

Routing Slip  
Office of Telecommunications Policy

OCT 18 1971

Date: \_\_\_\_\_

From: Jessie  
To: \_\_\_\_\_

Whitehead, C. T.	
Mansur, G. F.	
Babcock, C.	
Buss, L.	
Carruthers, B.	
Cooke, A.	
Culpepper, C.	
Dean, W.	
Doyle, S.	
Enslow, P.	
Goldberg, H.	
Hailey, L.	
Hall, D.	
Hinchman, W.	
Jansky, D.	
Johnston, B.	
Joyce, C.	
Lamb, B.	
Lasher, S.	
Lyons, W.	
McCrudden, M.	
Nelson, R.	
Owen, B.	
Raish, L.	
Robinson, K.	
✓ Scalia, A.	
Smith, L.	
Thornell, J.	
Urbany, F.	
Ward, D.	

Remarks:

<sup>FYI</sup>  
Tom: This refers to our memo re  
treatment of communists' common  
carriers in Phase II.

Joy Florigen on this when  
you have a chance. Ed Crosbie  
is still awaiting word.

By the way, Ed was disappointed  
about the Wiley thing.

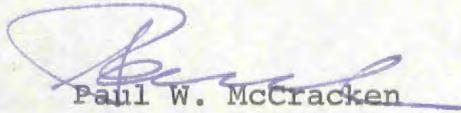
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10-21-71

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

October 16, 1971

MEMORANDUM FOR MR. CLAY T. WHITEHEAD  
Director  
Office of Telecommunications Policy

Your thoughtful memorandum of October 13 lays out some very useful ideas and they will be considered carefully by the Cost of Living Council and the new machinery being set up. I am taking the liberty of passing this along to Arnold Weber.

  
Paul W. McCracken

STRATHMORE PARCHMENT

100% COTTON FIBER USA

OFFICE OF TELECOMMUNICATIONS POLICY  
WASHINGTON

CLC

Sept. 15, 1971

To: Mr. Scalia  
Mr. Owen

From: Tom Whithead

I would like to do something  
on this -- probably have to  
work with FCC but we should  
take the initiative.

cc: me Cuddihy

EXECUTIVE OFFICE OF THE PRESIDENT  
COST OF LIVING COUNCIL  
WASHINGTON, D. C. 20006

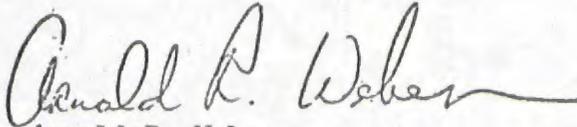
September 13, 1971

MEMORANDUM TO FEDERAL DEPARTMENTS AND AGENCIES

As a means of providing effective administration of the 90-day wage-price freeze, it would be helpful to have a brief report from your organization on the following questions:

1. What major problems or policy issues growing out of the freeze have been identified by your Department or Agency? From what source did the question come to your attention? For each issue, please indicate the policy question, supporting analysis, and your recommendation for action by the Cost of Living Council.
2. To what degree have individuals and organizations that deal with your Department or Agency understood and complied with the Executive Order and the policy decisions of the Cost of Living Council?
3. Please include any other general comments and suggestions that you may have for more effectively administering the wage-price freeze.

It would be appreciated if we could have your report by close of business September 17, 1971.



Arnold R. Weber  
Executive Director  
and Special Assistant  
to the President

MEMORANDUM

*Cost of Living  
Council*

THE WHITE HOUSE  
WASHINGTON

September 9, 1971

MEMORANDUM FOR: MR. WHITEHEAD

FROM: ALVIN SNYDER *AS*

Attached is a talking paper which we have worked up concerning the President's economic initiatives.

I shall attempt to send you more specific information with regard to the broadcast industry.

*Copies Brian/Linda  
for inclusion in  
speeches or approp.  
Brian - please get some  
more specific stuff on comm.  
industries via Snyder or via  
Scalia who is suggested  
to be in touch w/ COLE staff.*

President Nixon established the Cost of Living Council by Section 2 of his August 15th Executive Order in which he sought to stabilize wages and prices. Obviously, there had to be an agency to implement his plan to curb inflation, to apply it to the particular, minutely detailed circumstances of business, to translate it quickly and fairly into practical solutions to ad hoc problems.

The President gave the Cost of Living Council a twofold mission, one relating to the administration of the 90-day wage-price freeze, the other looking forward to more permanent ways to reduce inflation after the freeze ends. The means to carry out the first part of its mission, as specified in the Executive Order, are to develop basic policies on controls for various broad categories of wages and prices, define terms, inform the public, issue regulations and form the organization to administer the President's program.

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In the few weeks since August 15, the Cost of Living Council has complied with these directives enough for us to say that the President's intentions are being fulfilled. We're not stalled. We're moving ahead, largely because the Council promptly provided the organization and operating principles to make the program work.

As you know, the Council's policies are mediated to the public through 10 regional offices of the Office of Emergency Preparedness and 360 Internal Revenue units in as many cities, plus, in rural areas, agents of the Agricultural Stabilization and Conservation Service. In a short period of time, a large number of Federal personnel have been mobilized to provide information and deal with complaints relating to the wage-price freeze.

In my view their work would have collapsed into chaos if the Council did not have a handful of clear principles that help it make decisions both consistent and just. For example, it demands that price or wage actions be "established practice" or "normal procedure." It requires that claims be "demonstrable" by means of records. It keeps insisting that only "substantial" sums or numbers of transactions can demonstrate

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established practice or indicate a base price, and it has continued to specify further the meaning of these terms. In the case of new jobs, products or services, it uses the simple criterion of "comparability" with existing things to determine fair prices or wages. In addition, the Council has shown clearly how seasonal price changes can be figured while preserving the ceilings.

Take time sales, as a "for instance." The Government is not permitting an unfair price change when it rules that broadcasters can increase their rates at the beginning of the fall. It is only taking into account the fact that, in some industries, price is a function of the season of the year. But note that you are required to demonstrate that rate changes at this time have been standard practice for at least the preceding three years, and you do have a ceiling to what you can charge (the price at the beginning of the fall, 1970, or the base period price).

In sum, the Council has armed the Government with a few lucid and reasonable concepts--established practice, demonstrability, substantial numbers, seasonality, comparability, and a few others--which help resolve thousands of individual cases quickly and fairly.

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Given the intricacies of modern business arrangements, it may not be easy to see in certain cases how the wage-price ceilings are being imposed equitably. One of the biggest drawbacks for the layman is his imprecise understanding of economic functions which economists define with precision. Why can some bonuses be permitted and others not? Why are teachers denied increases for longevity and permitted increases for graduate studies when both are presumed to upgrade their abilities? If it is recognized that the Cost of Living Council must judge realities and not the words naming them, then its decisions are seen to be consistent with its principles and policies, despite the grinding of terms against each other.

The Council and its subsidiary agencies are not, of course, infallible. Any enterprising reporter can dig out diverse interpretations of the Council's policies or inequitable effects of the freeze on the public. The program is spanking new, still in the process of being understood by individuals who are called to administer it. And how would it be possible to distribute the burden of fighting inflation with absolute equality when it involves hundreds of thousands of business firms, millions of workers, and hundreds of millions of business transactions.

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What counts is that, on the whole, in the vast majority of cases, the machinery is working. The Cost of Living Council set policies which anticipated a large number of requests for exemption, and this made it possible to handle them at the lowest level. Due in some measure to the clarity of the Council's rulings, OEP headquarters have received only 35 formal requests for exemption, as of September 4, and none has been approved. The Council puts out a continuing stream of informative bulletins and its Executive Director, Mr. Arnold Weber, as well as other concerned officials have given numerous public briefings via the broadcast and other media.

By now the Council's operating agencies have withstood the shock of inquiries following the President's announcement, and there have been no significant complaints about what it has done. Telephone queries have declined although there is a steady stream of mail. But most of it now is complex and legalistic, as might be expected under any circumstances, and it is handled by routine. And that is to the point. It is also to the point that the cause of most written complaints about alleged violations of the freeze is removed after the first telephone call by IRS investigators. That's what I call

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compliance. And, if we can speak of success at this stage, I would say that the administration of President Nixon's stabilization program is succeeding. There can be no doubt that it is the people who are making the system work.

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