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A Plan More Broad Than Deep

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President Ford's new economic program is not, as Treasury Secretary William E. Simon said somewhat defensively, "a blockbuster."

It carefully side-stepped gasoline taxes and rationing, wage-price controls, and even wage-price guideposts. With some few exceptions, the program relies on voluntary methods or exhortation to achieve its stated goals —with an occasional warning that stronger means can later be adopted.

A News Analysis

The President failed to ask business and labor to hold down prices and wages—and failed to up-grade (as some had urged) the responsibilities of the new council on wage and price stability.

Nevertheless, President Ford recognized that a program to counter inflation and stave off the threat of recession must utilize many approaches. Philosophically, at least, he adopted the consensus of his 12 summit meetings that the attack had to be multi-faceted.

Where the program undoubtedly will be considered disappointing by many of the summit participants is that the specifics approved by President Ford — in the major areas he identified as needing joint action by the Congress and the Executive are mild in character or scope.

"You can say that the program is more broad than deep," says an economist who attended several pre-summit sessions.

"I feel let down," said former Economic Council Chairman Walter W. Heller. "I suppose we should be thankful for small favors, but they sure are small favors."

WALTER HELLER
'I feel let down'

If there is one outstanding feature to the Ford program, it is the pro-business, pro-capital-investment nature that dominates the tax recommendations. This, informed sources report, was a conscious decision, because the President believes that for "the long haul," a more favorable climate for capital investment must be created so as to stimulate creation of new jobs.

The tax benefits for business include a generous revision of the investment tax credit that will produce a tax saving of $2.7 billion for corporations in calendar 1975, more than offsetting $2.1 billion in higher taxes that would be created by the new 5 per cent surcharge. There are other changes that will make the investment tax credit sweeter for business.

Additionally, Mr. Ford proposed, as a help for corporations to bring new capital into their businesses, that dividends on preferred stock be fully deductible by the issuing company. Tax experts think that this could be a "sleeper" of great importance to business, especially to utilities which have had trouble raising equity capital.

A government fact sheet estimates that the revenue loss from this provision at only $100 million in fiscal 1976. But no one really knows how much it might cost.

In contrast to the favorable tax treatment for business, the 5 per cent surcharge on individual incomes (above the $15,000 family level) will diminish consumer purchasing power by $2.6 billion in calendar 1975.

Against that loss, tax relief for the poor adds up to only $2 billion, of which $1.6 billion had already been provided by the tax reform bill being processed by the House Ways and Means Committee.

Representative Henry S. Reuss (Dem-Wis.) labeled the 5 per cent individual tax surcharge as "a rip-off of the middle class."

Many of the economists who participated in the summit sessions, in less colorful language, agree. "At this time of recession," says one "the last thing we need is new tax on consumers."

The administration approach, however, was to balance out the costs of new initiatives with additional tax revenue so as to eliminate what in its view, is the main cause of inflation: budget deficits.

Although President Ford recognized that the "casualties" of inflation must be helped, the "employment assistance" program he recommended was far smaller in scope than had been discussed both during the summit sessions and on Capitol Hill.

The administration rejected a multi-billion jobs service program as not required by the present or contemplated level of unemployment.

On the other hand, the program went well beyond the "old-time religion" concept of tight money and tight budget in several ways: promising to monitor food exports; in asking for tough new penalties for anti-trust violation; in promising surveillance of anti-competitive practices by the federal government which raise costs; and a proposal for a new National Commission on Regulatory Reform.

Much, of course, will depend on what happens from here forward. For example, administration officials were saying privately that the rather weak proposals on energy — most of which warmed-over from earlier Nixon speeches — would be followed by more dramatic steps, once Interior Secretary Rogers Morton takes over as the new energy czar.