

Report on a breakfast with Burns.

Burns is sensitive about recent

criticism on interest rates.

He is also "loathe" to <sup>THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS</sup>

raise monetary targets to  
prevent interest rate  
increases.

WASHINGTON

1977 JUN 10 PM 3 22  
June 10, 1977

THE PRESIDENT HAS SEEN.

LOGGED

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CS*  
SUBJECT: CEA Weekly Report

Date 6/13/77

Route 245

*PC*

Economic Outlook. I testified last week before the Joint Economic Committee on the general outlook for the economy during the rest of the year and into 1978, and about our longer range economic targets and plans for 1981.

Consumer Agency. In a marginal note to last week's CEA report, you asked me to look into eliminating a section of the Senate ACA bill that mandates cost-benefit analysis on all major regulations. Staff from CEA, OMB and the Domestic Council met with Senate staff members to discuss this prospect. It appears that removal of this section of the bill would cause Senator Percy to abandon his support for the ACA bill, sharply diminishing its prospects for passage. But the likelihood is good that we can work with the Senator's staff to rewrite the section to make it more acceptable to us. We are proceeding to develop such a compromise. *sk*

European Trip. Several members of my staff have been preparing me for an extended visit to Europe next week. I will be attending meetings in Paris of the Economic Policy Committee of the OECD, following which I will speak at a meeting in Bonn. USIA is arranging visits for me with senior officials of the German Government while I am in Bonn. In my absence, Lyle Gramley will be Acting Chairman.

Response to Kirbo. Before I leave, I will send to Charles Kirbo a response to a letter on the inflation problem that he forwarded to you recently. If you wish a copy, I will be glad to provide one. *sk*

Breakfast with Arthur Burns. This morning I had breakfast with Arthur Burns. We had a wide-ranging conversation. Burns is very sensitive (and defensive) about recent criticism of interest rate increases from Administration officials. I stated that from my own viewpoint, the problem is not so much the Fed's recent action, but at least the possibility that their targets for monetary growth may, over the next 18 months, be incompatible with our economic growth targets. While Burns reiterated his general willingness to be flexible, there was all sorts of indirect evidence in the subsequent conversation that he will be extremely loathe to raise the targets in order to prevent substantial interest rate increases.

Water Pollution. Members of my staff are working with the EPA analyzing proposed revisions in the Federal Water Pollution Control Act.

Aluminum Prices. On Thursday, the President of Kaiser Aluminum told us they were going to raise aluminum ingot prices by 6 percent (after an earlier 6 percent increase three months ago) and increase fabricated prices selectively for an overall increase of 3.7 percent. After briefly looking at their data, I told him we had some major questions about the action and asked for a postponement until we had a chance to do our homework on the numbers. He agreed to a very short postponement, and will meet with Blumenthal on Monday, June 13. (I will be out of the country.) Aluminum companies probably do need some increases to restore very low profit margins, but I think they should do so more gradually than Kaiser proposes. Also, we plan to question the need for such large increases on ingot.

*Try to  
hold*

Ongoing Activities. Members of my staff continue to be involved in interagency committees developing the Trade Adjustment Assistance program, welfare reform proposals, cargo preference proposals, and tax reform proposals. We are also progressing on our study of past investment behavior and future investment needs in the U.S.