THE NEW PRESIDENT MEETING WITH HIS ECONOMIC TEAM FOR A STRATEGY SESSION LAST WEEK

POLICY AND PROBLEMS

Ford Confronts the Deadliest Danger

Cyprus and the search for a Vice President might distract attention temporarily, but the Ford Administration knows quite well what is the deadliest danger that it and the nation face: inflation. The new President sought last week to assure the country of his determination to confront it, making economic policy the focus of his heavily applauded first speech to Congress. But his program as it emerged in the broadest of outlines could almost be called Nixonomics without Nixon: it contained little that had not been advocated by the previous Administration. Whether that signified a barrenness of ideas or a realistic appreciation that inflation cannot be conquered except by dogged persistence in pursuing painful policies, only time and future presidential action will make clear.

What is altogether too clear is that events will give the President and his advisers, old and new, no leisure in which to think out the details of economic strategy. Dismal crop forecasts last week made plain that food-price inflation is gathering speed again. A union plan to shut down the nation's coal mines this week underlined boiling labor unrest. The stock market, reflecting investor skepticism that anything much would change, plunged to new lows. The success or failure of Ford's presidency will be judged largely by whether in the months ahead he can produce a different kind of economic news.

Target: "Public Enemy No. 1"

Opening his attack on inflation last week, President Ford came on like a curious mixture of two radio programs from the 1940s: *Gang Busters* and *Fibber McGee and Molly*. In the best *Gang Busters* fashion, he told cheering Congressmen that he considered inflation "public enemy No. 1" and pledged a resolute fight against it. Yet what he disclosed of his arsenal of weaponry for the battle seemed a Fibber McGee closet crowded with familiar ideas that have been tried, or at least noisily advocated, before.

In his speech to Congress, Ford made three specific economic proposals, all of which had been embraced by President Nixon before his resignation:

1) He dedicated himself to what Nixon aides called "the oldtime religion" of budget cutting by announcing that he had told White House staffers and Cabinet officers "to make fiscal restraint their first order of business" and flatly promising to recommend a balanced budget for fiscal 1976 (the official estimates for fiscal 1975, now in its second month, project a deficit of $11 billion).

2) He asked Congress to resurrect by Labor Day the Cost of Living Council, a Government agency that once administered wage-price controls but died on June 30, two months after the controls. Ford's COLC—like one that Nixon proposed in his last weeks—would be empowered to monitor price and wage increases and officially decry those that seem excessive, but it would not be able to order those rises rolled back or even delayed.

3) He promised to call an "economic summit" of top Government officials, corporate executives, bankers, labor leaders and private economists to seek agreement for a concerted attack on inflation—and pledged to preside over its sessions in person. Administration officials later suggested that the meeting might be televised and named Sept. 15 as the earliest date on which the "summit" could be held.

That hardly adds up yet to a comprehensive program, which of course it would be unfair to expect of Ford in his first week. The proposal for an economic summit, in particular, seemed designed to convey an impression of action, openness to ideas and determination to unite the nation against inflation rather than to yield any specific results. Even Administration officials do not expect the summit to turn up any thoughts that have not already been aired.

Still, there were signs that even if the ideas are old, they will be pushed with a new vigor. A tight budget and a tight monetary policy, to be pursued by the independent Federal Reserve with White House encouragement, will undoubtedly be the core of Ford's program, as they were at least in the rhetoric of Nixon's. But while Nixon gave no indication of where he wanted the budget

JOHNSTON, WASHINGTON POST

ax to swing, Ford appears to have reached a hard and controversial decision: to resist deep cuts in the Pentagon budget and take the heaviest slices out of civilian programs.

In his speech to Congress, the President proclaimed opposition to "unwarranted" defense cuts and later expressed disappointment over reductions of $5.1 billion in military authorizations and $720 million in foreign aid proposed by Senate committees. On the other hand, after the House narrowly passed a bill providing $20.4 billion in federal aid to mass transit over the next six years, Ford urged amendments that would slash the total to $11 billion (congressional Democrats are proposing to meet him halfway by cutting the bill to $15.8 billion). Ford is expected to veto another measure, already passed by Congress, that raises education benefits for veterans, and to ask the lawmakers to repass the bill after several hundred million dollars have been cut from it. Some aides predict that Ford will veto every spending bill that provides more money than the Administration requested.

Some other parts of Ford's emerging program seemed to be a bit more than reinvigorated Nixonism. Jawboning, in the form of direct presidential criticism of specific price increases by specific companies, made a surprise reappearance. What jawboning existed under Nixon was mostly performed by lower officials rather than by the President. But Ford did not hesitate to take on General Motors, the world's biggest automaker and the largest employer in his home state of Michigan. On the new President's Inauguration Day, GM had announced a price boost of almost 10%, or about $500 a car, on 1975 models. Last week Ford pronounced himself "very disappointed" that GM would raise prices that much when business and labor should be practicing self-restraint and said that he hoped the move would not be "viewed as a signal by other auto companies or other industries."

The way the statement came to be

New Faces Among the Advisers

Every new President likes to turn to trusted confidants for advice. So the unfamiliar faces of two old friends of Gerald Ford's have begun to appear in the circle of men with whom the President discusses economics. Like Ford, both are conservative Midwestern Republicans—and neither is an economist.

The more important of the two is L. William Seidman, 53, son of a Russian emigrant and now the millionaire managing partner of Seidman & Seidman, an international accounting firm that his father and two uncles founded. Seidman served as an adviser on Ford's vice-presidential staff, and is now a key member of the transition team. Last week he began sitting in on the daily 8 a.m. meetings of Administration economic officials at the somewhat reluctant invitation of Economic Coordinator Kenneth Rush. The reluctance is perhaps understandable: Seidman is a prime candidate to take Rush's job.

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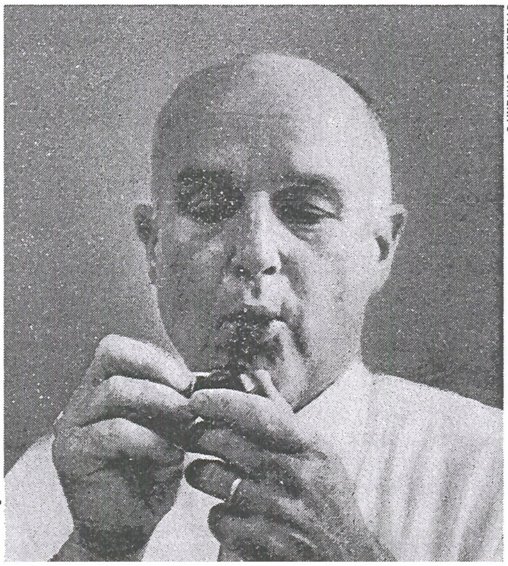
Like Ford, Seidman grew up in Grand Rapids—though on the "better" side of town—and has lived for the past 22 years on a farm just outside the city. He has been a highly successful accounting executive: since he took over in 1968, Seidman & Seidman, which specializes in tax matters, has expanded from 14 U.S. offices to 47. Seidman, a jogger and avid antiques collector, is also something of a frustrated politician: he lost a campaign for Michigan auditor general in 1962, headed the Romney for President office in Washington in 1967-68, and withdrew early last year from a race for the congressional seat Ford vacated to become Vice President. Seidman so far has had little to say about his economic views: he describes himself as a conservative but adds that "I don't think those labels mean very much" and says that he is seeking ideas far and wide. "We are giving $5 in 1919 money to anyone with a quick and easy answer to inflation," he jokes.

A still less familiar name is that of William G. Whyte, 58, U.S. Steel vice president in Washington for public relations (in charge of lobbying). Whyte does not seem to be headed for an official post, but Ford has said that he will ask Whyte's advice. The two have been friends since U.S. Steel sent Whyte to Washington in 1952 during Ford's second term in Congress: they golf together, their families have vacationed together, and Whyte's younger son Roger has dated Ford's daughter Susan. Whyte says that he and Ford are "pro-free enterprise." Among his opinions: new wage-price controls would hamper steel production; the U.S. should "close the gates" on exports of steel scrap (presumably because they tend to keep supplies down and prices up at home); it would be a "tragedy" if the U.S. reimposed an embargo on imports of Rhodesian chrome; and there is only one way that American industry can raise the capital it needs to expand—"more profits."

A third old friend from whom Ford may get at least unofficial advice is Paul McCracken, the University of Michigan economist who served as the first chairman of Richard Nixon's Council of Economic Advisers, from 1969 through 1971. McCracken turned "game plan" into a celebrated Washington phrase for Nixon's original strategy of combating inflation by gradually slowing the economy through use of budget and monetary restraints and still insists the policy was right; he vehemently opposes wage-price controls. He met several times with Ford during Ford's vice presidency, but says that he has no intention of returning to the Government ("I'll take Sherman's oath on that"). Some of his colleagues, however, would like to see him return. Says Alan Greenspan, who is awaiting Senate confirmation as CEA chairman: "The more people like McCracken there are around, the better." Greenspan would like a conservative ally who has Ford's ear.

ACCOUNTANT WILLIAM SEIDMAN



STREEKY—CAMERA 5

U.S. STEEL'S WILLIAM WHYTE

WALTER BENNETT

made illustrated the extent to which the new Administration is feeling its way on economic policy. Press aides began wondering what they would say if reporters asked what Ford thought of the GM boost. Press Secretary J.F. terHorst got a presidential statement approved by Ford and issued it. No one seems to have figured out what White House pressure, if any, should be applied in the event GM doesn't back off from its price increase, and the whole issue of how much jawboning there should be under what conditions by the new Administration is still being debated by Ford's advisers. The consensus seems to be that any further jawboning should be done by a revived Cost of Living Council, not by the President.

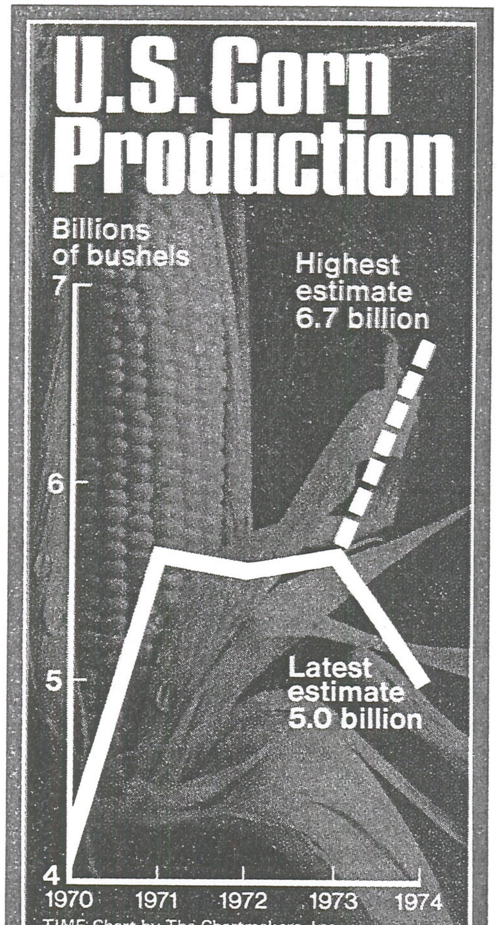
The incident, however, did illustrate the impressive public support that Ford can command for tough anti-inflationary action. It drew praise from an unexpected source; the National Automobile Dealers Association went on record as strongly backing Ford's "sharp disapproval" of GM's increase. James Gilmore, owner of Cadillac and Pontiac dealerships in Kalamazoo, Mich., and sponsor of Champion Race Driver A.J. Foyt, wrote to GM President Edward Cole complaining that "you're doing a great disservice to your dealers, who must face public criticism for such enormous increases."

Labor Detente. Ford moved to solidify his backing in another quarter by re-establishing a long broken communications link between the White House and Big Labor, whose cooperation will be vital to any anti-inflation campaign. He invited AFL-CIO President George Meany to the White House for a 45-minute chat that terHorst called "very friendly and very constructive." Meany was once friendly with Nixon but later turned into a bitter critic; he had not been in the White House for more than a year. Ford described Meany as a "great labor leader," although Meany's organization had rated Ford's congressional voting record as almost 100% wrong on matters of interest to unions. Later in the week the President conferred with Teamsters President Frank Fitzsimmons, who suggested to Ford that the nation should be "shocked back into reality" by a complete freeze on all prices and wages. Ford, said the union leader, had no comment.

Whether Ford, as his economic program is thought out and unfolds, can continue to effect such reconciliations is anybody's guess. Parts of it will be bitter medicine; fiscal and monetary restraint will undoubtedly cause unemployment to rise above the present 5.3%. But for now, Ford has the nation in a mood to go along with almost anything he wants to try. As New York Republican Congressman Barber Conable puts it, "It's kind of like taking castor oil. Nobody enjoys it. But I suspect that Jerry is going to be more able to administer it than most people."

A Bumper Year—For Prices

Nothing has hurt the U.S. consumer more in the past three years than wildfire food-price inflation. Last week what little hope remained that it would be eased by bumper crops this year vanished. On the fourth day of the Ford Administration, the Department of Agriculture released new crop forecasts that seemed to confirm the worst fears about the effects of the blistering drought that has gripped the Midwestern Farm Belt this summer after heavy spring rains spoiled the planting season (TIME, Aug. 12).



TIME Chart by The Chartmakers, Inc.

The Department now figures that the U.S., and the vast world market that its farmers help feed, will have to make do with an American corn crop of only 4.96 billion bu.—12% less than last year's harvest and a startling 26% below the record production predicted earlier *(see chart)*. The soybean crop will be down even lower: it is now projected to be 16% below last year's record output of 1.6 billion bu. and 15% under earlier estimates. The wheat harvest, estimated at 1.84 billion bu., will still top last year's, but by only 8% rather than the 27% predicted in forecasts back in the spring. Total U.S. production of all crops is now expected to drop back to the level of two years ago, about 6% below last year.

It is possible that these estimates are a bit too pessimistic. The rains have finally come to most of the Midwest, leading one weather forecaster in Des Moines, Iowa, to announce that the drought was over. If so, farmers might yet squeeze higher yields out of corn already planted. But most farm experts remain discouraged. "So much damage has already been done," says Billy Ray Gowdy, commissioner of agriculture in Oklahoma, where farmers are worried that there will not be enough rain for a good sorghum harvest and that the soil will be far too dry to plant a new crop of winter wheat.

Oddly, consumers could get some initial benefit from the drought. As the prices of corn and soybean feeds rise, farmers are bringing cattle, hogs and other livestock to market early, causing a temporary glut that could help to keep meat prices down—at first. By next winter or spring, though, that oversupply will be exhausted and meat prices probably will rise with a vengeance. There are some signs, too, of a revival of the panicky export buying that in the past has done much to push up U.S. food prices. Foreign buying so far has been no more than moderate, but enterprising Japanese buyers have approached a number of farmers in downstate Illinois and offered to purchase soybeans for $1 a bushel above the going market price (currently $7.75).

Earnings Needed. The Ford Administration has one option that could ease the price crunch in the U.S: export controls that would in effect ration the amount of U.S. food made available to an increasingly hungry world. No proposal for such controls has yet been made to the President, but some Administration officials favor them. Secretary of Agriculture Earl Butz is opposed; he argues persuasively that controls would sabotage world trade by undermining confidence in the willingness of the U.S. to fulfill its agreements, and that the nation sorely needs large export earnings from farm goods to pay for imports of high-priced oil. His arguments were underscored last week by a report that the U.S. balance of payments, according to one measure, swung from a $1 billion surplus in the first quarter to a $4.5 billion deficit in the second. But Butz is a strong Nixon man who is widely expected to leave the Administration by Christmas—and Ford is described by some friends as a President who is likely to give the domestic economy first priority if its needs seem to clash with foreign policy interests.