

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

November 20, 1970

MEMORANDUM FOR JOHN EHRLICHMAN

FROM: Donald Rumsfeld

RE: Economic Indicators

Note: I raised this subject in a staff meeting last week. This is simply a reminder from a political standpoint. As I understand it, you and George Shultz are already on top of the problem.

Questions should be raised about practices for determining productivity and cost of living. Among the problems is the difficulty in reflecting quality improvements that do not relate directly to products, but to the quality of community life. As I understand it, at present only changes in product quality are taken into account in figuring productivity changes and cost of living. For example, a government regulation stopping paper manufacturers from dumping effluent in streams increases costs, but has no effect on the quality of the paper napkin produced. Costs go up, and so does the quality of community life. But the quality of the product does not change. The indicators do not take this into account.

It could be that this situation, as well as others, could make economic indicators look worse than the situation is in 1972. Thought should be given to making changes so that indicators more accurately reflect the real world.

The timing of such changes is important. Substantively, this is a difficult area, and prompt corrections are hard to achieve. Tactically, change is always open to the charge that the Administration is tampering with the books, especially if done close to the election. The change could be eased if the problem were surfaced as a matter for public discussion. If a press and public drive for change in the statistical base could be mounted in the next six months, we could prevent being charged with book tampering, and at the same time, buy sufficient time to determine what change ought to be made.