

4/9/77

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THE WHITE HOUSE
WASHINGTON

Shuster -

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Good morning Jimmy!

Came to see you today

while you were away -

R. W. S. M.

Ma -

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THE WHITE HOUSE
WASHINGTON

done

ACTION	FYI
	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
<input checked="" type="checkbox"/>	HUTCHESON
	JAGODA
	KING

	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

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April 9, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Rick Hutcheson *Bill Sullivan for RH*

SUBJECT: STATUS OF PRESIDENTIAL REQUESTS

Follow-up of Previous Reports:

1. Schultze and Powell: Anti - inflation statement---
In Progress, (planned for release 4/13). *done*
2. Lance/Eckerd: Effectiveness of Federal Information
Centers -- Done. *done*
3. Eizenstat: What can we do without legislation to
maximize openness in government -- In Progress,
(draft Executive Order expected 4/20).
4. Eizenstat: The President will deliver an early
environmental message -- if good -- In Progress,
(planned for early May).
5. Brzezinski: Check on the need for travel of
Leo Cherne of PFIAB -- In Progress, (with Vice
President as part of EOP Reorganization Study).
6. Brown: Let the President know the status of
any beyond the first three 747 Command Planes
already in operation -- Done, (status report
sent to President, complete analysis to be
part of FY '79 budget). *done*
- ✓ 7. Blumenthal: Go over tax reform principles,
general goals, and procedures with the EPG;
submit back to the President your 2/8 memo
with any amendments and/or comments -- In
Progress, (tax reform proposals expected
9/1/77; Blumenthal feels procedures should
not come before EPG; Jack will send you a
note on this with weekly report.

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MEMORANDUM FOR THE PRESIDENT
PAGE 2

8. Eizenstat: Prepare a draft message to Congress on the opportunity for regulatory reform and consult with the Cabinet -- In Progress (expected 4/11).
9. Schultze/Lance: What rules on overtime should be established to prevent circumvention of employment limits in government -- In Progress, (expected 4/11, previously expected 4/6).
- ✓ 10. Bell: You know the President's promise to make the Attorney General independent of White House control and influence. Please consult with your advisors and prepare draft legislation -- In Progress, (expected 4/11).
11. Hugh Carter: The letter from Rep. Jack Brooks regarding guidelines under which military passenger aircraft will be used by the Executive office of the President should be checked with the Attorney General and sent to the President for approval -- In Progress, (with IRS who is preparing guidelines; then to Lipsthuze for review). *done*
12. Jordan: Let's firm up the Navy Renegotiation Board Monday -- In Progress (with Goodwin Chase).
13. Eizenstat: Find out how many different econometric models we are using for international analysis, and whether the CIA needs to know -- In Progress, (expected 4/11, previously expected 4/4). *done*
- ✓ 14. Schultze, Blumenthal, Vance: What can we do about the Bahama Banks -- In Progress, (to be placed on EPG agenda).
- ✓ 15. Blumenthal: Give the President a brief memo on Oil Preference legislation -- Done in EPG memo to the President; President then asked Stu to check with Congressional leaders or staff regarding Cargo Preference legislation and report back to the President -- In Progress (Stu and Commerce negotiating with Congressional leaders).
16. Eizenstat: Assess priority and proper functions of the Corps -- In Progress, (initial meeting 4/8).

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17. Califano: What can we do to a) have social security cards that cannot be forged easily; b) eliminate more than one card per person; c) require positive identification of all welfare benefits to avoid multiple payments to the same person; d) reduce the number of conventions -- In Progress, (expected 4/8 in weekly Cabinet Summary).
18. Brown: Please comment on the letter from Mrs. James W. Totten about her brother, Major General George S. Patton -- Done. *Done*
19. Eizenstat: You should talk with Bob Strauss to determine what should be done regarding duty imposed by U.S. concerning imports of men's suits -- In Progress.
20. Schlesinger: Put these ideas plus your own into a letter from the President to the TVA Board, asking them for their assessment of the proposal -- Done. (to President 4/11)
21. Eizenstat: Comment on letter from Bob Edgar regarding positions on protection of wetlands -- In Progress, (with Frank Moore).
22. Vance: Should consider sending Nelson Rockefeller to Brazil and perhaps a couple other countries to smooth out differences -- Message Conveyed. *Done*
23. Eizenstat: Begin working on Notre Dame speech outline for May -- In Progress, (with Fallows, expected 5/10).
24. Bell: Progress on court reform, organized crime, etc. -- Done.
25. Bourne: We should prepare an overall message regarding drugs, please comment -- In Progress, (expected 4/14).

MEMORANDUM FOR THE PRESIDENT
PAGE 4

March 31:

1. Moore: Hold recommended phone call to Senator Bumpers on the importance of a favorable vote on the tax rebate until after the March indicators and the recess -- Message Conveyed. *done*
2. Amy Carter: Invite Paul Evans over to visit you -- Done. *done*

April 1:

1. Califano: Can there be recognition by the National Cancer Institute as a comprehensive cancer center (regarding the letter from Governor Teasdale) -- In Progress.
2. Lipshutz/Harden/H. Carter: Please explain about articles on growth in the Presidential staff -- Done in meeting. Give the President a specific memo to correct the size of the White House Staff, including a time schedule and staffing levels -- In Progress, (status report to President 4/8, detailed report expected 4/11).
3. Vance/Brzezinski: Please brief Republican leadership on routing basis on important foreign matter along with Democratic leaders -- Ongoing. *done*

April 4:

1. Hutcheson: Break down the President's requests by department and let the President remind them to close out these items -- Done. *Rich - You remind them*

April 5:

1. Vance/Brzezinski: Let's meet soon regarding relations with countries like Somali, Iraq, etc. -- In Progress, (expected 4/11). *done*
2. Hugh Carter: Make wording of summary sheets items so that the President can understand the opinions -- continuing. *done*
3. Brzezinski: Publicize the U.S./USSR Maritime Agreement Done. *done*

MEMORANDUM FOR THE PRESIDENT
PAGE 5

4. Hugh Carter: Assess and implement where possible; tabulate and give the President a report and any questions regarding the information package from John Dunn concerning material for archives, Presidential papers, photographs, etc. -- In Progress.

April 6:

1. Vance: Please ask Brazilian leaders directly about visit by Rosalynn -- Message sent, (awaiting response). *done*
2. Eizenstat: Brief comment on both Bourne memos, a) regarding possible speech to World Health Assembly in Geneva, b) proposed Joint U.S./U.S.S.R. Medical Science Agreement to Collaborate on Public Health Programs in the Third World -- In Progress, (expected 4/14).
3. Eizenstat: Assess Federal Information Centers for FY '79 Budget -- In Progress.
4. Eizenstat: Get an Option paper from Secretary Adams on Lock and Dam 26 -- In Progress, (expected 4/13).

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THE WHITE HOUSE

WASHINGTON

Date: April 9, 1977

MEMORANDUM

FOR ACTION:

Vice President
Frank Moore - Council
Jack Watson
Bert Lance
Charles Schultze

FOR INFORMATION:

This should not come from Pres. but from someone in the Senate, preferably Cranston.

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat memo on report on Tax Rebate from Data Resources, Inc.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 3 p.m.

DAY: Tuesday

DATE: April 12

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

not submitted
R.H.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



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DATA RESOURCES, INC. 1707 H STREET, N.W. 11TH FLOOR WASHINGTON D.C. 20006

202 / 331-0570

FOR IMMEDIATE RELEASE:

Data Resources today released an analysis of the continuing need for the tax rebate. The study shows that the rebate makes a big difference in 1977 economic performance.

GOODBYE TO THE REBATE?

March 29, 1977

by Otto Eckstein and Frank Cooper

The tax rebate is in trouble because the economy is looking quite good. The rebate was aimed to gently lift the growth trajectory in order to deal more forcefully with the unemployment question, not to avoid imminent recession, but this has not been universally understood. As a result, the rebate proposal has had its ups and downs as the economic news has changed from month to month. In the week after the election, when President Carter first indicated that he would ask for a rebate, the economy was in its pause created by the inventory correction and budget underspending. The strong Christmas sales cast doubt on the rebate, but the winter weather led to cries for larger stimulus. Now the news is good again.

The rebate was needed because the growth in real final sales never reached a sufficient rate during this recovery. As Table 1 shows, real final growth has been moderate in the first two years of recovery, averaging 4.3%. At that pace, unemployment stays high for a long time. There was no evidence -- and still is none -- that business capital spending will accelerate to give a general pick-up to the economy.

Table 1. - Real Growth in Final Sales
First Eight Quarters of This Recovery
(Annual Rates of Change in Percent)

1975:2	5.7	1976:2	1.2
3	4.1	3	4.3
4	4.9	4	5.7
1976:1	3.7	1977:1	1.7E

E = DRI Estimate

The impact of the rebate is easily analyzed with the DRI Model. A simulation which removes the rebate from our forecast of March 25 is summarized in Table 2, and can be accessed on the DRI computer system under the name "NOREBATE0330." Highlights of this solution are:

- 1) Real GNP growth for 1977 is cut from 5.0% to 4.4%, with a quarterly pattern showing a peak rate of 5.7% in the 2nd quarter.
- 2) The total employment gain in the four quarters ending this December is 2.56 million, or 246,000 less than in the forecast.
- 3) The unemployment rate in the final quarter is estimated at 7.1%, instead of the 6.9% in the forecast.
- 4) The inflation rate this year would be little affected, being lower by only 0.1 points in the final quarter.

GOODBYE TO THE REBATE?

March 29, 1977

Table 2. - Impact of Dropping the Rebate from the Carter Stimulus Package

Activity Measures, 1977	1977	
	Forecast	No Rebate
Real GNP Growth (%)	5.0	4.4
Real Disposable Income Growth (%)	5.2	4.2
Real Consumer Spending Growth (%)	4.9	4.1
Real Business Fixed Investment Growth (%)	5.8	5.6
Industrial Production (%)	6.9	6.0
Retail Car Sales (mil.)	11.1	10.7
Housing Starts (mil.)	1.84	1.83
Unemployment Rate, 4th Qtr. (%)	6.9	7.1
Payroll Employment Gain, 76:4 to 77:4 (thousands)	2,556	2,309
<u>Inflation</u>		
Deflator, 1976:4 to 1977:4 (%)	6.3	6.3
WPI, 1976:4 to 1977:4 (%)	7.2	7.0
<u>Money and Interest Rates</u>		
Money Supply Growth, 1977 (%)	6.6	6.0
Federal Funds Rate, 1977 average	5.39	5.21
High-Grade Bond Rate, 1977 average	8.34	8.33

In the longer run, the effects of the rebate will wear off, and so the two solutions become very similar. By the end of 1978 the difference in real GNP is only 0.2%, or \$3.4 billion. The remaining differential is largest in the investment area, where the stimulus from the stronger 1977 economy would be missed.

CONCLUDING COMMENT

The tax rebate was not meant as a "quick-fix," but rather as part of a long-term strategy to raise the growth of demand to promote employment. The reason for making it a rebate rather than a permanent cut was to save the new Administration's budget resources for new programs and tax reforms to be launched later.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

Date: 4-12-77

To: Rick Hutcheson

From: D. Gould

THE WHITE HOUSE
WASHINGTON

APR 11 1977

Date: April 9, 1977

MEMORANDUM

FOR ACTION:

Vice President
Frank Moore
Jack Watson
Bert Lance
 Charles Schultze

FOR INFORMATION:

LOGGED

Date

4/11/77

Routing

CLS
via
PG

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat memo on report on Tax Rebate from Data Resources, Inc.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 3 p.m.

DAY: Tuesday ~

DATE: April 12

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

CEA has no comments.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

THE WHITE HOUSE

WASHINGTON

April 8, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT



SUBJECT:

Data Resources, Inc. -- Report
on Tax Rebate

I have reviewed a copy of the report by Otto Eckstein (Data Resources, Inc.) of the adverse impact on the economy if the rebate is not passed.

The positive impact on the economy of the rebate is dramatically shown in his report, particularly Table 2.

Since he is both a highly respected economist and totally independent, this furnishes an excellent argument for the rebate.

I would suggest a personal note from you to each member of the U.S. Senate calling attention to this independent report and the dramatic difference in Real GNP Growth and Growth in Real Disposable Income and Unemployment if the rebate is passed.

cc: Frank Moore