in the civilian economy is prohibited under the Defense Production Act unless I or my delegates decide that:

1. Such material is a scarce and a critical material essential to the national defense, and,
2. That requirements of the national defense for such material cannot otherwise be met without creating a significant dislocation of the normal distribution of such material in the civilian market to such a degree as to create appreciable hardship.

While this authority has been used only rarely, we have, for instance, already determined that its use would be appropriate with respect to the Valdez terminal facilities of the Alaska pipeline. We are fully prepared to use it to the fullest extent necessary in the present energy circumstances.



Raymond A. Peck, Jr.  
X 5071  
387-2283  
October 7, 1974




QUESTION: There have been a number of reports that the Administration is going to decontrol the price of "old oil." Is this correct? Isn't this a contradictory action on your part in view of current efforts to fight inflation.

ANSWER: There has been a lot of confusion on this point. The President has indicated that he favors decontrolling old oil prices in combination with a phased reduction in the percentage depletion allowance for petroleum. The House is now considering a tax bill which has a number of provisions affecting the energy industry; including a phased reduction in the oil depletion allowance. The President has indicated that he would accept the elimination of the depletion allowance if, at the same time, old prices were decontrolled.

In the interim prices will be decontrolled on oil recovered by secondary and *tertiary* techniques. This will mean that the proportion of decontrolled oil will rise from approximately 40% to 60%.


At first glance either program appears to be inflationary. In the short term there may be a slight rise in the CPI. However, in the long term both actions will be deflationary since they encourage new supply and will help maintain the current production level of old oil. An increase in domestic production can be expected to reduce our dependence on foreign imports, thus helping to stabilize or decrease the international price of oil.

  
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Samuel Van Vactor  
X5756  
956-4759  
10-15-74

QUESTION: What steps are being taken to avert a coal strike?

ANSWER: The Federal Mediator, Mr. William J. Usery, is constantly in contact with both the United Mine Workers and the coal industry. We have emphasized to both groups the gravity of our economic situation and the serious impacts that would result from a coal strike.

I have every reason to believe that both sides are seriously negotiating with a view to a settlement prior to November 15. There is just too much at stake to do otherwise.

  
Richard A. Waller  
X5071  
(301) 292-2387  
10-15-74

QUESTION - Will you veto the Oil Transportation Security Act of 1974?

ANSWER: I have reached no final decision on what action to take with respect to the so-called "Cargo Preference" legislation. On the one hand, it would assure American shipping capacity and increase employment in the maritime and onshore service fields. On the other hand, it would substantially increase the costs of imported oil, and would create additional capacity in the face of a predicted world surplus. Finally, it could divert needed shipyard capacity away from domestic production efforts such as oil rigs and some tubular goods.

I can only say at this time that all these considerations will be fully taken into account if and when the bill reaches my desk.



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Raymond Peck  
X5071  
387-2283  
10-7-74

QUESTION: What steps are you taking to avert a coal strike?

ANSWER: The Federal Mediator, Mr. William J. Usery, is constantly in contact with both the United Mine Workers and the coal industry. We have emphasized to both groups the gravity of our economic situation and the serious impacts that would result from a coal strike.

I have every reason to believe that both sides are seriously negotiating with a view to a settlement prior to November 15. There is just too much at stake to do otherwise.

I am, of course, prepared to use the full power of my office in any way possible to assist in preventing or terminating work stoppages in this critical area of national need.




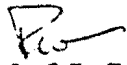
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Douglas L. McCullough  
X5071  
356-3299  
10-7-74

QUESTION: The head of T-V-A hints we may need a federal takeover of the energy industry to control the cost of basic fuels. What is your reaction?

ANSWER: I totally reject any such notion. The Federal Government is already overinvolved in the energy business to the point where it hinders rather than helps the problem. The Government regulates the price of natural gas and controls the price of oil, regulates electric utility rates, prohibits the use of many energy fuels, and continues to create impediments to energy production.

Our past policies are hurting now. As an example the T.V.A. is now caught in a severe coal shortage that it helped create with its earlier coal purchasing policies. Over the years, as our domestic coal industry declined, the T.V.A. along with many commercial users of coal engaged in spot market bidding practices which left the coal companies actively vying with one another in underselling to the extent that bid prices were often below average operating costs. Obviously T.V.A. had an obligation to purchase coal at the cheapest price and it did provide electricity at very low rates but these are the two fundamental steps that have led us to our present situation. T.V.A. is already in the coal business and the effort has been no more successful than we could expect a Government managed oil and gas enterprise to be.

  
Richard A. Waller  
X 2309  
292-2387  
~~9-26-74~~   
Reviewed 10-15-74

PRODUCTIVITY

INCREASING THE PRODUCTIVE CAPACITY  
OF THE ECONOMY

In the long run, the answer to inflation is an economy with sufficient productive capacity to meet the demands of its people. This growth can be accomplished in three inter-related ways: First, through a better-trained, better-motivated and healthier work force. Second, through a larger and more productive stock of plant and equipment. Third, through an increase in the operational efficiency of workers and their equipment -- in short, by working smarter.

Increasing Investment. To accelerate the growth of capital investment, the President is calling for an increase in and a restructuring of the investment tax credit. The credit will be increased from 7 to 10 percent; for utilities the increase is from 4 to 10 percent. The restructuring of the credit will eliminate existing restrictions that now limit the incentive value of the credit and that discriminate unfairly between types of taxpayers and investments that qualify for the credit. (See Tax Proposals.)

Strengthening the Capital Markets. The financial markets are the centerpiece of our economic system. Healthy and freely functioning markets to bring together savers and investors are crucial to the expansion of the nation's plant and equipment, which in turn is essential to the creation of new jobs and also to the growth of productivity that permits a rise in our standard of living. Every American has a vital stake in the vitality of our financial markets.

The most important thing that we can do to restore the glow of health to our capital markets is to get control of inflation. A rapidly rising price level is the bitter enemy of savings and investment.

As part of this anti-inflation effort, we will take a step that will also have, of itself, a direct beneficial impact on our financial markets. That step is to move toward a balanced budget, and to end the drain that past deficits have made on our capital markets. This would mean that more of the savings generated by our private economy could be used for new productive investment.

And in this context, we must also take account of the demands of the off-budget agencies of the Federal Government, and Federal credit guarantees (for housing, student loans, etc.)

as well.

We must create a better environment in the financial markets for equity capital. In recent years, corporations have been unable to raise adequate new equity capital. They have been adding heavily to their debt, however, and as a result the capital structure of business has been getting out of balance, with too much debt and too little equity. This is especially true for our electric utilities.

As a contribution toward the solution to this problem and also to improve the health of our financial markets and to encourage investment, the President has proposed tax legislation to provide that dividends paid on qualified preferred stock be allowed as a deduction to the paying corporation.

The Administration also supports strongly the Financial Institutions Act of 1973 (see Thrift Institutions), and the securities reform legislation pending in Congress that would authorize the Securities and Exchange Commission to establish a national market system for securities transactions. We are also working with the Congress to revise the treatment of capital gains and losses in such a way as to increase efficiency in the flow of capital.

In addition, we support pending legislation to eliminate the withholding tax on interest and dividend income accruing to foreign holders of U.S. securities. Elimination of this would stimulate a larger flow of funds to capital markets in the United States.



CREDIT  
ALLOCATION

## CREDIT ALLOCATION

An issue that has been widely debated in recent years is whether or not the Federal Government should intervene directly into the financial markets to require banks and other credit institutions to make more loans for socially desirable purposes and less for "unproductive" purposes. In our view, allocation of credit by the Federal Government would be highly undesirable. There is no basis for believing that the Government could in fact allocate credit in a way that was acceptable to the American people.

However, the Federal Advisory Council, a statutory body that advises the Federal Reserve Board, has suggested constructive guidelines for credit extension by the banks on a voluntary basis. The Federal Reserve Board has endorsed these guidelines, and expects compliance by the banks.

ANTI TRUST

## ANTITRUST

The elimination of outmoded government regulation must of course be accompanied by dedicated and vigorous enforcement of the antitrust laws. Violation of these laws is a serious crime. Only through maintenance of vigorous competition can we realize the benefits of less regulation. Our efforts must be strengthened. We will focus particularly on more effective enforcement of the laws against price fixing and bid rigging. These types of activities which increase prices substantially cannot be permitted.

Illegal fee schedules in the professions and in real estate closings must also be eliminated. Such conduct will be prosecuted to the full extent of the law.

To support this intensified enforcement effort, the President has asked for legislative enactments in two areas. First, we must increase the penalties associated with anti-trust violations -- for corporations the maximum fine should be increased from \$50,000 to \$1 million while for individuals it should be increased from \$50,000 to \$100,000. Second, we must strengthen the investigation powers of the Antitrust Division of the Department of Justice. This can be accomplished by speedy passage of the Administration's legislation now pending before the Congress that would amend the Antitrust Civil Process Act, and to provide laws which would give enforcement agencies greater capability to detect bid rigging.

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## GOVERNMENT REGULATION

The Federal Government imposes many hidden and inflationary costs on our economy. Laws and regulations have been put into effect with little concern for the underlying costs. These billions of dollars of increased costs are passed on to American consumers in the form of higher prices. A broad program will be undertaken to attack this problem and to identify opportunities for change. These proposals could save billions of dollars, which could then be devoted to more productive investments. They would also reduce the visibility and impact of government on the American people.

The Council on Wage and Price Stability will act as a continuing watchdog on the inflationary actions of the Executive Departments and agencies to uncover laws and regulations that raise costs and stifle economic flexibility and initiative. We need to eliminate or alter many restrictive practices of the Federal Government in areas such as transportation, labor and agriculture -- practices that unnecessarily increase the overall costs of goods and services. Both the Conference on Inflation and the Joint Economic Committee recommendations support this approach. The Council will devote a very substantial part of its effort to this function.

National Commission on Regulatory Reform. The independent regulatory commissions, through their broad policy determinations and individual case decisions, create a body of regulatory policy separate and apart from that of the rest of the Executive Branch. The President will submit legislation to create a National Commission on Regulatory Reform to examine the policies, practices and procedures of these Agencies and develop appropriate legislative and administrative recommendations. Its membership should include Executive Branch, Congressional, and private sector representation.

Inflation and Job Impact Statement. The President will require all executive agencies to develop Inflation Impact Statements to assess the inflationary consequences of major legislation or regulations prior to the agency taking action. Such an impact statement would sensitize government decision-makers to the broader consequences of government activities, and to the tradeoff of costs versus benefits in government programs.

The President recommends that the Congress set a similar requirement for itself. The proposed Commission on Regulatory Reform should examine the feasibility of legislation requiring independent regulatory agencies to do a similar preanalysis of their actions.

Speedier Adjudication and Proceedings. New approaches are required to eliminate the interminable delays often created before regulatory matters are resolved. The courts and the independent regulatory agencies are urged to develop new approaches to assure prompt resolution of pending matters. The Executive Branch will undertake a similar effort.

States and Local Governments. Other governmental units are urged to undertake a similar broad program to bring under control the inflationary influence of government at all levels.

Enactment of Pending Legislation. There are several important pieces of legislation now pending before Congress, whose enactment would help to reduce the burdens now imposed on the economy by government activities. These include the Surface Transportation Act, the Financial Institutions Act, Trade Reform, and the creation of a Paper Work Commission to review the administrative "bookkeeping" requirements levied by government on the private sector. Congress is urged to move swiftly to enact these measures.

COUNCIL ON WAGE &  
PRICE



## COUNCIL ON WAGE AND PRICE STABILITY

The Council on Wage and Price Stability will devote primary emphasis to two functions: First, it will act as a watchdog on the actions of the Executive Departments and Agencies of the Government that raise costs and impede competition. It will recommend needed changes in administrative procedures, and changes in legislation where necessary, to correct these practices.

Second, it will monitor wage and price movements in the private sector. In general, the Council will carry out this function by seeking the full, voluntary cooperation of labor, industry, and the public to solve problems of mutual concern. The Council will cooperate fully with the President's new Labor-Management Committee. In addition, the Council has the power to conduct public hearings and intends to use it to explore the justification for price and wage increases, as appropriate.

Among other duties the Council on Wage and Price Stability will work with the Cabinet Committee on Food and the Inter-agency Fertilizer Task Force. Also, in dealing with specific sectors in which price pressures are particularly virulent, efforts will have to be concentrated on food, energy, construction, medical care and primary industrial capacity.

The Council, however, will not be a wage and price control agency. Controls do not stop inflation; they did not do so the last time around nor even in World War II when prices increased despite severe rationing.

Indeed, controls can make inflation worse. They often create shortages, hamper increased production, stifle growth and cause unemployment. Ultimately, they can cause the fixer and black marketeer to flourish while decent citizens confront empty shelves and long waiting lines.

NAT'L COMMISSION  
ON PRODUCTIVITY

## NATIONAL COMMISSION ON PRODUCTIVITY

Increased productivity -- working smarter to increase the total economic output of our work force and equipment -- is a vital component of the drive to increase production. This long-term goal will be pursued by a revitalized National Commission on Productivity. The Commission will also extend and deepen the drive to increase productivity in government -- Federal, state and local. It is important that government set a good example of leadership in this effort, and we may be sure that there is no shortage of opportunity for productivity in the operations of government. The rest of its effort will be in the private sector, with primary emphasis on meaningful programs at the plant level. Special attention will be devoted to food, transportation, construction and health-services.

UNEMPLOYMENT  
ASSISTANCE

## EMPLOYMENT ASSISTANCE

Increases in unemployment have raised the Nation's unemployment rate to 5.8 percent in September. During this period of high inflation and unemployment, there is a need for Federal standby authority with minimal inflationary impact, which will help alleviate the impact of unemployment should unemployment rates rise. Such action is necessary to help alleviate unemployment problems in areas most affected and to assure that the impact of inflation does not unduly burden those workers least able to bear the costs.

The National Employment Assistance Act of 1974 would respond to these needs by authorizing, during the next 18-month period two programs which would begin to operate should the national unemployment rate average 6 percent or more for 3 months:

(1) A temporary program of income replacement known as the Special Unemployment Assistance Program for experienced unemployed workers in areas of high unemployment who have exhausted all other unemployment compensation or who are not eligible for such compensation; and

(2) A program of employment projects for these same areas, known as the Community Improvement Program.

While the primary purpose of the two programs is to alleviate the hardships of unemployment upon individuals, it will also alleviate the adverse impact on those local economies hardest hit by unemployment.

The unemployment assistance benefits serve to cushion the effects of protracted unemployment by providing additional income replacement to workers who have either exhausted their regular unemployment compensation benefits or to individuals with a demonstrated labor force attachment not otherwise eligible for unemployment insurance benefits. Not only does this replace lost income, but it provides workers with the time and opportunity to look for work consistent with their skills and experience.

The table below shows funds and services now available under Unemployment Compensation laws and the Comprehensive Employment and Training Act (CETA). It also indicates how much would become available over a twelve month period for current unemployment programs, and for the two new proposed programs, at average national unemployment levels of 6 percent and 6.5 percent. Title II of the National Employment Assistance Act would make a further \$1 billion available if national unemployment exceeded 7 percent on average for three months or more.

	<u>5.8%</u>	<u>6%</u>	<u>6.5%</u>
<b>ETA Public Service Jobs</b>			
Funds:.....	\$1,015 mil.	\$1,015 mil.	\$1,015 mil.
Jobs:.....	170,000	170,000	170,000
<b>CETA Other Training and Employment</b>			
Funds:.....	\$1,700 mil.	\$1,700 mil.	\$1,700 mil.
Man Years:.....	380,000	380,000	380,000
<b>Unemployment Benefits (current law)</b>			
Payments:.....	\$7,775 mil.	\$8,145 mil.	\$9,065 mil.
Beneficiaries:.....	7.9 mil.	8.2 mil.	9.2 mil.
	(annual rate)		
<b>National Employment Assistance Act</b>			
<b>Special Unemployment Benefits</b>			
Payments.....	----	\$2,120 mil.	\$2,550 mil.
Beneficiaries.....	----	2.73 mil.	3.31 mil.
UI Exhaustees.....	----	(.83 mil.)	(1.05 mil.)
Previously Ineligible.....	----	(1.9 mil.)	(2.26 mil.)
<b>Community Improvement Projects</b>			
Funds.....	----	\$500 mil.	\$1,250 mil.
Man Years of Employment.....	----	83,000	208,000

The initiation of temporary projects by State and local governments is perhaps the least inflationary way of providing jobs for unemployed workers. Jobs provided by these projects help to cushion the loss of income due to unemployment, while enabling State and local governments to provide their citizens with a socially useful product.

Because projects under this program will be generated in and geared to areas with high unemployment in which there exists a substantial amount of available manpower, there should be little or no adverse impact on the regular labor market. There is a limit of \$7,000 a year for jobs authorized by this program and therefore the average wages will be considerably less than those earned in the private sector. Most workers will obtain private jobs as the economy grows.

The added cost of Community Improvement Projects may be offset somewhat by reduced demand for food stamps and welfare payments, and by some increase in tax receipts from employees in these projects.

Basic funding provisions of the National Employment Assistance Act. Funds for both the Special Unemployment Assistance Program and the Community Improvement Program become available when the national unemployment rate reaches 6.0 percent on average for three consecutive months. For the Special Unemployment Assistance Program, such funds as are necessary are authorized if unemployment is above this level. For Community Improvement Program, successive increments of funds are authorized if the national unemployment level reaches, for three consecutive months an average of:

- 6.0 percent -- \$500 million dollars authorized;
- 6.5 percent -- another \$750 million dollars authorized; and
- 7.0 percent -- an additional one billion dollars authorized.

When the national unemployment rate recedes below these respective levels for three consecutive months on average, Federal funds for new projects will cease.

Eighty percent of the available funds for Community Improvement Projects will be distributed by formula among

- Benefits for UI ineligibles will generally be the amount that would be payable as computed under State law if all work was performed for covered employers.
- No new beneficiaries would be eligible after June 30, 1976.

## Community Improvement Program.

- New program is structured so that as the national employment rate rises, more money is available for community improvement projects.
- Projects are limited to areas eligible for the Special Unemployment Assistance Program.
- Eligible applicants are prime sponsors under the Comprehensive Employment and Training Act, in areas that qualify.
- Projects may be with State or local government agencies.
- Each Community Improvement project is limited to 6 months duration.
- Not more than 10 percent of a sponsor's funds may be used for administrative costs, supplies, material, and equipment.
- Individuals eligible for employment on these projects are those who have exhausted their benefits under the Special Unemployment Assistance Program.
- Wages paid project employees must be at least the minimum wage under the Fair Labor Standards Act, or the State or local minimum wage, whichever is higher; however, in no case may the wage exceed an annual rate of \$7,000. State or local governments may not supplement wages with their own funds.
- Prohibitions against political activities and discrimination apply to the program.

The Community Improvement Program will provide funding for projects such as conservation, maintenance or restoration of natural resources, community beautification, anti-pollution and environmental quality efforts, economic development and the improvement and expansion of health, education, and recreation services and such other services which contribute to the community.



HOU S ING

INTERIM HOUSING AID

President Ford proposed extending, on a temporary basis, the advantages offered by the Government National Mortgage Association (GNMA or Ginnie Mae) to mortgages which are not Federal Housing Administration (FHA) insured or Veterans Administration (VA) guaranteed -- so called "conventional" mortgages. Three billion dollars -- an amount sufficient to finance about 100,000 new homes -- would be available. The proposed program will be in addition to the over \$19 billion of Federal funds that have been made available over the past year for the purchase of mortgages to supplement the buying power of hard-pressed thrift Institutions.

GNMA currently aids in creating a supply of credit for mortgages on new homes insured by FHA or guaranteed by VA -- about 20% of the total mortgages -- at reasonable interest rates by

- assuring, through commitments in advance, purchase of mortgages at a pre-determined price.
- subsidizing market interest rates to lower levels in the event interest rates do not fall after commitments are made.
- guaranteeing, on a "full faith and credit basis," obligations secured by such mortgages.

Housing Industry Situation Critical. Over the past 22 months

- housing starts have dropped from 2.51 million units to 1.13 million units.
- unemployment in the construction industry is 12.4 percent and climbing, with almost a half million construction workers now unemployed.
- many homebuilders are in financial difficulty.

President Ford's Proposal for Interim Housing Aid

By making conventional mortgages on new homes eligible for purchase by GNMA, builders and homebuyers will be assisted where home mortgage credit is scarce or non-existent.

1. Level of Commitments. Aggregate amount of commitments and mortgages which GNMA could hold at any time, i.e. have purchased and not resold, could not exceed \$7.75 billion. A program of \$3 billion of mortgage commitments, or enough to finance about 100,000 new homes, is contemplated. The precise amount would be determined on the basis of market conditions at the time the new authority becomes law, and additional programs would be activated as circumstances require.

2. Mortgage Amounts, Discounts, Interest Rates, and Downpayment Requirements. Subject to Congressional approval the program would provide for a maximum mortgage amount of \$45,000. The effective interest rate would be determined on the basis of market conditions at the time the program went into effect and would be somewhat above the rate offered on GNMA tandem programs for FHA/VA mortgages -- presently 8 3/4%. Twenty percent downpayments would be required with an exception for down to 5% downpayments if the additional mortgage amount is covered by a qualified private mortgage insurance contract so as to minimize cost of mortgagor defaults.

3. GNMA Disposition of Conventional Mortgages. Following the precedent of existing law, GNMA could, depending upon market or other factors, sell mortgages to the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC), sell mortgages or commitments with a provision for pooling by FNMA or FHLMC or other approved issuers and sale by such issuers of GNMA-guaranteed "pass through" securities or bond type securities on the market or to the Federal Financing Bank or sell guaranteed "pass through" securities to the Federal Financing Bank.

4. Cost and Budget Implications. Any subsidy would be paid out of corporate funds and ultimately from Treasury borrowing. Dollar amount of mortgages purchased would not be excluded from budget authority, but would appear as outlays in any fiscal year only to the extent they are not offset by sales that year. Assuming (i) all mortgages purchased in a given fiscal year were sold in that year, (ii) a face interest rate of 9 1/4%, (iii) no discount points on GNMA purchase and (iv) an average market rate at time of GNMA sale of 10%, the budget outlays per each billion dollars of mortgages would be about \$50 million.