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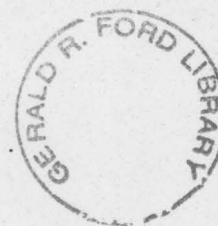
THE WHITE HOUSE

WASHINGTON

May 18, 1973

MEMORANDUM FOR

JIM FALK
DANA MEAD
DICK FAIRBANKS
GEOFF SHEPARD
JIM CAVANAUGH
KEN KHACHIGIAN
JACK BUTTRAM
HANK PAULSON
FRANK GANNON
STANLEY SCOTT ✓
GARY SEEVERS
JIM ANDREWS
LEE NUNN



SUBJECT:

Ehrlichman/Cole Briefing Book

Next week the Vice President is beginning a series of talk show interviews and other public appearances which will often be focused on domestic affairs. He has asked Ken Cole if the Ehrlichman/Cole domestic affairs briefing book could be updated to assist him in his preparation for these appearances. Would you please review and update the attached material at Tab B covering your area of substantive responsibility and provide any appropriate or timely additions.

Ken would greatly appreciate that all materials submitted follow the standard format found at Tab A.

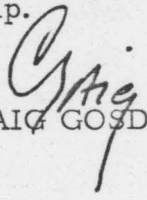
Material at Tab A was prepared for the briefing book by the Cost of Living Council on very short notice and will serve as an excellent example of the uniform format which must be followed throughout the briefing book.

- 2 -

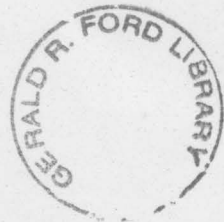
Please note that each submitted section must include an introduction which lists "Key Scoring Points" (those points which are important for the speaker to make while discussing your area) followed by a list of "S. O. B. questions" numbered in the order in which they appear in your Q and A material.

Using this standard format, would you please return your materials to me no later than close of business Tuesday, May 22. Please submit your material in final form with four copies.

Thank you very much for your help.


CRAIG GOSDEN

Attachments



A



ECONOMIC STABILIZATION PROGRAM



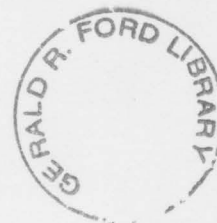
key SCORING
KEY POINTS

1. Despite difficult problems facing the economy, Phase III is a sound, balanced program that can and will work. We're not going to panic.
2. As regards the 5.5% wage guideline, there has been too much emphasis on a fixed number. The 5.5% figure continues to be a useful standard, but it was never intended to preclude flexibility in wage settlements.
3. Labor and management have agreed to fully cooperate in the effort to combat inflation.
4. The Administration has taken a series of actions to reduce upward pressures on food prices, and it is continuing to study ways to further address this problem.
5. The reimposition of mandatory restraints on producers of fuel oil is evidence of the Cost of Living Council's ability to take decisive action to address specific inflationary problems. Other problems are under active consideration, and appropriate measures will be taken as necessary.

S.O.B. Questions

1. This week's copy of "Business Week" magazine carried an editorial that came right out and said what a lot of people have been implying -- that Phase III is a failure. What is your response?
2. Dr. John Dunlop, the Director of the Cost of Living Council, and George Meany have recently carried on a public debate concerning the Administration's position on the 5.5% wage standard. You even got into the act in Detroit, only to retract your comments later. Could you please clarify the status of the 5.5% wage guideline?
3. It was announced on March 8 that the February Wholesale Price Index rose 1.6%. This is the first indicator of price behavior during Phase III that we've seen. Is it an indication of what we have to look forward to?
4. What is the Administration doing about the continuing rapid increase in food prices?

5. It has been rumored that the Administration is considering imposing price controls on agricultural products at the farm level. Is this true?
6. Why did the Cost of Living Council reimpose mandatory restraints on the large oil firms on March 6? What will be the effects of that action?
7. What action is the Administration taking to stabilize prices in the lumber industry?



March 9, 1973

PHASE III A FAILURE?

Question:

This week's copy of "Business Week" magazine carried an editorial that came right out and said what a lot of people have been implying--that Phase III is a failure. What is your response?

Response:

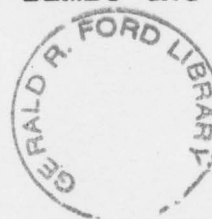
It is much too soon to make judgments concerning the success or failure of Phase III. After all, we're only two months into the modified program. The economy is having to make adjustments, just as it did when we moved from the 90-day freeze into Phase II. We didn't panic during the early months of 1972, though, when we were faced with the so-called "bulge," and we're not going to panic now.

Phase III is a conceptually sound, balanced, realistic program. It was designed in view of the economic conditions that prevail in the country, today, but it also provides for the flexibility and the sanctions that will enable it to cope with rapidly changing circumstances. It can be made to work, and it will be made to work.

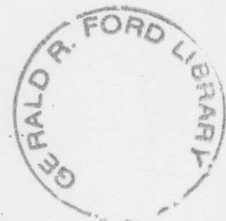
Whenever a nation faces tough problems, there are those who seem to react solely to the immediate crises, while others are able to take a longer, more objective view. In the early months of 1942, there were those who predicted that we couldn't win World War II because our Pacific fleet had been mauled and we weren't mobilized for war. But while the few were wringing their hands, the majority rolled up their sleeves and went to work.

We're faced with some tough economic problems right now, and I won't pretend differently. But I'm convinced that in Phase III we have the tools necessary to do the job, and we'll just have to settle into the harness for the long pull.

And let's not forget that Phase III is just one weapon in the Administration's anti-inflation arsenal. The most important anti-inflation weapons still are fiscal and monetary policies. In this context, the Administration's efforts to limit the Federal budget become even more important.



4. Again, returning to the language of the Labor-Management Committee's statement: "The parties to collective bargaining agreements should address themselves both to short-term and longer run structural problems which they confront in their industries, localities and particular economic environments -- no single standard or wage settlement can be equally applicable at one time to all parties in an economy so large, decentralized, and dynamic."



WAGE GUIDELINES

Question:

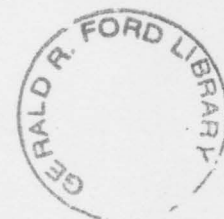
Dr. John Dunlop, the Director of the Cost of Living Council, and George Meany have recently carried on a public debate concerning the Administration's position on the 5.5% wage standard. You even got into the act in Detroit, only to retract your comments later. Could you please clarify the status of the 5.5% wage guideline?

Response:

The wage standard under Phase II was flexible, and it remains flexible in Phase III. The following points should be made absolutely clear:

1. The Labor-Management Advisory Committee in its recently issued statement defined responsible wage behavior as follows:

"Considering the economy as a whole, responsible wage behavior requires continuing stabilization in the average rate of wage and benefit increases (total compensation per manhour) in 1973 compared to 1972 so as to be consistent with the goal set by the President of getting the rate of inflation down to 2.5 percent or less by the end of the year." This means the average rate of wage and benefit increases in 1973 is to be no higher than in 1972.
2. In 1973, the wage stabilization program will be administered in a manner consistent with reaching the President's goal of reducing inflation to an annual rate of 2.5 percent by the end of the year. Sufficient flexibility to provide fairness and equity in individual situations is retained in the administration of the wage program. This means that, as under Phase II, some settlements can go a little higher, while others will be lower.
3. The 5.5 percent figure remains as the general pay standard in determining wage and salary increases under Phase III, as it was in Phase II. However, it is not the sole standard or absolute standard, nor was it in Phase II. There have always been other factors involved in determining what is an appropriate pay increase under wage stabilization. The standards in the regulations provide for certain fringe benefits and the correction of gross inequities, serious market disruptions, or localized shortages of labor. More specifically, there is a series of independent variables such as local wage patterns, catch-up situations, the industry's competitive position, and changes in productivity and working conditions which have an effect on the size of a permissible increase.



WHOLESALE PRICE INDEX

Question:

It was announced on March 8 that the February Wholesale Price Index rose 1.6%. This is the first indicator of price behavior during Phase III that we've seen. Is it an indication of what we have to look forward to?

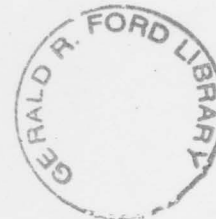
Response:

Let's examine the February WPI increase more closely. Farm and processed food prices accounted for over half of February's total increase. None of us likes to see food prices go up, but I can only emphasize that the long-term solution to this problem is to increase supply. The Administration has taken a series of actions to do just that, and we fully expect the benefits of these actions to be felt in the second half of this year.

As for the industrials component of the Wholesale Price Index, half the increase came in two areas - lumber and wood products, and fuels. As you know, the Cost of Living Council took strong action this week with respect to petroleum products. As for lumber and wood prices, they are reflecting the current boom in building. We expect that this boom will moderate over the months ahead, which will relieve the upward pressure on lumber prices.

We have to recognize that we are experiencing the effects of a dynamic, booming economy. Raw materials are in heavy demand, not only in this country but throughout the world, and the laws of supply and demand make it inevitable that there is going to be increases in the prices of scarce commodities.

The Stabilization Program is addressing itself to those areas in which severe price pressure is evident. But rather than use a meat cleaver approach, each situation is examined individually and the response is specifically tailored to the particular problem.



FOOD PRICES



Question:

What is the Administration doing about the continuing rapid increase in food prices?

Response:

1. Controls: You can be certain that the problem of rising food prices is receiving the highest level of attention by this Administration. You will recall that in his recent meeting with the outgoing members of the Pay Board and Price Commission, the President re-emphasized our determination to hold down food prices.

As you know, the food industry - together with the health services and construction industries - is still subject to mandatory wage and price controls. This means that food processors, distributors and merchandisers must comply with prenotification, reporting, record keeping, markup, profit margin and other requirements similar to those that obtained during Phase II.

The purpose of this action is to try to ensure that increases in prices of raw agricultural products are not magnified by the processing and distribution system and that decreases in farm prices are promptly reflected at the retail level.

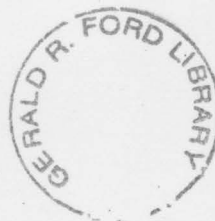
Under Phase III, a Cost of Living Council Committee on Food will focus on actions which the Government can take to ease upward pressures on food prices.

There is also a Food Industry Advisory Committee comprised of representatives of various segments of the food industry. This Advisory Committee, which is under the chairmanship of Mr. Donald Perkins, Chairman of the Board and Chief Executive Officer of the Jewel Companies, will also focus on short-term and long-term actions which the Government can take to bring down costs and prices, as well as ways in which the Stabilization Program itself can improve the food situation.

Finally, on February 26, a tripartite Food Industry Wage and Salary Committee was established, comprised of labor, management and public members. This Committee will advise the Cost of Living Council and the Labor-Management Advisory Committee on wage stabilization policies applicable to the special wage problems of the food industry.

2. Supply: Of course, we all recognize that the key to long-term price stability in the food sector is to restore a balance between demand and supply. The Administration has addressed itself to the problem of augmenting the supply of food in a number of ways:

- ° The release of some 40 million acres of farmland formerly kept out of production under government "setaside" programs. (This represents a reduction of 2/3 compared to 1972.)
- ° Disposal of food stocks owned by the Commodity Credit Corporation.
- ° Restrictions on food imports have been removed.
- ° All export subsidies on food exports removed.
- ° "Setaside" acreage can now be used for grazing land.
- ° Marketing orders and other rules that emerge from the Agriculture Department will be coordinated with CLC.
- ° A change in the 1973 feed grain program which will produce more corn and soybeans (setting aside fewer acres of land).
- ° CCC will call loans on 1972 Farm Stored Grain crops by May 31.
- ° On March 9, the Cost of Living Council recommended to the President that the quotas on imports of cheese be increased by 50 percent for a four-month period.



RAW AGRICULTURAL PRODUCTS

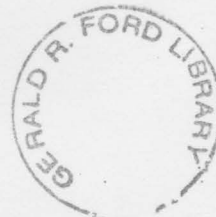
Question:

It has been rumored that the Administration is considering imposing price controls on agricultural products at the farm level. Is this true?

Response:

As you know, a Food Advisory Committee was recently established to study food problems and to recommend policy options to the Cost of Living Council. This Committee, which is chaired by Mr. Donald Perkins, Chairman of the Board and Chief Executive Officer of the Jewel Companies, Inc., is comprised of representatives of the major sectors of the food industry. The Committee has met several times, and, naturally, they have wanted to examine every conceivable option, recognizing that they would rule out some of the options.

So, in one of its first sessions, the Advisory Committee did in fact examine the feasibility of imposing controls on raw agricultural products, just as it will examine dozens of other possibilities. The Committee's conclusion and its recommendation to the Cost of Living Council, was that the imposition of price controls on farm products would be inappropriate and, in fact, counter-productive at this time. Such controls would tend to discourage increased farm production, whereas the need at this time is for the increased farm production that the Administration is taking steps to stimulate.



MANDATORY OIL CONTROLS

Question:

Why did the Cost of Living Council reimpose mandatory restraints on the large oil firms on March 6? What will be the effects of that action?

Response:

Mandatory controls were placed on the oil industry so that we could head off the rippling effects of price increases for petroleum products. The oil industry has a major impact on the economy. We want to prevent increasing pressures for higher oil product prices -- particularly heating oil and gasoline -- from triggering inflationary price increases in other segments of the economy.

A month ago, the Cost of Living Council held three days of hearings on oil pricing policies with special emphasis on the price increases on home heating oil. There are many aspects to this problem. Needless to say, the dollar devaluation and the Canadian government's move to slow down crude oil exports simply added complexities to an already complex issue.

The decision to place the oil industry under mandatory controls was made only after a thorough study of the problem. As Council Director Dr. John Dunlop said: "The decision was not punitive. It gives oil companies flexibility to maintain adequate domestic supplies of crude oil and petroleum products."

A key point to be made is that the Cost of Living Council took this action even though the price increases which have been announced by the major oil firms were not in violation of Phase III regulations. Those increases could be cost-justified in accordance with the rules. But the Cost of Living Council determined that the increases in oil prices were not consistent with the country's overall anti-inflation goals, and it took measures that it is empowered to utilize.



RENT



Question:

As part of Phase III, controls were removed from rents. Since that time there have been numerous complaints about rent increases, including complaints from Capitol Hill. What does the Administration plan to do about this problem?

Response:

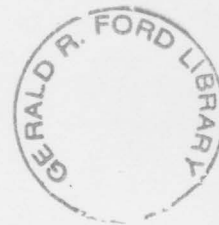
First of all, I would like to say that landlords are well advised to remember that they are expected to exercise restraint and conduct themselves in a manner consistent with the Phase III goal. Phase II rules serve as guidance for appropriate increases. Under the Cost of Living Council Phase III regulations and Executive Order 11695, lessees have the right to enforce, through court action if necessary, leases executed according to Phase II rules. Lease renegotiation provisions which depend for their operation upon the modification or termination of the stabilization program are unlawful. Landlords cannot, under Phase III regulations, recoup what they could not get in Phase II. Certainly the Cost of Living Council will be watching the rent situation closely.

The Council has requested the Internal Revenue Service to continue to monitor rent behavior and to investigate unusually large rent increases. The data from these investigations is being compiled by the Cost of Living Council and will serve as a data base from which to evaluate policy options. Several members of Congress, particularly Senator Case of New Jersey, and members of the Washington-Virginia-Maryland delegations, have provided information on rent increases in their areas, and the Cost of Living Council has tried to be responsive by promptly directing IRS investigations of these complaints.

A special rent task force has been assembled in the Cost of Living Council to analyze the data which the IRS provides and to keep Secretary Shultz, the Chairman of the Cost of Living Council, and Dr. John Dunlop, the Director of the Council, closely apprised of rent behavior and to develop policy options.

On the other hand, it's important to recognize that rent controls have never been notably successful, and a lot of people don't realize that even under Phase II, 70% of the rental units in this country were not controlled for sound economic and technical reasons.

In this regard, I wish to add that the Administration is strongly opposed to the proposed amendment to the Economic Stabilization Act that would impose rent controls on metropolitan areas according to vacancy rates in those areas. We recognize that in certain parts of the country there are special rent problems. It may well be that in such areas, citizens and their representatives in state and local governments will decide to take concerted action to curb excessive rent increases. But we do not believe that the solution to this essentially local problem is to establish yet another far-reaching, administratively burdensome, and potentially expensive Federal program.



LUMBER PRICES

Question:

What action is the Administration taking to stabilize prices in the lumber industry?

Response:

The Cost of Living Council is currently executing a continued strong enforcement effort to identify and refund excess revenues from price increases of lumber and wood products which were in violation of Phase II regulations. Since the initiation of Phase III, price behavior is being closely monitored on individual firms within the lumber industry and on an overall industry-wide basis. Price increases are reported weekly by IRS through a CLC monitoring system designed to flag increases which are unreasonably inconsistent with the Phase III standards so that appropriate remedial action can be taken.

In addition, CLC is working closely with the Council of Economic Advisers, the Office of Management and Budget, and the Department of Agriculture to identify and develop feasible alternatives to increase the supply of lumber and wood products. These alternatives include various techniques to increase the yield from the National Forests, and several ways to increase the net imports of logs and lumber.



EXTENSION OF ECONOMIC STABILIZATION ACT

Question:

The Senate Banking, Housing and Urban Affairs Committee conducted hearings this week on the extension of the Economic Stabilization Act, and the Committee voted to add several amendments to the Act. What are those amendments, and what is the Administration's position on them?

Response:

It is the hope of the Administration that the Congress will provide for a simple one-year extension of the Economic Stabilization Act without encumbering the Act with amendments which would restrict the President's flexibility in exercising his anti-inflation authority.

However, during its hearings on the Act this past week, the Senate Banking, Housing and Urban Affairs Committee adopted several amendments:

1. Amendment. States that the national unemployment goal of this country should be 4% by April 30, 1974, the date of expiration of the Act if it is extended for one year.

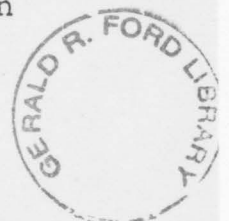
Administration's Position. The 4% figure is a lower figure than the Administration has indicated is realistically consistent with a changing economy. It presents, in fact, the elevation of a number to primary prominence in an area where there are complex and diverse factors to be considered in an effort to set the economy on a course of expansion while carefully avoiding an acceleration of inflation.

2. Amendment. Prohibits the use of the Economic Stabilization Act as a vehicle for the withholding or reservation of funds authorized and appropriated by the Congress.

Administration's Position. This amendment is based on an erroneous presupposition.

3. Amendment. Defines as "substandard earnings" a wage or salary rate which yields less than \$3.50 per hour.

Administration's Position. The effect of this amendment would be to exempt from wage controls approximately 75% of the American work force, including the majority of workers in the highly inflationary food and health industries. We can't have it both ways; we either have to provide for a means of holding down excessive pay increases, or we have to abandon the idea of an effective stabilization program.



4. Amendment. Requires the transmittal of quarterly reports to the Congress not later than 30 days after the close of each quarter, describing the rate of change in food prices, by category of food, the reasons for such changes, and the actions taken or recommended to the Congress to stabilize the price of food.

Administration's Position. Other than the administrative problems posed by the frequency of the reports in relation to a small staff, this requirement does not seem to present a serious problem.

5. Amendment. Requires the President to establish priorities for the use and systematic allocation of petroleum products.

Administration's Position. This is, in more direct language, an amendment aimed toward rationing, and it is the Administration's belief that the oil shortage problem can be met in a variety of ways other than through the imposition of rationing. Rationing, by its nature, is an unpleasant concept, and presents the spectre of ration books, shortages, and black markets. There are other ways to handle such problems, and the Cost of Living Council has held public hearings and placed the oil industry under mandatory price controls in a move toward establishing control of the situation.

6. Amendment. Requires public disclosure of data to support price increases of 1.5% over January 10, 1973 levels.

Administration's Position. Such a public disclosure requirement raises serious questions concerning the confidentiality of the information which firms submit to the Cost of Living Council. The Council must have access to confidential business data if it is to make accurate and equitable decisions on the legitimacy of price actions taken by companies.



"CLUB IN THE CLOSET"

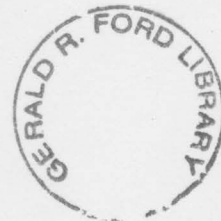
Question:

Secretary Shultz has referred to the "club in the closet" that the Administration can pull out to give Phase III some muscle. Senator Proxmire has suggested that the Administration has only a "pea-shooter under a pillow." Who is right?

Response:

You know, back in the Old West, if you were a "fast gun" you didn't have to carry your six shooter around in your hand. That club may be in a closet, but we can pull it out at a moment's notice. Secretary Shultz has warned that some reckless firm or bargaining unit is going to find itself getting "clobbered," and the Cost of Living Council is serious about that.

As you know, the Administration has standby wage and price sanctions that it can employ as necessary. In addition to those powers, however, I would encourage you to think in broader terms when you start speculating about the success of Phase III. There is a wide spectrum of possible actions that the government can take to curb inflation. The Phase III guidelines and controls are only part of our arsenal, and they will be complemented by responsible fiscal and monetary policies and other actions appropriate to the anti-inflationary goals of this Administration.



ENFORCEMENT SANCTIONS

Question:

What are the sanctions that the Cost of Living Council can employ against firms or bargaining units that violate the guidelines of the Economic Stabilization Program?

Response:

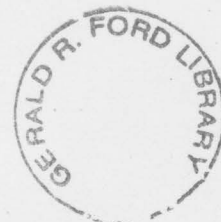
1. Mandatory sector: As regards those industries that remain under mandatory controls -- food, health and construction -- the Cost of Living Council can take the same types of actions that it could during Phase II. These actions include administrative sanctions, such as ordering firms that raise prices in violation of the Program to roll back prices and to issue refunds to identifiable customers.

Also in the mandatory sector, the Cost of Living Council can ask the Justice Department to bring suit against violators of the Program. This type of litigation can result in injunctions and both civil and criminal penalties.

2. Voluntary sector: In those sectors of the economy to which the voluntary, self-administered guidelines apply, the Cost of Living Council reserves the authority to establish mandatory standards where that is necessary to assure that future action in a particular industry is consistent with the national goal.

In addition, upon learning through its monitoring of prices and labor negotiations that action has been or is about to be taken by a firm that is not consistent with the standards or the goals of the Program, the Cost of Living Council can use its authority to issue a temporary order to the firm setting interim price and wage levels and can also:

- . Hold public hearings.
- . Issue a special rule or order setting out a specific legally binding level for prices and wages that would restrain the firm from that point on. Such a rule or order could include the requirement to roll back already effected price or wage increases.



THE WHITE HOUSE

WASHINGTON

August 14, 1973

MEMORANDUM FOR

JIM FALK
DANA MEAD
DICK FAIRBANKS
GEOFF SHEPARD
JIM CAVANAUGH
KEN KHACHIGIAN
ANNE ARMSTRONG
HANK PAULSON
FRANK GANNON
STANLEY SCOTT ✓
GARY SEEVERS
JIM ANDREWS
KEN CLAWSON
PATRICK O'DONNELL



SUBJECT:

Cole Briefing Book

The Vice President has recently asked Ken if the entire Domestic Council briefing book could be updated for his use, since he plans to make a number of public appearances in the near future where he will discuss domestic affairs.

Would you please review and update the attached material at Tab A which you have sent us in the past covering your area of substantive responsibility. Please provide any appropriate or timely additions.

The Vice President and Ken would greatly appreciate if all materials submitted could follow our standard format at Tab B.

Please note that each submitted section should include an introduction which lists "Key Scoring Points" (those points which are important for the speaker to make while discussing your area) followed by a list of "S. O. B. questions" numbered in the order in which they appear in your Q and A material.

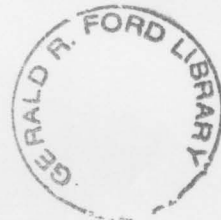
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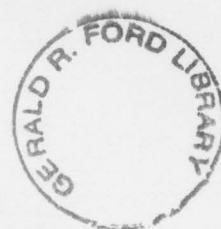
Using this standard format, would you please return your materials to me no later than close of business Tuesday, August 21st. Please submit your material in final form in four copies.

Thanks very much for your help.


CRAIG GOSDEN

Attachment





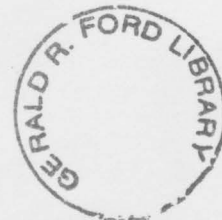
Blacks

Scoring Points

1. The President has taken extraordinary steps to promote black capitalism.
 - Total Federal funding for minority businesses have increased from \$200 million in 1969 to \$1.2 billion in 1974.
 - Small Business Administration loans and guarantees to minority enterprise have increased from \$41.3 million in 1968 to \$649 million in 1974.
 - The Office of Minority Business Enterprise will receive \$91 million in funding in 1974 - up from \$37 million in 1973.
 - Federal purchases from minority firms have increased 30 times from \$13 million in 1969 to \$394 million in 1972.
 - Under the 8(a) program of SBA, sole source contract awards to minority firms have risen from \$9 million in 1969 to an estimated \$200 million in 1974.
2. Total Civil Rights outlays are up to \$3.2 billion in 1974 from \$900 million in 1969.
3. About 1.5 disadvantaged college students will receive \$948 million in basic education opportunity grants in 1974 (many will be black).
4. Enforcement budget against discrimination in housing is up 14 percent in 1974 to \$15.8 million.
5. Anti-poverty programs such as Head Start, Legal Services, Migrant Programs, Neighborhood Health Centers, Community Development Activities will stay at level of 1973 funding or will increase.

S.O.B. Questions

1. What is your response to charges that dismantling of OEO represents an end to the War on Poverty?
2. Why is it the President has not met with black leaders?



3. Civil Rights' leaders are predicting disorder in cities this summer in protest over budget cuts and because of what they consider the lack of responsiveness by the Administration to the problems facing minorities.
4. Why is it that the Administration is viewed in many quarters as being anti-black and anti-poor?
5. Will not the 18 month moratorium on HUD subsidized housing programs especially penalize minorities in our cities seeking better housing opportunities?
6. What's going to happen to the thousands of people out of work because of the reduction in anti-poverty programs?
7. What alternatives will the Administration provide for the poor and minorities affected by the proposed budget cuts?



March 9, 1973



POINTS ON BLACKS

1. Total Civil Rights outlays are up to \$3.2 billion in 1974 from \$900 million in 1969.
2. Civil rights enforcement outlays up from \$75 million in 1969 to \$521 million in 1974.
3. EEOC's budget has increased over 400 percent under this Administration to \$43 million in 1974.
4. Federal funding for minority businesses is up from \$200 million in 1969 to \$1.2 billion in 1974.
5. About 1.5 disadvantaged college students will receive \$948 million in basic education opportunity grants in 1974 (many will be black).
6. Enforcement budget against discrimination in housing is up 14 percent in 1974 to \$15.8 million.
7. Direct benefits to low income persons increased 88% from \$16.1 billion in 1969 to \$30.3 billion in 1974.
8. Federal food aid has increased 350 percent since 1969 to \$4.1 billion in 1974.
9. Anti-poverty programs such as Head Start, Legal Services, Migrant Programs, Neighborhood Health Centers, Community Development Activities will stay at level of 1973 funding or will increase.
10. Work Incentive Program will place 165,000 welfare recipients in jobs and refer 132,000 for training.
11. Employment-related child care has gone from \$143 million in 1970 to \$582 million in 1974.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 9, 1973

MEMORANDUM FOR HANK PAULSON

FROM: STAN SCOTT

SUBJECT: Issues and Answers Briefing Notebook

(Q & As for S.O.B. questions
which might be raised)

1. (Q) What is your response to charges that dismantling of OEO represents an end to the War on Poverty.

(A) This Administration is committed to equal opportunity and social justice. The partial dismantling of OEO is an effort to make the Anti-Poverty War more effective. We are looking for new and better ways of concentrating programs and money more effectively on the poor and needy rather than deserting them. The truth is that many of the programs -- born out of tension, fear and violence of the 60's -- no matter how well intentioned -- have failed. We are changing directions because we owe it to the poor and disadvantaged to do better by them.
2. (Q) Why is it the President has not met with black leaders?

(A) The President has tried to share equally his time with all leaders. The President met with an organization of black publishers (National Newspaper Publishers Association) at the outset of his first term in office. He has met with individual black leaders such as William O. Walker (Cleveland Call and Post newspaper-Ohio), Vernon Jordan of the National Urban League, Floyd McKissick, former national director of CORE; Rev. Leon Sullivan of OIC (Opportunities Industrialization Centers), the black Congressional delegation, black college Presidents, and other black leaders. The President, of course, will be meeting with other black leaders in the future.



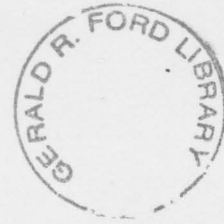
4. (Q) Civil Rights' leaders are predicting disorder in cities this summer in protest over budget cuts and because of what they consider the lack of responsiveness by the Administration to the problems facing minorities.

(A) First, let me say that I can't believe any responsible leader will go around making inflammatory predictions. We will deal with the most effective approach of getting to the problems, namely, eliminating unnecessary restrictions and redtap so that the people affected will be the beneficiaries. Black leaders are beginning to see that we are essentially evaluating programs and terminating the unproductive ones.

5. The Civil Rights Commission recently charged that the President had failed to provide the necessary moral leadership in the area of civil rights. What is your response to that charge.

(A) The President is definitely providing moral leadership. The morale of a people, in my judgment, is greatly influenced by their ability to participate as equals in the fruits of our society. For example, We have attained a level of minority employment in government at every level unprecedented, we have appointed more blacks to high levels of government both in the civil and military, overseas there are more minorities serving as heads of missions (Ambassadors and AID directors) than ever before, we have stepped up the number of appointment of black federal judges, we have encouraged with federal help, minorities to own and operate their own businesses. Briefly, we are trying and succeeding in assuring that minorities have an equal chance in every way. We believe that this is the true road of a moral leader.





6. (Q) Why is it that the Administration is viewed in many quarters as being anti-black and anti-poor?

(A) The fact that we were able to double our share of the black vote over that which we got in 1968 indicates that we have made some progress in overcoming this erroneous notion. This Administration is not anti-black or anti-poor and we have results, not rhetoric, to prove it.

To begin, we have raised the overall civil rights budget from the \$900 million being spent when we came into office to \$3.2 billion for the next fiscal year. In the all important area of enforcement of the civil rights laws, we will be spending in 1974 more (\$521 million) than seven times that which was budgeted in 1969.

We have avoided programs which would merely be aimed at "pacifying" people and encouraged those programs which foster self-reliance. An example of this approach is the President's minority business program which has given birth to thousands of new black businesses and tens of thousands of jobs. We have also raised the spending in this area over the past four years from \$200 million to \$1.2 billion.

7. (Q) Will not the 18 month moratorium on HUD subsidized housing programs especially penalize minorities in our cities seeking better housing opportunities?

(A) First, it should be noted that we will spend a billion dollars more this year in the area of housing and community development than last year. Also, by just honoring the commitments we have already made we will be subsidizing about 250,500 low and moderate income housing units in 1974 -- about the same as in 1973. In July, 1974, urban development revenue sharing (\$2.3 billion) will enable communities to meet their own development needs in their own way.

Federally subsidized housing has generally not provided better housing to the people of the inner city areas. The real

benefactors have often been the middleman or intermediaries who are not poor. The Federal government to date has committed itself to long-term housing assistance at an estimated cost between \$57 and \$82 billion. The results of this massive commitment have simply not justified the cost.

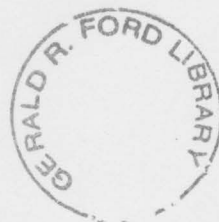
We intend to evaluate and develop alternative means of enabling low and moderate income families to afford adequate housing.

8. (Q) What's going to happen to the thousands of people out of work because of the reduction in anti-poverty programs.

(A) The number of people who would become unemployed would be very small. This is an item that has been grossly exaggerated by some reports. In many instances the people the programs were designed to help never received any of the actual benefits, be this jobs, financial assistance or the upgrading of skills. Some of the "professional poverty fighters" who were employed as staff members will probably have to reenter the labor market. The anticipated growth rate of our economy should provide jobs for all of those individuals able to work.

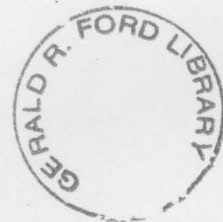
9. (Q) What alternatives will the Administration provide for the poor and minorities affected by the proposed budget cuts?

(A) This Administration is determined to provide real help for the needy and cut out the middle men or the "professional poverty workers", and at the same time give the local government a voice and a role in social programs. The poor need programs that really work and not programs that reek with paternalism, social exploitation and waste. We think that the proposals the President will make and has made to Congress to provide special revenue sharing funds with state and local control will deal effectively and efficiently with the social problems of today.



10. (Q) Blacks have traditionally felt that the Federal Government is more sensitive to their problems --- now that power is being returned to the state and local level --- what is the Administration's rationale in view of this concern?

(A) At this time there are now 1,144 black elected officials in the South alone. This Administration has enforced the voting rights laws and blacks, like all other minorities in this country, have a voice in their government at all levels. Blacks are now participating more in their state and local governments and because of this they have a real say in what will happen. Also, it is our intention to firmly and fairly enforce Title VI of the 1964 Civil Rights Act which demands all Federal funds to be disbursed in a non-discriminatory way. We shall see to it that revenue sharing funds are used for the benefit of all citizens regardless of race.



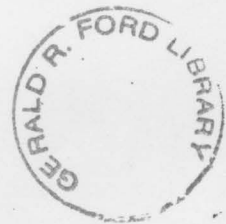
HIGHLIGHTS OF NIXON ADMINISTRATION
INITIATIVES IN MINORITY BUSINESS ENTERPRISE

1. Total Federal funding for minority businesses have increased from \$200 million in 1969 to \$1.2 billion in 1974.
2. Small Business Administration loans and guarantees to minority enterprise have increased from \$41.3 million in 1968 to \$649 million in 1974.
3. The Office of Minority Business Enterprise will receive \$91 million in funding in 1974 - up from \$37 million in 1973.
4. Federal purchases from minority firms have increased 30 times from \$13 million in 1969 to \$394 million in 1972.
5. Under the 8(a) program of SBA, sole source contract awards to minority firms have risen from \$9 million in 1969 to an estimated \$200 million in 1974.
6. Since 1970, 53 Minority Enterprise Small Business Investment Companies (MESBICs) have been established; with Federal matching funds they can produce a total of nearly \$40 million in capital for the minority business effort.
7. A combined private sector/Government program led to an increase of 84% (\$397 million) in the deposits held by the 43



minority-owned banks between September 1970 and September 1972.

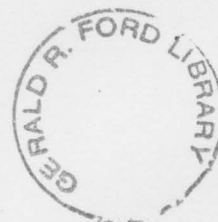
8. FNMA has helped establish seven minority mortgage banks and places \$2 million a month in FNMA business with them.
9. To encourage the participation of the private sector in this effort, OMBE will have established 50 Business Resource Centers (BRCs) by the end of fiscal 1973. BRC's will offer a pool of private sector experts to aid minority firms make contact with the wider business community.



FACT SHEET ON CIVIL RIGHTS AND SOCIAL
PROGRAMS RELATING TO BLACKS

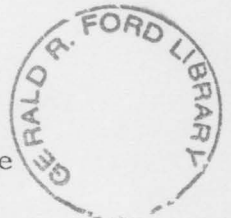
A. Civil Rights

1. Total outlays for civil rights activities have risen from \$1.1 billion in 1970 to \$3.2 billion in 1974.
2. Outlays for civil rights enforcement has risen from \$75 million in 1969 to \$521 million in 1974.
3. In 1974, outlays for equal opportunity in the military will rise 48% to \$52 million.



B. Equal Employment Opportunity

1. As of May 31, 1972, 19.6 percent of federal employees were from minority groups.
2. Between May 1971 and May 1972, the number of minorities in the GS-16 - 18 group increased 28 percent.
3. The budget of the Equal Employment Opportunity Commission has increased from \$11 million in 1970 to \$43 million in 1974 (nearly 400 percent).
4. The Equal Employment Opportunity Act of 1972 granted the EEOC power
 - a. to bring suit in U. S. district court to enforce nondiscrimination;
 - b. to file civil action against patterns of employment discrimination;
 - c. to cover cases involving employees of State and local governments.
5. Executive Order 11246 prohibits the practice of discrimination in federal contracts, subcontracts, and on federally assisted construction projects. In 1974, \$34.2 million will be spent implementing

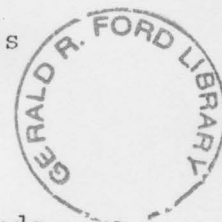


this order, 64% more than 1972. About 755,000 new hires and promotions will have been promised or achieved by such action plans.

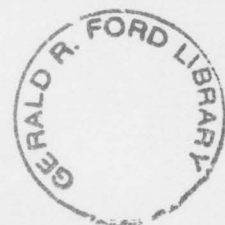


C. Minority Enterprise

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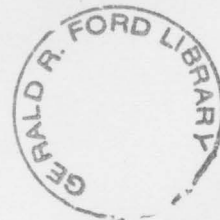


D. Educational Opportunities

1. On a national scale, the number of black students in all black schools has decreased from 40 percent in 1968 to 11 percent in 1972, and in the South from 68 percent in 1968 to 8 percent in 1972.
2. Under the emergency school assistance program, outlays will grow from \$72 million in 1973 to \$204 million in 1974 to assist in eliminating the effects of minority group isolation in school systems.
3. About 1.5 million needy college students will receive \$948 million in basic education opportunity grants. By the 1974 - 75 school year, every eligible disadvantaged student will receive a grant up to \$1400.
4. Office of Child Development activities - primarily in the Head Start program - have increased from \$189 million in 1972 to \$379 million in 1974.
5. Federal aid to black colleges doubled between 1969 to \$200 million in 1973.

E. Housing

1. Expenditures for the enforcement of laws against discrimination in housing will increase 14% in 1974 to \$15.8 million.
2. Despite the moratorium on housing subsidies, existing commitments will sustain HUD subsidized housing production at approximately a 250,000 unit rate through 1974 - the same as in 1973.
3. Budget outlays for housing and community development will actually increase by \$1.0 billion over 1973 to \$4.9 billion in 1974.
4. To assist low and moderate income families, the Federal government will continue to insure low down payment mortgages.



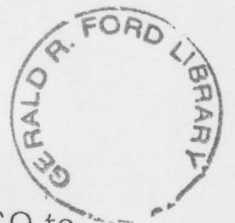
F. Drug Problem

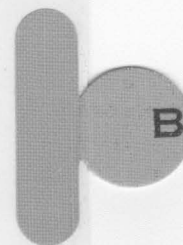
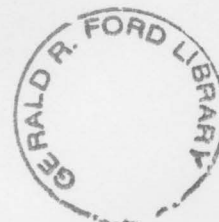
1. Outlays for drug abuse prevention increased from \$150 million in 1971 to \$719 million in 1974.
2. Funds will be available to expand federally funded treatment facilities to handle 250,000 addicts by mid - 1974; if necessary.
3. A newly developed VA treatment system offered care to 20,000 veterans in 1972.



G. Anti Poverty and Other Social Programs

1. Federal outlays for direct benefits to low income persons increased 88% from \$16.1 billion in 1969 to \$30.3 billion in 1974.
2. Federal food aid increased nearly three and one half times from \$1.2 billion in 1969 to \$4.1 billion in 1974.
3. Despite rumors to the contrary, only one of the OEO programs - the Community Action Program - will be phased out from the Federal support. In fact many of the substantive OEO programs will be continued at the same level as 1973 or in many cases increased. This includes Head Start, Migrant Programs, Neighborhood Health Centers, and Legal Services.
4. Community Development Activities will be moved from OEO to Commerce and funded for \$39 million in 1974 - up from \$9 million in 1973.
5. Under the Work Incentive (WIN) program, about 165,000 welfare recipients will be placed in jobs and 132,000 will be referred for training in FY 1974.
6. Federal support for employment related child care has increased from \$143 million in 1970 to \$582 million in 1974.





ECONOMIC STABILIZATION PROGRAM



key SCORING
KEY POINTS

1. Despite difficult problems facing the economy, Phase III is a sound, balanced program that can and will work. We're not going to panic.
2. As regards the 5.5% wage guideline, there has been too much emphasis on a fixed number. The 5.5% figure continues to be a useful standard, but it was never intended to preclude flexibility in wage settlements.
3. Labor and management have agreed to fully cooperate in the effort to combat inflation.
4. The Administration has taken a series of actions to reduce upward pressures on food prices, and it is continuing to study ways to further address this problem.
5. The reimposition of mandatory restraints on producers of fuel oil is evidence of the Cost of Living Council's ability to take decisive action to address specific inflationary problems. Other problems are under active consideration, and appropriate measures will be taken as necessary.

S.O.B. Questions

1. This week's copy of "Business Week" magazine carried an editorial that came right out and said what a lot of people have been implying -- that Phase III is a failure. What is your response?
2. Dr. John Dunlop, the Director of the Cost of Living Council, and George Meany have recently carried on a public debate concerning the Administration's position on the 5.5% wage standard. You even got into the act in Detroit, only to retract your comments later. Could you please clarify the status of the 5.5% wage guideline?
3. It was announced on March 8 that the February Wholesale Price Index rose 1.6%. This is the first indicator of price behavior during Phase III that we've seen. Is it an indication of what we have to look forward to?
4. What is the Administration doing about the continuing rapid increase in food prices?

5. It has been rumored that the Administration is considering imposing price controls on agricultural products at the farm level. Is this true?
6. Why did the Cost of Living Council reimpose mandatory restraints on the large oil firms on March 6? What will be the effects of that action?
7. What action is the Administration taking to stabilize prices in the lumber industry?



March 9, 1973

WAGE GUIDELINES

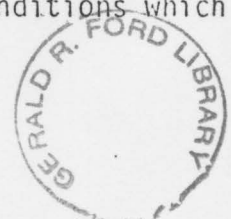
Question:

Dr. John Dunlop, the Director of the Cost of Living Council, and George Meany have recently carried on a public debate concerning the Administration's position on the 5.5% wage standard. You even got into the act in Detroit, only to retract your comments later. Could you please clarify the status of the 5.5% wage guideline?

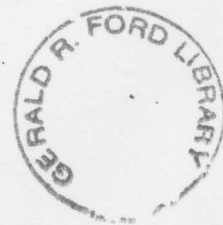
Response:

The wage standard under Phase II was flexible, and it remains flexible in Phase III. The following points should be made absolutely clear:

1. The Labor-Management Advisory Committee in its recently issued statement defined responsible wage behavior as follows:
"Considering the economy as a whole, responsible wage behavior requires continuing stabilization in the average rate of wage and benefit increases (total compensation per manhour) in 1973 compared to 1972 so as to be consistent with the goal set by the President of getting the rate of inflation down to 2.5 percent or less by the end of the year." This means the average rate of wage and benefit increases in 1973 is to be no higher than in 1972.
2. In 1973, the wage stabilization program will be administered in a manner consistent with reaching the President's goal of reducing inflation to an annual rate of 2.5 percent by the end of the year. Sufficient flexibility to provide fairness and equity in individual situations is retained in the administration of the wage program. This means that, as under Phase II, some settlements can go a little higher, while others will be lower.
3. The 5.5 percent figure remains as the general pay standard in determining wage and salary increases under Phase III, as it was in Phase II. However, it is not the sole standard or absolute standard, nor was it in Phase II. There have always been other factors involved in determining what is an appropriate pay increase under wage stabilization. The standards in the regulations provide for certain fringe benefits and the correction of gross inequities, serious market disruptions, or localized shortages of labor. More specifically, there is a series of independent variables such as local wage patterns, catch-up situations, the industry's competitive position, and changes in productivity and working conditions which have an effect on the size of a permissible increase.



4. Again, returning to the language of the Labor-Management Committee's statement: "The parties to collective bargaining agreements should address themselves both to short-term and longer run structural problems which they confront in their industries, localities and particular economic environments -- no single standard or wage settlement can be equally applicable at one time to all parties in an economy so large, decentralized, and dynamic."



WHOLESALE PRICE INDEX

Question:

It was announced on March 8 that the February Wholesale Price Index rose 1.6%. This is the first indicator of price behavior during Phase III that we've seen. Is it an indication of what we have to look forward to?

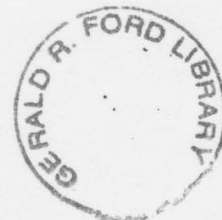
Response:

Let's examine the February WPI increase more closely. Farm and processed food prices accounted for over half of February's total increase. None of us likes to see food prices go up, but I can only emphasize that the long-term solution to this problem is to increase supply. The Administration has taken a series of actions to do just that, and we fully expect the benefits of these actions to be felt in the second half of this year.

As for the industrials component of the Wholesale Price Index, half the increase came in two areas - lumber and wood products, and fuels. As you know, the Cost of Living Council took strong action this week with respect to petroleum products. As for lumber and wood prices, they are reflecting the current boom in building. We expect that this boom will moderate over the months ahead, which will relieve the upward pressure on lumber prices.

We have to recognize that we are experiencing the effects of a dynamic, booming economy. Raw materials are in heavy demand, not only in this country but throughout the world, and the laws of supply and demand make it inevitable that there is going to be increases in the prices of scarce commodities.

The Stabilization Program is addressing itself to those areas in which severe price pressure is evident. But rather than use a meat cleaver approach, each situation is examined individually and the response is specifically tailored to the particular problem.



FOOD PRICES

Question:

What is the Administration doing about the continuing rapid increase in food prices?

Response:

1. Controls: You can be certain that the problem of rising food prices is receiving the highest level of attention by this Administration. You will recall that in his recent meeting with the outgoing members of the Pay Board and Price Commission, the President re-emphasized our determination to hold down food prices.

As you know, the food industry - together with the health services and construction industries - is still subject to mandatory wage and price controls. This means that food processors, distributors and merchandisers must comply with prenotification, reporting, record keeping, markup, profit margin and other requirements similar to those that obtained during Phase II.

The purpose of this action is to try to ensure that increases in prices of raw agricultural products are not magnified by the processing and distribution system and that decreases in farm prices are promptly reflected at the retail level.

Under Phase III, a Cost of Living Council Committee on Food will focus on actions which the Government can take to ease upward pressures on food prices.

There is also a Food Industry Advisory Committee comprised of representatives of various segments of the food industry. This Advisory Committee, which is under the chairmanship of Mr. Donald Perkins, Chairman of the Board and Chief Executive Officer of the Jewel Companies, will also focus on short-term and long-term actions which the Government can take to bring down costs and prices, as well as ways in which the Stabilization Program itself can improve the food situation.

Finally, on February 26, a tripartite Food Industry Wage and Salary Committee was established, comprised of labor, management and public members. This Committee will advise the Cost of Living Council and the Labor-Management Advisory Committee on wage stabilization policies applicable to the special wage problems of the food industry.



2. Supply: Of course, we all recognize that the key to long-term price stability in the food sector is to restore a balance between demand and supply. The Administration has addressed itself to the problem of augmenting the supply of food in a number of ways:

- ° The release of some 40 million acres of farmland formerly kept out of production under government "setaside" programs. (This represents a reduction of 2/3 compared to 1972.)
- ° Disposal of food stocks owned by the Commodity Credit Corporation.
- ° Restrictions on food imports have been removed.
- ° All export subsidies on food exports removed.
- ° "Setaside" acreage can now be used for grazing land.
- ° Marketing orders and other rules that emerge from the Agriculture Department will be coordinated with CLC.
- ° A change in the 1973 feed grain program which will produce more corn and soybeans (setting aside fewer acres of land).
- ° CCC will call loans on 1972 Farm Stored Grain crops by May 31.
- ° On March 9, the Cost of Living Council recommended to the President that the quotas on imports of cheese be increased by 50 percent for a four-month period.



RAW AGRICULTURAL PRODUCTS

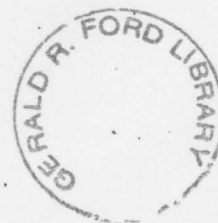
Question:

It has been rumored that the Administration is considering imposing price controls on agricultural products at the farm level. Is this true?

Response:

As you know, a Food Advisory Committee was recently established to study food problems and to recommend policy options to the Cost of Living Council. This Committee, which is chaired by Mr. Donald Perkins, Chairman of the Board and Chief Executive Officer of the Jewel Companies, Inc., is comprised of representatives of the major sectors of the food industry. The Committee has met several times, and, naturally, they have wanted to examine every conceivable option, recognizing that they would rule out some of the options.

So, in one of its first sessions, the Advisory Committee did in fact examine the feasibility of imposing controls on raw agricultural products, just as it will examine dozens of other possibilities. The Committee's conclusion and its recommendation to the Cost of Living Council, was that the imposition of price controls on farm products would be inappropriate and, in fact, counter-productive at this time. Such controls would tend to discourage increased farm production, whereas the need at this time is for the increased farm production that the Administration is taking steps to stimulate.



MANDATORY OIL CONTROLS

Question:

Why did the Cost of Living Council reimpose mandatory restraints on the large oil firms on March 6? What will be the effects of that action?

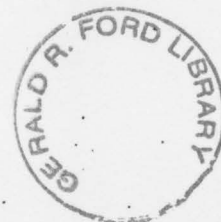
Response:

Mandatory controls were placed on the oil industry so that we could head off the rippling effects of price increases for petroleum products. The oil industry has a major impact on the economy. We want to prevent increasing pressures for higher oil product prices -- particularly heating oil and gasoline -- from triggering inflationary price increases in other segments of the economy.

A month ago, the Cost of Living Council held three days of hearings on oil pricing policies with special emphasis on the price increases on home heating oil. There are many aspects to this problem. Needless to say, the dollar devaluation and the Canadian government's move to slow down crude oil exports simply added complexities to an already complex issue.

The decision to place the oil industry under mandatory controls was made only after a thorough study of the problem. As Council Director Dr. John Dunlop said: "The decision was not punitive. It gives oil companies flexibility to maintain adequate domestic supplies of crude oil and petroleum products."

A key point to be made is that the Cost of Living Council took this action even though the price increases which have been announced by the major oil firms were not in violation of Phase III regulations. Those increases could be cost-justified in accordance with the rules. But the Cost of Living Council determined that the increases in oil prices were not consistent with the country's overall anti-inflation goals, and it took measures that it is empowered to utilize.



RENT

Question:

As part of Phase III, controls were removed from rents. Since that time there have been numerous complaints about rent increases, including complaints from Capitol Hill. What does the Administration plan to do about this problem?

Response:

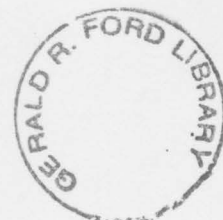
First of all, I would like to say that landlords are well advised to remember that they are expected to exercise restraint and conduct themselves in a manner consistent with the Phase III goal. Phase II rules serve as guidance for appropriate increases. Under the Cost of Living Council Phase III regulations and Executive Order 11695, lessees have the right to enforce, through court action if necessary, leases executed according to Phase II rules.

Lease renegotiation provisions which depend for their operation upon the modification or termination of the stabilization program are unlawful. Landlords cannot, under Phase III regulations, recoup what they could not get in Phase II. Certainly the Cost of Living Council will be watching the rent situation closely.

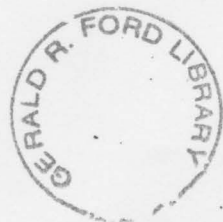
The Council has requested the Internal Revenue Service to continue to monitor rent behavior and to investigate unusually large rent increases. The data from these investigations is being compiled by the Cost of Living Council and will serve as a data base from which to evaluate policy options. Several members of Congress, particularly Senator Case of New Jersey, and members of the Washington-Virginia-Maryland delegations, have provided information on rent increases in their areas, and the Cost of Living Council has tried to be responsive by promptly directing IRS investigations of these complaints.

A special rent task force has been assembled in the Cost of Living Council to analyze the data which the IRS provides and to keep Secretary Shultz, the Chairman of the Cost of Living Council, and Dr. John Dunlop, the Director of the Council, closely apprised of rent behavior and to develop policy options.

On the other hand, it's important to recognize that rent controls have never been notably successful, and a lot of people don't realize that even under Phase II, 70% of the rental units in this country were not controlled for sound economic and technical reasons.



In this regard, I wish to add that the Administration is strongly opposed to the proposed amendment to the Economic Stabilization Act that would impose rent controls on metropolitan areas according to vacancy rates in those areas. We recognize that in certain parts of the country there are special rent problems. It may well be that in such areas, citizens and their representatives in state and local governments will decide to take concerted action to curb excessive rent increases. But we do not believe that the solution to this essentially local problem is to establish yet another far-reaching, administratively burdensome, and potentially expensive Federal program.



LUMBER PRICES

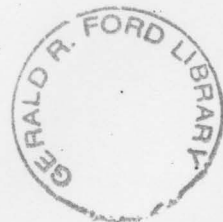
Question:

What action is the Administration taking to stabilize prices in the lumber industry?

Response:

The Cost of Living Council is currently executing a continued strong enforcement effort to identify and refund excess revenues from price increases of lumber and wood products which were in violation of Phase II regulations. Since the initiation of Phase III, price behavior is being closely monitored on individual firms within the lumber industry and on an overall industry-wide basis. Price increases are reported weekly by IRS through a CLC monitoring system designed to flag increases which are unreasonably inconsistent with the Phase III standards so that appropriate remedial action can be taken.

In addition, CLC is working closely with the Council of Economic Advisers, the Office of Management and Budget, and the Department of Agriculture to identify and develop feasible alternatives to increase the supply of lumber and wood products. These alternatives include various techniques to increase the yield from the National Forests, and several ways to increase the net imports of logs and lumber.



EXTENSION OF ECONOMIC STABILIZATION ACT

Question:

The Senate Banking, Housing and Urban Affairs Committee conducted hearings this week on the extension of the Economic Stabilization Act, and the Committee voted to add several amendments to the Act. What are those amendments, and what is the Administration's position on them?

Response:

It is the hope of the Administration that the Congress will provide for a simple one-year extension of the Economic Stabilization Act without encumbering the Act with amendments which would restrict the President's flexibility in exercising his anti-inflation authority.

However, during its hearings on the Act this past week, the Senate Banking, Housing and Urban Affairs Committee adopted several amendments:

1. Amendment. States that the national unemployment goal of this country should be 4% by April 30, 1974, the date of expiration of the Act if it is extended for one year.

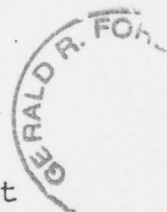
Administration's Position. The 4% figure is a lower figure than the Administration has indicated is realistically consistent with a changing economy. It presents, in fact, the elevation of a number to primary prominence in an area where there are complex and diverse factors to be considered in an effort to set the economy on a course of expansion while carefully avoiding an acceleration of inflation.

2. Amendment. Prohibits the use of the Economic Stabilization Act as a vehicle for the withholding or reservation of funds authorized and appropriated by the Congress.

Administration's Position. This amendment is based on an erroneous presupposition.

3. Amendment. Defines as "substandard earnings" a wage or salary rate which yields less than \$3.50 per hour.

Administration's Position. The effect of this amendment would be to exempt from wage controls approximately 75% of the American work force, including the majority of workers in the highly inflationary food and health industries. We can't have it both ways; we either have to provide for a means of holding down excessive pay increases, or we have to abandon the idea of an effective stabilization program.



4. Amendment. Requires the transmittal of quarterly reports to the Congress not later than 30 days after the close of each quarter, describing the rate of change in food prices, by category of food, the reasons for such changes, and the actions taken or recommended to the Congress to stabilize the price of food.

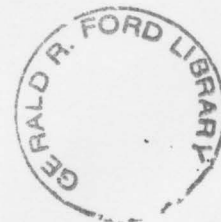
Administration's Position. Other than the administrative problems posed by the frequency of the reports in relation to a small staff, this requirement does not seem to present a serious problem.

5. Amendment. Requires the President to establish priorities for the use and systematic allocation of petroleum products.

Administration's Position. This is, in more direct language, an amendment aimed toward rationing, and it is the Administration's belief that the oil shortage problem can be met in a variety of ways other than through the imposition of rationing. Rationing, by its nature, is an unpleasant concept, and presents the spectre of ration books, shortages, and black markets. There are other ways to handle such problems, and the Cost of Living Council has held public hearings and placed the oil industry under mandatory price controls in a move toward establishing control of the situation.

6. Amendment. Requires public disclosure of data to support price increases of 1.5% over January 10, 1973 levels.

Administration's Position. Such a public disclosure requirement raises serious questions concerning the confidentiality of the information which firms submit to the Cost of Living Council. The Council must have access to confidential business data if it is to make accurate and equitable decisions on the legitimacy of price actions taken by companies.



"CLUB IN THE CLOSET"

Question:

Secretary Shultz has referred to the "club in the closet" that the Administration can pull out to give Phase III some muscle. Senator Proxmire has suggested that the Administration has only a "pea-shooter under a pillow." Who is right?

Response:

You know, back in the Old West, if you were a "fast gun" you didn't have to carry your six shooter around in your hand. That club may be in a closet, but we can pull it out at a moment's notice. Secretary Shultz has warned that some reckless firm or bargaining unit is going to find itself getting "clobbered," and the Cost of Living Council is serious about that.

As you know, the Administration has standby wage and price sanctions that it can employ as necessary. In addition to those powers, however, I would encourage you to think in broader terms when you start speculating about the success of Phase III. There is a wide spectrum of possible actions that the government can take to curb inflation. The Phase III guidelines and controls are only part of our arsenal, and they will be complemented by responsible fiscal and monetary policies and other actions appropriate to the anti-inflationary goals of this Administration.



ENFORCEMENT SANCTIONS

Question:

What are the sanctions that the Cost of Living Council can employ against firms or bargaining units that violate the guidelines of the Economic Stabilization Program?

Response:

1. Mandatory sector: As regards those industries that remain under mandatory controls -- food, health and construction -- the Cost of Living Council can take the same types of actions that it could during Phase II. These actions include administrative sanctions, such as ordering firms that raise prices in violation of the Program to roll back prices and to issue refunds to identifiable customers.

Also in the mandatory sector, the Cost of Living Council can ask the Justice Department to bring suit against violators of the Program. This type of litigation can result in injunctions and both civil and criminal penalties.

2. Voluntary sector: In those sectors of the economy to which the voluntary, self-administered guidelines apply, the Cost of Living Council reserves the authority to establish mandatory standards where that is necessary to assure that future action in a particular industry is consistent with the national goal.

In addition, upon learning through its monitoring of prices and labor negotiations that action has been or is about to be taken by a firm that is not consistent with the standards or the goals of the Program, the Cost of Living Council can use its authority to issue a temporary order to the firm setting interim price and wage levels and can also:

- . Hold public hearings.
- . Issue a special rule or order setting out a specific legally binding level for prices and wages that would restrain the firm from that point on. Such a rule or order could include the requirement to roll back already effected price or wage increases.

