

10/15/77

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THE WHITE HOUSE

WASHINGTON

October 15, 1977

Jack Watson

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Stu Eizenstat
Hamilton Jordan
Frank Moore

RE: SCHLESINGER/EIZENSTAT MEMO
ON "STRATEGY FOR ENERGY
LEGISLATION"

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
	X	EIZENSTAT
	X	JORDAN
		LIPSHUTZ
	X	MOORE
		POWELL
X		WATSON
		LANCE
		SCHULTZE

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

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN

THE WHITE HOUSE
WASHINGTON

9
1

October 14, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Jack Watson *Jack*
Jane Frank

SUBJECT: SCHLESINGER/EIZENSTAT MEMORANDUM ON
"STRATEGY FOR ENERGY LEGISLATION"

I apologize for the lateness of these comments but have just seen the captioned memorandum for the first time. We understand Jim and Stu's concerns but question a number of assumptions and recommendations in their proposal and urge, at a minimum, that you discuss their suggested approach in some detail with Senator Byrd before making any final decisions on the matter.

(1) The proposals are premised on the assumption that we should "stand firm" and show "a strong public stance in favor" of the entire House Bill. We question the wisdom of that assumption and fear the consequences that the proposed actions might have. We believe that if we are to have a reasonable chance of getting an acceptable bill out of conference, our position at this point must be flexible, low-key and direct.

The proposed strategy, a Panama Canal-type "public selling" effort, is too unfocused and not timely. Our primary problem at this juncture is not with the public-at-large but with certain key members of the U. S. Senate. The best way to deal with that problem is not with public relations, but with some hard, careful politicking.

- Even if we were to set up major briefings for key regional folks within the next several weeks, that would not be likely to generate the kind of focused effective pressure on the key senators that we need to get a decent energy package through.
- There is a substantial risk that the high visibility public strategy will backfire on us and cause even more of a breach between us and the Senate.

- Taking the proposed actions is also likely to polarize the Senate and House even further, thereby making it harder for the conferees to reach any agreement.

(2) The plan calls for extensive speaking and press appearances by Cabinet members. Again, we think that a more effective way to deal with the situation is for you, at Monday's Cabinet meeting, to ask individual Cabinet members, in coordination with Frank Moore, to contact key senators with whom they have close, strong relationships. This more subtle and targetted approach would, we believe, produce more positive results.

Maybe
so

(3) We are also somewhat skeptical about the wisdom of your making an energy address to the nation at this time. Your strong presentation at yesterday's press conference made your position clear and should be followed by sustained, personal contact with key members of Congress.

(4) We agree that there should be a coordinated press plan but think, for all of the reasons already stated, that there is danger in "overreacting." The proposed press activities for the Vice President and Jim Schlesinger seem to us to be sufficient for now.

(5) We strongly concur with the suggestion on page 3 of Jim and Stu's memorandum for a series of meetings with Congress.

In sum, we respectfully suggest that a more flexible, low profile, highly targetted approach would give us our best shot at getting an energy bill that we can live with this Session.

THE WHITE HOUSE
WASHINGTON

October 15, 1977

Bob Lipshutz

The attached was returned in
the President's outbox. It is
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handling.

Rick Hutcheson

RE: USDA PAID FOR IMPERIAL VALLEY
FARMERS' TRIP

THE WHITE HOUSE
WASHINGTON

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	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

Lipshutz -
You & Bergland
expedite J 7

study was announced partly in response to a growing stir among marine scientists who were alarmed by the Air Force's draft environmental impact statement that characterized the potential effect on the islands as "minor." The scientists argued that repeated exposure to sonic booms could destroy the ability of species such as the brown pelican to reproduce and raise their young. Air Force officials say they are considering changes in velocity and inclination of the launches which would move the most intensive booms away from the island. However, this solution has the drawback of requiring more fuel and thus decreasing the shuttle's payload. (Los Angeles Times)

CARTER POLICY HASN'T CUT ARMS EXPORTS--A study by the Library of Congress has concluded that President Carter's overseas arms sales policy has failed to achieve a significant reduction in the export of American weapons, the Minneapolis Tribune reported. The study argues that arms-sales decisions are still being made on the same criteria used before Carter's policy was announced May 19. "A mainstream of arms-sales approvals continues to flow from the review process, with restraint applied mostly at the margins," the study says. The study seems likely to reinforce growing skepticism in Congress towards the effectiveness of the administration's foreign arms-sales policy, the Tribune said.

USDA PAID FOR IMPERIAL VALLEY FARMERS' TRIP--Two Imperial Valley farmers who accompanied Robert Meyer in a lobbying mission to government officials had their transportation to Washington paid for by the USDA, a department document shows. A GAO report on allegations about Meyer showed that Donald Cox, a trustee of Meyer's blind trust and John R. Benson, his brother-in-law, came to Washington to participate in a department-sponsored seminar. They were paid round-trip expense from California of about \$406 plus \$80 each for attending the seminar. Their participation in the meeting was recommended by Meyer, according to the report, which said they decided to come to Washington early to visit a number of members of Congress and other administration officials. White House attorney Michael Cardozo said the report has been received but had no other comment. (Sacramento Bee)

RECORD CATTLE SALES PRECEDE PBB LAW--Michigan dairy farmers sold record numbers of cows for slaughter at the end of September, just days before a new state law would have required the animals to be inspected for PBB contamination before sale. Livestock auctioneers say the higher volume of business was apparently related to the PBB law but emphasized they believe the farmers were simply trying to avoid paperwork and were not trying to dump contaminated animals on the market. Michigan's PBB law, which took effect October 3, requires that dairy cows to be sold for beef first be tested to see if they contain more amounts of PBB than allowed. (Detroit Free Press)

WASTE DRAINS ARABS BUDGET SURPLUS--Because of waste, mismanagement, inadequate planning and inflation, petrodollars are draining out of oil-producing Mideast nations almost as rapidly as they are coming in. Jordan's Arab Bank said late last year that perhaps 30 per cent of OPEC revenues have been swallowed up by inflation and waste since 1973. Part of the oil producers' problem is their haste to erase centuries of lag and catch up with the industrialized nations of the world. As a result, huge industrial plants, involving investments of hundreds of millions of dollars, are being built only to sit idle for lack of manpower, materials or even electricity to run them. Even in industries related to oil and gas, a "severe dollar leakage" is occurring because of contract padding and high bids by foreign contractors. (Wall Street Journal)

THE WHITE HOUSE
WASHINGTON

October 15, 1977

Hamilton Jordan

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: ASCS FIELD APPOINTMENTS

to AS

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ASCS FIELD APPOINTMENTS

October 13, 1977

STATE COMMITTEES

Appointed 51

STATE EXECUTIVE DIRECTORS

Appointed	21
Awaiting Formal Appointment	1
Awaiting Security Clearance	13
Awaiting White House Clearance	2
In Process	4
Name Selected	2
Retention Planned	8
TOTAL	<u>51</u>

STATE	<u>STATE EXECUTIVE DIRECTOR</u>
Alabama	Wallace Steele - Appointed 9/29/77
Alaska	Charles Marsh - Awaiting Security Clearance
Arizona	Steve Faltis - Planned Retention - Democrat Appointed by Sec. Freeman
Arkansas	A. C. Mowery - Appointed 7/18/77
California	Howard Mays - Planned Retention - Career employee, retention recommended by State committee and Congressional Delegation and Asst. Sec. Bob Meyer
Colorado	Charles Bishopp - Appointed 8/26/77
Connecticut	George M. Wilber - In Process
Delaware	O. Joseph Penuel - Awaiting Security Clearance
Florida	Clyde Payne - Appointed 7/21/77
Georgia	Fritz Scarborough - Appointed 8/11/77
Hawaii	Clarence Chau - Planned Retention - Retention recommended by Congressional Delegation
Idaho	Harland Blackburn - Awaiting formal appointment
Illinois	William O'Daniel - Awaiting White House Approval
Indiana	Loyd Jones - Appointed 8/1/77
Iowa	James K. Hatcher - Appointed 8/1/77
Kansas	Jim Ray - Appointed 7/25/77
Kentucky	Beverly Yeiser - Appointed 7/11/77
Louisiana	Willie Cooper - Planned Retention - Retention recommended by Congressional Delegation
Maine	Arthur Carroll - Awaiting Security Clearance
Maryland	James Voss - Awaiting Security Clearance
Massachusetts	Myron Maiewski - Appointed 9/30/77
Michigan	Richard Grabemeyer - Awaiting Security Clearance

STATESTATE EXECUTIVE DIRECTOR

Minnesota	Howard Carlson - Appointed 8/11/77
Mississippi	D. L. Triggs - Appointed 6/29/77
Missouri	Alan King - In Process
Montana	Lyall Schaefer - Appointed 9/27/77
Nebraska	Glenn Kreuscher - Appointed 9/9/77
Nevada	Albert Pasquale - Awaiting White House Approval
New Hampshire	Dennis Fenton - Planned Retention - Democrat Appointed by Sec. Freeman
New Jersey	John Olsen - In Process
New Mexico	Leo Griego - Awaiting Security Clearance
New York	George Komer - Awaiting Security Clearance
North Carolina	C. P. Stewart - Appointed 9/19/77
North Dakota	David Strauss - Appointed 8/26/77
Ohio	Ralph Cochran - Awaiting Security Clearance
Oklahoma	John Goodwin - Nominated by Various Delegation Members
Oregon	Talbert Sehorn - Appointed 8/5/77
Pennsylvania	Carl Kaufman - In Process
Puerto Rico	Carlos Troche - Planned Retention - Democrat Appointed by Sec. Freeman
Rhode Island	Richard Kenyon - Pending Retirement - Democrat Appointed by Sec. Freeman
South Carolina	Melvin Crum - Appointed 6/29/77
South Dakota	Wayne Testerman - Appointed 9/30/77
Tennessee	Royce Adams - Appointed 8/3/77
Texas	Leonard Williams - Appointed 9/15/77
Utah	Joseph Adair - Awaiting Security Clearance
Vermont	Al Heald - Planned Retention - Has status in position

October 13, 1977

STATE

STATE EXECUTIVE DIRECTOR

Virginia

Leland Beale - Awaiting Security Clearance

Washington

Donald Heinemann - Awaiting Security Clearance

West Virginia

James Coburn - Recommended by Cong. Rahall

Wisconsin

Stewart Huber - Awaiting Security Clearance

Wyoming

Carl Otto - Awaiting Security Clearance

FARMERS HOME ADMINISTRATION STATE DIRECTOR STATUS, October 13, 1977

<u>STATE</u>	<u>ACTION*</u>	<u>DESIGNEE or NEW DIRECTOR</u>	<u>TARGET DATE</u>
Arizona	Transfer	Manuel Dominguez	October 30
Arkansas	Program Assistant	Sherman Williams	October 30
Alabama	Removed	Elizabeth Wright	October 30
Illinois	Resignation	Jon Linfield	October 30
Iowa	Program Assistant	Max McCord	November 30
Kentucky	Resignation	William Burnette	October 15
Louisiana	Resignation	Nimrod Andrews	November 30
Maine	Detail/Program Assistant	Awaiting Congressional recommendations	
Delaware	Transfer	Awaiting Congressional recommendations	
Missouri	Program Assistant	Allan Brock	October 30
Mississippi	Detail/Program Assistant	Mark Hazard	October 30
North Carolina	Program Assistant	Clifton Perry	October 30
North Dakota	Transfer	Fred Gengler	Now serving
Oklahoma	Program Assistant	Gene Ernest	December 5
Oregon	Retain Incumbent	Ken Keudall	Now serving
Virginia	Program Assistant/ Resignation	E. A. Ragland	Now serving
Pennsylvania	Removed	Fred King	November 30
Puerto Rico	Removed	Juan Jose Jimenez	November 30
Washington	Holding	Awaiting Congressional recommendations	
Wisconsin	Detail/Program Assistant	Larry Dahl	Clearances completed Awaiting formal appointment
Wyoming	Program Assistant	Rudolph Knoll	October 15

<u>STATE</u>	<u>ACTION*</u>	<u>DESIGNEE or NEW DIRECTOR</u>	<u>TARGET DATE</u>
California	Removed	Lowell Pannell	Now serving
Colorado	Removed	Ernie Phillips	Now serving
Florida	Retirement	Mike Hightower	Now serving
Georgia	Resignation	Robert Blalock	Now serving
Idaho	Vacant**	Andrew McCarter	Now serving
Indiana	Removed	Bud Posey	Now serving
Kansas	Removed	John Denyer	Now serving
Michigan	Removed	Bob Mitchell	October 25
Minnesota	Resigned	John Apitz	Now serving
Montana	Vacant**	Wallace Edland	Now serving
Nebraska	Vacant**	Leonard Hanks	Now serving
New Mexico	Resignation	David King	Now serving
New York	Resignation	Karen T. Hansen	Now serving
Ohio	Removed	Gene Abercrombie	Now serving
South Carolina	Vacant**	Karl Smith	Now serving
South Dakota	Removed	Jack Weiland	Now serving
Tennessee	Resignation	Wayne Avery	Now serving
Texas	At-Large	Bill Pieratt	Now serving
Utah	Vacant**	Reed Page	Now serving
Vermont	Transfer	Brian Burns	Now serving
West Virginia	Vacant**	James Facemire	October 10

*Action taken regarding incumbent in position

**Position vacant when current selection process was started

THE WHITE HOUSE
WASHINGTON

October 15, 1977

Stu Eizenstat
Jack Watson

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: MARSHALL CALL - INJUNCTION
ADMINISTRATIVELY CONFIDENTIAL

~~CONFIDENTIAL~~
THE WHITE HOUSE
WASHINGTON

October 14, 1977

MR. PRESIDENT:

RAY MARSHALL CALLED AT 6:07 P.M.
TO INFORM YOU THAT HIS OFFICE
IS PREPARING FOR INJUNCTION
(IN SECRECY SO THAT THE CON-
TENDING PARTIES DON'T HEAR
ABOUT IT) BUT THAT WE SHOULD
NOT PROCEED WITH IT OVER THE
WEEKEND.

HE WILL CALL YOU TOMORROW
MORNING AT 9:30 A.M.

T.K. T/K

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

October 15, 1977

Stu Eizenstat
Jack Watson

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

HANDWRITTEN NOTE TO CALIFANO RE
WELFARE ABUSE

to Gen. Fr...

THE WHITE HOUSE
WASHINGTON

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	FOR INFORMATION
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	ENROLLED BILL
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	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

10-15-77

To Joe Califano

What action is being
taken against welfare

Cheaters found:

- a) in your own department?
- b) in other places?

J.C.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

October 15, 1977

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze ^{CLS}
Subject: Update on Recent Economic Developments
and the Outlook

I discussed the outlook with you last week. This is a more detailed statement of our present views.

Developments in the Third Quarter

In general, the third quarter fell disappointingly below our expectations.

- . Between June and September, industrial production appears to have risen at an annual rate of less than 3 percent, following strong gains in the first half. (See Table 1.) A small increase in industrial production occurred in September -- but only enough to offset the August decline.
- . Total hours worked at nonfarm establishments were unchanged during the third quarter, also after a strong first-half showing. Employment rose, but the length of the workweek declined. This has dampened the growth of wage and salary income. The weakening in labor demand was particularly pronounced in manufacturing, where production adjustments occurred in response to the second quarter decline in retail sales.
- . The unemployment rate has remained close to 7 percent since April. The decline to 6.9 percent in September was concentrated among blacks, and reversed the August increase. Unemployment among whites has remained at 6.1 percent for three months.

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for Preservation Purposes**

- . Retail sales turned up in July and August, but then declined again in September, according to preliminary estimates. The September decline was widespread, and affected both durable and nondurable goods.
- . Private housing starts in July and August were 7-1/2 percent above their second quarter level. The rise was principally in multi-family dwellings. Single-family starts have been on a plateau since February. Sales of new single-family homes have also flattened out, but sales of existing homes are still moving up.

Prospects for the Fourth Quarter

If consumer demand turns up in the fourth quarter, production and employment will respond significantly, because inventories have been drawn down and are now quite lean.

There is reason for optimism. Increasing outlays under the stimulus programs, together with the Federal pay raise, will be adding to consumer incomes this quarter. Consumers remain relatively confident, although indexes of consumer sentiment are a shade less optimistic than earlier this year. Auto manufacturers expect a good consumer response to the new models and have announced record fourth quarter production schedules.

We expect signs of strengthening in overall activity to develop in coming months. If our expectations are realized, the unemployment rate should move down during the closing months of 1977. If consumer spending rebounds soon, and strongly, growth in the second half might be close to a 4-1/2 percent annual rate -- but below the 5 percent rate we had earlier estimated.

Price Developments

Recent price developments have been about in line with earlier expectations.

- . The rate of increase in consumer prices has moderated substantially since mid-year, due largely to a sharp slowdown in the rate of food price increase (see Table 2). The rise of consumer prices other than food and fuel also had moderated somewhat, but this decline may prove to be transitory.

- . Wholesale prices of farm products and processed foods and feeds have declined for the past several months. Food prices should continue to hold down the rise of consumer prices in the months ahead. Wholesale prices of industrial commodities (excluding fuel) continue to rise at about a 7 percent annual rate.
- . Wage rates are increasing this year at an annual rate of 7 percent -- the same as in 1976. Wages and fringes combined are rising at about 8 percent. There is little reason at the present time to expect a change in the pattern of wage rate increases in the near future. However, employment costs will rise somewhat faster early next year, because of increases in social security tax rates, unemployment insurance tax rates, and the minimum wage.
- . The overall rate of inflation will be considerably less in the second half than in the first six months -- because of bumper crops and their effects on farm and food prices. However, the underlying inflation rate has stayed in the 6 to 6-1/2 percent range.

Financial Developments

Short-term interest rates have been moving up irregularly since April as a result of Federal Reserve efforts to curb the rate of monetary expansion.

- . Since early July, the level of the narrowly-defined money supply (M_1) has been well above the upper end of the Fed's target range (see attached chart). Furthermore, growth of M_1 during the second quarter was large.
- . Efforts of the Federal Reserve to curb the growth of money are reflected in increases in the Federal funds rate from 4-5/8 percent early this year to close to 6-1/2 percent recently.
- . Short-term market rates have followed the Federal funds rate. The rate on three-month Treasury bills has increased slightly more than 1-1/2 percentage points during 1977 and is in the

6-1/4 to 6-1/2 percent range currently. The prime loan rate has reached 7-1/2 percent at the majority of large banks last week. Thus far, long-term rates have changed little, but they are likely to increase significantly if short-term rates rise further.

The Federal Reserve is currently faced with a dilemma. Some critics argue that continued rapid growth of money will fuel inflationary expectations, erode confidence, and ultimately fuel inflation. (Past statements from the Fed have fueled these fears.) Others (and we are among them) contend that increases in velocity may be slowing, as growth of M_1 reverts to a more normal relationship with growth of GNP. If so, substantial increases in interest rates would occur if the Fed stuck to its target ranges for money growth, and that would injure the recovery. The Fed is aware of the critical nature of the decisions it faces, but it is not clear how it will resolve the dilemma. If it resolves them in favor of continued rises in interest rates, the 1978 outlook will deteriorate.

The Outlook for 1978

The economic forecast we made last spring estimated real GNP growth from the fourth quarter of 1977 to the fourth quarter of 1978 at 4-1/2 percent, and full year 1978 at 5 percent above 1977. In the weaker sectors of the economy, the outlook for 1978 has not improved materially since last spring:

- . Housing. Housing starts are unlikely to rise much next year even if interest rates do not increase from present levels, because single-family starts are at record levels and prices are rising very rapidly. If interest rates increase considerably, however, residential construction is likely to decline next year.
- . Inventory investment. An increasing rate of inventory investment boosted activity in the first half of 1977. We expected that source of thrust to end around mid-year, and it has. Businessmen are extremely cautious about adding to stocks, and their caution has been reinforced by the recent weakness in consumer spending. They are likely to continue pursuing very conservative inventory policies in 1978.

- . The personal saving rate rose again in the third quarter to around 6 percent. This rate may persist over the longer run. Next year, therefore, consumer spending may rise about in line with consumer after-tax incomes.
- . Merchandise trade balance. Next year, our merchandise trade deficit is likely to be as large as, and probably larger than, it was in 1977. Stimulative actions announced by West Germany and Japan, and smaller-scale programs in several other countries, enhance the prospects for continued recovery abroad and for some improvement in U.S. exports.

To achieve our growth objectives, we were counting on developing strength in business capital outlays to offset weakness in other areas of the private economy. Unfortunately, the strength of business fixed investment is now in doubt. The economy is giving off both positive and negative signals. On the plus side:

- . The latest Commerce survey (taken in late July and August) indicated upward revisions in business plans for capital spending. The rate of increase indicated for the second half of 1977 puts planned outlays slightly below, but still within striking distance, of our earlier projections.
- . The Conference Board's second quarter survey of new capital appropriations by major manufacturing firms showed a strong rise.

Negative indicators include:

- . New orders for nondefense capital goods, which moved up strongly in the first and second quarters, have declined since June. This may be temporary, but we cannot yet be sure.
- . Production of business equipment, which had been rising at a fast clip, declined in August and probably increased only moderately in September.
- . A new survey by the Conference Board reports a sharp decline in business confidence between May and August.

These mixed signals are not consistent with the boom in business capital outlays that we need for a strong economy in 1978. Business may be holding orders back in anticipation of investment incentives in tax reform; if so, we will see an upsurge in orders once the tax reform proposals are announced. They may also be deterred by uncertainties regarding the energy program and the continued weakness in consumer spending.

In light of the uncertainties regarding business investment, our forecast for economic expansion next year has been revised down. Real GNP growth over the four quarters of 1978 is now estimated at about 4 percent (see Table 3), compared with our spring estimate of 4-1/2 percent. We expect growth in the second half of 1978 to be weaker than in the first -- because the stimulus programs will no longer be acting to sustain the rate of expansion, and there is likely to be a decline in residential construction. With the growth rate slowing to 3-1/2 percent, unemployment would stop declining in the second half of 1978.

It appears to us that, in the absence of additional measures to stimulate growth, the rate of expansion will fall well short of our 5 percent target for next year. Unless the incoming economic news becomes considerably more favorable in the next month or so, we will need some additional fiscal action to invigorate the economy in 1978.

Attachments

Table 1

Current Developments
(percentage changes, at annual rates, during the quarter)

Item	-----1977-----	
	Second Quarter	Third Quarter
Industrial Production	7.6	2.9
Employment		
Total Nonfarm	3.6	3.1
Manufacturing	4.6	-0.1
Aggregate Hours Worked		
Total Private Nonfarm	2.1	-0-
Manufacturing	7.2	-6.3
Retail sales		
(adj. for inflation)	-10.5	1*

*CEA estimate; September deflator not yet available.

Table 2

Changes in Prices
(percentage changes, at annual rates, during the quarter)

Item	-----1977-----	
	1st half	3rd quarter
Consumer prices		
Food	13.6	1.9*
Fuel	8.7	7.2*
Total, excluding food and fuel	7.7	5.2*
Wholesale prices		
Farm products	-0.6	-22.3
Processed feeds and foods	13.2	-14.1
Industrial Commodities		
Total	6.6	7.6
Total, excluding energy	5.2	7.2

* June to August; September data not yet available.

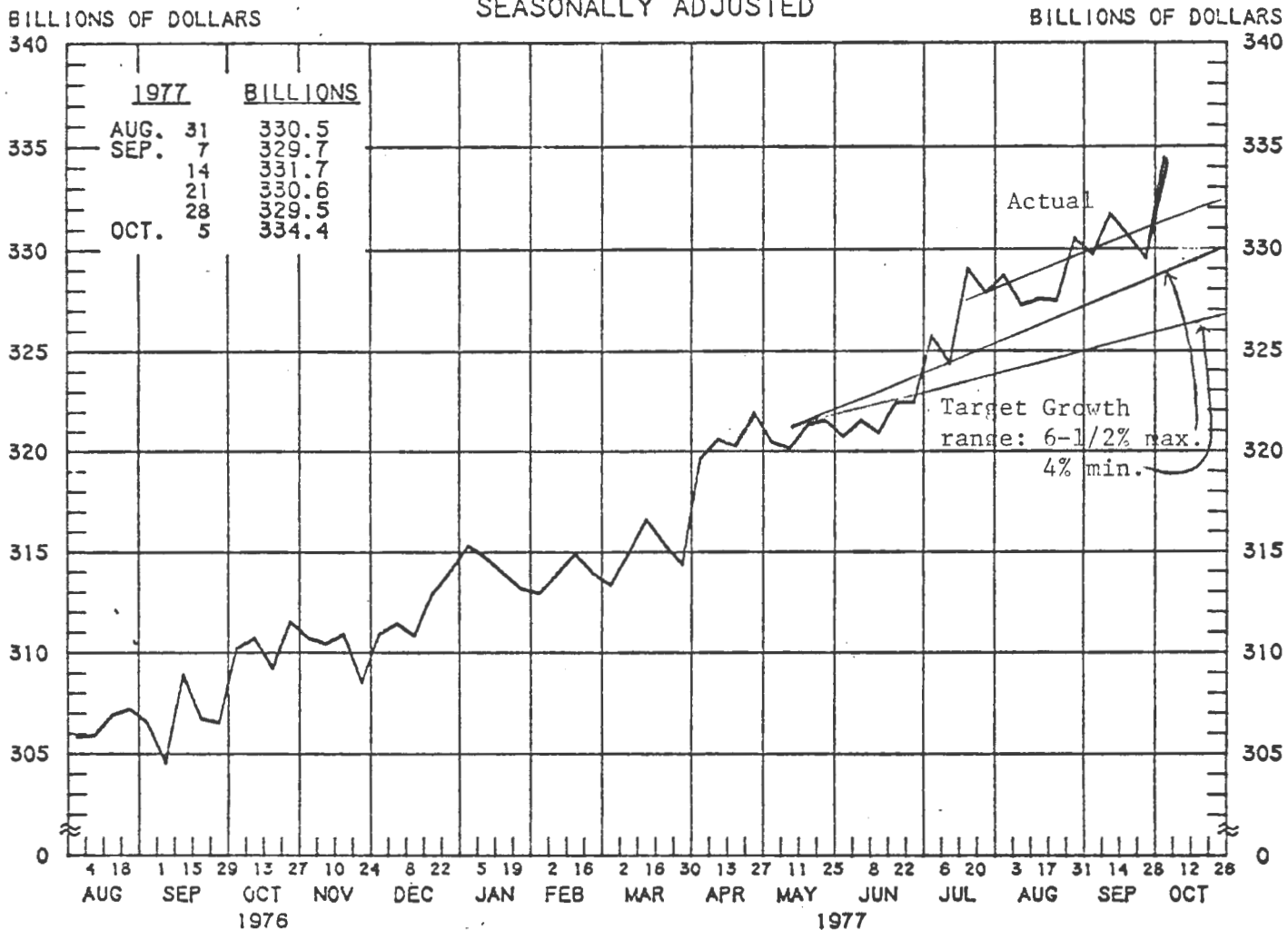
Table 3

Forecast

Item	1977 2nd half	1978 1st half	1978 2nd half	1977-78 Q4/Q4
<u>Real growth at annual rates, percent</u>				
GNP	4.7	4.6	3.5	4.1
Consumption	3.6	4.4	3.5	3.9
Business Fixed Investment	7.6	9.2	9.0	9.1
Residential Construction	8.9	-1.0	-4.4	-2.7
Government Purchases	7.2	4.0	2.4	3.2
<u>Unemployment rate (percent)</u>	6.9	6.4	6.3	--
<u>GNP Deflator, percent increase, at annual rates</u>	6.1	5.7	6.7	6.2

MONEY STOCK (M1)

AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED



LATEST DATA PLOTTED WEEK ENDING: OCTOBER 5, 1977

CURRENT DATA APPEAR IN THE BOARD OF GOVERNORS' H.6 RELEASE.

THE MONEY STOCK CONSISTS OF DEMAND DEPOSITS PLUS CURRENCY AND COIN HELD BY THE NONBANK PUBLIC.

THE WHITE HOUSE
WASHINGTON

*unless
we have already
given them copies*

*ADMIN
CONFID*

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

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

ADMINISTRATIVELY CONFIDENTIAL
THE WHITE HOUSE
WASHINGTON

October 18, 1977

The Vice President
Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jody Powell
Jack Watson
Jim McIntyre

The attached will be submitted
to the President. This copy
is forwarded to you for your
information.

Rick Hutcheson

RE: UPDATE ON RECENT ECONOMIC
DEVELOPMENTS AND THE OUTLOOK

THE PRESIDENT'S SCHEDULE

Saturday - October 15, 1977

9:00

Dr. Zbigniew Brzezinski - The Oval Office.

THE PRESIDENT'S SCHEDULE

Sunday - October 16, 1977

9:50 Depart South Grounds via Motorcade
en route The First Baptist Church.

10:00 Sunday School.

11:00 Morning Worship Service.