

**[3/21/78-Not Submitted] [CF, O/A 548]**

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THE WHITE HOUSE

WASHINGTON

Date: 21 March 1978

MEMORANDUM

**FOR ACTION:**

Eizenstat  
Watson  
McIntyre  
Schultze

**FOR INFORMATION:**

The Vice President  
Jordan

**FROM:** Rick Hutcheson, Staff Secretary

**SUBJECT:** Marshall memo, "Anti-Inflation Program"

*file  
not submitted  
submitted w/in  
SE inflation  
memo*

**YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:**

**TIME:** 5:00 PM

**DAY:** Thursday

**DATE:** March 23, 1978

**ACTION REQUESTED:**

**Other:**  Your comments - please include with any  
overall anti-inflation memo  
being prepared

**STAFF RESPONSE:**

I concur.

No comment.

*Please note other comments below:*

**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)

THE WHITE HOUSE  
WASHINGTON

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

ACTION	FYI	
	/	MONDALE
		COSTANZA
/		EIZENSTAT
/		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
/		WATSON
/		McINTYRE
/		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
	GAMMILL

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

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

21 MAR 1978

MEMORANDUM FOR: THE PRESIDENT  
FROM: SECRETARY OF LABOR *for*  
SUBJECT: Anti-Inflation Program

I have participated in developing the recommendations for an anti-inflation program that your Economic Advisers are placing before you. This memo will briefly elaborate on what I consider to be a most crucial element of an anti-inflation strategy.

All the recommendations being placed before you are important but practically all of them represent instinctive reactions to individual targets of opportunity. An even more important feature of the program must be a system for providing a continuous sustained attack over a period of years on the inflationary forces throughout the entire economy.

The centerpiece of such a sustained approach would be a careful sector-by-sector approach to the price, wage and productivity problems affecting the American economy. Only a comprehensive and detailed strategy can yield meaningful policy steps that could produce a leaner, tougher, and more efficiently operating U.S. economy; one better able to withstand inflationary pressures. This approach would be comprehensive and directly involve the responsible Cabinet secretaries. Specific examples would include transportation (DOT), housing (HUD), energy (DOE), health (HEW), and food (Agriculture). In addition, industrial sectors--for example, the primary metal producing industries--would be chosen.

Each Cabinet secretary, working with the proposed "Inflation Czar," would have responsibility of organizing task forces to examine alternative strategies for dealing with the cost-price situation in industries falling within their appropriate sector of the economy. These task forces would search for ways to reduce industry costs through a series of related actions on the part of all parties concerned--government, business and labor.

The first assignment for each task force would be to prepare an analysis of the cost-price situation in the designated sector, including the possible effect on future prices of increases in the major components of cost, the cost factors over which government has substantial control, and a listing of possible areas for future discussion with labor and management to see if tripartite action could lead to significant reductions in inflation.

These sectors could be the appropriate components for targeting deceleration strategies. What would it take, for example, to reduce the inflation rate for transportation, health, housing, and so on? This framework would create a process that would involve most of your Cabinet in a comprehensible and sustainable anti-inflation effort. I recommend that you refer to it when you announce your anti-inflation effort.

The value of the sector approach is that it:

- is systematic and oriented to the production and delivery systems that comprise our economy; economy-wide approaches are too crude to deal effectively with our complex economy;
- emphasizes the fundamental forces that create inflation rather than the symptoms that are dealt with by individual wage and price decisions;
- builds on the positive force of productivity improvement where agreement can be achieved, rather than relying exclusively on the negative denial of wage and price increases;
- allows you to take credit for actions such as your proposed Commission on the Coal Industry and to emphasize agreement on such matters as the need to remove the causes for wildcat strikes and declining productivity in the coal industry.
- permits you to point to a sustainable effort that will significantly reduce the inflation rate rather than pointing only to a series of unrelated actions e.g., (Federal pay and timber) which will have a limited direct impact on prices.