

**[3/15/79-Not Submitted] [CF, O/A 548]**

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THE WHITE HOUSE  
WASHINGTON

DF

RECEIVED AFTER PRESIDENT  
WENT TO CAMP DAVID. Kahn's  
OFFICE (GAIL MATHESON)  
NOTIFIED TOO LATE AND THAT IT  
WOULD NOT GO TO CAMP DAVID.

THE WHITE HOUSE

WASHINGTON

March 15, 1979

MEMORANDUM TO THE PRESIDENT

FROM: ALFRED E. KAHN

*Fred*

SUBJECT: Modification of the Voluntary Price  
Standard and the Teamsters

Attached is the statement I plan to release this afternoon on the modification of the voluntary price standard. It is the same statement I described to you this morning, and that you approved, over the telephone.

I have also attached the talking points for my press conference today at 4 p.m. They follow along the lines of our conversation this morning.

Attachments

THE WHITE HOUSE

WASHINGTON

March 15, 1979

MEMORANDUM TO FRED KAHN

FROM: JACK GENTRY

SUBJECT: Talking Points on Teamsters' Negotiations

1. We are distressed over reports of the size of the proposal that the Teamsters Union submitted to the Trucking Management last week.
2. If the final settlement is anywhere close to the terms circulating in the press, the settlement would seriously breach the wage standards program.
3. I should add, however, that it is too early to tell whether the negotiations will produce a settlement exceeding the guidelines. Hopefully the collective bargaining process will function effectively and lead to a settlement that is in the national interest.
4. It should be stressed, however, that the standards are important guides for public policy and are essential to our fight against inflation. We view them essentially as "trigger points" which if exceeded to a substantial degree suggests that there may be something basically wrong with the market structure of the industry in question. This would inevitably lead to an examination of all possible lines of government action to deal with such a situation.
5. Question: When you speak of looking at the market structure of the industry, are you talking about deregulation?  
Answer: Yes.
6. Question: Does that mean if the Teamsters and Truckers exceed the wage standards that the Administration will be seeking extensive relief through deregulation?  
Answer: It means that if the agreement exceeds the standards to a considerable degree the force of public opinion together with the exercise of prudent government administration will direct both the Executive Branch and the Congress to take a serious look at the structure of the industry.

7. Question: Does this also mean that if the parties reach an agreement within the standards that there will be no action taken by the Administration to deregulate the trucking industry?

Answer: If the parties reach a settlement within the standards, ~~it would strongly suggest to us that the market structure is less in need of re-examination than would be our judgment otherwise.~~ ~~Consequently, while there might be limited legislative action to correct some of the obvious problems in the industry, much broader deregulation would be unlikely.~~

8. Question: How can you expect the Teamsters or any other union to settle within the 7% standard when prices continue to rise?

Answer: We are obviously deeply concerned about what is happening on the price side. As you know, the Council on Wage and Price Stability is currently scrutinizing the various industry sectors that have had the largest impact on wholesale and consumer price increases. We expect in a few weeks to identify firms that are violating the price standards and we intend to publicly identify such firms.

The remaining part of the answer to your question is that the only way we will ever begin to curb inflation is for each and every citizen to do their fair share. This is no less true of the Truckers and the Teamsters than the employers and employees in other industries. We still feel that the wage standard is fair and equitable and is the appropriate measure to take to begin to correct the inflation problem. I stress, however, that we will be moving almost immediately to a much more aggressive policy on the price side.

STATEMENT BY ALFRED E. KAHN

MODIFICATION OF THE VOLUNTARY PRICE STANDARD

The price standard includes a provision that companies should not raise their prices by more than half of the allowable annual percentage during the first six months of the program, unless their usual practice involves such a seasonal variation. The purpose was to prevent a bulge of price increases at the beginning of the period.

In view of the voluntary nature of the program, we have attempted to avoid incorporating excessively detailed proscriptions in the standards. It is, however, not in keeping with the spirit of the program for firms to speed up the timing of their price increases. This would be not only inflationary but also inequitable in relation to the treatment of wages, since the standards do not contemplate acceleration in the timing of wage increases.

It now appears that many companies may be planning to raise their prices by the full allowable amount at the beginning of the second six-month period. This could lead to a serious surge of prices in April and May.

I have discussed this problem with the President, and he has ordered the Council on Wage and Price Stability

to amend the price standards to avoid this outcome, by stipulating that increases not exceed three-fourths of the allowable annual increase during the first nine months of the program, unless that is the company's normal seasonal practice. ~~We regret that it has become necessary to increase the specificity of the standards in this way.~~ *BL*