THE WHITE HOUSE

WASHINGTON

January 8, 1966

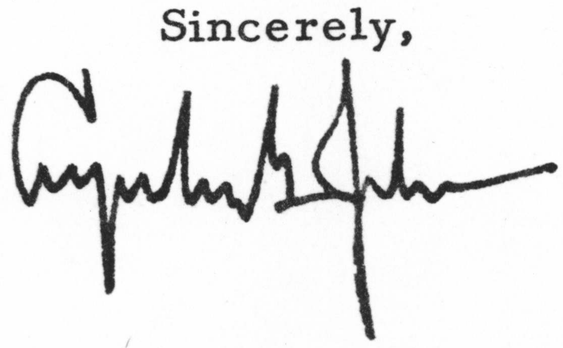
Dear Walter:

I want to thank you for the time and effort and thought you gave during the Fall, to the study of America's urban problems.

It is not necessary to repeat the statistics of America's rapid urbanization. What is more important than numbers is the quality of life in our cities. For cities may be and should be the crown of life for modern man; there he should find the community and the sense of adventure he needs to reach full stature as a human being. That many of our cities do not provide this for millions of our citizens is a cause of more than regret. It is a challenge to bold and thoughtful men to find new directions toward cities of light and promise.

For the contributions you and your colleagues have made to this search, you have my profound gratitude.

Sincerely,



Mr. Walter P. Reuther
Solidarity House
8000 E. Jefferson Street
Detroit, Michigan

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA

NEWS from UAW

8000 East Jefferson Avenue, Detroit, Michigan 48214 Public Relations Department, Joseph Walsh, Director Telephone: Area Code 313, 926-5291

For Release: 10:15 p.m., WEDNESDAY--JAN. 12, 1966

The following statement was issued tonight by UAW President Walter P. Reuther:

"President Johnson, in his inspiring State of the Union message tonight, has set forth a challenge to America to help build a new world.

"He has pledged the people of the United States to a course which is resolute in the face of tyranny and agression but is relentless in its search for peace and justice. He has committed America to the creation of the Great Society despite the grim and heavy costs of defending freedom around the globe. And he has held out hope to mankind through his proposals on disarmament, education and health, that America will provide the leadership to win the struggle against man's ancient enemies of poverty, hunger, ignorance and disease.

"In his efforts to bring about a new and peaceful world where all men can walk in freedom and dignity, the President will have the unstinting support of UAW and men and women of good will throughout our country and the world."

# # #

ac/opeiu42

Phoned to AP, UPI, News, Free Press, WWJ, WXYZ

File - Johnson Admin

STRAIGHT WIRE January 13, 1966

President Lyndon B. Johnson
The White House
Washington, D. C.

My heartiest congratulations on your masterful State-of-the-Union message. Your inspiring words will provide courage to those who carry the heavy burden of defending freedom, give hope to people everywhere who search for peace and will encourage all who want to join in the only war that man can win -- the war against man's ancient enemies, poverty, hunger, ignorance and disease.

Your message reflects a firm resolve to defend freedom, a compassionate commitment to search unceasingly for peace and a determination to use the new tool of economic abundance so that we can move forward and bring to fulfillment the Great Society where all may share in the fruits of science and technology and all may stand tall in human dignity and be blessed with the richness of human purpose and self-fulfilment. To this end I pledge my heart and my hand.

Warmest best wishes.

Walter P. Reuther

WPR:ob
oeiu 42

Please send response to

The Social Secretary

The White House

at your earliest convenience

JC

Mr. and Mrs. Walter P. Reuther

will please present this card at

THE SOUTHWEST GATE

The White House

January 31, 1966

at five o'clock

NOT TRANSFERABLE

Mrs. Johnson

requests the pleasure of the company of

Mr. and Mrs. Reuther

at a reception to be held at

The White House

on Monday, January 31, 1966

at five o'clock

JAN 17 1966

On the occasion of the
presentation of a portrait of
Mrs. Franklin D. Roosevelt
to the White House Collection.

Invitations -
White House

THE WHITE HOUSE

WASHINGTON

January 17, 1966

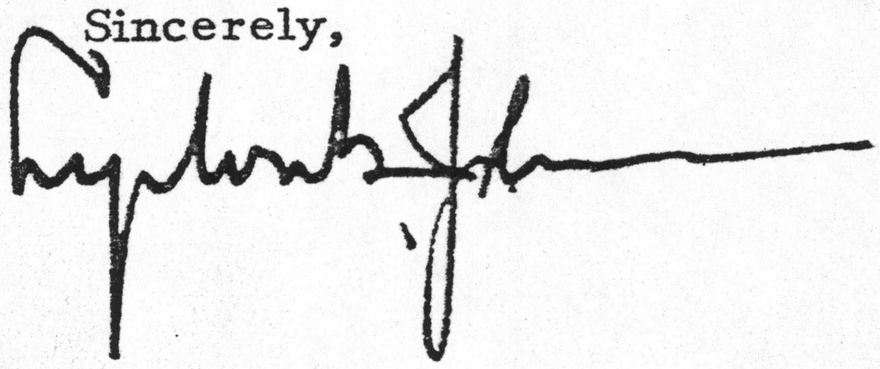
Dear Walter:

I just want to thank you for your thoughtful telegram on the State of the Union message.

Your generous and encouraging expression of support as we move forward toward the realization of the Great Society was most gratifying.

Thank you.

Sincerely,



Mr. Walter P. Reuther
President, International Union
United Auto Workers, AFL-CIO
8000 East Jefferson Avenue
Detroit, Michigan 48214

STRAIGHT WIRE

President Lyndon B. Johnson
The White House
Washington, D. C.

January 27, 1966

Your thoughtful, far-reaching message to the Congress concerning housing and urban development will inspire the entire nation to envisage a new and brighter America where our people can look forward to living in a wholesome, healthful, attractive total living environment worthy of citizens of the Great Society. Concerned citizens everywhere cannot help but be moved to action by the grand design you have set forth to transform the great urban areas of our country into "masterpieces of our civilization."

Motivated by your blueprint for the future of our cities, I have today requested the Mayor of the City of Detroit to convene within the next week a meeting of representatives of local government, industry, labor, business, education, religion, civil rights, social welfare and other civic groups for the purpose of discussing the creation of a non-profit Detroit Citizens Development Authority. This Detroit Citizens Development Authority would assume the responsibility for the

formulation of comprehensive plans and the effective implementation of such plans essential to the redevelopment and rehabilitation of the central City of Detroit in accordance with your proposal.

The UAW pledges its fullest cooperation, including its moral commitment and financial support, toward this task and will be ready to commit its resources wherever feasible to help fulfill your plans for the rehabilitation and rebirth of our cities, not only in Detroit but in other cities throughout the nation, in the fulfillment of your goals to achieve the Great Society.

My heartiest congratulations for a challenging and exciting proposal to which the American people will certainly respond.

Kindest personal regards.

Walter P. Reuther

WPR:ob
oeiu 42

Inter-Office Communication

January 31, 1966

To Walter P. Reuther

From Nat Weinberg

Subject Points to Emphasize on Presentation of Automation Commission's Report to President

Dear Walter:

I will be trying to get today the text of the press release, if it is ready, that will be issued at the time of the presentation to President Johnson of the Automation Commission's Report.

When the Report is presented, you may have occasion to talk to the press about it, and it might be well to keep in mind a few points that it would be desirable to emphasize if they are not given sufficient emphasis in the press release.

I am sure, without seeing it, that the release will highlight both the Minimum Income Allowance program and the Employer of Last Resort concept. Additional items that deserve emphasis from our point of view are:

1. Pension reinsurance. (Here you will have to bear in mind that the recommendation is for study only. But you might want to mention Hartke's bill and our hope that the Senate Finance Committee may start hearings on this subject in the near future.)

2. Elimination of the distinction in method of payment as between hourly and salary workers.

3. Humanization of jobs and working conditions.

4. The proposal to use part of the investment tax credit to facilitate the adjustment of displaced workers. (This is the only wholly new idea that the Report presents. The Report "commends" it for study to the Treasury, the Council of Economic Advisers, and other appropriate government agencies. Since the details of the proposal will not be in the Report proper, but will be published subsequently together with other papers submitted to the Commission, I am attaching a copy so that you will be able to refresh your recollection of it.)

5. Strengthening the enforcement provisions of Title VII (the Fair Employment Practices title) of the Civil Rights Act.

6. Federalization of the public Employment Service. (Here you might want to call attention to the footnote on job listing with the Employment Service which was concurred in by Al Hayes and Whitney Young, but not by Joe Beirne.)

7. The footnote (concurred in by Dan Bell and Whitney Young, as well as the labor members) calling -- if it should prove necessary -- for reallocation of resources left available to the nonmilitary economy by the Vietnam conflict in order to avoid delay in meeting urgent domestic needs.

Fraternally,

Nat

NW:pms
cc: Irv Bluestone
Joe Walsh

oeiu42aflcio

(signed in Mr. Weinberg's absence)

Attachment

PROPOSAL TO IMPLEMENT THE PRINCIPLE THAT TECHNOLOGICAL PROGRESS SHOULD BE ACHIEVED WITHOUT SACRIFICE OF HUMAN VALUES

BASIS FOR PROPOSAL

There is universal agreement that management, labor, and government should cooperate in an effort to assure that technological progress is achieved without sacrificing human values. The President's Advisory Committee on Labor-Management Policy, for example, in its report on Automation dated January 11, 1962, said:

> "There is unanimous agreement among the members on these fundamental points:
>
> 1. Automation and technological progress are essential to the general welfare, the economic strength, and the defense of the Nation.
>
> 2. This progress can and must be achieved without the sacrifice of human values.
>
> 3. Achievement of technological progress without sacrifice of human values requires a combination of private and governmental action, consonant with the principles of a free society."

While there is agreement on these fundamental points, no working mechanism has yet been created to implement them.

The latest draft of the Report of the Commission states in still more specific terms the principle involved. Thus the Report includes among the "basic requirements" for individual adjustment situations that:

> "...the displaced individual must have adequate financial security while searching for an alternative job or while undertaking training."

and that:

> "...the displaced person should not have to suffer the loss of earned security rights such as vacation, retirement, insurance and related credits to his total worklife account."

Such a forthright statement of principle deserves to be backed up by concrete proposals for its implementation. The following proposal is put forward with that end in view.

PROPOSAL

The investment tax credit under the Internal Revenue Act would be an appropriate vehicle for implementing the principle, since it is designed to stimulate modernization, and to the extent that it serves that end, it also adds to the human problems resulting from technological change. The investment credit can be used both to provide the incentive for employers to establish programs to meet the problems of workers dislocated from their jobs by reason of technological change, and to provide the necessary resources.

Financing

It is proposed that in each year, one-half of the investment credit to which each firm is entitled would be paid to it directly, and the other half would be placed in reserve in a government trust fund where it would be held available for a period of five years to meet the needs resulting

from disemployment of the employees of that firm resulting from technological change. At the end of five years, any amounts not so used would be returned to the firm.

If there is any fear that temporary diversion of part of the investment credit in this manner might weaken its effectiveness in serving the basic purpose of stimulating new investment, this problem could be met by raising the credit figure from the present 7 percent to, say, 10 percent. The suggested figures are illustrative only. The purpose of this proposal is not to reduce the stimulus to investment, but to incorporate with it an additional stimulus to meet the human problems of employees which may result from that investment. There is no reason why the program cannot be so devised that an average firm which does meet such problems would end up in the same financial position as it would be under the present investment credit provision -- and the company which by constructive and imaginative measures succeeds in finding means of meeting the human problem with less than average costs would end up in an improved situation.

Benefits to Displaced Workers

The funds set aside with respect to any given firm could be used to provide the following forms of assistance to laid off employees of that firm (the details as to amounts, periods of time, etc., are purely illustrative):

1. They would supplement unemployment compensation or retraining allowances up to 80 percent of the displaced worker's wages, for a length of time equal to his period of employment with the firm (time-for-time) up to a maximum of, say, five years.

2. If the worker accepted a new job at lower wages, his earnings would be supplemented up to 100 percent of his former earnings on the same time-for-time, five-year maximum basis.

3. If the worker accepted a job with inferior protection in the areas of health services and life insurance -- or with none -- such protection would supplement up to the level of that on his former job on the same time-for-time basis.

4. Starting on a new job, the worker's vacation pay entitlement would probably be less than on his former job. The funds would supplement his vacation pay on the same time-for-time basis up to the level to which he would have been entitled if he had kept his former job.

5. If he had not been employed on the former job long enough to vest his pension credits, or if there were no vesting provision, the fund would purchase an annuity equivalent to the value of the service credits he has lost. If he finds employment on a new job which provides no pension, or an inferior pension, an additional annuity could provide an appropriate equivalent on the same time-for-time basis as indicated above.

6. If the worker obtained a new job in another community during the same time-for-time period, the funds would pay his costs of relocation.

Eligibility Requirements

Appropriate eligibility qualifications would have to be worked out. For example, the worker might be required to have had at least one year of employment with the responsible employer.

Since it would be impracticable administratively to distinguish in individual cases between loss of employment caused by technology and that caused by other factors, objective criteria would have to be developed which would roughly accomplish the purpose. For example, all permanent separations (e.g., resulting from a plant closing, or where the employer certifies that a laid off worker's recall was improbable)

would be covered. In addition, continuous layoffs or short time work for specified periods would establish eligibility for benefits retroactively to the beginning of the period. These periods should not be too long. Otherwise, loss of income, even if retroactively made up, would defeat the purpose of safeguarding the worker and his family against harm. In this connection, the layoff and short time provisions of the new British Redundancy Payments Act, which also provides for separation pay (also in the context of stimulating modernization of industry) may be relevant. The Act provides that a worker becomes eligible if he is laid off or on short time (i.e., receives less than one-half of his normal weekly pay) "either (a) for four consecutive weeks, or (b) for a series of six weeks (of which not more than three are consecutive) within a period of 13 weeks".

Operation of Trust Fund

The moneys in the trust fund would be invested in government bonds, in the same way as with the Social Security Trust Fund. The interest would be pooled, to pay the excess of the costs charged to any one company over the amount of investment credit reserved with respect to that company. If at any time the total sum of such excess costs was in excess of the amount of interest available, the difference would be made up by the Treasury out of general revenues. In no event would an amount in the fund reserved with

respect to one employer be used to pay costs attributable to another employer. For reasons shown below, such costs to the Treasury would probably be small.

Where a company has established programs to pay any of the benefits provided under the plan, the amount reserved from its investment credit would be reduced by the lesser of the amounts actually paid to its employees under such programs, or the amounts paid by it during the year into a trust fund to provide for such payments. (Benefits paid under such programs would be taken into account in computing benefits under this proposal.) This provision would encourage employers to establish such programs, since they would then benefit by the interest on the amounts by which their investment credit reservation would be decreased.

Effect of Proposal

The effect of this proposal would be to encourage firms to minimize dislocations resulting from technological change. The company would have a strong financial incentive to plan its changes so as to avoid dislocations, to find alternative jobs for workers disemployed, to train them for other jobs which it may have to offer and so on, since success in such efforts would increase the amount of reserved funds which would

eventually be returnable to it. This encouragement to keep the costs attributable to technological change at a minimum would in turn minimize the possibility that there would be excess costs chargeable to the Treasury.

Draft

PUBLIC REINSURANCE OF PRIVATE PENSION PLANS

The plight of the older workers who were displaced when the Studebaker Corporation closed out its South Bend auto plant dramatized the urgent need to enact legislation which would provide public reinsurance for private pension plans.

There were approximately 4,000 Studebaker workers aged 40 through 59 and with at least 10 years' service with the company. All these workers had so-called "vested rights" -- the irrevocable right to draw pensions when they reached retirement age, provided sufficient monies were available in the pension fund. Their pension expectations were not fulfilled because monies were not available after provision was made for payment of pensions to those 60 years of age or older. Only enough was left to pay lump sum amounts equivalent to about 13 cents per dollar of workers' equities. Some of those who received no pensions despite their vested rights had 40 years and more of service with the company.

Similar tragedies have occurred in hundreds of smaller corporations which closed their doors without sufficient monies in their pension funds to meet obligations to displaced older workers.

The President's Advisory Committee on Labor-Management Policy recognized the need for reinsurance in its report submitted on December 24, 1963, which said:

"This Committee also agrees [with the Cabinet Committee established by President Kennedy] that a proposal to establish some type of reinsurance arrangement, which would assure payment of pension claims in the event of a plan's termination, deserves serious study as one means of avoiding the consequences that befall employees when a plan terminates as a result of business failure."

The National Commission on Technology, Automation and Economic Progress has also recommended that it be studied.

Pension reinsurance would be analogous to the operations of the Federal Deposit Insurance Corporation. In both cases, public policy requires a government guarantee of private promises to pay. In fact, the need may even be greater in the pension field where, by 1980, private retirement plans are expected to cover some 42 million employees who, when their pensions become payable, will be at an age where earning power is nonexistent or drastically reduced.

The difficulty in Studebaker, as in the other companies with similar tragic experience, is that the pension plan had not been in existence long enough to fully fund "past service liabilities" -- essentially the liabilities created at the time the pension plan was established for pension credit earned by the workers in prior years. These liabilities are generally funded, when they are funded at all, over extended periods running up to 40 years.

Substantial protection could be provided for a small reinsurance premium that would be required to be paid into a federal pension reinsurance fund by all pension plans as a condition of qualifying for the tax benefits available to such plans under the Internal Revenue Code. The size of the premium would depend upon the degree of protection which it is decided to provide through reinsurance, but, as in the case of the premiums paid to the FDIC, the gains would far outweigh the costs.

oeiu42afl-cio

1-31-66

Inter-Office Communication

January 31, 1966

To Walter P. Reuther

From Nat Weinberg

Subject UAW Drafts on "An Economy of Opportunity"

Dear Walter:

Some time ago you asked for copies of the material we prepared for President Johnson on "An Economy of Opportunity". The two versions are attached.

The one marked "A" was the one prepared here. The one marked "B" was reworked in Washington, and I believe was the version sent to the President.

Fraternally,

NW:pms
Attachments
cc: IRV Bluestone

oeiu42aflcio

Details re:

A

AN ECONOMY OF OPPORTUNITY

1. On the domestic economic scene, the goals of the Administration can perhaps best be summed up in the phrase "an economy of opportunity".

2. The objective of such an economy is to provide opportunity for the young, the old, the members of minority groups, the impoverished, the unemployed, the underemployed, the people of the depressed areas -- in fact, to provide the opportunity for all Americans -- to contribute constructively, to the maximum of their respective capacities, to the progress of the nation and to share equitably in the abundance which their contributions can help to create in the age of automation.

3. Above all, achievement of an economy of opportunity requires rededication to the objectives of the Employment Act of 1946 -- to "maximum employment, production and purchasing power" -- and improvement of the machinery for attainment of those objectives. We must have machinery to enlist all economic interest groups in a cooperative effort systematically to evaluate the nation's resources and its needs and to develop a consensus as to priorities in applying our resources to meet our needs. This is the essence of the democratic national economic planning (or "programming") that has proved so successful in Western Europe.

4. Parallel with planning we need special measures to improve our human resources, to assist the disadvantaged, and to facilitate adjustment of individuals and communities to the changes associated with rapid technological advance.

5. For the young, an economy of opportunity requires an educational system that enables each individual, regardless of race or color, to develop to his fullest capacity. Federal aid is needed to improve our primary and secondary schools, to reduce the drop-out rate, to remove financial barriers to technical, college and professional training for all who can profit from such training. The Youth Employment Opportunities Bill should be enacted without delay. Education must be made a major industry and given top priority on America's agenda of unfinished business.

6. For the old, an economy of opportunity means primarily opportunity to share fairly in the abundance which their lifetime efforts have helped to make possible -- increased Social Security pensions, health care under Social Security, and public reinsurance of private pension plans. It means also specially designed retraining programs for those still below retirement age who can readily be trained for and placed in suitable jobs in their home communities, and early retirement on adequate pensions for those who cannot be so trained and placed.

7. For members of minority groups, an economy of opportunity means not only removal of all barriers to equal access to jobs, housing, education, the ballot box, public facilities, and accommodations open to other citizens. It also means special aid to overcome the handicaps and disadvantages imposed by centuries of involuntary servitude, segregation and discrimination. Above all, it means enough jobs, enough housing, enough classrooms to avoid conflicts between minorities and majorities over the division of scarcity.

8. For the impoverished, an economy of opportunity means a massive national effort to provide a better life for America's submerged third, to improve their capacity to help themselves, to provide opportunities to make use of their capacities. Included in such an effort should be:

- more generous allotments of surplus foods,
- increased public assistance payments under liberalized eligibility requirements for all categories of persons and families requiring assistance,
- extension of Fair Labor Standards Act coverage and an increase in the minimum wage,
- a greatly stepped up low-income public housing program in which segregation of the poor from other elements of society is avoided,
- special programs to enrich the backgrounds of culturally deprived children so that they may profit fully from education,
- an all-out attack on adult functional illiteracy,
- rehabilitation of handicapped workers,
- vocational training and retraining,

- measures to raise the incomes of marginal farm families including opportunities for alternative employment,

- comprehensive programs for regional and area redevelopment.

9. For the unemployed, including those displaced by automation, an economy of opportunity means protection against hardship, creation of job opportunities, and effective action to match and fit idle workers to vacant jobs. Among the programs needed are:

- adequate federal minimum standards for benefits, duration and eligibility under state unemployment compensation laws and extension of unemployment compensation coverage,

- a revolving fund to help the unemployed carry their installment debts,

- a greatly improved and nationally oriented public employment service equipped with the power to require employers to list job vacancies and an Executive Order requiring such listing by government contractors pending enactment of legislation making the requirement universal,

- adequate subsistence allowances for workers undertaking retraining,

- relocation aid where it is impossible to provide suitable jobs in the workers' home communities,

- active encouragement to labor and management to develop through collective bargaining sound and effective means to minimize hardships and dislocations resulting from technological change and to facilitate adjustment to it.

Pending the time when full employment can be provided through increased public and private demand, additional job opportunities should be opened up for the unemployed by:

- deterring avoidable overtime through a doubling of overtime premium pay,

- flexible adjustment of the statutory straight-time workweek based upon the state of the labor market.

10. For the people of depressed areas an economy of opportunity means primarily the creation of new job opportunities in their communities. A goal of national manpower policy should be to bring work to the workers wherever possible rather than uproot workers from established communities and their family ties. More generous Area Redevelopment financing is needed for this purpose, but that alone is not enough. Legislation is needed, similar

to that in effect in Europe, under which the federal government can provide a sense of direction for the geographic distribution of private investment in accordance with national needs and goals. Restrictions on use of federal procurement to relieve distressed areas should be removed and cost calculations in the allocation of government contracts should take into account the costs of unemployment. Government research contracts should be placed, where feasible, in communities where follow-on production contracts can contribute to relief of area distress.

11. An economy of opportunity requires foresight and foreknowledge. We cannot attain it by flying blind into the future. We therefore need a Presidential Automation Commission or a Technological Clearing House which will amass information on impending technological advances at one central point, and will analyze and evaluate their far-reaching impacts so that adequate measures can be effectuated in time to assure that the benefits of such changes will be fully realized, and dangers and dislocations avoided.

12. An economy of opportunity is a goal for tomorrow, but we must start moving toward it today with every means at our disposal. The pending tax cut bill will help to increase employment, but will not for some years reduce unemployment to tolerable levels. Neither will other presently foreseeable sources of increased demand bring us quickly back to full employment. Labor and management must cooperate to supplement government efforts to increase demand and to correct the imbalance in the economy resulting from the lag of real wages behind productivity. Prices should be reduced where profits make that possible.

Alternatively, excessive profits immobilized in corporate treasuries or, through high dividends in private savings, should be shared with workers in higher wages or through profit sharing or both. The government should commit itself actively to discourage unnecessary price increases that would pervert increased demand into inflation rather than increased employment.

1/2/64

WESTERN UNION TELEGRAM

WESTERN UNION TELEGRAM

WY538 WUA418 OB404 O WWY016 WWZ7 WWZ7 GOVT
PD
WUX THE WHITE HOUSE WASHINGTON DC 1 NFT
MR & MRS WALTER P REUTHER
8000 EAST JEFFERSON AVE DET
MRS. JOHNSON WISHES TO INFORM YOU THAT DUE TO HAZARDOUS
WEATHER CONDITIONS THAT RECEPTION THAT WAS TO BE HELD ON MONDAY,
JANUARY 31, 1966 AT 5:00 P.N., FOR THE PRESENTATION
OF THE ELEANOR ROOSEVELT PORTRAIT, HAS BEEN POSTPONED TO
FRIDAY, FEBRUARY 4, 1966 AT 5:00 P.M. R.S.V.P.

THE SOCIAL SECRETARY THE WHITE HOUSE

31 1966 5:00 4 1966 5:00.
856A EST FEB 2 66

FEB 2 1966

Phoned regrets 2/3/66 mw

Draft

Dear Mr. President:

Attached is a brief memorandum on the ability of the major automobile companies to absorb the proposed restoration of one percent of the excise tax cut, through a corresponding reduction in their prices, and the desirability of persuading them to do so.

I am sure that this subject will repay further study by your Administration.

Sincerely and respectfully yours,

opeiu42afl-cio

2-4-66

Draft

BIG THREE AUTO COMPANIES COULD EASILY ABSORB A RESTORED ONE PERCENT OF THE EXCISE TAX

Proposal

That the President, or someone designated by him, should talk with the automobile manufacturers and urge them to absorb the one percent of the excise tax which it is proposed to restore.

Basis for Proposal

The corporations can well afford to absorb the one percent of excise tax. In dollars, and as annual rates of return on stockholders' investment, their after-tax profits for 1965 were as follows:

	Millions of Dollars	Annual Rate of Return
General Motors	$2,126.0	28.0%
Ford	703.0	17.5%
Chrysler (nine months)	136.4	16.2%

If they had absorbed $25 per car (estimated average cost of the one percent of excise tax) their profits after taxes would have been:

	Millions of Dollars	Annual Rate of Return
General Motors	$ 2,062	27.1%
Ford	670	16.7
Chrysler (9 months)	123.1	14.6

General Motors' profits would still have been 18.8 percent higher than in 1964, and Ford's would have been 32.5 percent higher.

All three would have had a rate of profit substantially in excess of the 13.1 percent annual rate of return enjoyed by the average manufacturing corporation in the first nine months of 1965.

In fact, General Motors would have had to cut the price of every car and truck it produced in the world in 1965 by $299 wholesale in order to reduce its after-tax profit to the 13.1 percent rate of return. Assuming the same dealer markup on all GM cars as on Chevrolets in the U.S., this would represent a price cut at retail of about $370.

The Council of Economic Advisers has repeatedly emphasized the need for price reductions in industries that could afford them, as essential to the maintenance of overall price stability. When it first introduced the price-wage guideposts in 1962 the Council called for price reductions in industries "in which excessive market power has resulted in rates of profit substantially higher than those earned elsewhere on investments of comparable risk."

That description fits the auto industry like a glove.

In its 1964 Report the Council said:

> "The guideposts call for [price] reductions in those industries whose trend productivity gains exceed the national trend. It is fair to say that large industrial enterprises thus far have not widely heeded this advice."

In this year's Report the Council said:

> "And those companies with exceptionally favorable productivity gains must consider whether this is the time to seek to keep the gains in the form of still higher profits, or whether to share them with consumers through lower prices."

The auto companies have not yet heeded the Council's advice. Absorbing the one percent of restored excise tax would be a good place for them to begin.

CLC:eh
oeiu42
2-4-66

Inter-Office Communication

33

February 4, 1966

To Walter Reuther

From Carrol Coburn

Subject

Dear Walter:

Attached is an analysis of Ford's 1965 profits from the company's press release of yesterday. You will note that profits increased over 1964 by a substantially larger percentage than GM's, but are still well below GM's both as percent of sales and as return on net worth.

Figures on Ford's U.S. profits are not yet available. When they come in, I anticipate that they will show considerably more room for a price cut on U.S.-produced vehicles than the worldwide figures show.

Fraternally,

Carrol

oeiu42afl-cio

Ford Finances -- 1965 Compared with 1964

	1964	1965	Percent Increase
	(dollars in millions)		
Sales	$ 9,671	$11,537	19.3%
Profits before taxes	$ 992	$ 1,305	31.6%
As percent of sales	10.3%	11.3%	
Profits after taxes	$ 506	$ 703	38.9%
As return on net worth	13.6%	17.5%	
Dividend payments	$ 221	$ 233	5.4%

Profit before taxes represents: $3,580 per employee, worldwide

$ 284 on every car and truck sold, worldwide

Dividends paid represent $639 for every employee, worldwide

If Ford had cut the wholesale price of every car and truck it produced in the United States by $100, its return on net worth would have been 13.5 percent.

By comparison, the return on net worth of all U.S. manufacturing corporations, nine months 1965 at annual rate was 13.1 percent.

opeiu42afl-cio/rg
2-4-66

THE WHITE HOUSE

WASHINGTON

February 5, 1966

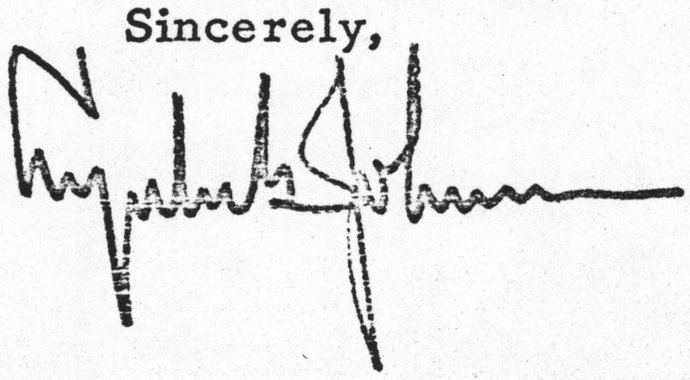
Dear Walter:

I was pleased and gratified with your telegram. I am always confident that when plans are advanced to lift the quality of American life, Walter Reuther will stand forward to take the leadership.

The cities are the cornerstone of the Great Society. If they are livable, healthy, ready to accept challenge - and competent to surmount it - then we can face the evening of this century with more than usual assurance.

I am always appreciative of your selfless concern for the cause of your country.

Sincerely,



Mr. Walter P. Reuther
President, International Union
United Auto Workers, AFL-CIO
8000 East Jefferson Avenue
Detroit, Michigan 48214

33

Inter-Office Communication

February 8, 1966

To Walter P. Reuther

From Carrol Coburn

Subject

Dear Walter:

The attached comparisons concerning GM's profits were prepared for the Public Relations Department in anticipation of their issuing a press release. I thought you might be interested in having them also.

Fraternally,

Carrol

CLC:eh
oeiu42
attachment

General Motors Profits - 1965

	Before Taxes	After Taxes
Per year	$ 4,092 million	$ 2,126 million
Per day	11,210,000	5,825,000
Per hour	467,000	243,000
Per minute	7,785	4,045
Per second	130	67
Per U.S. production worker:		
per year (est.)	10,000	5,200
per manhour (est.)	4.55	2.35

You would have had to earn $1 a minute since the year 5,815 B.C. in order to equal GM's 1965 profits before taxes.

If you earned $8,000 a year, it would take you more than half a million years to equal GM's 1965 profits before taxes.

GM's 1965 profits before taxes would provide a chain of dollar bills long enough to stretch 15 times around the earth at the equator. This would provide a carpet 3 feet wide around the earth.

GM's profit before taxes in 1965 exceeded the U.S. Government's expenditures in the current administrative budget (not including expenditures from trust funds) for international affairs and finance ($3.9 billion) or natural resources ($2.9 billion) or commerce and transportation ($3.2 billion) or education ($2.3 billion).

GM's profit after taxes in 1965 exceeded the U.S. Government's expenditures in the current administrative budget for the Agency for International Development ($2.1 billion) or Food for Peace ($1.7 billion) or conservation of land and water resources ($2.0 billion).

GM's profit after taxes in 1965 exceeded the U.S. Government's combined administrative budget expenditures on manpower development and training, vocational rehabilitation, all the programs of the Office of Economic Opportunity and health services for the aged.

If General Motors had been satisfied with the same rate of return after taxes as all U.S. manufacturing corporations (13.1 percent based on data for first nine months), it would have had sufficient left over to have increased the wages and salaries of all its employees around the world by an average of $2,960 apiece, or to have cut the price of every car and truck it sold by $299 at wholesale.

Since the beginning of 1955, General Motors' net worth has increased nearly 2-1/2 times -- from $3,339 million at the beginning of 1955 to $8,215 million (our estimate) at the end of 1965. Nearly all of this came from ploughed-in profits. In the same period it paid out $8,841 million in dividends on common stock -- equal to an average return of 24.1 percent per year on the stockholders' investment (net worth) at the beginning of the period.

General Motors Sales, 1965

General Motors' 1965 sales of $20.7 billion exceeded the combined value of production in 1963 (latest figure available) of 30 of the world's underdeveloped countries with a combined population of 256 million people.

Of the 111 countries in the free world, only eight had a value of production in 1963 in excess of GM's 1965 sales. The eight were the United States, West Germany, United Kingdom, France, Japan, Italy, India and Canada. (This example is based on looking at the GNP of each country separately, not combining them.)

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DRAFT

General Motors could have cut $400 off the retail price of every car and truck it manufactured last year and still made a handsome profit, UAW President Walter P. Reuther said today.

Reuther noted that GM's record before-taxes earnings of more than $4 billion in 1965 were the biggest for any corporation in the history of the world.

"They equal a profit of $5,750 on every employe of GM worldwide," he said. "They represent a profit of 20 cents on every sales dollar for all its products."

The UAW President noted that GM's after-taxes 1965 profits of $2.126 billion were almost double those for 1955.

He pointed out that President Johnson's Council of Economic Advisers has repeatedly suggested that heavy profits should bring price cuts to benefit consumers.

Reuther quoted the Council's report of last month which stated, "Those companies with exceptionally favorable productivity gains must

-more-

consider whether this is the time to seek to keep the gains in the form of still higher profits or whether to share them with consumers through lower prices."

GM's dividends to stockholders, Reuther said, have increased since 1960 at an average rate of 21 per cent a year. That's six-and-a-half times as fast as the 3.2 per cent annual rise which the President's Economic Advisers think wages should go up, he noted.

Said Reuther, "If the guideposts are to have meaning in fighting inflation, they must be applied equally to companies as well as workers.

"Where a company's profits are so far above those of the rest of its industry, and of all industries, as GM's are, then its prices should be reduced so consumers benefit.

"Otherwise, the guideposts are nothing more than a straitjacket to hold down the just demands of workers and their unions while restraints are off as far as corporate profits are concerned."

-more-

General Motors paid out almost $1.5 billion in dividends last year, Reuther pointed out. That amount, which went to stockholders, is equal to a profit of $2,038 on every GM employe throughout the world, he said.

The nearly $1.5 billion GM reported paying out in dividends in 1965 is far bigger than the total net profit of any U.S. manufacturing corporation in 1964, Reuther added.

# # #

opeiu42:sc

February 11, 1966

Dear Mr. President:

I am most interested in the establishment of a Redwood National Park in California. The Redwoods have always been a true inspiration to me, as I am sure they have been to all the fortunate Americans who have had an opportunity to see them. The preservation of a significant stand of these magnificent trees will be a truly monumental step in the implementation of the "Great Society".

Several months ago I asked our Recreation Department to gather the facts regarding size, location and financial feasibility involved in the creation of a Redwood National Park. After careful consideration of the results of this study, the UAW supports the creation of a Redwood National Park of some 90,000 acres as proposed by Congressman Jeffery Cohelan of California in his bill, H.R. 11723. This proposal contains virgin redwood forests of unequaled magnitude, ecological conditions most advantageous to redwood preservation, outstanding panoramic views, a long ocean-front beach, wildlife concentrations of major size, as well as a number of wilderness watersheds. All of these attributes could only be realized by encompassing an area which is of considerable size in number of acres.

I am reminded of the words you spoke at the University of Michigan when you called upon Americans to join in the building of a Great Society, and you said -- "As members of that Great Society, we need to be more concerned with the quality of our goals than the quantity of our goods."

A Redwood National Park, worthy of its name in all of its aspects, can be a shining example of the practical implementation of this noble philosophy. Our commitment to an America which places value on its natural beauty must not be subject to compromise by those who advocate something less in scope, magnitude or purpose, as it pertains to the establishment of a Redwood National Park.

I do hope that you will use the personal influence of your high office in helping to establish a Redwood National Park worthy of the dreams and aspirations of free men in the Great Society.

Warmest personal regards.

Sincerely,

WPR:dm
oeiu42

President Lyndon B. Johnson
The White House
Washington, D.C.

CABLE: "UAW DETROIT"

Solidarity House
8000 EAST JEFFERSON AVE.
DETROIT, MICHIGAN 48214
PHONE 926-5000

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA-UAW

WALTER P. REUTHER.....PRESIDENT
LEONARD WOODCOCK..VICE-PRESIDENT
EMIL MAZEY .....SECRETARY-TREASURER
PAT GREATHOUSE.....VICE-PRESIDENT

February 12, 1966

The Honorable Lyndon B. Johnson
President of the United States
The White House
Washington, D.C.

Dear Mr. President:

The UAW has supported your proposal to restore temporarily the one percent cut in the automobile excise tax which was to have gone into effect on January 1. We took this position because, unlike General Motors and Chrysler Corporations, we recognized that the demands of the Vietnam situation and the need to press on with the Great Society programs had to take precedence. We hope you can assure us, however, that the scheduled reduction in this tax to a final one percent has only been postponed. This is a tax on the consumption of what is now recognized as a necessity, and its continuation can be justified only by the exigencies of the present situation.

There is no reason, however, Mr. President, why the restoration of the one percent tax cut should place an added burden on American consumers. It should come out of the fantastic profits of the auto corporations in the form of an offsetting price cut. The UAW has consistently urged that the auto industry share more fully the fruits of developing technology with the consuming public through meaningful and substantial price reduction.

The auto industry for years has enjoyed a rate of productivity advance substantially greater than that of the economy as a whole, and has stubbornly resisted all admonitions from the Council of Economic Advisers and others to share the fruits of its high productivity with consumers in the form of price cuts. Instead, it has reaped profits far in advance of those obtained by the average manufacturing enterprise. In the past few years the auto industry has enjoyed the added benefits of record-making sales, which have sent its profits to new and astronomical heights. Profits before taxes -- the amount they actually took from consumers -- of the Big Three in 1965 rose to the following fantastic levels:

99

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	Millions of Dollars	Percent of Stockholders' Investment
General Motors	$ 4,092	53.8%
Ford	1,305	31.9
Chrysler	448	38.5

Absorption of the one percent excise tax would scarcely make a dent in these enormous profits. The one percent represents a cost of $20 to $25 on the average car. If the companies had absorbed $25 per car in 1965, their before-tax profits would have been as follows:

General Motors	$ 3,968	52.2%
Ford	1,241	30.3
Chrysler	411	35.3

Their after-tax profits in 1965 would still have been higher than they were in 1964.

In fact, Ford and Chrysler could have cut prices by four times as much -- $100 on the wholesale price or approximately $125 at retail on every car and truck sold from their U.S. plants in 1965 -- and still would have made the same after-tax rate of return on investment as the average U.S. manufacturing corporation (based on 9-month SEC-FTC data).

General Motors would have had to cut the wholesale price of every vehicle it sold in the world by $299, or about $370 at retail, in order to reduce its rate of return to the level of the average U.S. manufacturing company.

One cause for concern about the proposed restoration of the excise tax cut is that if it results in higher price tags it will contribute to inflationary pressure. The auto companies to date I believe have shirked their duty to help fight inflation by reducing car prices. Absorption of the restored one percent excise tax would be an excellent place for them to start.
Mr. President, I would respectfully urge that strong representations be made to them to that effect.

Warmest personal regards,

Sincerely and respectfully yours,

Walter P. Reuther, President
INTERNATIONAL UNION, UAW

WPR:pms
oeiu42aflcio

THE WHITE HOUSE

WASHINGTON

February 16, 1966

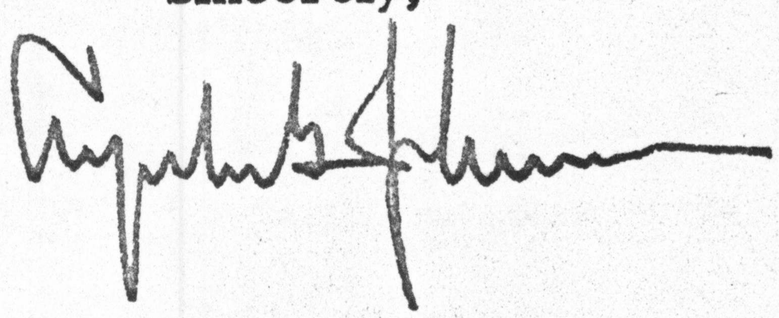
Dear Walter:

I want to express my appreciation for your contribution to the Report of the National Commission on Technology, Automation and Economic Progress.

The final report of the Commission is a comprehensive and significant document. It lives up to the high hopes that the Congress and I shared in establishing this Commission by presenting a thorough examination of the broad and complex issues of our economic life and their implications for the future of our society. The findings of the Commission will receive careful discussion and review in the months ahead.

The country is indebted to you for advancing our thinking on critical economic and social problems. Your work will contribute to the achievement of greater abundance and greater productivity for our society.

Sincerely,



Honorable Walter P. Reuther
President, International Union
United Auto Workers, AFL-CIO
8000 East Jefferson Avenue
Detroit, Michigan 48214

STRAIGHT WIRE

February 24, 1966

President Lyndon B. Johnson
The White House
Washington, D. C.

Your thoughtful and inspiring address on Vietnam last night clarified United States policy in that beleaguered land and I am confident contributed much to a deeper understanding of U.S. policy among the American people.

Your emphasis on the firm but prudent military commitment to halt aggression, the continuing effort to search out by every means possible peaceful negotiation of the conflict, the urgent necessity to promote peaceful economic and social progress to meet the human needs of the people of Vietnam, and the cardinal principle of self-determination through free elections reflects a program and policy worthy of the full support of freedom loving people everywhere.

These are difficult days requiring difficult decisions. You have my continuing support in the reasonable course you are following resisting both those who would escalate the conflict in Vietnam to dangerous proportions of world catastrophe and those who would leave the Vietnamese people helpless before communist aggression by advocating United States withdrawal.

All good wishes.

Walter P. Reuther

Charge to:

Room 1514, Americana Hotel
Registered: Industrial Union Department, AFL-CIO
815 Sixteenth Street, N. W.
Washington, D. C.

THE WHITE HOUSE

WASHINGTON

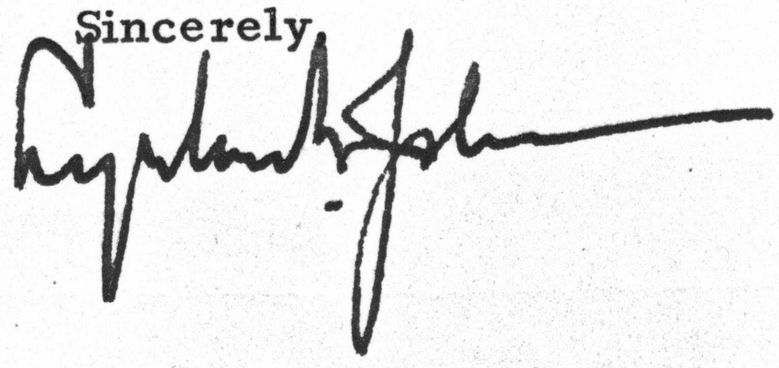
February 26, 1966

Dear Walter:

I am so grateful to you for your reassuring telegram commending my speech on Vietnam.

What we have to face is not easy, does not yield to quick solutions, and demands burdens for us all. But there is no rational alternative. We must do what we must for what we do is aimed at making this a more secure world for people everywhere.

Sincerely,



Mr. Walter P. Reuther
President
International Union, UAW,
AFL-CIO
8000 East Jefferson Avenue
Detroit, Michigan

April 5, 1966

Dear Walt:

I have been on the road almost continuously, which accounts for the delay in sending my heartiest congratulations and warmest best wishes on your new appointment.

The President made a very wise decision and I can think of no one more qualified in both mind and spirit for this challenging assignment.

Kindest personal regards and all good wishes.

Sincerely,

WPR:ob
oeiu 42

Mr. Walt Rostow
The White House
Washington, D. C.

March 22, 1966

President Lyndon B. Johnson
The White House
Washington, D. C.

Dear Mr. President:

Pursuant to the conversation we had on Friday, March 11, 1966, I am enclosing two documents for your consideration. One relates to a proposal for the establishment of a Price-Wage Public Review Board; the other sets forth a program for a progressive spending tax to achieve equality of sacrifice in meeting the increasing need for federal revenue.

The proposal to establish a Price-Wage Public Review Board is designed to create a mechanism whereby it may be possible to stabilize prices and avoid inflationary pressures brought about by price increases without the necessity of imposing any form of governmental control.

Mr. President, no one knows better than you how difficult are the problems in the present period. The increased requirement to meet our responsibilities in Vietnam, compounded by the undisciplined market-place forces at home, gives all of us reason to be deeply concerned about maintaining reasonable price stability and checking inflationary pressures. While the problem is of real concern, it has not assumed the dimensions, nor has the international situation created the kind of national emergency, that would justify rigid price and wage controls such as were necessary during World War II and the Korean Conflict. On the other hand, we cannot rely upon the blind and too often selfish forces of a laissez-faire attitude to maintain price stability and protect our nation against the effects of inflation.

This proposal to create a Price-Wage Public Review Board is a middle ground between sole reliance on the market place on the one hand and the establishment of rigid government controls on the other. It is advanced in the

belief that in a free society the only substitute for the disciplinary leverage of governmental compulsion when the welfare of the nation and the public is at stake is a voluntary mechanism through which private decisions can be influenced so that they can be made publicly responsible. I share the belief that the only disciplinary force in a free society other than government compulsion is the influence of enlightened and well informed, aroused public opinion. In a democracy, no economic group, neither labor nor management, can with immunity ignore the will of a well informed, enlightened, aroused public.

The Price-Wage Public Review Board would permit the nation to continue to rely upon voluntary action and thereby minimize and avoid the necessity of relying upon power through government compulsion. In the long run, the right to make voluntary decisions in the field of prices and wages will be preserved only as we raise the level of public responsibility of both labor and management so that their private decisions can be made compatible with the public good.

During the past several years, in the absence of such a mechanism, the full burden of persuasion has fallen upon the presidency. The presidency is too vital and important an office to be subjected constantly to the responsibility of using its influence and prestige in matters involving price-wage determinations. This proposal would fill a vacuum which otherwise the President must fill in each crisis in order to protect the interests of the nation when either labor or management acts contrary to the national interest.

Under the proposal a dominant company in an industry would be obligated to give sixty (60) days notice of any proposed price increase and could not increase prices until it had appeared before the Price-Wage Public Review Board in a public hearing in order to state its case for a price increase. The Price-Wage Public Review Board would ferret out the facts and make them public so that an informed public opinion can be molded into a persuasive force to estop price increases which are exhorbitant or inflationary. The same would apply for economic demands made by a dominant union against a company where to grant the demands would require price increases.

The principle of a progressive spending tax was at one time proposed by the Treasury Department in 1942. A progressive spending tax is a tax based upon the sound and equitable principle of taxing the standard of luxury, not the standard of living. In essence, it would require that spending

above specified exemption levels would be taxed on a graduated basis so that no family would be taxed on spending that provided only the basic essentials of life, but increased taxes would be applicable to families whose spending moves above the exemption level and into luxury purchases. This would increase revenue to the government by imposing higher taxation on non-essential spending and in this sense the tax would be progressive rather than regressive.

I trust you will be able to give these two matters your early consideration.

I was delighted to have the opportunity to visit with you and to find you in such good health and good spirits.

With kindest personal regards and all good wishes.

Sincerely yours,

Walter P. Reuther, President
INTERNATIONAL UNION, UAW

WPR:lbm
oeiu42
enc.

March 22, 1966

A PRICE-WAGE BOARD OF REVIEW

The most serious threat of inflation today is the danger of the abuse of economic power by the large corporations like General Motors and U.S. Steel which dominate whole industries and are able to set the prices of their products, well insulated from any real competitive forces.

This Administration has acted effectively and imaginatively to curb the most flagrant attempts at unjustifiable price increases, but the use of the President's authority and prestige for this purpose suffers from three major limitations.

1. It can be brought into play only after a price increase has been announced. There is no machinery for advance notice.

2. It puts the whole prestige of the President on the line each time. One failure would be extremely damaging. This is a weapon that can be used only on special occasions.

3. It can do nothing to bring about price reductions in industries with above-average rates of productivity advance. Yet the Council of Economic Advisers has repeatedly insisted that such price reductions are essential to the maintenance of overall price stability, because they are needed to offset unavoidable price increases in low-productivity industries.

Thus, for example, in its 1964 report the Council said:

> "....It is appropriate to focus special attention this year on price reductions. The guideposts call for reductions in those industries whose trend productivity gain exceeds the national trend.... If they are not forthcoming, overall price stability will be rendered more difficult, since price increases are likely in industries that are progressing at a less-than-average rate." (emphasis in original)

Again in its 1966 report the Council said:

> "While individual prices will rise from time to time, others must fall if upward pressure on the general price level is to be avoided."

And Gardner Ackley, Chairman of the Council, in a speech to the Pharmaceutical Manufacturers Association on May 26, 1965, said:

> "Most businessmen.... like to talk about the virtues of a stable price level. I hope they don't forget the arithmetic which says that if the average price level is to be stable, as many prices have to go down as go up."

As long ago as January 28, 1958, I proposed in testimony before the Kefauver Committee the establishment of machinery in the form of a Price-Wage Board of Review and an Office of Consumer Counsel to meet the problems of administered prices in a free economy. The idea was not original with me because, as I told the committee, a very similar proposal had been introduced in the form of a bill by the late Senator O'Mahoney as early as July 28, 1948. It was an idea which I felt deserved to be revived.

The proposal would establish a Price-Wage Board of Review to which the dominant company in any key industry would be required to give advance notice of any intention to increase its prices. The Board would then hold a public hearing at which it would require all the pertinent economic facts to be brought out.

The Board would have no power to approve or disapprove a price increase, but it would publish a report of its findings and recommendations, together with the facts supporting its recommendations. If those facts showed that an increase was not justifiable, it would be a rare case in which a major corporation would impose the increase and brave the public uproar that would be sure to follow. In the great majority of cases, no corporation would even propose a price increase, knowing that it would have to make public the facts about its economic position, unless it was confident those facts did justify a price increase.

Unions would also be subject to the hearings procedure when appropriate. Whenever a corporation subject to the procedure claimed that it would have to raise prices if it gave in to union demands, it could so notify the Board, and both the union and the corporation would then be summoned to a hearing and required to produce the relevant facts. The Board, for example, would find out just how the union's

demands would affect the corporation's profits; whether wages or relevant fringe benefits in the industry were above or below average; whether the rate of productivity advance in the industry was above or below average, and other pertinent facts.

The Council of Economic Advisers has pointed out that there are circumstances in which a wage increase is justified even if it does require a price increase. If this were the situation in a given industry, the hearing would reveal it. But if the union's demands were exorbitant, that would be revealed. If, on the other hand, the company could well afford to grant them without raising prices, that fact would be made apparent.

As in the case of a hearing involving a corporation alone, the Board would publish a report containing its findings and recommendations and the supporting facts. Both sides would then go back to the bargaining table free to act as they saw fit, but with the knowledge that the public had the facts, and was equipped to pass an informed judgment on the result of their negotiations. The union and the corporation alike would be subject to the same discipline--the need to accept full public responsibility for private, voluntary decisions which affect the public interest.

One function of the Consumer Counsel would be to initiate a hearing before the Board whenever he could make a prima facie case that prices in a given industry were too high, and that the relevant economic facts justified a price reduction.

The whole procedure would operate on the principle that in a free society private decisions which seriously affect the public interest should be subject to the discipline of judgment by an enlightened public opinion. In practice, it is to be hoped, the procedure would not only give the public the information which it would need in order to form an intelligent opinion as to specific price questions, but would also contribute to public understanding of the whole price and wage system, and would result in the gradual building up and acceptance by the public of a body of reliable criteria for the judgment of both price and wage behavior.

A more detailed outline of the proposal is attached.

March 22, 1966

OUTLINE OF PROVISIONS OF BILL TO REQUIRE HEARINGS ON ADMINISTERED PRICE INCREASES IN ORDER TO MAKE PRIVATE ECONOMIC DECISIONS MORE RESPONSIVE TO PUBLIC NEED

1. Purpose

To bring an informed public opinion to bear upon price policy in administered price industries as a substitute for the price-restraining influence of competition which is lacking in such industries.

2. Administrative Machinery

(a) A Price-Wage Board of Review to conduct hearings on price increases proposed by certain corporations.

(b) A Consumer Counsel to represent the consumer and public interest in such hearings.

The relationship between the Board and the Consumer Counsel might be similar to that between the National Labor Relations Board and the General Counsel of the NLRB.

3. Coverage

The legislation should cover corporations in a position to act as "price leaders" in their respective industries. Specific and objective criteria should be devised to determine the corporations that fall into the "price leader" category. Total coverage should be limited to the minimum number of corporations required to accomplish the basic purposes of the bill. One possible criterion for coverage could be: all corporations

accounting for 25 percent or more of total sales in a major industry. (Such corporations could be identified from data in the files of the Census Bureau, the SEC and the FTC.) Under this criterion, only a limited number of giant corporations in major industries would be covered.

4. Advance Notification of Proposed Price Increases

Covered corporations should be required to notify the Price-Wage Board of Review of intention to increase a price, and should be prohibited from putting such a price increase into effect for a specified minimum period (perhaps 60 or 90 days) sufficiently long to permit the Board to hold hearings on the proposed price increase and to issue its findings concerning such increase. The corporations should be required to supply to the Board, simultaneously with their filing of the notice, all data which they consider pertinent to the proposed price increase. The Board should publish the fact that notice has been received and make available for examination by groups listed below under "Other Appearances" the data filed with such notice.

5. Waiver of Hearings

Upon analysis of the data submitted with the notice, and after a reasonable time has been allowed for examination of the data by all

interested parties, the Board, with the consent of the Consumer Counsel, should be empowered to waive hearings and permit the proposed price increase to go into effect immediately. In such cases, however, the Board should be required to publish promptly a report setting forth the reasons for so doing.

6. Emergency Price Increase

Upon a claim that an increase in production costs creates an emergency requiring the corporation to raise its prices prior to expiration of the notice period, the corporation should be permitted to raise its prices within that period. In such case, however, the Board, in addition to its other findings, would be required to make a finding as to whether or not such an emergency in fact existed and whether or not the price increase exceeded the amount required to meet increased production costs. If it found that the claim of emergency was not supported by the facts, the corporation would be required to rebate to every customer who paid the price increase damages equal to three times the amount of such price increase for products shipped during the notice period. In the event the ultimate purchaser of the products in question could not be ascertained, the corporation would be subject to a fine equal to the triple damages specified above. If an emergency was found to exist

but it was also found that the price increase exceeded the cost increase, the triple damages rebate or fine would apply to the excess.

7. Price Reduction Hearings

The Consumer Counsel should be empowered to initiate hearings when, in his judgment, there is reason to believe that a corporation subject to the legislation should reduce the price of any of its products. This procedure is essential in order to assure the price reductions in high-productivity industries which are essential to offset unavoidable price increases in low-productivity industries. If a corporation responded to the notice of a hearing with an acceptable price reduction, the hearing could, of course, be cancelled.

8. Subpoena Power

The Consumer Counsel would have power to subpoena witnesses, to examine them fully, and to require production of all pertinent books and records.

9. Involvement of Unions

If a corporation claims that its proposed price increase would be required as a result of granting union demands, the Consumer Counsel would be empowered to subpoena and examine representatives of the union.

Union and corporation representatives would be permitted to cross-examine each other.

10. Other Appearances

Representatives of unions, of consumer organizations, of corporations purchasing products affected by the proposed price increase, and of interested government agencies (federal, state, or local) should be allowed to participate in the hearings voluntarily, subject to permission granted by the Board. Such voluntary witnesses would be required to submit to cross-examination and would be permitted to cross-examine corporation witnesses. All testimony taken at the hearings would be under oath.

11. Open Hearings

All hearings should be open to the public, the press, and radio and television. (The matter of possible "confidentiality" of certain types of data should be considered in drafting the proposed legislation. It should be kept in mind in this connection, however, that the legislation is premised on the absence of price competition in the industries affected; that, therefore, there are not apt to be genuine "competitive secrets" related to costs and prices; and that the public interest is as deeply involved as in public utility rate hearings in which all pertinent

facts are publicly available. If, nevertheless, it should be decided that certain types of information required for purposes of the hearings should be treated as "confidential" the Board might be empowered to go into executive session while such information was being presented and considered with the participants in such executive sessions subject to penalties for public disclosure of such information.)

12. Findings

After obtaining all the pertinent facts, the Board should publish a report of its findings and recommendations, together with the facts supporting such recommendations. To assist the Board in this task, each party to the hearings--the corporation, the Consumer Counsel, and the union, customer corporations, consumer organizations and government agencies, if any are involved--might submit to the Board at the conclusion of the hearings a list of its contentions, and the Board could state its findings with respect to each of such contentions. The findings should be published before the expiration of the notice period.

13. Penalties

Penalties should be provided for failure to give the required notice of a proposed price increase, for failure to respond to subpoenas, for taking reprisals against any person who testifies, and for perjury.

The penalties should be severe enough (particularly in the case of failure to give notice) to deter violations. In the event of failure to respond promptly to subpoenas or to requests for production of books, records, etc., or if the corporation is found to be engaging in other dilatory tactics, the Board should be empowered to extend the period during which no change in prices would be permitted.

14. No Price or Wage Control

Regardless of any finding or recommendation that the Board may make, upon expiration of the notice period (or any extension of it), the corporation would be free to determine its own prices (to the extent specified in its original notice or to any lesser extent), and the union would be free to pursue its demands. The only restraint on the corporation and the union would be the restraint of enlightened public opinion.

This procedure, of course, would not rule out the possibility of Presidential intervention in a case where a corporation insisted on imposing a price increase which the hearings had shown to be clearly unjustifiable. In that case, the President would then be in the position of having a fully informed public opinion from which to mobilize support.

In the great majority of cases, however, it can be anticipated that no company would be prepared to face the unfavorable publicity

bound to rise from such an action. In most cases a price increase would not even be proposed, when the company knew a public hearing was likely to result, unless it was sure that the economic facts did justify an increase.

opeiu42afl-cio

March 22, 1966

POSSIBLE TAX INCREASE

The Treasury is reported to be undertaking "contingency planning" for the possibility that further tax increases may become necessary, including a possible increase in the individual income tax.

In our opinion, until unemployment falls substantially below its present level, an increase in taxation that would reduce effective demand should be avoided. But if increasing pressure of demand on capacity should make such action necessary, we would urge most strongly that any tax increase should be based on the principle of equality of sacrifice and should aim to reduce excess purchasing power which is being used to drain off resources into production of luxury goods, rather than the basic purchasing power of moderate and low income families which they require to meet essential needs.

These principles could be recognized by the adoption of a progressive spending tax, similar to that proposed by the Treasury Department in 1942. The proposal was revived with some changes by the UAW at the time of the Korean conflict in 1951.

In essence, the Treasury proposed that spending above specified exemption levels be taxed on a graduated basis. To take a hypothetical example, suppose an exemption of $2,000 per person were allowed. In that case, a family of four would pay a spending tax

only on the amount of its spending in excess of $8,000 per year. This would assure that no family would be taxed on spending that provided only the basic essentials of life. No family would be taxed into poverty.

For purposes of this example, we can assume tax rates equal to the surtax rates proposed by the Treasury, which were as follows:

Spending	Tax Rate
Less than $1,000 above exemptions	10%
$1,000 to $2,000 above exemptions	20%
$2,000 to $3,000 above exemptions	30%
$3,000 to $5,000 above exemptions	40%
$5,000 to $10,000 above exemptions	50%
Over $10,000 above exemptions	75%

Thus, a family of four which spent less than $8,000 would pay no spending tax. With spending of $9,000, they would pay 10 percent on the last $1,000, or $100. On $10,000 total spending, they would pay $300. On $25,000 they would pay $9,150.

While this sounds high, it really means that if a family with a total income after regular income taxes of $34,150 insisted on spending all it could and saving nothing, it would pay a spending tax of $9,150 and have $25,000 left for actual spending. Such a profligate family,

therefore, would pay, in effect, a surtax equal to 26.8 percent of its disposable income after deduction of regular income taxes.

Such a tax would deter only nonessential spending. It would not reduce the living standards of the poor. It would enable every well-to-do family to maintain a high standard of living--but with curtailment of its standard of luxury.

Individuals would be free to determine for themselves the extent of their own tax liabilities. If they chose to spend more, they would be taxed more. If they chose to save more, they would be taxed less. Restraint would be rewarded and inflationary overspending would be penalized.

The encouragement of increased saving by families with incomes above the exemption level would limit current consumer demand and make additional funds available either for noninflationary government borrowing to meet defense needs, or for investment in new private productive facilities to ease pressures on demand.

Administratively, the progressive spending tax presents problems no more difficult than those associated with the income tax. The Treasury in 1942 drafted a simple tax schedule, a copy of which is attached, which would provide the information necessary to calculate the tax.

As will be seen from the schedule, there are certain types of spending that would be exempt from the tax, such as gifts and contributions, life insurance premiums, annuity payments, and purchases of capital assets. Other exemptions should include the cost of medical care, direct expenditures for the education of children (possibly with a limit per child) and outlays for housekeeping help by working women (again with a reasonable limit).

COPY OF SPENDINGS TAX SCHEDULE
DRAFTED BY THE TREASURY DEPARTMENT 1/

The Individual Spendings Tax Schedule

(To be used by persons subject to the spendings surtax and by persons not eligible to use simplified income tax return. A simplified spendings tax schedule will be available to all other persons subject to the spendings tax).

Funds At the Disposal of the Individual

1.	Salaries, wages, and other compensation for personal services	$
2.	Dividends and interest received, including government interest	
3.	Rents, royalties, annuities, pensions.....	
4.	Withdrawals from business, professions, partnerships, trusts	
5.	Cash receipts from gifts, bequests and insurance.....	
6.	Receipts from sale of capital assets.....	
7.	Receipts from repayment of loans made to others.....	
8.	Receipts from borrowing, including debts incurred on installment purchases.....	
9.	Cash and bank balances at beginning of year.....	
10.	Other receipts.....	
11.	Total disposable funds (items 1 to 10).....	$

Deductions: Non-taxable Use of Funds

12.	Cash and bank balances at the end of year.....	$
13.	Cash gifts and contributions.....	
14.	Interest and taxes paid, except on owner-occupied homes.....	
15.	Expenditures on the purchases of capital assets.....	
16.	Life insurance premiums, annuity and pension payment.....	
17.	Outlays for repayment of debt, including installment debt.....	
18.	Loans made to others.....	
19.	Other non-taxable disbursements.....	
20.	Total deductions (items 12 to 19).....	$
21.	Expenditures subject to tax (item 11 minus item 20).....	$

1/ Annual Report of the Secretary of the Treasury of the State of the Finances for the Fiscal Year Ended June 30, 1943.

opeiu42afl-cio/rg

April 5, 1966

Dear Walt:

I have been on the road almost continuously, which accounts for the delay in sending my heartiest congratulations and warmest best wishes on your new appointment.

The President made a very wise decision and I can think of no one more qualified in both mind and spirit for this challenging assignment.

Kindest personal regards and all good wishes.

Sincerely,

WPR:ob
oeiu 42

Mr. Walt Rostow
The White House
Washington, D. C.

THE WHITE HOUSE

WASHINGTON

April 21, 1966

Dear Walter:

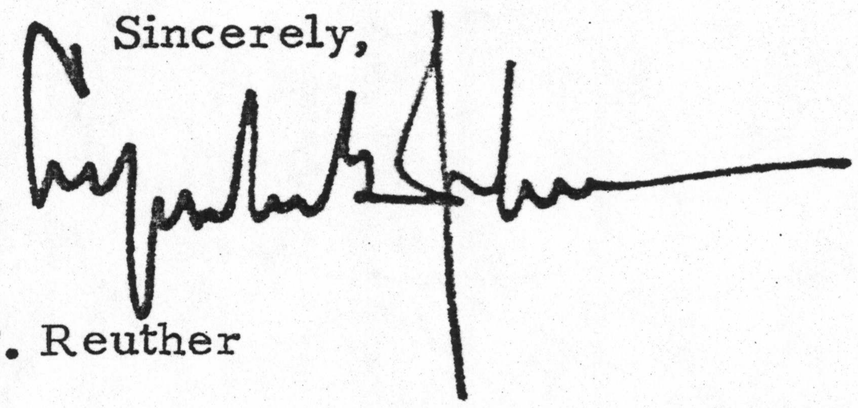
I am delighted that you have agreed to serve on the President's Advisory Committee on Labor-Management Policy.

This Committee has been of great help to the nation. It has focused the wisdom and experience of some of our leading citizens on the vital issues of wage and price policies, productivity, collective bargaining, and industrial relations. Through its work over the past six years, your government, the labor movement, management and the general public have benefitted from a greater understanding of the problems of a growing and dynamic free enterprise society.

Today, we are facing the basic question of how to continue our unparalleled prosperity and maintain a stable and healthy economy. The first task of the Committee will be to address itself to this most important question. With this in mind, I have asked the Committee Chairman, Secretary of Labor W. Willard Wirtz and the Committee Vice Chairman, Secretary of Commerce John T. Connor to call the Committee together in the very near future.

I greatly appreciate your willingness to participate in the work of the Committee. Through public spirited citizens such as yourself we will find the new and creative solutions and that will move this country closer to the goal of a better life for all our people.

Sincerely,



The Honorable Walter P. Reuther
President
United Auto, Aircraft and Agricultural
Implements Workers of America
8000 East Jefferson Avenue
Detroit, Michigan 48214

Apr 22

WESTERN UNION
TELEGRAM

APR 21 1966

WUY517 WUB041 SSC053 DE LLA012 (DE WA007) GOV
NL PD
THE WHITE HOUSE WASHINGTON DC 20
WALTER REUTHER, PRESIDENT INTERNATIONAL UNION UNITED AUTO
WORKERS AFL-CIO, DONTDWR
8000 EAST JEFFERSON AVE (TL-ZXM) DET
PRESIDENT JOHNSON EXTENDS A CORDIAL INVITATION TO YOU TO ATTEND
THE SIGNING OF THE PROCLAMATION ON NATIONAL TRANSPORTATION
WEEK AND NATIONAL DEFENSE TRANSPORTATION DAY.
THE CERMONY WILL BE HELD AT 1:00 P.M., FRIDAY, APRIL
22, IN THE EAST ROOM AT THE WHITE HOUSE. PLEASE USE THE
NORTHWEST GATE. WE ARE LOOKING FORWARD TO SEEING YOU THEN
JOSEPH A CALIFANO JR SPECIAL ASSISTANT TO THE PRESIDENT.
843A EST APR 21 66

WESTERN UNION
TELEGRAM

Regret —

"must write my own copy
write / respond —

STRAIGHT WIRE April 21, 1966

Joseph A. Califano, Jr.
Special Assistant to the President
The White House
Washington, D. C.

Sincerely regret that my involvement in critical meetings with major automobile corporations scheduled for Friday, April 22, will deny me the privilege and pleasure of being the President's guest on the occasion of the signing of the Proclamation on National Transportation Week and National Defense Transportation Day.

Kindest personal regards.

Walter P. Reuther

WPR:ob
oeiu 42

File - Dept. of Defense -
W. W. Rostow

THE WHITE HOUSE

WASHINGTON

April 25, 1966

Dear Walter:

It was awfully kind of you to take the trouble to write on the occasion of my appointment to my new job. I shall do my best, strengthened by your support.

Yours,

Walt

W. W. Rostow

Mr. Walter Reuther
President, UAW
Solidarity House
8000 East Jefferson Avenue
Detroit 14, Michigan

APR 27 1966

THE WHITE HOUSE

WASHINGTON

April 25, 1966

Dear Walter:

It was awfully kind of you to take the trouble to write on the occasion of my appointment to my new job. I shall do my best, strengthened by your support.

Yours,

Walt

W. W. Rostow

Mr. Walter Reuther
President, UAW
Solidarity House
8000 East Jefferson Avenue
Detroit 14, Michigan

May 14, 1966

Dear Marvin:

It was nice to have spoken to you on the phone briefly.

I am enclosing two copies of the brochure that we have published in conjunction with the presentation of the UAW Social Justice Award to President Johnson. The UAW Social Justice Award is presented on behalf of the officers and one and one-half million members of the UAW to persons who have made outstanding contributions in extending the frontiers of economic and social justice. In the past this Award has been given to Eleanor Roosevelt and posthumously to President John F. Kennedy.

On the first inside page of the brochure is the quote which is inscribed on the Social Justice Award plaque. The balance of the quotes is from various speeches and publications of President Johnson.

I shall await word from you concerning the White House's announcement of the President's coming so that we might follow through at this end and insure the broadest participation.

Kindest regards.

Sincerely,

WPR:ob
oeiu 42

Mr. Marvin Watson
Special Assistant to the President
The White House
Washington, D. C.

THE WHITE HOUSE

WASHINGTON

February 17, 1966

Dear Walter:

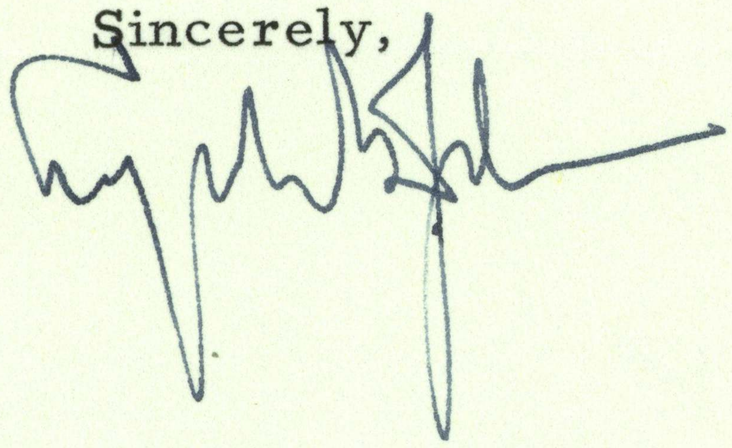
I have had Stew Udall preparing a proposed Redwood National Park plan for several months. In all likelihood it will be sent to the Congress next week.

I certainly agree with you this is one of the most vital conservation challenges before the country.

I am informed that the new park will be three times as costly as the most expensive national park or seashore heretofore acquired, and I am confident that we will need all-out support from the UAW and other interested organizations in order to win approval for this proposal.

With best regards,

Sincerely,



Mr. Walter P. Reuther
International Union UAW, AFL-CIO
8000 East Jefferson Avenue
Detroit, Michigan 48214

FEB 21 1966