

From the desk of . . .

PAUL W. McCracken, Chairman
Council of Economic Advisers

Call him
re this
lunch at
Carnegie Club.

OX 5-6352

June 24, 1970

Dear Dave:

While I was in his office a few days ago, the President gave me a copy of your letter to him about the importance of considering a wage and price control plan, suggesting that I might want to discuss this matter with you directly.

There has been a wide spectrum of views within the Administration about this, of course, ranging from those who would prefer to avoid any overt move to those who would support a quite full-fledged incomes policy program. The program outlined by the President in his address reflects the inevitable compromises incident to arriving at something with which all could live. I do believe myself that this can make some marginal contribution to the problem of getting from where we are (with excessive demands on the economy now relieved) to a situation with a more stable price-cost level. This is, however, the great unanswered question in the entire industrial world today.

Some time if you have a luncheon date open, I would like to chat further with you about this.

Regards,

Paul W. McCracken

Honorable David Packard
The Deputy Secretary of Defense
Washington, D.C. 20301

THE WHITE HOUSE

WASHINGTON

June 16, 1970

MEMORANDUM FOR

CHAIRMAN PAUL MC CRACKEN
COUNCIL OF ECONOMIC ADVISERS

The Deputy Secretary of Defense, David Packard, has written the President regarding his opinions on wage and price control (Tab A).

The President has read Mr. Packard's comments, and asked that you write to the Deputy Secretary acknowledging his letter and forward on any comments you deem appropriate.

Thank you.



John Campbell



THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

11 June 1970

The President
The White House
Washington, D. C.

Dear Mr. President:

I have come to the conclusion that it is very important for you to consider at this time some kind of a wage and price control plan. I believe it should be voluntary, and while I am aware of the limitations and difficulties of a voluntary plan, I conclude this is the only possible course which would be acceptable. I believe such a plan should be for a limited and stated period of time which should be at least one year.

I come to this conclusion for two reasons. First, I have made a preliminary assessment of the problems of meeting the FY 72 budget with substantial reductions in Defense. As you have requested, these will be addressed in detail by the DPRC and NSC between now and July 15th. However with the difficulties we already see in this course, I am now convinced that such reductions will reduce the capability of our armed forces to dangerously low levels. Further reductions of the magnitude required will have a severe impact on the morale of our military people.

Second, it is my judgment that it will not be possible to bring the over-all inflationary problem of the country under control in an acceptable manner with fiscal and monetary policies only. It is my judgment that if we can generally hold the line on present fiscal and monetary policies, and add at least a minimal program directed at wage and price restraints, we have an excellent chance of bringing the inflation down to an acceptable level.

I shall be pleased to discuss my views with your advisors, but I believe the importance and urgency of this matter is so serious, I felt it important to bring this directly to your attention.

Respectfully

A handwritten signature in black ink, reading "David Packard". The signature is written in a cursive, slightly slanted style with a large initial "D".

David Packard