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THE WHITE HOUSE

WASHINGTON

*file*  
September 23, 1976

MEMORANDUM FOR:

DICK CHENEY  
MIKE DUVAL ✓  
DAVE GERGEN



FROM:

ED SCHMULTS *ES*

Apparently we have some reason to believe that at the debate Governor Carter may re-state his assertion that the tax laws are a national disgrace and that the President has done nothing administratively to simplify or improve the tax system.

I would suggest that a response by the President be along the following lines:

The tax laws and the related forms that the American people have to fill out are far too complicated and difficult to understand. This burden must be drastically reduced. However, we should all understand one basic fact -- the complexities of the tax forms and regulations are caused by laws passed by Congress. Any meaningful simplification can only come through legislation. The Secretary of the Treasury, under my instruction, has urged the Congress time and again to simplify the tax system.

So far as what can be done administratively, I have directed that the Internal Revenue Service reduce the number of forms that the American people have to fill out, and already several hundred tax forms have been eliminated. Further, the Treasury Department for about a year now has been working on a fundamental tax simplification plan for my consideration.

\* \* \*



With respect to the possible Carter proposal to issue an Executive Order requiring the recording of requests for tax returns, I have one thought that I would like to add to my earlier memorandum. The President might consider saying that - "Since I have been President the White House has not requested one single tax return." This statement could be made right after the President refers to the strong Executive Order he has issued, as described in my earlier memorandum.



SPENDING AND TAXES

Governor Carter is trying desperately to repeal the laws of arithmetic. He's trying to find a way to enact the huge expenditure programs that he supported in the Democratic platform, balance the budget and not increase taxes where the vast revenue raising capacity of our tax system is, namely the middle class.



In the impossible task of trying to have all of these objectives simultaneously, the Governor has tried out on us a number of different programs.

He has somehow found \$60 billion in excess revenues available from the growth in the economy (over and above mandated expenditure increases) by 1980. Unfortunately, over the years many have believed the prediction that there will be somewhere down the road a huge surplus. This has turned out to be a mirage. The closer you get to it the farther it seems to go away, and I suspect that will be the fate of the \$60 billion as has been the fate of all such previous surpluses. He has implied some vast potential savings from governmental reorganization. I can assure you it doesn't exist.

He next sought to find revenues by proposing an unfair tax on families with above coverage incomes, somehow failing to recognize that even if we were to tax all incomes over \$50,000 at 100% we would raise less than \$9 billion which would pay for less than 4% of Mr. Carter's platform.

It is clear that the Governor does not have a clear view of how he can possibly support the huge expenditures in his platform without heavily taxing the hard working middle class. In fact, the other day, he as much as indicated that that was his program when he put forth the general proposition that he would increase taxes on all income levels above \$13,000 or \$14,000 a year. To quote him exactly,

"I would take the mean or median level of income and anything above this would be higher, and anything below that would be lower."

I find the first part of the sentence incredible, the second part, that is about lowering taxes unbelievable, granted his support of his party's expenditure programs.

The Governor is now backing off that proposition recognizing that he was advocating a major increase in taxation of middle income groups.

But the Governor has not backed away from the Democratic platform, and that's where his real trouble lies. To enact the programs that Mr. Carter has promised to the American people will cost, in my judgment, an additional \$100 to \$200 billion a year. We can only pay for those programs in two ways: either we borrow the money and pay through higher inflation or we raise taxes.

To raise enough taxes to pay for his programs will cost every man, woman and child in the United States anywhere from \$500 to \$1000 a year.

There is one other proposal that Mr. Carter has put forward that has not attracted much attention but will also hit the pocketbooks of the American people very hard.

That is his proposal, made earlier this year in an interview with Sylvia Porter, to increase the amount of income subject to Social Security taxes from approximately \$15,000 to approximately \$20-22,000. That's enough to raise the taxes of the American middle class worker between \$285 and \$400 a year (figures must be checked).

In the realm of fiscal affairs which affects the value of the people's money, I believe a Presidential candidate must be very specific and direct. I've stated my position on expenditures and on taxes and I have presented my proposals in complete detail in my budget messages. I have not found a way to create something out of nothing. I suggest that if the American people are going to take the Governor's spending and tax proposals seriously, that he spell them out for the American people in the same detail that I have.

My tax proposals are very simple. I believe that taxes should be cut for the hard working middle income wage earner, and I have outlined in great detail how



that could be done while reaching a balanced budget in fiscal year 1979. I suggest the Governor do the same.

UNEMPLOYMENT/INFLATION



No American President will ever be satisfied while there is one willing worker who can't find a decent job. But in pursuing jobs, no American President should make the mistake of backing spending programs which, through inflation, threaten the earnings of the 88 million Americans who are working.

Nor can a President allow the economic course he charts ~~to~~ to be erratic by shifting emphasis from one policy to another. Candidates can live by the press release -- a new proposal for every problem every day. A President needs to set a stable course and pursue it, day in and day out. That may not be good politics, but it's what leadership is all about.

My overall goal concerning the economy was to bring the country back to an even keel. We have achieved this, and the recovery will continue on its steady course.

There are three reasons why:

First, when I took office the country was sliding towards its worst recession in the generation. Against the advice of many in Congress and the ranks of <sup>labor leader</sup> ~~big labor~~, we didn't panic in supporting massive new spending programs, but we adopted balanced, consistent policies designed to attack

both inflation and unemployment. Today, inflation -- while still too high -- is only half what it was in '74.

And while unemployment is much too high, there are more people working today ~~488 million~~ than anytime in our history. In the past year and a half, more Americans have gotten jobs than in any other eighteen-month period in our peacetime history.

Second, I have fought -- successfully -- against those who believe that we can spend our way out of tough economic times. In my opinion, the platform on which my opponent runs, can only lead in one direction: higher taxes, higher prices and, ultimately, higher unemployment. My program, by contrast, is and has always been designed to achieve lower taxes, lower inflation and lower unemployment.

Finally, I would cite the factor of experience on the job. For twenty-eight years, I have been working, studying and voting on programs that affect lives of 215 million Americans. I can tell the good from the bad, the true from the phony.



REVENUE SHARING

Chairman Brooks has been trying to stall a conference with the Senate conferees. He agreed this morning to assemble the House conferees at 10:00 a.m. Monday, and there is a possibility that House and Senate conferees may meet on Monday afternoon.

Recommendation:

If the question of revenue sharing comes up in the debates the President might want to emphasize his long-standing leadership in this area and point out that he is greatly concerned that the time to pass the legislation is very short and with less than a week of this session remaining, Congress has not yet acted.

The principal driving force for action in the House is the fear of Albert , Tip O'Neill, and other Democratic leaders, that if revenue sharing is not passed next week, you will call the Congress back in special session to do so.

Jack Marsh believes this would be an appropriate reason for the recall of Congress, if necessary.



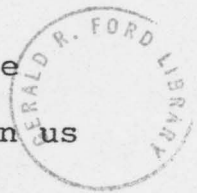
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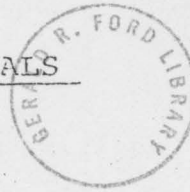
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GENERAL ECONOMIC GOALS



file #51  
1st debate

Positive Points to Make

- o When I became President the economy was suffering from double-digit inflation, eroding consumer confidence, and was in the early stages of the worst recession since the Second World War. All the economic indicators were going in the wrong direction. I determined to pursue policies to achieve sustained economic growth without inflation in order to ensure that there is a productive job for every American who wants to work.

During the last two years we have made great progress. We have turned the course of the economy around. The economic indicators are now moving in the right direction. We still have a long way to go but we are moving in the right direction.

- o One of the most important things that we have done for the economy is to provide a consistent set of economic policies. We have rejected the stop-go policies of the past. We have not pumped up the economy only to have to deflate it later.

The great success of the American economy rests on the contribution of the private sector, not the government. Consumers and businessmen cannot properly plan for the future if they are uncertain as to what policies the government will pursue. By establishing clear and consistent economic policies and then following them we have created a climate in which consumers and businessmen can confidently plan for the future.

Carter Vulnerabilities

- o Governor Carter proposes to shift policy from the path of sustained, steady growth that we are now on, to a more expansionary course. He has indicated that he would "take his chances on inflation." This is playing Russian Roulette with our economic future. We are already pursuing a highly expansionary fiscal policy -- so expansionary that any increase would severely risk accelerating inflation.
- o It is simply unwise to depart from a set of policies that have demonstrated that they have been effective both in reducing inflation and in creating more new jobs than in any previous period in our peacetime history. Moreover, Governor Carter has not proposed a comprehensive or consistent set of alternatives. He has claimed that he will achieve a balanced budget by 1980 but he has given us no indication of what tax policies he proposes to pursue, nor has he identified what parts

of the Democratic Party Platform he will implement and when they will be phased in. What we have is the promise of numerous new spending programs ranging from the Humphrey-Hawkins Bill, which is widely recognized among economists as highly inflationary, to a national health system. But we have no clear idea of how the conflicting objectives of more spending, less inflation, and a balanced budget are going to be reconciled.

## INFLATION

### Positive Points to Make

- o My policies have reduced inflation from an annual rate of over 12 percent when I first came into office down to the present annual rate of approximately 5 1/2 percent.
- o I categorically reject the notion that we can buy more employment by taking our chances with inflation. On the contrary, it has become clear that inflation is a major job destroyer.
- o My policies are aimed at reducing inflation even further. Inflation erodes the purchasing power of those who can afford it least -- the aged, the poor, those on limited fixed incomes. It causes great uncertainty in planning the family budget. Inflation also creates chaos in mortgage markets and deprives middle income Americans of the opportunity to own a home.

### Carter Vulnerabilities

- o Governor Carter was quoted in the New York Times on July 14 as saying that he would take his chances on inflation. I cannot accept that risk for all Americans and the risk to the healthy economic recovery of the last year and a half.
- o Governor Carter has indicated that he favors standby wage and price controls which the President could apply selectively. I oppose wage and price controls because they are ineffective tools for reducing inflationary pressures and because they distort an efficient allocation of economic resources.

Moreover, standby wage and price controls, such as Governor Carter has proposed, tend to fuel inflation because management and labor seek higher settlements and prices in anticipation of controls actually being imposed.

- out
- o Governor Carter has said that until the unemployment rate is below 5 percent, that there is no real danger of escalating inflationary pressures. But, the simple facts are that we know from bitter experience that such is not the case.

Does this  
mean that  
good > 5%.



## Jobs

### Positive Points to Make

- o Since the recession low of March 1975, total employment has increased by nearly 4 million to a record high of 88 million. More jobs have been created in the last year and a half than in any other 18 month period in our peacetime history.
- o The failure of the unemployment rate to decline more sharply this year is the result of an unprecedented increase in the size of the labor force. During the last five years the annual increase in the labor force has averaged 1.5 million. Yet, in the first eight months of this year we have added 2.4 million to the labor force.
- o We believe that the extraordinary rise in the labor force growth is coming to an end and we expect continued strong growth in new jobs will soon sharply reduce the unemployment rate.
- o The recent increase in the unemployment rate is not the result of a decline in employment. Indeed, one half million new workers have been added to payrolls during the past two months.
- o Increasing investment in plants and equipment is necessary to achieve full employment in productive and meaningful jobs. Fiscal responsibility by the Federal Government is essential if we are to have adequate investment. Larger Federal deficits mean the Federal Government must borrow more from the pool of savings leaving less for private investment in plants and equipment.
- o In addition to seeking to reduce the size of the Federal deficit, I have proposed a number of specific measures including making permanent the investment tax credit, elimination of the double taxation of dividends, and special incentives for investment in plants and equipment in high unemployment areas.

### Carter Vulnerabilities

- o Governor Carter has proposed greater fiscal and monetary stimulation to create more jobs. Put quite simply, this is inconsistent with his other goals such as a balanced budget and reduced inflation. One of the greatest risks to the sound recovery of the past year and a half is rekindling inflation through excessive stimulus.



- o I categorically reject the notion that we can buy more employment by taking our chances with inflation. On the contrary, it has become clear that inflation is a major job destroyer.
- o Governor Carter has proposed Federal inducements to private industry to create jobs. But he has not specified what kind of inducements. The great difficulty with inducements to private industry in the form of a bonus or partial payment for new jobs is that one cannot distinguish between a job which would have been created anyway because of the increase in general economic activity and those jobs which actually result from the inducement. Since one can't distinguish between a job that would have been created anyway and a job which results from the inducement, the Government ends up paying for both. In the last 18 months we have added nearly 4 million new jobs without the Federal Government making any bonus or other payments to private businesses.
- o Governor Carter has also proposed expanding the public service jobs program. Let's look at the record. I proposed the emergency public service jobs program shortly after taking office in October 1974. My proposed jobs program targetted the jobs to those who had been unemployed for extended periods of time and therefore genuinely were the hard-core unemployed.

The greatest difficulty with the current public service jobs program passed by the Democratic Congress, which Governor Carter wants to enlarge, is that the jobs are not targetted to those groups with the more severe employment problems. The jobs have gone to the better trained and educated who probably would not have had great difficulty in getting a job anyway. Only 13 percent of those holding jobs in the current public service employment program were receiving unemployment insurance when they were hired.

- o Governor Carter proposes 800,000 summer youth jobs, but we already have 900,000 summer youth jobs.
- o On April 8 Governor Carter said that as President he would sign the Humphrey-Hawkins Bill. On May 3 he was quoted as saying that he didn't approve of the Humphrey-Hawkins Bill.
- o Governor Carter has suggested Federal inducements to private industry, more public service jobs, and greater fiscal stimulation. He has apparently embraced the Humphrey-Hawkins Bill. But nowhere has he come to grips with or told us how he will finance these programs or what they will cost.

## MONETARY POLICY

### Positive Points to Make

- o Monetary policy has been remarkably supportive of the recovery. Interest rates are now lower than they were at the bottom of the recession -- an unprecedented development during a vigorous expansion.
- o A stable monetary environment with moderate rates of growth in the money supply appropriate for the longer run offers the best hope of further reducing inflation and therefore of lowering interest rates even more. Such a policy is essential if we are to have a durable recovery followed by sustained growth without inflation.

### Carter Vulnerabilities

- o Governor Carter has suggested that he would urge a more expansionary monetary policy. But, increasing the money supply at a faster rate might well revive inflationary fears and could lead to higher rather than lower interest rates. The major determinant of the level of interest rates is the rate of inflation and the major reason we have been able to reduce interest rates is that we have reduced the rate of inflation.

*large*

o Carter <sup>should be reminded of</sup> ~~is~~ the group of critics of the Federal Reserve policy who in the summer of 1975 were urging a massive increase in the money supply. Unless this occurred the recovery would gutter out. The Fed remained responsible and the recovery accelerated.

## BUDGET

### Positive Points to Make

- o My budget for 1977 reflects my strong desire to impose some discipline on Federal spending. My budget provided for reducing the excessive growth in Federal spending, and therefore I was able to propose an additional \$10 billion cut in individual and corporate income taxes from 1975 levels.
- o Unfortunately, the Democratic Congress rejected most of my proposals for greater efficiency in Government. In their Budget Resolution, they voted for higher spending and higher taxes than I recommended, thus depriving the typical family of four of over \$200 in income tax relief.
- o I have used my veto power 55 times since the beginning of my Administration. Often these vetoes have not been politically popular. It is not easy to say "no" for one risks being accused of lacking compassion or favoring a "do nothing" policy. But, my view of the Presidency is that the general interest must not be sacrificed for narrow political gain. The fact is that a judicious use of vetoes, however unpopular, is essential if we are ever to gain control over the Federal budget.
- o I did not veto the Public Works Bill because I am against public works or against creating jobs in the economy. I did veto the Public Works Bill because it provided for excessive and potentially counterproductive expenditures. The fact is that my Budget for 1977 recommended a 17.3 percent increase in spending for public works and other physical facilities. At some point, one must ask "How much is enough?" If the Government keeps adding one spending program after another, we run the risk of a surge of inflation which could undermine our healthy economic recovery. Programs that appear to be designed for job creation may actually result in job destruction.

### Carter Vulnerabilities

- o Budgeting is largely a matter of priorities. If the proposals in the Democratic Party Platform are to be enacted then a balanced budget can be achieved only if a number of existing programs are terminated or if taxes are increased. The American people deserve to know specifically which of these courses Governor Carter proposes to follow. If certain existing programs are to be terminated we should know which programs. If taxes are to be increased -- whose taxes and how much.



- o It is easy to be for zero based budgeting and for fiscal responsibility in the abstract. I would point out that I have both proposed a budget which would significantly reduce the excessive growth in Federal spending as well as vetoing 55 bills. None of the bills passed by the Democratic Congress which I vetoed would have eliminated programs.
- o The Executive Branch engages every year in a highly disciplined line-by-line review of every item in the Federal Budget. I personally spent more than 100 hours in this detailed review last year. My budget proposed the elimination or reduced spending for 250 programs.

Following this review the typical pattern has been for the Democratic Congress not to reduce but to add to the budget. For example, this year I submitted a budget of \$395 billion. The Congress responded with a proposed ceiling of \$413 billion.

- o Governor Carter has suggested that if the economy were simply operating at full steam, if we had full employment, that enough revenues would be generated to balance the budget. This is simply untrue. The fact is that excessive spending has led to chronic deficits which simply become larger during recessions when revenues are lower. Even if we were operating at a level of output consistent with a 4 percent rate of unemployment we would still be running a budget deficit. In fact, even during good economic times -- in 16 of the last 17 years -- the Federal Government has run a deficit.

TAX REFORM

*I am not  
sure what he  
means by that.  
I know what I mean*

Carter Vulnerabilities

*has said*

- o Governor Carter and I share the view that the tax system should be fair and equitable. ~~Perhaps the biggest difference between us on tax reform is that~~ My record is clear -- I have proposed to the Congress a comprehensive set of tax measures to both make our tax system more fair and to encourage increased investment in our economy. Last year and earlier this year Governor Carter pledged to reveal his specific tax provision plans during the general election campaign. More recently he has said that it will take him at least another 12 months to spell out the specifics of his thinking on tax reform.
- o Governor Carter has also said that he would reduce the tax on savings interest in order to stimulate capital formation. But this proposal is inconsistent with his notion that all income should be treated the same.
- o In February, Governor Carter said that the income tax deduction for home mortgage interest payments "would be among those I would like to do away with." Since then he has added that this would be tied to other changes to insure that middle-income home owners would not be hurt, but again, what he specifically proposes is not clear.
- o Governor Carter favors increasing the amount of income subject to social security taxes from \$15,300 to the first \$20,000-22,000. This would mean that individuals making \$20,000 would pay \$275 more each year in social security taxes and that individuals making \$22,000 or more would pay \$392 more each year in social security taxes.
- o Governor Carter has said that his first basic principle related to taxes is that all income should be treated the same. This would mean taxing capital gains the same as ordinary income. Taxing capital gains at the rate of ordinary income would be a tremendous blow to our efforts to achieve the increase in investment needed to create new jobs.

## REGULATORY REFORM



### Positive Points to Make

- o Soon after becoming President, I determined to see that Federal policy-makers consider the full effects of their actions on the American public. Accordingly, I issued an Executive Order requiring that all Federal agencies analyze the inflationary impact of their actions before issuing new regulations.
- o We have reversed the trend of growing Federal paperwork requirements. In the last year, we reduced the number of Federal forms by 12.5 percent which ~~will reduce~~ will reduce by 5 percent or seven million hours the time spent by American citizens filling out Federal forms.
- o I have proposed a comprehensive and effective program for eliminating excessive regulation of transportation. Rail regulatory reform has been passed by the Congress and signed into law, but air and truck reforms are still bottled up in Committee. These bills are designed to remove anticompetitive and excessive controls.
- o Great progress has been made by appointing to regulatory commissions a number of distinguished public leaders who have kept the pressure on to reduce unnecessary regulations.
- o In areas where regulation is clearly justified, such as in health and safety matters, we have tried to strengthen existing regulations so that they will better achieve their goals at less cost to the economy. Task Forces set up under my direction in OSHA, the Federal Energy Administration, and the Export Control Administration for example, have been working with these agencies to develop new ways of achieving their statutory mandates at lower costs to everyone concerned.

### Carter Vulnerabilities

- o Governor Carter has embraced the proposal to create a consumer protection agency. This would simply add one more Federal agency that is not needed and for a very good reason. The consumers' interest should be carefully considered during the decision making process within Departments and agencies. Accordingly, I have established a consumer representative within each Department and have directed that their views be fully considered within the decision-making process of the Department.



## National Economic Planning

### Positive Points to Make

- o The U.S. system is a planned economy but the planning is decentralized to those responsible for action.
- o There is extensive long-term planning within the government but this planning stops short of controlling the allocation of resources as occurs in non-market economies. The U.S. economy retains its creativity and productivity as a result because centralized bureaucrats are not allowed to make decisions that are unresponsive to the interests of the people. This is the great fallacy of non-market economies.
- o There is already extensive cooperation within the government in developing economic policy. One of my first acts was the creation of the Economic Policy Board in September 1974. In daily meetings of this group and in weekly meetings with me the proper planning and coordinating effort occurs. But no central bureaucracy can or should attempt to control the dynamic U.S. economy.

### Carter Vulnerabilities

- o Governor Carter claims that he merely wants to improve planning and coordination but those are merely rhetorical goals. The reality is that when government officials are given more power, they use it to intervene in the private economy, too often in a counterproductive way.
- o Governor Carter suggests expanding the role of the Council of Economic Advisers. Probably the major virtue of the CEA is its small size which enables it to function as an adviser on major issues rather than becoming bogged down in administrative responsibilities. There are already available organizational resources needed to carry out the proper governmental economic functions and those groups are now coordinated through the Economic Policy Board.

- o Those who advocate increased government control and centralized planning should examine the disappointing experiences of other nations. It is ironic that these criticisms are directed against the premier economy of the world which has clearly demonstrated its economic capabilities for many years. Our shortcomings are not the result of failings in the private economy but the type of government intervention that would increase if Governor Carter's recommendations for more central planning are ever accepted.
  
- o Governor Carter calls for increased coordination of fiscal and monetary policy. The Federal Reserve System is properly independent but functional cooperation between the Fed and Treasury--and other government agencies--now exists. It should not be a goal to make monetary policy more subservient to the Administration and Congress but to make fiscal policy more responsible so that monetary policy does not have to bear the entire burden of economic stabilization whenever excessive government spending triggers a new round of inflation pressures.



## ANTITRUST

### Positive Points to Make

- o During my Administration we have had a strong record in the area of antitrust activities. I proposed and signed into law the Procedures and Penalties Act which increases the maximum fine from \$50,000 to \$1,000,000 for corporations.
- o We secured repeal of the fair trade laws which had prevented discount pricing for many products.
- o During my Administration antitrust enforcement activities have been greatly stepped up. Budget outlays have been increased by close to one-third in the last two years. As a result of this increase, the Justice Department is conducting a record number -- around 100 -- grand jury investigations of price fixing conspiracies.

### Carter Vulnerabilities

- o Governor Carter has indicated that he probably favors divestiture in the marketing of petroleum products "to ensure competition." I am opposed to divestiture because the overwhelming preponderance of available evidence suggests that divestiture would make little difference to competition in the long-run, but that it would be extremely costly and disruptive in the short run.

## FOREIGN TRADE

### Positive Points to Make

- o During my two years as President the United States has significantly improved relations with our major trading partners in large part through the spirit of cooperation that characterized the two International Economic Summit Conferences at Rambouillet and in Puerto Rico.
- o My Administration has successfully implemented a trade policy based on building a market oriented, open trading system while protecting U.S. firms and workers against unfair trade practices.

Under U.S. leadership, the industrial democracies have agreed to avoid trade restrictions and have committed themselves to tariff reductions and completion of the Multilateral Trade Negotiations -- the most comprehensive trade negotiations ever attempted -- by the end of 1977.

- o My Administration has also implemented a revitalized countervailing duty law to protect U.S. producers against subsidized imports and has protected U.S. producers against foreign dumping practices.
- o Last January we completed an international monetary agreement providing greater flexibility and freedom from crises for the international monetary system.
- o We have undertaken an imaginative and realistic approach to relations between the developed and developing world.

### Carter Vulnerabilities

- o Governor Carter favors a unilateral approach by the United States to the problem of questionable corporate payments abroad. This approach is hypocritical because it is fundamentally unenforceable. It would require U.S. access to foreign books and foreign witnesses. This would simply not be possible without the international agreement which my Administration has proposed and which the United Nations is in the process of drafting.
- o In the primaries, Governor Carter criticized the loss of jobs resulting when U.S. companies locate abroad -- and criticized tax laws that "encourage companies to locate abroad." In July, however, before New York businessmen, he stated that foreign investment by U.S. companies was "very healthy" and pledged not to do anything to minimize U.S. investment in foreign countries.

NATIONAL ECONOMIC PLANNING



QUESTION: Governor Carter has called for increased economic planning and better coordination of policies to improve performance and cut costs. Do you agree with his recommendations?

ANSWER: I obviously believe in improving the performance of government and cutting costs--my long record in Congress and as President is on the record. But turning over even more control of the U.S. economy to a centralized bureaucracy would be a major mistake. In reality, my Administration already coordinates economic policies through the Economic Policy Board and existing government agencies. My efforts to hold down government spending is clear from the budgets I have submitted to Congress--which they have repeatedly increased--and my specific actions to reduce government regulation and bureaucratic waste. These are tangible acts not pious rhetoric.

Governor Carter's claim that we need a more centrally planned and controlled economy, including his statement that he would turn to the use of standby wage and price controls if his spending policies once again create accelerating inflation, is frankly based on some wrong assumptions.

First, the U.S. economy is not unplanned or chaotic. To the contrary, it is the envy of the rest of the world. In the U.S. system planning efforts are properly decentralized to those responsible for action. Businessmen plan how to deliver goods and services in response to what consumers really want. Families plan how to spend their own incomes--at least that share their government doesn't tax away--on what they want. Government officials continuously plan ahead to carry out their responsibilities. Each day millions of decisions are made by families, businesses and governments which are consistent with their plans for the future. Governments that have tried to centralize this process have failed miserably and in the process they have eliminated the right to make economic choices that is so fundamental to personal freedom.

Second, he is wrong when he assumes that we do not now have long-term planning within the government. This error may be based on his lack of familiarity with how our national government really functions. The pressure of daily decisions attracts the public attention but



most of our time is spent on developing plans for the future. For example, when I assumed the office of President in August 1974 I personally directed months of intense planning efforts to develop a package of economic and energy proposals that had long-term as well as immediate application. The key point is that every agency is already involved in long-term planning but these efforts are not used to control the allocation of resources as occurs in centrally planned economies. No government bureaucrat tells you where you must work; or where you can live; or what you must buy; or how you can travel; or any other personal decisions. When a businessman invests in a new plant or produces a new product he is free to make that choice and the family is free to choose. The U.S. economy retains its creativity and productivity because centralized bureaucrats are not allowed to plan and control our private spending and savings decisions.

Third, he is wrong when he assumes that the good intentions of government officials and sophisticated management methods and computers can be substituted for the common sense and personal concerns of millions of individuals and organizations that must be responsible for their own actions. The elaborate models of the economy prepared by computers are often helpful in asking the right questions and organizing information but they are a gross simplification of the real world and policies based on these approaches tend to be too naive for our complex economy. I am not against planning--in fact, most of my time and that of other senior government officials is committed to this effort--but I am skeptical of new schemes and unexplained reforms which merely duplicate existing practices or shuffle the boxes on an organization chart. I definitely would not want to shift planning responsibilities away from people responsible for the activity to a narrow group of government officials who would not have the capability or foresight of deciding what is best for each family and business.

REBUTTAL: -- Mr. Ford has switched my sensible support for planning into a 1984-type planned society. I do not propose a disruption of the private sector but merely want to improve planning and coordination.

RESPONSE: -- The reality is that when government officials are given more power, they use it to intervene in the private economy. The record in other countries is clear: inefficient, state-owned businesses that become a drain on the national Treasury; grandiose public projects while individual families are deprived of the consumer goods and services they really want and businesses become inefficient because capital investment is inadequate; planned housing projects that do not appeal to the people; unnecessary rules and regulations which waste time and lead to inefficiency.

REBUTTAL: -- Mr. Ford is evidently unwilling to face up to the many unmet needs of society which long-term planning would solve.

RESPONSE: -- There are many unmet needs of society--and there always will be as we raise our sights to higher aspirations--but there are many more in controlled economies that rely on central planning than there are here in America. As I meet with the leaders of foreign nations I am consistently impressed by their sincere admiration for our economic recovery and general progress. Our greatest critics--the non-market (Socialist or Communist) governments have paid us the ultimate compliment by coming to us for help through trade, technology, capital and managerial know-how. We have a lot of problems to solve but the best approach is to use the great creativity and productivity of American workers and managers.

REBUTTAL: -- Mr. Ford criticizes modern economic tools--such as econometric models--but these techniques are widely used and respected. How can he explain his aversion to more sophistication in the planning process.

RESPONSE: -- Governor Carter has misinterpreted my comments. Sophisticated planning--including the computer models--are helpful in identifying the right questions to ask and in organizing and communicating the results of analysis. They speed up the calculations and allow different assumptions to be used. We make extensive use of these tools in the government--and have for many, many years before the new labels--such as zero-based budgeting as a description of what OMB has been doing all along. My point is an obvious one: reorganizations and fancy processes are no substitute for the reality of decision-making which requires that individuals with good judgment and experience face up to complex problems and make a personal call. In the final analysis, decisions will reflect the judgment and experience of the individuals who ultimately must decide. That has certainly been my experience as President and a leader in Congress.

REBUTTAL: -- Mr. Ford suggests that we look at the record. I relied on better planning and coordination to slash costs by reducing the number of agencies from 300 to 22.

RESPONSE: -- In the first place, there is a difference between Georgia and the United States. I admire governors and State leaders greatly, but as President and a congressional leader I have had to deal with the complex problems that affect the entire nation. Beyond this I have been responsible for decisions affecting America's role in the entire world. I don't want to demean your role as a governor but the magnitude and complexity of the problems are hardly comparable.

(more)

In the second place, the record indicates that during your term in office the number of State officials increased rather than decreased as a result of shuffling the organization titles and spending increased nearly 60 percent during your term.

In the third place, despite all the new labels and processes, the managerial recommendations you recommend have been in use for many years with varying degrees of success. We don't need new programs and processes--we need people with proven judgment to face up to difficult problems and to base their decisions on policies that are clearly expressed to the American people and which are sustained over time to create more stability in our system.



THE SHORT-TERM VERSUS THE LONG-TERM



QUESTION: It is claimed that the Ford Administration's "hands-off" policy ignores our immediate problems and relies too much on the private sector. Governor Carter has promised to aggressively attack our problems. How would you respond?

ANSWER: A basic problem in our society is that we too often adopt short-term solutions for temporary gain, or political favor, rather than seeking a real answer to the long-term issues we face. These short-term solutions often appeal to special interest groups but fail to achieve the national goals of all Americans. My own experience over the years is that these short-term solutions usually treat the symptoms rather than the actual problems and that eventually a longer-term outlook must be used. I believe that a leader should not promise more than can be delivered and that what is promised should be delivered. This approach may lack some of the political appeal of a more flamboyant style but a record of leadership is established for the people to judge.

I believe that the long-term issues in the economy can be identified: (1) will we control inflation so Americans have the reality rather than the illusion of progress; (2) will we create meaningful jobs for our growing labor force through capital formation and the application of technology; (3) will we restore efficiency to our system and improve the use of our vital resources; and (4) will America fulfill its role in the international economy by continuing to push for an open and competitive world trade and investment system. These are the same issues that the leaders of other nations wanted to discuss with me when I met with them at Rambouillet and San Juan. These are the same issues that people in every other nation are asking and they are looking to America for an example of what can be accomplished if a government sustains responsible policies over the longer run.

The statements of each candidate must be judged against a basic standard: Do his policies contribute to sustained and orderly economic growth or do they merely perpetuate the familiar stop-and-go patterns of the past. It is not necessary to remind the American public of the political and economic difficulties



that existed in August 1974 when I became President. I received advice from every direction but my approach was a long-term one from the beginning. I recognized that we faced a diversity of problems--inflation, unemployment, declining output, and uncertain trade and investment conditions throughout the world. We needed a long-term solution that would stretch beyond the next election. In short, I wanted my policies to solve more problems than they would create. It is of course expedient to respond to strident calls "to do something--anything to demonstrate political leadership." But this naively activist approach is the basic source of many of our problems not the solution.

I have proposed many actions requiring a longer-term horizon, even at the expense of increased short-term costs--because this is the only way to create lasting benefits. This was the basis of my economic and energy proposals in January 1975 which provided long-term potential gains even though some special-interest groups did not like the short-term results. Unfortunately, Congress did not act on my energy proposals and we still do not have a national energy program almost three years after the oil embargo. But we have made progress on many basic economic issues. The results are clear: (1) a year and a half of strong economic expansion; (2) a sharp decline in the rate of inflation; (3) an extraordinary gain in employment of 4 million people since the turnaround in the economy; and (4) real progress on international monetary and trade reform. These are the accomplishments that have earned the admiration of the leaders and people of other nations as expressed to me in our meetings. If we sustain responsible policies we can continue.

REBUTTAL: -- Republicans always ask for more time. Don't they recognize that people are suffering.

RESPONSE: This reaction confuses the treatment of the symptoms and the causes of problems. In treating the symptoms of current problems immediate actions have already been taken but it will take time to solve the underlying causes. The problem of unemployment is a good example. As the unemployment rate increased rapidly in 1974 the "automatic stabilizers" responded to transfer income and services to those affected by temporary loss of income. As a result, total personal income continued to rise and the suffering of temporary unemployment was alleviated. But this is not the long-term answer. To reduce unemployment over time meaningful jobs must be created. The solution to the cause of unemployment involves: (1) preventing a renewed surge of inflation which would inevitably lead to another recession and related unemployment; (2) increased capital formation and development of technology to create real jobs; and (3) specific manpower training and education efforts--and the government is now spending billions of dollars in this program--to prepare specific people to get real work. This is a long-term solution to a long-term problem.



Governor Carter's Pledge to Balance the Federal Budget By 1980

QUESTION: -- Governor Carter, you have endorsed a number of major expansions in spending, yet at the same time you have indicated you will get to a balanced budget by fiscal year 1980. How do you intend to do this? Can you do it without raising taxes?

ANSWER: -- Yes. The increased revenues will occur without an increase in taxes from 3 sources: 1) a \$60 million so-called fiscal dividend which results from the normal growth in taxable incomes over the next 4 years which will create levels of treasury revenues \$60 billion over today's levels, 2) as the unemployment rate falls under my policies, unemployment insurance payments and other budgetary outlays on training and welfare will fall, 3) improved efficiency in the running of the Federal Government and Federal programs will eliminate waste and allow the dead wood programs to be converted into financing those meeting our more important social needs.

REBUTTAL BY THE PRESIDENT

-- I see no way, other than sharply increasing taxes paid by the American people, to finance all of the programs in the Democratic Party Platform, even if they are phased in gradually. You cannot have it both ways. For example, the \$60 billion so-called fiscal dividend will, like all similar projections in the past, disappear as the target date for balancing the budget approaches. The continued growth of existing programs based on past legislation and the usual Congressional add-ons will eat deeply into the prospective revenues leaving little or none available to finance new programs. I am not saying that a balanced budget is impossible. In fact, I believe that it is absolutely necessary and have submitted detailed plans for achieving that goal even before Governor Carter's schedule. But to be realistic such goals have to be based on the realignment of priorities rather than the long list of new spending proposals that made up the Democratic Party Platform which, I assume, Governor Carter is required to run on.

As to the second "source of savings--a significant decline in the unemployment compensation benefits--my budget proposals have already included this



anticipated reduction based on continuation of the current trends in employment. After making that adjustment our analysis does not show any "fiscal dividend" in the future.

I can certainly say that Governor Carter's claims about the potential savings resulting from new management efficiencies are an illusion. Anyone who has examined the budgetary process and all of the Federal spending programs in the detail that I have as a member of Congress and as President, quickly recognizes that managerial savings based on improving the way the Federal Government works is closely intertwined with the programmatic detail of the thousands of individual spending programs. I have recognized this basic principle when I proposed to the Congress significant changes in the way we deal with many of our domestic programs.

For example, last January I submitted specific recommendations for eliminating the incredible complexity in the number of government programs for education and health. This is the only way to improve managerial efficiency and reduce waste. There is no short cut. If Governor Carter wishes to create meaningful improvement in the efficiency of the Federal Government, I invite him to join with me in urging upon Congress the types of reforms and program changes which I recommended to them in my budget message last January.



PUBLIC SERVICE JOBS



QUESTION: -- Mr. President, doesn't it make more sense to use the billions of dollars spent for unemployment insurance payments and other unemployment related payments for welfare and training to pay for public service jobs? Isn't it better for people to be working than to be on welfare?

ANSWER: -- If there is a choice between productive employment or being on welfare or receiving unemployment insurance benefits, I obviously prefer having people working. But it is an illusion to believe that public service employment is a real substitute for the unemployment insurance program. A massive public service employment program, such as the one recommended in the Humphrey-Hawkins bill, would actually be counterproductive because it would attract people who are currently unemployed into dead-end, career-crushing jobs. A better approach for most of these workers who have a high probability of getting back into higher-paying, productive jobs within a few weeks is to create the kind of healthy economy needed to generate more employment opportunities.

The real question is, do we want the unemployed to move relatively quickly back into productive, career-advancing employment or do we want them diverted into temporary, low-paying, dead-end public service jobs. Once again, the choice is clear.

At the same time, consideration must be given to people temporarily unemployed who are suffering the hardship of lost family income. The unemployment insurance payments are a bridge to help these families while they search for productive jobs.

Finally, I am very concerned about specific unemployment problems that involve teenagers, the elderly, minorities and other groups and I believe specialized training and education programs are needed to meet their needs. Here again, public service employment is not the answer to their longer-term career needs.

REBUTTAL: -- I believe in the work ethic and that the Republican leadership has replaced this approach with a program of first creating unemployment to fight inflation and then expanding the scope of coverage and duration of unemployment compensation benefits which has reduced the incentives to return to work. I would cooperate with Congress to develop programs providing counter-cyclical spending initiatives that would stimulate the economy and provide jobs so that we don't have to rely on unemployment compensation and welfare payments to sustain the standard of living of our people. As Governor of Georgia I emphasized the reorganization of the State Government and attracted new industries to provide more work opportunities. By proper economic management the government can provide fiscal and monetary stimulus that will keep the economy moving ahead without the unemployment problems. In that way we wouldn't need the billions of dollars for unemployment benefits and welfare payments.

RESPONSE: -- My program is designed to continue the strong economic expansion to create longer-term employment gains. The stop-and-go pattern of fiscal and monetary actions has created instability and led to unemployment. Years of experience indicates that it is not possible to fine-tune the economy and that government attempts to do this add to our problems rather than providing a solution. Those who believe in a more planned and controlled economy ignore the actual record when they call for increased government spending and monetary stimulus. Such generalizations also ignore the specific problems of those who are temporarily unemployed and the structural problems of unemployment involving certain groups and geographical areas. Simplistic claims that we can solve our problems by "getting the country moving again" ignore the actual record of strong recovery that has occurred and the risks of triggering yet another round of boom and recession economic policies.



OCTOBER 1974 ECONOMIC POLICY RECOMMENDATIONS

QUESTION: -- Mr. President, you have been taking credit for the recovery in economic activities since the Spring of 1975. Yet, is it not true that at the beginning of the severe decline in economic activity in the Fall of 1974 your first action was to request an increase in taxes to fight inflation? Wasn't that the wrong move at that time?

ANSWER: -- I recommended a broad set of actions at that time and have continued to adjust policies as economic conditions have shifted from recession to strong growth. The request in October 1974 for a specific increase in taxes for businesses and higher-income individuals was designed to pay for a package of increased Federal outlays, specifically the extension of unemployment insurance benefits, that I proposed at the same time. The entire package of policy recommendations was fiscally neutral when it is recognized that the revenues were intended to pay for the increased government outlays resulting from the recession. Given the record of rising government spending without consideration for how the new programs would be paid for and the chronic Federal budget deficits reported in 13 of the preceding 14 fiscal years, I strongly believed that the only responsible thing to do was recommend a balanced package of policies to meet a specific fiscal problem of paying for rising spending, particularly the financing of the extended unemployment insurance coverage. It was also clear to me that we had to reduce the rate of inflation, which was then at double-digit levels and rising, if we were to restore economic stability and begin the difficult job of regaining control of government spending and the massive deficits.

As the course of the economy continued and the inflation pressures did begin to improve, there came a proper time to provide fiscal stimulus to contribute to the recovery process. I then recommended specific tax cuts for individuals and



businesses. This sequence of recommendations was not contradictory but a responsible reaction to specific economic needs. The October 1974 package was a longer-term initiative to regain control of fiscal policy by providing revenue needed to pay for the increase in Federal spending. My January 1975 call for tax relief was intended to provide short-term stimulus to contribute to the economic recovery as inflation improved and consumers and businessmen regained confidence and began to spend once again. Both actions reflected the same overall strategy of returning the U. S. economy to a more stable growth track but there was a different focus for each policy with respect to short-term versus long-term problems. The key point is that whenever we discuss new government spending initiatives there is also a basic responsibility to indicate how they will be paid for.

REBUTTAL: -- The flip-flop performance by the Ford Administration in first recommending a tax increase as the economy was beginning to collapse and then switching to recommending a tax cut a few months later is a classic example of why I have been calling for government reorganization and improved planning on a longer-term basis to prevent just such policy zig-zags. Their phobia against planning prevents them from looking far enough ahead to anticipate such developments.

RESPONSE: -- The major challenge to achieving basic economic goals in every country is to develop the stable policies necessary to avoid stop-and-go performance. It is not a problem so much of knowing what to do as it is one of marshalling support--including the cooperation of Congress where legislation is shapped--to carry out responsible policies. My colleagues from other nations expressed these same concerns when we met at Rambouillet and San Juan. Real leadership does not consist of



idle rhetoric when no responsibility for the results is involved or in undefined promises to do the obviously good things that most government officials have been doing for some time. Real leadership involves making decisions. Over the last two years I have faced some unusually difficult ones--particularly in restoring the health of our economy and in cooperating with other national leaders to return the world economy to a stronger position--but we have made those decisions by blending our long-term goals of pursuing more stable policies with short-term needs for specific actions. That is the real message of the last two years.

Comparative Economic Performance of Each Political Party

QUESTION: -- Mr. President, the statistics show that unemployment has been better and inflation better under the Democrats since the end of World War II (cite numbers). Moreover, Governor Carter has said that your claim to having turned the economy around makes no sense to him, since when you came into office there were \_\_\_\_\_ million unemployed. Today there are \_\_\_\_\_ million.

ANSWER: -- I am only interested in defending my own economic policies. The results of those policies are clear. Under unusually difficult conditions the U.S. economy was turned around and a strong economic recovery has occurred with lower inflation, higher employment, and improved international monetary and trade conditions.



Nevertheless, it is important to note the sources of our economic problems if we are to avoid a continuation of the mistakes of the past. Economic difficulties do not develop quickly; they are usually caused by the accumulation of actions that have long lags between the decisions and the actual impact on the economy. In the mid-1960's the decisions to sharply increase spending for the Vietnam War and many new government programs without providing the tax revenues needed resulted in inflationary problems that have disrupted the entire economy since then. Similarly, when I became President the pace of output was already deteriorating and unemployment was rising at the same time that double-digit inflation rates were increasing even though most professional economists had not yet recognized the seriousness of the situation. I responded to the sharp decline in the economy in the fall of 1974 by recommending tax cuts, expanding those government programs that can react quickly to recession problems and by supporting the Federal Reserve System in its responsible efforts to control inflation while providing adequate support for future recovery. In retrospect, there was no immediate action that could have been taken in the fall of 1974 which would have quickly reversed the accumulated pressures that caused the severe recession. The important point is that we did act as quickly as possible to, first stop the decline, and then to return the economy to strong growth. These results occurred after the normal time lags between policy actions and actual changes in the economy.

REBUTTAL: -- The Ford Administration is saddled with the same economic policies of the Herbert Hoover era and the results are the same. As long as we rely on the "old-time religion" we will continue to restrict the output of our system and suffer both inflation and unemployment as we have over the last eight years.

RESPONSE: -- The essence of economic policy is recognizing the mix of goals and what level of performance can be reasonably achieved, without running the risks of repeating the boom-and-bust sequence of the past. My policies are carefully spelled out in the budgets that I have submitted to Congress and in the policy statements each year published in the Economic Report of the President. These policies do not conform to any simplistic label or predetermined commitment to particular pressure groups. The restoration of economic health that has occurred during the last two years benefits all Americans and the rest of the world. My goal at the moment is to sustain this relatively strong and well-balanced expansion well beyond 1976 and to further reduce both inflation and unemployment at home and continuing my efforts over the past two years with other national leaders to improve world trade and investment. This approach may not be flashy but it does produce positive results and represents the only meaningful way to avoid continuation of the boom-and-recession sequence of the past.



INFLATION AND UNEMPLOYMENT: THE NON-TRADE-OFF

QUESTION: -- President Ford, your Administration has emphasized that inflation is the number one economic issue. Governor Carter was quoted in The New York Times on July 14, 1976 as saying: "I can't outbid them; I'd put my emphasis on employment and take my chances on inflation." It appears that you concentrate on inflation while Governor Carter would concentrate on unemployment. What is the proper trade-off between inflation and unemployment?

ANSWER: -- There is no trade-off between inflation and unemployment because we must make significant progress in reducing both if we are to achieve lasting improvement for either problem. We do not believe that a high unemployment rate is necessary to keep prices stable. Inflation is a problem not only because people resent higher prices but, even more important, because it is the cause of recession and the destroyer of jobs. In the meetings at Rambouillet and San Juan, involving the leaders of major nations, this interrelationship between inflation and unemployment was clearly recognized. The only way to regain full employment and economic stability is to reduce the rate of inflation so that consumers and businessmen can make their spending and investment decisions with more long-term confidence. If we do not control inflation better we will suffer the negative impact of "stagflation" with rising prices plus recession, unemployment, declining standards of living and a breakdown of the international economy.

The sharp rise in unemployment in 1974 was caused by the recession. I have been urged to support various spending programs which some simplistic computer models claim would create hundreds of thousands of additional jobs almost immediately. I have vetoed these alleged job bills because they would not produce the favorable creation of employment that is promised by their sponsors. The impact of the added spending would further increase the Federal budget deficit beyond the point that we believe is prudent, particularly as we consider the future growth of such spending. The net effect of such a program, is to unduly risk reigniting inflation which will destroy jobs, not create them. We don't know for certain what particular Federal budget deficits will reignite inflation and upset the recovery. Nobody knows that. But we do know that the higher the deficit the greater is the risk of reigniting





inflation and therefore the greater the threat to the prosperity of this country.

REBUTTAL: -- The Ford Administration lacks compassion when they create unemployment to fight inflation.

RESPONSE: -- This is the worst economic nonsense imaginable and those economists who are peddling this line know better. No one "created" the unemployment as a tool. The unemployment was the result of the recession, which, in turn, resulted from the overheating of the economy in the early 1970's, international economic developments and the inflation distortions caused by these developments.

True compassion does not occur when policies ignore the devastating risks of inflation in order to push spending higher. Inflation also has cruel effects for most Americans although the media cannot show a long line of dissatisfied people.

How can an outsider measure the degree of concern of this Administration or our personal feelings. Our policy actions were committed to finding a real solution that would restore economic vitality as a basic for increasing employment. The economic expansion is the evidence.



THE NATURE OF UNEMPLOYMENT

QUESTION: -- President Ford, it is hard for me to accept the rather cavalier attitude of your Administration toward the tragedy of 7-1/2 million unemployed persons after 18 months of strong economic expansion. To me this suggests a wrong set of priorities which ignores the human element of economics. Either your claims for economic recovery are false because the people are not benefiting or you are emphasizing business profits rather than people which is certainly different than Governor Carter.

ANSWER: -- If I truly believed that there is a better way to help all Americans and to create a real and lasting solution to the current problem of an unacceptably high unemployment, I would adopt it. Unemployment is a tragedy in a personal sense and in a national sense when the lost output is considered. But we need to examine the nature of unemployment in developing corrective policies. Most unemployment in this country is of quite short duration. Even now when the unemployment rate is close to 8 percent, the average duration of each spell of unemployment is about 8 weeks with a heavy concentration in the 3 to 5 week category. This means that the average unemployed person will probably return to a productive job within a relatively few weeks. The proportion of unemployed workers unable to find a job within ten weeks is relatively small.

This last point is most important in evaluating policies for reducing unemployment and explains why I have opposed the appeals for massive public service employment programs that would divert people into temporary jobs that are typically dead-end, low-paying and relatively unproductive. It is a disservice to divert people from searching for productive employment opportunities into such unrewarding positions. Public service job programs--of the type recommended in the Humphrey-Hawkins bill-- would be extremely expensive and would not provide a lasting solution.

The best approach is to create a healthy economy in which productive jobs are available and to provide temporary assistance to those who became unemployed to alleviate their problems while they search for a new job. I supported this transition assistance by recommending extension of the scope and duration of unemployment insurance benefits in 1974. But even after we have returned to full employment there will still be many hardship unemployment problems which general economic policies will not solve. For example, unemployment among teenagers, particularly in minorities, has been rising over the last 10 to 15 years and will continue to be a major problem. This issue reflects the problems of young people moving from the educational system into the labor force. In earlier years apprenticeship and other training jobs were available. But today, we find that much of our teenage unemployment results from the extended job search that occurs immediately after graduation. We need to develop better ways of absorbing our young people into the labor force and to improve our vocational education efforts. This was the topic of my first speech after becoming President. We now have many programs which are committed to training, education and summer job efforts, but I believe that we must focus more of our attention on these structural unemployment problems involving specific groups--teenagers, the elderly, minorities, the handicapped, the unskilled, and other disadvantaged groups. During the next four years I intend to intensify our efforts but I will not offer any simplistic solution which will claim to reduce unemployment to levels that are totally unrealistic given our historical experience and the dynamic nature of our labor force (unemployment has averaged 5.2 percent from 1955 through 1975). To make such claims only creates false goals which eventually lead to disillusionment, usually following a costly series of ineffective government programs and even the disruption of the entire economy if basic fiscal and monetary policies are distorted.

REBUTTAL: -- How can you express any satisfaction with employment conditions as long as minorities, women, the elderly, teenagers, etc., are suffering such high unemployment. Despite all of the statistical adjustments, unemployment is still too high.

RESPONSE: -- I don't remember expressing satisfaction about those difficult problems. My comments referred to the need to consider the entire employment situation. In fact, we need to concentrate more of our attention on structural unemployment problems. But let me repeat once again the basic point. I believe my policies are more realistic and offer a better chance of meaningful and lasting solutions. There is no difference in the degree of concern or effort devoted to this issue.



MANAGEMENT

QUESTION: -- Governor Carter has promised that he will create major savings in government spending which, when combined with rising revenues generated by stronger economic growth, will provide the funds needed to pay for the spending programs advocated in the Democratic Party Platform. Do you agree that better management can produce these results?

ANSWER: -- When Governor Carter refers to "tight, business-like management," "zero-based budgeting," and the "consolidation" of government agencies it is not clear what he would actually do. The possible actions range from purely cosmetic changes through the consolidation of agencies into larger units for the sake of appearances to basic programmatic changes requiring real reorganization. If he is advocating basic changes he is suggesting what I have already tried to accomplish during the last two years only to have most of my recommendations blocked by the Congress which has been dominated by the Democratic Party for 40 of the last 44 years. He should direct his suggestions for managerial reform to the Democratically-controlled Congress rather than the American people.

After many years of public service I realize that there is a direct relationship between the "form" of organization and the "functions" of government programs. Until meaningful program reform occurs it is irrelevant to talk about organizational reform beyond merely moving the names around on an organization chart. I have actually been involved in the Federal budget process in determining which programs should be expanded and which ones should be cut back or eliminated. I have submitted specific proposals--which have been largely ignored by Congress--for changing our spending priorities and for eliminating the huge system of overlapping categorical grant programs which result in a massive bureaucratic structure to manage the details of every program and to replace them with block grants.

I have, in fact, been doing what Governor Carter claims he will do. But it is clear that Congress does not want meaningful reorganization because that would require changes in the programmatic structure of the Federal budget which would alienate many special interests. If Governor Carter is serious about basic reform then he must repudiate the policies of his own party in the Congress which have created the existing governmental structure and the current level of government spending. So far, the details of his programmatic changes are lacking.

REBUTTAL: -- You are too pessimistic about what could be accomplished by an effective Democratic President cooperating with a dynamic Democratic Congress. Your analysis is based on the unfortunate adversary relationship that has persisted during eight years of ineffective Republican leadership. The country is tired of government by veto and I promise to achieve the reform that is needed.

There is vast inefficiency in the government and my business and engineering background--along with my experience in Georgia in reorganizing the state government--will enable me to do the job.

RESPONSE: -- Political candidates from the dawn of time have argued that they will cut out waste and inefficiency. But at the end of their terms in office the results are usually much different than promised. It is a disservice, frankly, to claim outright or to imply that billions of dollars can be eliminated from the Federal budget. The last time we had an "effective" Democratic President "cooperating" with a "dynamic" Democratic Congress we created the spending momentum that pushed the Federal budget from \$135 billion in FY 1966 to over \$400 billion next year. We don't need that kind of cooperation. In fact, as you should know, the bulk of the Federal budget

is comprised of entitlement and contractual obligations involving long-standing legislative commitments to our people, even if the "controllable" part of the defense budget is not considered to be already committed. To claim that simple reform of the structure or vast budget savings are readily available is, quite frankly, a misleading claim.

NO

REGULATORY REFORM

QUESTION: -- Mr. President, there has been extensive discussion of regulatory reform but not much progress. Why not?

ANSWER: -- To the contrary, we have made significant progress in this area. For example:

- The Federal fair trade laws, which made consumers pay high prices for goods at retail, have been repealed.
- The civil and criminal penalties for anti-trust violations have been increased to ensure more effective competition.
- Competition in the setting of stock brokerage fees is now required for the first time in 200 years.
- The ICC regulatory controls over railroads have been reduced for the first time since the creation of that agency in 1887.
- We have reversed the trend of growing Federal paperwork requirements. In the last year, we have reduced the number of Federal forms by 12.5 percent and will reduce by 5 percent or seven million hours the time spent by American citizens filling out Federal forms.
- We have made special efforts to see that Federal policymakers consider the full effects of their actions on the American public. Beginning eighteen months ago, I required all Federal agencies to analyze the inflationary impact of their actions before issuing new regulations.

Over the past two years my meetings with the independent regulatory agencies and those in the Cabinet departments have resulted in their setting internal targets for improving their



performance. Under the direction of capable new Chairmen at the Federal Power Commission (FPC), Securities and Exchange Commission (SEC), Federal Trade Commission (FTC), and Civil Aeronautics Board (CAB), the independent regulatory commissions have reduced delays and costs, and have begun to eliminate unnecessary rules. In fact, the greatest progress has been made by my appointing to the Commissions a number of distinguished public leaders who have kept the pressure on to reduce unnecessary regulations.

QUESTION: -- Is more legislation necessary? Does Congress have a role to play in continuing government regulation?

ANSWER: -- I have proposed other fundamental reforms to the Congress but unfortunately they have failed to act. Proposals to reform regulations governing our airlines, trucking firms, and financial institutions were submitted during the last session of Congress. In May of this year, I sent up the Agenda for Government Reform Act which is essentially a master plan for subjecting all government regulations to a systematic re-examination and reform over the next four years. These bills have been awaiting Congressional action for months--some of them for more than a year. I believe the American people have a right to expect their Congress to be more responsive than that.

QUESTION: -- Mr. President, you have been talking a lot about less regulation on the one hand but you have signed into law national building codes for energy, regulation of medical devices, etc. Aren't you being inconsistent?

ANSWER: -- We have generally pushed vigorously for less Federal regulation in areas where regulatory controls have been used to suppress competition. In particular, we have emphasized new approaches to creating a better balance between regulation and competition for achieving our economic and social goals.

In some areas, more regulation can be justified, particularly in health and safety matters where consumers are not able to make informed choices. Their use of certain medical devices is an example. In addition to seeking improved regulation in these cases, we have also tried to strengthen existing controls so that they will better achieve their goals at less costs to the economy. Task Forces set up under my direction in the Occupational Safety and Health Administration (OSHA), the Federal Energy Administration (FEA), and the Export Administration for example, have been probing these agencies for new ways of achieving their statutory mandates at lower costs to everyone concerned.

QUESTION: -- Mr. President, you are for making regulation more responsive to the consumers but opposed to a consumer protection agency. How do you reconcile this conflict?

ANSWER: -- There is no conflict in these positions. I have encouraged our regulatory agencies on several occasions to improve their practices in order to ensure that they operate in the consumers best interests. These agencies were created to protect consumers and they have that as their most important responsibility. If they are not serving that need, they must be changed. I have sent to Congress bills on banking, airlines, surface transportation and fair trade to change our governmental practices when they no longer meet consumer needs. I believe it would be a cop out to create a new agency to work for consumers, because it would acknowledge that our original "consumer" agencies serve other interests. I recommend the Congress get on with the job of passing the bills I have sent up there which deal with the fundamental problem of excessive and protectionist regulations and not look for the easy way out which always seems to be more government.

THE WHITE HOUSE

WASHINGTON

September 22, 1976

MEMORANDUM FOR: MIKE DUVAL  
FROM: DAVE GERGEN *DP*  
SUBJECT: Additional Items

Here are two additional items we have discussed. One is the Schmults answer on the possible Carter Executive Order. The other is economic data pulled together by Anne Brunsdale.

Note: In PBS broadcasts tonight, I see that at the end of each program, the moderator said that the candidates had both asked him to express their gratitude to the networks and others supporting the debates. Interesting.

cc: Richard A. Cheney





ECONOMIC COMPARISONS

Summary: annual averages for CPI increase, unemployment rate, and surpluses or deficits in the unified budget and in the federal sector, NIA, for recent Administrations.

	<u>CPI</u>	<u>Unemploy- ment Rate</u>	<u>Surplus(+) or Deficit(-)</u>	
			<u>Federal Budget</u> (FY)	<u>Federal Sector, NIA<sup>a</sup></u> (CY)
TRUMAN				
7 years	5.8	4.1	.3	4.9
Peacetime years	6.1	4.6	-.5	6.4
EISENHOWER				
8 years	1.5	4.9	-2.4	-1.1
Peacetime years	1.5	5.2	-1.8	-.2
KENNEDY/JOHNSON				
8 years	2.0	4.9	-7.6	-3.9
Peacetime years	1.2	5.5	-4.6	-2.1
NIXON/FORD				
8 years	6.4 <sup>b</sup>	5.8 <sup>b</sup>	-21.6	
Peacetime years	7.1 <sup>b</sup>	6.4 <sup>b</sup>	-30.0	
NIXON <sup>c</sup>	6.2	5.0	-10.6	
FORD <sup>d</sup>	7.1	7.8	-54.6	
As of August 1974	16.6	5.5		
As of today	5.8	7.9		

<sup>a</sup>National income and product accounts

<sup>b</sup>1976 figures estimated

<sup>c</sup>Through 8/74 for CPI and unemployment rate

<sup>d</sup>8/74-7/76 for CPI, 8/74-8/76 for unemployment rate



	CPI	Unemploy- ment rate	Civilian	Armed forces	Federal Budget		Federal Sector, NIA		
	yr. to yr. % change		labor force		Outlays	Surplus (+) deficit (-)	Receipts	Surplus (+) deficit (-)	
	(CY)	(CY)	(CY)	(CY)	(\$ billions, FY)		(\$ billions, CY)		
(Millions)									
TRUMAN									
1946 .....	8.5	3.9	(Est) 56.7	3.4	55.2	-15.9	39.1	3.5	
1947 .....	14.4	3.9	59.4	1.6	34.5	3.9	43.2	13.4	
1948 .....	7.8	3.8	60.6	1.5	29.8	12.0	43.2	8.3	
1949 .....	-1.0	5.9	61.3	1.6	38.8	.6	38.7	-2.6	
1950 .....	1.0	5.3	62.2	1.6	42.6	-3.1	50.0	9.2	
1951 .....	7.9	3.3	62.0	3.1	45.5	6.1	64.3	6.5	
1952 .....	2.2	3.0	62.1	3.6	67.7	-1.5	67.3	-3.7	
Average - 7 years	5.8	4.1				.3		4.9	
Average - Peacetime	6.1	4.6				-.5		6.4	
EISENHOWER									
1953 .....	.8	2.9	63.0	3.5	76.1	-6.5	70.0	-7.1	
1954 .....	.5	5.5	63.6	3.4	70.9	-1.2	63.7	-6.0	
1955 .....	-.4	4.4	65.0	3.0	68.5	-3.0	72.6	4.4	
1956 .....	1.5	4.1	66.6	2.9	70.5	4.1	78.0	6.1	
1957 .....	3.6	4.3	66.9	2.8	76.7	3.2	81.9	2.3	
1958 .....	2.7	6.8	67.6	2.6	82.6	-2.9	78.7	-10.3	
1959 .....	.8	5.5	68.4	2.6	92.1	-12.9	89.8	-1.1	
1960 .....	1.6	5.5	69.6	2.5	92.2	.3	96.1	3.0	
Average - 8 years	1.5	4.9				-2.4		-1.1	
Average - Peacetime	1.5	5.2				-1.8		-.2	
KENNEDY									
1961 .....	1.0	6.7	70.5	2.6	97.8	-3.4	98.1	-3.9	
1962 .....	1.1	5.5	70.6	2.8	106.8	-7.1	106.2	-4.2	
1963) .....	(1.2)	(5.7)	(71.8)	(2.7)	(111.3)	(-4.8)	(114.4)	(.3)	
)	( )	( )	( )	( )	( )	( )	( )	( )	
JOHNSON )	( )	( )	( )	( )	( )	( )	( )	( )	
1963) .....	(1.2)	(5.7)	(71.8)	(2.7)	(111.3)	(-4.8)	(114.4)	(.3)	
1964 .....	1.3	5.2	73.1	2.7	118.6	-5.9	114.9	-3.3	
1965 .....	1.7	4.5	74.5	2.7	118.4	-1.6	124.3	.5	
1966 .....	2.9	3.8	75.8	3.1	134.7	-3.8	141.8	-1.8	
1967 .....	2.9	3.8	77.3	3.4	158.3	-8.7	150.5	-13.2	
1968 .....	4.2	3.6	78.7	3.5	178.8	-25.2	174.7	-5.8	
Average - 8 years	2.0	4.9				-7.6		-3.9	
Average - Peacetime	1.2	5.5				-4.6		-2.1	



	CPI	Unemploy- ment rate (CY)	Civilian	Armed	Federal Budget		Federal Sector, NIA	
	yr. to yr. % change (CY)		labor force (CY) (Millions)	forces (CY)	Outlays	Surplus (+) deficit (-) (\$ billions, FY)	Receipts	Surplus (+) deficit (-) (\$ billions, CY)
NIXON								
1969 .....	5.4	3.5	80.7	3.5	184.5	3.2	197.0	8.5
1970 .....	5.9	4.9	82.7	3.2	196.6	-2.8	192.1	-12.1
1971 .....	4.3	5.9	84.1	2.8	211.4	-23.0	198.6	-22.0
1972 .....	3.3	5.6	86.5	2.4	231.9	-23.2	227.5	-17.3
1973 .....	6.2	4.9	88.7	2.3	246.5	-14.3	258.3	-6.7
1974).....	(11.0)	(5.6)	(91.0)	(2.2)	(268.4)	(-3.5)	(288.2)	(-11.5)
)	( )	( )	( )	( )	( )	( )	( )	( )
FORD								
)	( )	( )	( )	( )	( )	( )	( )	( )
1974).....	(11.0)	(5.6)	(91.0)	(2.2)	(268.4)	(-3.5)	(288.2)	(-11.5)
1975 .....	9.1	8.5	92.6	2.2	324.6	-43.6	286.5	-71.2
1976 .....,...Est.	5.7	Est. 7.3			365.6	-65.6	Est.	Est.
Average - 8 years	Est. 6.4	Est. 5.8				-21.6		Est.
Average - Peacetime	Est. 7.1	Est. 6.4				-30.0		
Average - NIXON*	6.2	5.0				-10.6		
Average - FORD**	7.1	7.8				-54.6		Est.
As of August 1974	16.6	5.5						
As of August 1976	5.8***	7.9	95.5	2.1				

Note: War years are 1951, 1952 and 1953, and 1966, 1967, 1968, 1969, 1970 and 1971; selected on basis of impact on budget and labor force.

\*NIXON: To 8/74 (but FY'69-'74 for federal budget and CY'69-CY'74 for federal sector, NIA)

\*\*FORD: 8/74-8/76 (but FY'75-'76 for federal budget and CY'75 and '76 for federal sector, NIA)

\*\*\* July

EXECUTIVE ORDERS ON INTEGRITY IN GOVERNMENT



(We have information that Carter is thinking of saying the following:

"I believe that we should have a far more active President, one who aggressively roots out abuse and wrongdoing. For example, if elected, I plan during my first week in office to issue a Presidential executive order that will apply the 'Sunshine Act' throughout the executive branch, that will require the disclosure of financial interest of all Presidential appointees, that will require a record be kept of all requests to the IRS for tax returns, that will insulate the Attorney General and other top Justice officials from politics and will exercise stricter controls over lobbyists."

Ed Schmults has prepared the following response for you.)

The American people have a right to an open government with the laws impartially and fairly enforced. This is what I have done as President. I will conduct the nation's affairs in no other way.

Just this month I signed into law the "Government in the Sunshine Act." This legislation requires that the meetings of multi-headed agencies within the Executive branch be open to the public with certain limited exceptions. But Congress specifically rejected its application to decision making by Cabinet

departments because it would be impractical. When there are several people in charge of an agency -- as there is with a Commission -- public review of decision making makes sense; when there is only one person in charge -- as in a Cabinet department -- it doesn't make much sense to open up staff meetings with the Cabinet offices. (Also, I might note that the big gap in the Sunshine Act is not in the Executive Branch but in the Congress. When first introduced, over half the provisions applied to Congress; when the bill emerged from Congress, all those sections were deleted.)

This is not to say, of course, that we should attempt to shield the activities of individual government employees from public review and criticism, a process essential to good government and one I support.

All major Executive branch officials are now required to report their financial interests. They disclose them in full to the White House prior to the time I nominate them for office; they disclose their interests to Senate committees in their confirmation process; and every employee in the Executive



branch earning about \$20,000 a year or more must report annually on his assets and liabilities. I believe strongly that disclosure of financial interests ought to apply to members of Congress and their staffs, as well as to major officials within the Executive branch, and I submitted to Congress a proposal to do so just last month.

The taxpayers of this country expect their tax returns to be handled with extreme care on a confidential basis and this we have done. The Privacy Act of 1974, which I supported and signed into law, provides that information submitted by a taxpayer shall remain confidential with narrow exceptions. I have already issued a very strong Executive Order that provides that I alone among individuals within the White House must personally request tax information. All requests for tax information are now carefully recorded by the Internal Revenue Service and are submitted quarterly to the Joint Committee on Taxation.

While we must be vigilant to protect the privacy of taxpayers, Governor Carter's proposal seems to add nothing to what is already being done.

The Attorney General is our nation's chief law enforcement officer and must be free from even the appearance of partisan politics. What is essential here is the integrity and character of the persons appointed. I have appointed a group of highly talented and non-political lawyers to the top posts at Justice. This will be my practice in the future.



With respect to lobbying activities, we must look at the activities of the lobbyists themselves, as well as at our efforts to assure proper conduct by government employees. Each government agency now has highly detailed standards of conduct to assure proper behavior by government employees in this regard. Many agencies also regulate the activities of lobbyists and the problems vary from agency to agency. By Executive Order, I have barred lobbying at the White House on international airline cases.

Ours is a government of laws and of men. I have attempted to promote excellence in both respects.

THE WHITE HOUSE  
WASHINGTON

September 10, 1976

MEMORANDUM FOR ROBERT T. HARTMANN  
JOHN O. MARSH  
✓MICHAEL DUVAL

FROM: L. WILLIAM SEIDMAN *LWS*  
SUBJECT: Economic Policy Statements

The EPB Executive Committee has prepared a set of 10 economic policy statements on the President's economic goals, inflation, our job creation record, our approach to unemployment, etc. for use by the President in his preparation for the September 23 debate and in upcoming speeches. These statements are attached and we hope will be helpful to you.

745  
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*[Handwritten mark]*

## Economic Goals

1. We want jobs for all of the nation's able workers. A job for every American who wants to work is essential not only for each individual worker but also for our society. Americans deserve useful, productive employment, not temporary make-work jobs. The absence of a productive job deprives the individual of an opportunity to achieve self-fulfillment. The overwhelming majority of Americans want to contribute their talents and to participate in the work of America and in improving the quality of life in our country. To enjoy the kind of society we all desire requires that we create the conditions that will sustain lasting, satisfying, productive jobs.
2. We want to achieve sustained economic growth without inflation.
3. We want a distribution of incomes and wealth that fairly rewards effort and initiative, and that provides a decent wage for every employed person.
4. We want to create equal opportunity for all to achieve economic success.
5. We want to restrict unnecessary and excessive government interference in our daily lives.
6. We want to enlarge the freedom of choice for each of our citizens whether as a consumer, as a worker, or as an investor.



## INFLATION



When I came into office inflation was raging at an annual rate of over 12 percent. Our policies have been successful in cutting the inflation rate to 5.5 percent. This rate is still too high and we must reduce it even further.

Inflation erodes the purchasing power of those who can afford it least -- the aged, the poor, those on limited fixed incomes. It causes great uncertainty in planning the family budget. Inflation also creates chaos in mortgage markets and deprives middle income Americans of the opportunity to own a home. It forces businessmen to adopt inefficient inventory and production practices which reduce the rate of economic growth.

It is often said that we must choose between inflation and unemployment. Nothing could be further from the truth. I yield to no one in my concern and compassion for the unemployed. My goal is to move as rapidly as possible toward full employment. What has been clear in recent years is that inflation has caused consumers to restrain expenditures and business to curb its investment. Thus inflation itself is a major cause of recession.

I categorically reject the notion that we can buy more employment by taking our chances with inflation. There is no.

simple trade-off whereby we can have less unemployment at the cost of higher inflation. On the contrary it has become clear that inflation is a major job destroyer. I emphasize reducing inflation because it is a necessary condition for stable growth and full employment.



### Budget Strategy

The Budget for 1977 reflects my strong desire to impose some discipline on Federal spending. My budget provided for reducing the excessive growth of Federal Government spending, and therefore I was able to propose an additional \$10 billion cut in individual and corporate income taxes from 1975 levels.

Unfortunately, the Congress rejected most of my proposals for greater efficiency in Government. In their Budget Resolution, they voted for higher spending and higher taxes than I recommended, thus depriving the typical family of four of over \$200 in income tax relief.

Why does the Congress wish higher spending and more taxes? The answer is not clear. It is certainly not because they are more compassionate. Many of my programs would have improved the efficiency with which benefits are delivered to the poor. For example, my proposed reforms in the Child Nutrition Program would have made it possible to serve the 700,000 children from families below the poverty line that are now ignored by the program. Granted that \$900 million would have been saved in the process by ending the school lunch subsidies to the middle class, but what sense does it make to tax the middle class in order to subsidize the middle class.

This proposed reform and many others, such as the proposed increase in social security contributions necessary to restore

the integrity of the trust fund, received only perfunctory review by the Congress. However, I have not ended my efforts to make government more effective. I will present a balanced budget for fiscal year 1979.

The stakes are high. We must achieve fiscal responsibility to reduce the extent to which Government draws savings out of the private sector to finance its deficits. Only then, will we have the capital necessary to achieve the widely shared national goals of improving the environment, reducing our energy dependence on foreign nations, and encouraging the private economic growth so vital to our future prosperity.



The August Unemployment Rate

The rise in the unemployment rate during the summer was disappointing. However, the sharp increase in new jobs -- 500,000 in the last two months -- is encouraging. In fact, four million more Americans are at work today than were employed a year and a half ago when the economic recovery began.

This dramatic increase in the labor force reflects renewed confidence on the part of people seeking the new job opportunities being created by the vigorous recovery.

*Not adequate*

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## Vetoes

*NOT adequate*

I have used my veto power 55 times since the beginning of my Administration. Often these vetoes have not been politically popular. It is not easy to say "no" for one risks being accused of lacking compassion or favoring a "do nothing" policy. But, my view of the Presidency is that the general interest must not be sacrificed for narrow political gain. The fact is that a judicious use of vetoes, however unpopular, is essential to the general interest.

For example, I did not veto the Public Works Bill because I am against public works or against creating jobs in the economy. I did veto the Public Works Bill because it provided for excessive and potentially counterproductive expenditures. The fact is that my Budget for 1977 recommends a 17.3 percent increase in spending for public works on other physical facilities. At some point, one must ask "How much is enough?" If the Government keeps adding one spending program after another, we run the risk of a surge of inflation which could undermine our healthy economic recovery. Programs that appear to be designed for job creation may actually result in job destruction.

If we can restrain Government spending, we can cut taxes. Lower taxes will spur investment, increase production of goods and services, and provide useful, long-lasting jobs.

## The Pause in the Recovery

The recovery has been remarkably strong. Real gross national product has risen by 7 percent over the past year. Since the recession low of March 1975 total employment has increased by nearly 4 million people to a record high of 88 million. Following a sharp recession, such as the one of 1974-75, a sharp recovery is typical. Taking into account the extremely difficult circumstances of 1974-75 this recovery has been very strong -- stronger in fact than most forecasters expected.

But, as usually happens in an economic recovery, the pace of growth is uneven. This does not mean that the economic expansion is coming to an end. In fact, employment and income are rising strongly. Personal savings are still at high levels. Price increases have moderated and consumers are still confident about the future.

The pause in the strong pace of consumer spending during the summer ended in August. Business investment is now increasing. Recent data on nondefense capital goods orders (up over 30 percent since the start of the year), the value of plant and equipment projects started (up 10 percent in the last quarter), and new capital appropriations (up 13 percent in the last quarter) suggest sharp gains in capital spending in the months ahead. Consequently, we are confident that the recovery is solid and that it will be sustained at an above average pace over the next year or so.

## Wage and Price Controls

I oppose wage and price controls because they are ineffective tools for reducing inflationary pressures and because they interfere with an efficient allocation of economic resources.

Controls deal with the results of inflation rather than the causes. Our experience with controls in 1972-73 indicated that controls were ineffective in holding down inflation. Where controls did in fact suppress prices and wages, they created severe distortions. In some of our basic industries like steel and paper, as profits were squeezed down by controls, expansion plans were cut back, setting the stage for later shortages of these essential products. Ironically, controls thus eventually increased the pressures on prices rather than lessened them.

Controls, in summary, distort investment decisions and the allocation of resources, distort markets and exports, keep natural forces from reacting against economic defects, and give a false impression of action which delays truly effective remedial action.

Moreover, standby wage and price controls tend to fuel inflation because management and labor seek higher settlements and prices in anticipation of controls actually being imposed.



## Investment and Jobs

Increasing investment in plants and equipment is necessary to achieve full employment in productive and meaningful jobs. We need to create 10 million new jobs by 1980. This will require over \$30,000 worth of net investment for each new worker.

We need more capital investment to create the necessary jobs for our growing labor force, restrain inflation, improve productivity, protect our environment, develop our energy resources and maintain our international competitive position. In short, capital investment is essential if we are to achieve our national goals. It is obvious that we cannot forever eat our seed corn or use our fence posts for firewood.

Fiscal responsibility by the Federal Government is essential if we are to have adequate investment. Larger Federal deficits mean the Federal Government must borrow more from the pool of savings leaving less for private investment in plants and equipment. In addition to seeking to reduce the size of the Federal deficit, I have proposed a number of specific measures including making permanent the investment tax credit, elimination of the double taxation of dividends, and special incentives for investment in plants and equipment in high unemployment areas.



## The Ford Job Creation Record

A solid and well balanced economic recovery is underway. Production, employment and incomes have risen rapidly and we expect these gains to continue in the coming months. Since the recession low of March 1975, total employment has increased by nearly 4 million to a record high of 88 million. More jobs have been created in the last year and a half than in any other 18 month period in the nation's history.

The rise in unemployment over the summer does not indicate that the recovery has stalled or that there is a need to change our course. During the past year and a half unemployment has declined significantly. In the past several months the rise in employment has been offset by an extraordinary increase in the labor force. In the last year and a half the labor force has grown by approximately 200,000 per month. Yet in the last eight months the labor force has increased at a rate of almost 300,000 per month. It is the dramatic rise in the labor force which has prevented unemployment from declining even more substantially.

It is very important to distinguish between a rise in the unemployment rate that results from workers losing their jobs and a rise in unemployment caused by an unprecedented increase in the labor force.

The recent increase in the unemployment rate is not the result of a decline in employment. Indeed, one half million new

workers have been added to payrolls during the past two months, an exceptionally large figure. We believe that the extraordinary rise in the labor force growth is coming to an end and we expect continued strong growth in new jobs will soon sharply reduce the unemployment rate.

## The Ford Approach to Unemployment

My approach to the unemployment problem has four parts.

First, to return the economy to a pattern of sustained growth without inflation. There can be no lasting job security in a period of soaring inflation. We have learned that inflation destroys jobs. I have emphasized reducing inflation because it is a necessary condition for stable growth and full employment.

Second, alleviating the economic hardship for those who are unemployed through temporarily extending unemployment insurance coverage to 12 million additional workers and temporarily extending the period of time individuals may receive unemployment insurance benefits from 39 to 65 weeks.

Third, providing increased funds for established Federal programs including the Comprehensive Employment Training Act (CETA), summer youth employment, and public service employment.

Fourth, the creation of productive, long-lasting jobs in the private sector through increased capital investment. This requires curbing the growth in Federal spending, eliminating obsolete, unproductive Federal regulation, reducing individual and corporate income taxes, and encouraging increased investment in America's future through a series of tax incentives.



E. C. Schmults  
9/17/76



STATEMENT ON THE FORD ADMINISTRATION'S  
ANTITRUST POLICY

The antitrust record of the Ford Administration stands as a measure of its commitment to full and vigorous competition in the marketplace. Competition is the driving force of our economy as it promotes efficiency, rewards successful innovators, preserves individual freedom and benefits the American consumer.

The accomplishments of my Administration in the last two years in the area of antitrust enforcement are unmatched by any period in this century.

- The resources of the Antitrust Division in Justice and the Bureau of Competition in the FTC have been increased by over 50 percent.
- The Antitrust Division's crackdown on price fixing has resulted in the indictment of 183 individuals during this period, a figure equalled only once in the 86 years since enactment of the Sherman Antitrust Act.
- The fact that the Antitrust Division has pending more grand jury investigations than ever in history proves these efforts are not slackening.
- In 1974, I called for the enactment of and signed into law a substantial increase in civil and criminal penalties to deter antitrust violations. This was the first major amendment



to the Sherman Antitrust Act in a quarter of a century.

- I supported and signed legislation repealing the Fair Trade laws, which had been on the books for 40 years and will save consumers up to \$2 billion annually.

Antitrust enforcement is not the only way to promote competition. The Ford Administration has been the first one in 40 years to recognize that Federal regulation can and has adversely affected our competitive economy. Under my leadership, the Administration is seeing to it that Government does not impede free and open competition.

During the last two years I have set in motion a far reaching regulatory reform program -- the first by any President -- which is producing real benefits to the American consumer.

- I proposed and signed into law this year railroad legislation which increased competition in that industry and reduced the power of the Interstate Commerce Commission for the first time since 1886.

- I have signed a bill to promote competition in the stock market for the first time in almost 200 years.

- The Administration has also sponsored unprecedented legislative initiatives to reduce regulation of other modes of transportation which has permitted these groups to restrain competition under official government sanction.
- The Administration submitted to Congress the Financial Institutions Act to enable small savers to earn higher interest on savings accounts and provide more diversified financial services to all customers.
- I have also submitted the Agenda for Government Reform Act, which would mandate a four-year comprehensive review and reform of all regulation, and compel Congress to act on proposals to restore competition in the economy.
- Finally, I have repeatedly expressed to the independent regulatory commissions that they must take all actions possible to rely on competition instead of regulation wherever possible.

I am proud of this record. I believe it is unparalleled in our history. If Congress gets moving and enacts the proposals I have submitted, the American people will benefit even more in the next four years.

9/15/76  
MD

## CONSUMERS AND REGULATORY REFORM

One of the top priorities of my Administration has been to give a better deal to consumers.

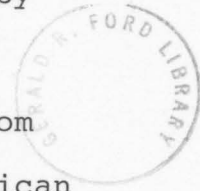
I have moved with more vigor and produced more results than any President in this century to provide real relief to the consumer and to small and family businesses by attacking the problem of government interference.

I know that prosperity does not trickle down from Washington. It comes from the energies of the American people. We in Washington must make sure that these energies are not stifled by too much interference.

I also know that low prices cannot be dictated from Washington. However, Washington can and should guarantee competition by vigorous enforcement of antitrust laws. Also, we must continue to strip away regulatory controls when they suppress competition.

We've made significant progress in this area, but there is still an enormous amount to do. For example:

- We have repealed so-called fair trade laws, which permitted retailers to fix prices, leading to unnecessarily high prices for consumers.
- We have increased civil and criminal penalties for antitrust violations.
- We have brought competition back to the railroads for the first time since 1887.





Although I have brought some extremely capable and independent thinking men and women into the regulatory agencies, there is still a lot of dead wood that needs to be cut out and replaced by people who will fight against the concentration of power in businesses and special interest groups.

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9/15/76  
MD



## CONSUMERS AND REGULATORY REFORM

One of the top priorities of my Administration has been to give a better deal to consumers.

I have moved with more vigor and produced more results than any President in this century to provide real relief to the consumer and to small and family businesses by attacking the problem of government interference.

I know that prosperity does not trickle down from Washington. It comes from the energies of the American people. We in Washington must make sure that these energies are not stifled by too much interference.

I also know that low prices cannot be dictated from Washington. However, Washington can and should guarantee competition by vigorous enforcement of antitrust laws. Also, we must continue to strip away regulatory controls when they suppress competition.

We've made significant progress in this area, but there is still an enormous amount to do. For example:

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Reichley

September 14, 1976  
M. D.

CONSUMERS AND REGULATORY REFORM

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*Handwritten notes:*  
Huh?  
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"It's not  
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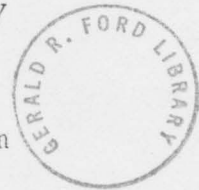
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## REGULATORY REFORM

Question: Mr. President, there has been extensive discussion of regulatory reform, but not much apparent progress. Why not?



### FORD REBUTTAL:

Ever since I took office, I have been very concerned about the enormous explosion of Federal regulations. The red tape produced by all the new regulatory laws passed by the Congress is not only tying up private enterprise in knots, but it is also costing the American people a great deal of money. For instance, Federal regulations added \$320 to the price of a new car in 1974. Because of excessive regulations, we are producing less coal in the United States than we were 30 years ago. It's getting to the point that the American people can't afford as much government as we have today.

Have we achieved any progress since I've been President? Not as much as I would like because many of my reforms to repeal unneeded regulations have been blocked by Mr. Carter's friends in the Congress, but we have still made considerable headway:

-- Trade laws that made consumers pay high prices for retail goods have been repealed.

-- Railroad regulations have been reduced for the first time in 90 years.

-- The anti-trust laws have been strengthened.

-- We have reduced the amount of Federal paperwork by 12 percent, and I have ordered further reductions in the coming year.

-- I have met several times with the chairmen of all the regulatory commissions. As a result, they are now taking steps to reduce delays and unnecessary rules.

So we're making good progress, but it would also be very helpful if Mr. Carter's friends on the Hill were to join with us in cleaning up the regulatory mess. I have sent to the Congress additional reforms for the airlines industry, for banking, for surface transportation, and for other vital sectors of our economy, but so far the special interests have prevailed over the general interests of the American people

I would like to ask Mr. Carter tonight to pledge a mutual effort to lift the burden of Big Government off the backs of the American people. If he will, I will immediately call a meeting with the leadership of the Congress and all of us can sit down in the next 30 days and map out a better future for the American people.



## MANAGEMENT

Question: Governor Carter has promised that he will create major savings in government spending which, when combined with rising revenues generated by stronger economic growth, will provide the funds needed to pay for the spending programs advocated in the Democratic Party Platform. Do you agree that better management can produce these results?

### FORD REBUTTAL:

I have 28 years of experience with government management, and I know that the best manager in America could not save a fraction of the additional money it will cost to finance the new programs to which Mr. Carter is committed. When you hear a politician talk about paying for new programs through "tough, competent management", it's time to hold on to your wallets. He's not going to pay for those programs through better management but through more taxes and more inflation.

The key to effective government is to hold down the size of government and to hold down government spending. I am committed to both. Mr. Carter is committed to neither. The platform he embraced in Madison Square Garden will mean even bigger



government and even bigger spending.

Let me make three additional points:

-- First, Mr. Carter's main promise for better management is to consolidate the number of government agencies from 1900 to 200. So far he has not been willing to name a single department or agency that he would eliminate. He hasn't even been willing to identify a single dollar he would cut from the budget except for the \$5-7 billion he would cut from our national defenses. Instead, the only firm commitment we have from him is a promise to create two new bureaucracies:

-- A Department of Education which he says will be accompanied by a massive increase in spending on education.

-- A Consumer Protection Agency which is part of his public promise to out-Nader Ralph Nader.

-- Secondly, I think it is only fair to look at Mr. Carter's managerial record. In Georgia, he tried to reorganize the government by consolidating the agencies and departments. It sounds good on paper, but the record shows that the number of state employees actually increased by 24%,

spending by the Georgia state government escalated during Mr. Carter's term by 58%, and the state debt increased by \_\_\_\_\_%. That's not the kind of reorganization we need in Washington.

-- Finally, I would say this: during my Presidency, we have by tough, effective management increased government efficiency and reduced government waste. Over the past year, we have reduced Federal paperwork and forms by 12%. We have reduced the size of the Federal bureaucracy by 11,000 employees. Today an application from a community for Federal development funds takes 8 months to process, not 31 months as it did when I came into office. The form that has to be filled out is 25 pages in length, not 1400. That's the kind of reorganization we do need in Washington, and you'll see more of it in the next four years.

Even more progress can be made if Mr. Carter's friends in the Congress -- a Congress that created this sprawling bureaucracy -- will enact my legislation to eliminate unneeded government activities and if I have a clear mandate from the American people on November 2nd.

U.S. DEPARTMENT OF LABOR  
OFFICE OF THE UNDER SECRETARY  
WASHINGTON, D.C. 20210



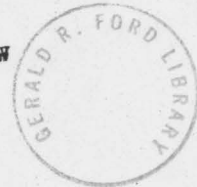
September 21, 1976

*file*

MEMORANDUM FOR: ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE

FROM: MICHAEL H. MOSKOW *M. H. Moskow*  
Under Secretary

SUBJECT: Teenage Job Search Patterns



The labor market for teenagers is characterized by short spells of employment interspersed with frequent short spells of unemployment. In August, mean duration of a spell of unemployment for teenagers was less than 8 weeks, compared with 19 weeks for adult men and 15 weeks for adult women. In addition, about two-thirds of the teenage unemployed are either new entrants or reentrants into the labor market, compared to about 19% for unemployed adult males and 33% for unemployed adult women.

These factors all contribute to the relatively high rates of unemployment experienced by teenagers, which, in August, stood at 19.7% compared with 7.7% for adult women and 5.9% for adult men. However, teenage labor market behavior also reflects a high degree of fluidity which is an important element in job search behavior for this group.

Research done by Ohio State University and sponsored by the Labor Department, which followed a group of male youth from 1966 to 1975, revealed that about half of the teenage/student group found their current jobs through friends and relatives. One-fourth found their jobs by contacting employers directly and one-tenth used school employment services. Public or private employment agencies or advertising were used less than 4% of the time. For employed teenagers out of school, direct contact with employers or referrals by friends and relatives remained the most common job search method.



The Ohio State data show that the major difference between teenagers who had jobs and those who were unemployed was that those who found jobs relied much more heavily on friends and relatives.

More recent Department of Labor data supports the Ohio State findings. Almost 80% of unemployed teenagers contacted employers directly while only 13% sought assistance from friends and relatives.

Unemployed jobseekers by jobsearch methods used:

From Employment and Earnings: June 1976  
Method Used as a Percent of Total Jobseekers

	#Methods Used	Public Employment Agency	Private Employment Agency	Employer Directly	Placed or Answered Ads	Friends or Relatives	Other Methods
Teenagers	1.4	16.2	4.0	78.1	24.7	13.4	4.3
20- Over	1.6	29.8	7.5	68.4	32.1	15.7	8.7

The types of jobs that teenagers apply for usually do not warrant sophisticated job search methods such as the use of employment agencies or advertising. The relatively more successful teenager has found that friends and relatives are a valuable source of information.

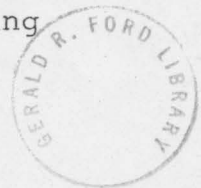
Despite the high unemployment rates, the low average duration of unemployment suggests that the teenage job market is relatively efficient. Large numbers of entrants and reentrants tend to raise frictional unemployment rates. The problems seem centered on minority inner city groups located in areas where teenage job opportunities are limited. The fact that this group relies heavily on direct employer contact as their primary job search method suggests that policy programs which work through prospective employers might be an effective way of reaching the target group of disadvantaged teenagers.



## IMPROVEMENTS UNDER PRESIDENT FORD

### Inflation

When President Ford took office, the CPI was increasing at 15.6% a year; today it is increasing at 6%. (August, 1974 v. August, 1976)



### Employment

The total increase in employment since the President took office is 1.8 million; in the last 17 months, employment has increased by 3.9 million -- the largest increase in any 18-month period in peacetime history. Employment is now at the highest level in history -- 88 million.

### Family Income

Real, per capita disposable income has increased by 4.4% since August, 1974. (That's after inflation and taxes.)

### Tax Relief

For a family of four earning \$15,000, Federal income taxes today are \$180 lower than when the President took office. Under the President's proposals, there would be an additional cut of \$227 for that family -- or a total of \$407. (Source: Treasury Release, July 29, 1976.)

Housing

Number of new units completed since the President took office: 2.7 million. In August of 1974, housing starts were at 1.2 million; in August of 1976 they have reached 1.5 million.

Crime

In calendar year 1974, crime increased at a rate of 17.6%. In 1975, that growth figure was cut to 9.8 percent. In the first quarter of 1976, crime growth was cut to only 3% a year. (NB: On Thursday, FBI will release figures for first six months of 1976).

Money Saved by Vetoes

Money saved by vetoes           \$9.2 billion

Money lost by overrides       \$12.1 billion

(Source: OMB)

## UNEMPLOYMENT/INFLATION

No American President will ever be satisfied while there is one willing worker who can't find a decent job. But in pursuing jobs, no American President should make the mistake of backing spending programs which, through inflation, threaten the earnings of the 88 million Americans who are working.



Nor can a President allow the economic course he charts to be erratic by shifting emphasis from one policy to another. Candidates can live by the press release -- a new proposal for every problem every day. A President needs to set a stable course and pursue it, day in and day out. That may not be good politics, but it's what leadership is all about.

My overall goal concerning the economy was to bring the country back to an even keel. We have achieved this, and the recovery will continue on its steady course.

There are three reasons why:

First, when I took office the country was sliding towards its worst recession in the generation. Against the advice of many in Congress and the ranks of big labor, we didn't panic in supporting massive new spending programs, but we adopted balanced, consistent policies designed to attack



both inflation and unemployment. Today, inflation -- while still too high -- is only half what it was in '74.

And while unemployment is much too high, there are more people working today -- 88 million -- than anytime in our history. In the past year and a half, more Americans have gotten jobs than in any other eighteen-month period in our peacetime history.

Second, I have fought -- successfully -- against those who believe that we can spend our way out of tough economic times. In my opinion, the platform on which my opponent runs, can only lead in one direction: higher taxes, higher prices and, ultimately, higher unemployment. My program, by contrast, is and has always been designed to achieve lower taxes, lower inflation and lower unemployment.

Finally, I would cite the factor of experience on the job. For twenty-eight years, I have been working, studying and voting on programs that affect lives of 215 million Americans. I can tell the good from the bad, the true from the phony.



## UNEMPLOYMENT/INFLATION

Mr. President: How do you respond to Mr. Carter's charges that you inherited a bad economic situation, in terms of inflation and unemployment, and then made it worse?

Well, I have listened attentively to my opponents lectures on the economy. And it convinces me of one thing. When Mr. Carter was at the Naval Academy, the economics department must have been a disaster area.

Every economist knows that the last recession and the unemployment were caused by massive inflation. The cause of that inflation has been the fiscal policies voted upon every single year by the Congress of the United States.

Since 1965, that Congress has been controlled, dominated, run, by the liberals and ultraliberals of Mr. Carter's own party. They have spent this country \$250 billion dollars deeper into debt. They have set off the worst inflation in our history.

I have always been a fiscal conservative, a sound-dollar man and this is the kind of irresponsible economics I have fought my entire career. As President, I have vetoed more than sixty spending bills sent down by that Congress. If all those vetoes had failed, inflation today wouldn't be at six percent. It would be closer to sixteen percent. And if the \$100 billion dollar platform embraced by my opponent at Madison Square Garden is ever enacted, inflation will be at sixteen percent in this country.

The big Spenders of Capitol Hill are the men who made a mess of the American economy. If Mr. Carter wishes to know what they are like, I suggest he sit down and have a long talk with his

running mate, Mr. Mondale, who has probably the worst spending record on Capitol Hill.

# # #