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memo	Vice President to Executive Committee Members	9/29/77	A

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Agency	Issue	Budget Result	Nature of Problem	Lead
Defense	1) Overall level	Between \$126 B and \$130 B	Presidential commitment to save \$5-\$7 B	Brown
	2) Navy Shipbuilding Program	No plans to budget for new carrier	Congressional efforts to impose new nuclear carrier	President & Brown
International	1) International financial institutions	Major effort to make up arrearages in IFI's	Congressional reluctance to appropriate	Blumenthal Vance, President
	2) Import-Export Bank	Limitation on direct lending	Business criticism	Blumenthal Moore
Interior	1) Land & Water Conservation Fund	Failure to provide "full funding"	Congressional & environmental criticism	Andrus, President
	2) Redwoods	Failure to request funds for Park	Congressional & environmental criticism	Andrus
	3) Petroleum Reserve	Exploration contract termination	Congressional criticism	Andrus
EPA	1) Personnel	Small additions	Environmental & Congressional criticism	Costle
Corps of Engineers	1) Construction program	Provision for general slowdown except in most important projects	Congressional criticism	Alexander
*HUD	1) Budget level	Budget will be substantially less than request although larger than FY 78	Given size of request, perception will be large cut	Harris, President

Agency	Issue	Budget Result	Nature of Problem	Lead
Labor	1) Public Service Employment	No substantial increase in P.S.E.	Congressional & public criticism	Marshall
HEW	1) Budget level	Levels in controllable areas -- education, health will be tightly constrained	Will face potential for major increases	Califano, President
Commerce	1) LNG ship construction	Possible termination	Shipyard in Quincy, Massachusetts	Kreps
Treasury	1) IRS Personnel increase	Possible increase for additional revenue	Opposition criticism & privacy concerns	Blumenthal
Justice	1) Personnel cuts	Cuts may be taken in FBI	Congressional & opposition criticism	Bell
Transportation	1) Northeast Corridor Improvement Program	Funding & new objective	Altering of major Labor supported program	Adams
	2) Highway/transit legislation	Major effort to consolidate programs, end interstate program	Will be faced with efforts to raise levels and create new programs	Adams

2. Presidential Concern -- Very Important

<u>Agency</u>	<u>Issue</u>	<u>Budget amount</u>	<u>Nature of problem</u>	<u>Lead</u>									
Defense	Navy shipbuilding program - carriers	Between \$2 and \$5.8 B (obligational authority)	Congressional efforts to impose new carrier	President, Brown									
Treasury	International financial institutions - arrearages of \$1.2 B	Restoration of up to \$1.0 B in 1979	Congressional reluctance to appropriate	President, Blumenthal									
HUD	Budget level - less than request though larger than 1978	Difference of \$15 B in authority and \$440 M in outlays	Perception of large cut	Harris, President									
HEW	Budget level - discretionary health and education programs held to small increases	<table border="0"> <tr> <td></td> <td><u>'78</u></td> <td><u>'79</u></td> </tr> <tr> <td>Health</td> <td>7.0</td> <td>7.3</td> </tr> <tr> <td>Education</td> <td>11.1</td> <td>11.7</td> </tr> </table>		<u>'78</u>	<u>'79</u>	Health	7.0	7.3	Education	11.1	11.7	Potential for major Congressional increases	Califano, President
	<u>'78</u>	<u>'79</u>											
Health	7.0	7.3											
Education	11.1	11.7											
Energy	Petroleum Reserve - storage level	Dropping second 500 M bbls. would save \$2.9 B in 1981 and much more later	Congressional and balance of payment concerns	Schlesinger, President									

3. Agency Head Concern - Must win

<u>Agency</u>	<u>Issue</u>	<u>Budget amount</u>	<u>Nature of problem</u>	<u>Lead</u>
Defense	Overall level	Between \$125 B and \$130 B (obligational authority)	Presidential commitment to save \$5-7 B	Brown
Interior	Land and Water Conservation Fund - failure to provide "full funding"	\$625 M vs. \$900 M for full funding	Congressional and environmental criticism	Andrus, President
EPA	Safe Drinking Water - reduce Federal role	\$4 M difference in 1979 but much more later	Environmental criticism	Andrus
Corps of Engineers	Construction program slowdown	\$1.5 vs. \$1.3 B	Congressional criticism	Alexander
Labor	Public Service Employment	Continue at 725,000 level (\$6.8 B in authority)	Congressional and public criticism	Marshall
Transportation	Highway/transit legislation - consolidate and phase-out interstate construction	\$7.5 B program level not affected	Congressional efforts to raise levels and add programs	Adams

4. Agency Head Concern -- Very Important

<u>Agency</u>	<u>Issue</u>	<u>Budget amount</u>	<u>Nature of problem</u>	<u>Lead</u>
Treasury	Witteveen facility - IMF (authorization and appropriation)	\$1.7 B authorization needed but budget amount only \$0.2 B	Congressional reluctance to authorize and to count lesser amount in budget	Blumenthal
Export-Import Bank	Appropriate role and funding level	Between \$2.8 B and \$5.1 B Direct loan limitation	Business criticism	Blumenthal, Moore
Interior	Redwoods - no 1979 funds requested	\$100 M deleted as not needed now	Congressional and environmental criticism	Andrus
	Petroleum reserve, Alaska - terminate contract	\$180 M in 1979; \$400 M in total	Congressional criticism	Andrus
EPA	Personnel levels	Increase in full-time employees of 1,670 vs. 500	Environmental and Congressional criticism	Costle
Commerce	LNG ship construction - possible termination	\$51 M savings in 1979 BA	Shipyard in Quincy, Mass.	Kreps
Treasury	Internal Revenue Service audit personnel - hold to 750 increase	5,600 addition proposed in 1979; 20,000 in 5 years, adding perhaps \$2 B in revenue in 1979	Opposition criticism	Blumenthal
	Modernize present computer system for IRS rather than installing new decentralized system	\$9 M vs. \$28 M in 1979; \$75 M vs. \$223 M in total	Perception as privacy issue; Congressional concerns	Blumenthal

4. Agency Head Concern -- Very Important (Continued)

<u>Agency</u>	<u>Issue</u>	<u>Budget amount</u>	<u>Nature of problem</u>	<u>Lead</u>
Justice	Personnel levels; FBI may be reduced	FBI staff may be reduced by 800 with \$ savings of \$24 M	Congressional and opposition criticism	Bell
Trans- portation	Northeast Corridor Improvements - Aim to self-support not fast service	\$400 M level rather than \$780 M in 1979	Labor and Congressional criticism	Adams

Other Budget Issues

Agency	Issue	Budget Amount	Nature of Problem	Lead
<u>2. Presidential Concern -- Very Important</u>				
Defense	Major base closings and increased contracting out in 1979-81.	Potential savings: \$275 M to \$900 M/year by 1983; personnel - 32,500 to 45,000 by 1983.	Actions required for major savings in costs and personnel. Highly sensitive actions, very unpopular in areas affected.	Brown
Agriculture/ Interior	Terminate Youth Conservation Corps in favor of Young Adult Conservation Corps and other youth employment programs.	\$60 M per year.	Strong congressional support (e.g., Sen. Jackson) and environment support.	Bergland/ Andrus
Transportation	FAA staffing level.	\$38 M in 1979.	Air safety will be made an issue, with air controller slowdown or strike a possibility.	Adams/ President
Labor	Youth employment programs	About \$575 M difference in outlays, 112,000 in service years.	No sound measures of value of programs, but high rates of unemployment make program restraint almost impossible for Congress to accept.	Marshall
Labor	Mining Enforcement and Safety Administration program	\$50 M per year (OMB reduction from agency request.	Whether to seek legislation to allow administrative discretion for inspecting surface mines and seldom operated mines. Could be interpreted as weakening new law.	Marshall
HEW	Health professions training	\$170 M in 1979	What should be level of Federal support for training medical professionals? Congressional and profession will want more.	Califano

Nov. 22, 1977

Other Budget Issues

Agency	Issue	Budget Amount	Nature of Problem	Lead
2. <u>Presidential Concern -- Very Important</u> (cont'd)				
OMB/HEW/Treasury/ CSC	Mandatory coverage of government employees under social security.	Initial effect is to increase receipts, long-term effect essentially neutral. Net first year effect is \$13 B gain.	House Ways and Means directed HEW to make study of proposal. Federal employee union opposition is strong.	McIntyre Califano Blumenthal Campbell
Agriculture/ Commerce/OMB	Rural development program	Varies with program.	Whether to establish rural development program or focal point. Congressional Rural Caucus would support. Agriculture has program, as does Commerce (EDA) and others (SBA on drought loans).	Bergland Kreps McIntyre
SBA/Agriculture	Location of disaster relief program for farmers.	Not at issue	Makes programmatic sense for Agriculture (FmHA) to handle disaster relief for farmers, but SBA and congressional committees with oversight over SBA would object.	Weaver Bergland
VA	Should effort be made to curtail free medical care to non-service-connected disabilities of veterans?	Minimum of \$100 M Higher for more stringent eligibility criteria.	Veterans groups and the Congress would oppose strenuously. Might have better chance if combined with National Health Insurance.	Cleveland

Other Budget Issues

Agency	Issue	Budget Amount	Nature of Problem	Lead
<u>4. Agency Concern -- Very Important</u>				
Transportation	Strategy on large and growing balance in airport and airways trust fund.	\$1 B by 1982.	Balance attracts poorly justified spending proposals. Alternatives include reduction of tax rate and use of funds for existing aviation services.	Adams
Transportation	The "bridge crisis".	\$270 M program level (1979).	Strong highway industry and user and State pressure for increased Federal aid.	Adams
HUD	Mismanagement of Indian housing program.	Budget appears not to have been problem.	Backlog of uncompleted housing grows while HUD approves proposed new ones at a fast rate. Quality of work on new houses poor. Interagency coordination on projects weak.	Harris
Treasury, OMB	Budget status of Federal Financing Bank	\$7.5 B in 1979	Congressional committees (House) are pushing the Administration to put the FFB on budget.	Blumenthal McIntyre
Justice	Prison construction strategy.	\$40 M in budget authority for 1979.	The prison population increases faster than the capacity of our prisons. Justice has been asked for long-term policy statement evaluating	Bell
Civil Service	Should intergovernmental Personnel Act be expanded to provide general management assistance to State and local governments.	\$15 M in 1979.	States and localities would support	Campbell

Nov. 22, 1977

OFFICE OF THE VICE PRESIDENT

WASHINGTON

November 21, 1978

MEMORANDUM FOR: THE PRESIDENT  
FROM: THE VICE PRESIDENT *WJF*  
SUBJECT: 1979 AGENDA

The attached book provides the Executive Committee's initial submission to you on the 1979 Agenda. It includes:

(A) An Overview Memorandum outlining the major considerations we believe ought to be reviewed in planning the 1979 agenda and requesting your decisions in six basic areas.

(B) An initial inventory of potential candidates for high Presidential priority. This list includes candidates identified by Cabinet Secretaries, NSC, DPS, CL and other sources. We request that you make no decisions concerning priority for these initiatives at this time.

(C) A similar inventory of potential candidates for high Departmental priority.

(D) A memorandum showing the potential workload on Congressional Committees if all of the potential candidates are approved as part of next year's legislative program.

(E) Descriptions prepared by DPS and NSC for each of the potential candidates for Presidential and Departmental Priority.

(F) A Congressional Impact Analysis prepared by Frank Moore's Office for a select list of potential priority proposals.

Memorandum for the President

1979 Agenda

November 21, 1978

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These materials reflect the result of intensive work by the Domestic Policy Staff, NSC and other White House units in surveying the Departments and Agencies and gathering recommendations to provide us with an initial view of the potential legislative horizon for next year. They reflect preliminary staffing and discussion with Senior Staff at a meeting last Monday. They do not reflect (1) decisions that must be made as a part of the budget process which will undoubtedly result in important legislative proposals; and (2) initiatives that may emerge as we begin to get a sharper picture of the major parameters of next year's program, including priorities that may independently be identified by the various Congressional Committees; and (3) the results of detailed consultation with Congressional leaders and key constituencies.

White House staff responsible for Congressional, Intergovernmental, Party and Public Liaison will be coordinating closely on strategy for consultation. Congressional and policy staff are consulting with each of the major House and Senate committees. Staff responsible for liaison with constituency groups will be holding low key "listening" sessions to gather views on general issues and evaluate interest in a number of candidates for Administration priority. Senior staff will be participating in selected sessions with the first stage of the outreach process to be complete by mid December.

Over the course of the coming weeks we will be gathering and assessing this information and providing you with our recommendations on the major decisions that must be made in shaping next year's program. Stu, Zbig and/or I will be consulting individually with appropriate Cabinet Members on priorities recommendations directly affecting their Departments. The Executive Committee would then like to present our recommendations to you to get your tentative guidance, subject to review and discussion by the Cabinet as a whole. Following Cabinet comment on the composite agenda, your final decisions could be made.

## 1979 Agenda

### Overview

#### Background

In preparing the 1979 Agenda, we felt it useful to begin by briefly reviewing the results last year.

As you may recall, twenty-five legislative initiatives were initially targeted for varying levels of Presidential priority. During the course of the year, New York City Financing, the D.C. Voting Rights Amendment, and Wiretap Legislation were added to the list of high priorities that formed the basis for our consultations with the Congress. In addition to the goal of holding the line on the budget, two major budget fights emerged as high Presidential priorities: the DOD Authorization and the Public Works Vetoes. The following provides a rundown on the priority objects and results achieved.

#### Successful or Moderately Successful

##### Energy

Youth Jobs Initiatives

CETA Extension

International Economic Initiatives (including financing for IFI's)

Panama Canal Treaties

FY 79 Budget (Holding the Line)

Civil Service Reform

Nuclear Non-Proliferation Legislation

Airline Deregulation

Lifting Turkish Arms Embargo

Ethics Legislation

Education Legislation

Humphrey-Hawkins

Civil Rights Reorganization

Mideast Arms Sales

New York City Financing

Wiretap Legislation

DOD Authorization Veto

Public Works Veto

D.C. Voting Rights Amendment

#### Defeat

Labor Law Reform

Consumer Agency

Tax Reform

Mixed Results (Possible or strong base for passage next year)

Urban Initiatives  
Hospital Costs  
Welfare Reform  
Education Department  
Lobby Reform  
Intelligence/FBI Charters  
Alaska D-2 Lands

Of a total of 30 Presidential Legislative Priorities last year, we were successful or moderately successful on 20. We suffered clear defeats on 3. On the remaining 7 we either achieved mixed results (e.g. victory in one house but insufficient time to complete action) or we believe that a basis was successfully established if you wished to pursue these initiatives again next year.

A quick review therefore demonstrates (a) that the priorities established at the beginning of 1978 by and large held throughout the course of the year; and (b) we were clearly or partially successful on two out of three of the legislative initiatives you selected for high priority..

As you know, in part that success was achieved through "pre-programming" by deliberately including among the candidates for high priority a few highly popular initiatives that would probably pass without a heavy commitment of your personal time (e.g. Elementary and Secondary Education Act, Ethics Legislation, Youth Employment Programs, Non-Proliferation Legislation).

Nevertheless, the program in general was a difficult one, and victories were achieved on many controversial and extremely important initiatives (e.g. Panama, Mideast Arms Sales, Civil Service Reform, and Energy).

There is virtually unanimous consensus on the part of your staff that in the case of crucial and highly controversial initiatives, we were most successful in cases where specific task forces were created to coordinate and mobilize all of the major resource units within the White House on behalf of your priority goals. Although there are no readily available tools for measurement, we believe that these task forces also helped to minimize non-essential demands on your time. For example, in the case of Civil Service Reform, the Defense veto and the Public Works' veto, members of the Cabinet, White House staff and others were able to carry out regional press briefings, to meet with Members of Congress, to enlist the help of key constituencies, and to help build the base needed for ultimate success.

## Limitation on White House Priorities

On the basis of this year's experience, and within the parameters of the legislative program that is now emerging for 1979; your advisors are agreed on two points:

(1) We will be working with a set of priorities that will be difficult to sustain in the Congress next year. The budget will require not only defensive action to avoid expensive "add-ons" but also affirmative action to enact legislation to cut expenditures for popular entitlement programs. We will be taking on more powerful lobbies as we press for further regulatory reform. And we will have few "sweeteners" to help build support for the major initiatives we seek to pass.

(2) Especially in the environment we are anticipating next year, there will be a sharp limitation on the number of initiatives that can be managed on a daily basis by the White House.

In view of these constraints, as we begin to frame our recommendations to you on specific priorities, we believe we must seek to limit to approximately 15 the number of initiatives that are designated for day-to-day supervision by the White House. This limitation should in no way foreclose your option to publicly present other popular, but less crucial initiatives as high priorities of your Administration. It would merely establish the distinction between those initiatives for which primary management responsibility will be placed in the White House, and those for which primary responsibilities will be placed in the departments, subject to routine monitoring by White House staff.

Recommendation: To limit to approximately 15, the number of White House legislative priorities during the year.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

## Creation of White House Task Forces

We think the chances for success on most, if not all, the legislative initiatives ultimately designated for White House priority would be greatly enhanced by designation from the start of task forces representing all of the major resource units within the EOP. For each initiative a task force would be recommended with a specific project leader to coordinate policy and Congressional, press and public outreach strategy.

Recommendation: That White House Task Forces be designated with specific project leaders as soon as the major priorities decisions have been made.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Themes

While we must await the results of the budget process and further staffing (mid-December) to make recommendations on the priority that should be assigned to specific candidates, we believe it would be useful to reach agreement on broad objectives to guide both the substance and presentation of next year's legislative program. Four possible themes have been identified, two of which have been suggested as dominant goals; and two as secondary themes we should stress. They are presented to you at this time for decision in concept only, and can obviously be refined for presentation to the public.

Suggested Dominant Themes

-- Fighting inflation (sharing sacrifice fairly) while maintaining a strong economy.

-- Leadership on foreign policy with emphasis on peace, SALT, Mideast, and maintaining a vigorous defense.

Suggested Secondary Themes

-- Efficiency and Management of Government (curbing and removing the root causes of waste, fraud and abuse.)

-- Compassion (In time of austerity, we will not abandon those in need).

Recommendation: That you approve in concept the four suggested themes.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

## Key Policy Decisions

A list of domestic initiatives which are candidates for high priority are attached at Tab B, together with an analysis of candidates for the 1979 Legislative Program submitted by the agencies, and an analysis listing these candidates according to committee jurisdiction. These lists do not constitute a recommendation, but are simply a survey of agency requests.

We recommend against Presidential decisions on a list of priority initiatives at this time. In mid-December, as our consultations with the Cabinet, and preliminary surveys of outside groups and members of Congress proceed, and as the outlines of the budget are filled in, we will present the question of priorities to you for decision.

In order for consultation with Congress and outside groups and the process of assembling legislation to proceed on schedule, decisions on the likely content of our priority list and the general shape of each priority initiative should be made by mid-December.

Many important priorities for next year have already been identified by Presidential decision or dictated by circumstances. Frank Moore would like to discuss these priorities in early consultations with the Congress. In the area of foreign policy the year will clearly be dominated by SALT, the Mideast, the MTN, and Countervailing Duties Waiver, and securing enactment of the Panama Canal Implementing Legislation. In addition, the defense budget and Southern Africa have been identified for general discussion.

In domestic policy the overriding priority will be the Anti-Inflation program, including

- o enactment of Real Wage Insurance
- o achieving success in administering the guidelines program
- o pursuing waste and fraud in Federal programs, instituting management reforms in troubled agencies, implementing Civil Service Reform and implementing your announced regulatory analysis and reform initiatives.
- o succeeding on critical fights to maintain our budget limits in the Budget Resolutions, appropriations process and the legislative arena

- o securing enactment of the CWPS reauthorization without amendments damaging to our program
- o enacting Hospital Cost Containment, Surface Transportation Regulatory Reform, sunset legislation, Federal pay comparability reforms, and additional anti-inflation legislation which may emerge from EPG studies.

While some individual items in the Anti-Inflation program should be assigned Agency rather than White House priority, the overall success of this effort will be the Administration's major objective.

In addition to the initiatives announced with the Anti-Inflation Program, several additional decisions affecting the general direction of policy next year have already been made. Initiatives to which we are publicly committed include:

- o A National Health Plan
- o The Department of Education
- o Alaska D-2 Lands
- o A Solar Energy initiative

Members of the House will be in Washington the first week of December for organizational meetings. On the basis of decisions already made, we will be able to brief the membership (including new members) on the general outline of the Administration's priorities for next year at that time.

However, there are a number of potential major initiatives on which the general direction of policy is unsettled. For these, we believe it is important to establish a schedule for early decision on policy direction.

#### 1. Real Wage Insurance

Securing prompt enactment of this initiative is crucial to the success of the anti-inflation effort. Although the outline of our program has been announced, decisions on crucial open questions remain. The most important involve: (1) whether and how to place limits on budget exposure (through an overall cap on cost, a per-person limit or a CPI cap above which insurance would not be paid) and (2) the extent to which coverage should include only workers whose wage demands we seek to influence or should be expanded to cover others who are also asked to sacrifice in

order to reduce inflation (such as low-wage workers who will get compensation increases of more than 7% because of the minimum wage law; union workers under existing contracts; Federal workers, the self-employed and farmers).

The EPG is meeting regularly on this question, and consulting with Congressional leaders, business and labor. A report will be furnished to you by December 15.

## 2. Reorganization

OMB has developed a number of reorganization options for next year, permitting selection of a reorganization program ranging from relatively noncontroversial proposals to improve management of economic development programs to a more ambitious effort which would restructure the skyline of the Executive Branch to a significant degree. The potential elements of a major reorganization are:

1. Combine NOAA (Department of Commerce) and the Forest Service (Department of Agriculture) with a revised Interior to form a new Department of Natural Resources.
2. Combine EDA (Department of Commerce), the Title V regional commissions (Department of Commerce), CSA, elements of Farmers Home Administration (Department of Agriculture) and possibly OMBE (Department of Commerce) with HUD to form a new Department of Economic and Community Development.
3. Refocus USDA into a new department by merging the Bureau of Foods (from HEW/FDA) into USDA to form a new Department of Food and Agriculture.
4. With what is left of Commerce, either:
  - a. Leave standing, either as the Department of Commerce, or as a new sub-cabinet agency.
  - b. Transfer to other agencies and eliminate Commerce.
  - c. Enhance, with various related additions, mainly from Treasury.

Another option would involve merging the UDAG program (HUD) and the National Development Bank and elements of the Farmers Home Administration (Agriculture) into Commerce to form a Department of Commerce and Economic Development.

Reorganization is an important Administration commitment. On the other hand, and if successful would be an important achievement. Reorganization on this scale is likely to be highly controversial with key constituencies (depending on the options selected) including urban and rural constituencies, State and local government and both timber interests and conservationists. There will be dispute as to whether improved program management would result.

Most important, if the most ambitious reorganization options were selected, they could be expected to meet substantial Congressional opposition and to consume much of the time of key committees (Senate Governmental Affairs, Public Works, Banking, Commerce and Agriculture and House Government Operations, Public Works, Banking, Commerce and Agriculture) for the first several months of the Session -- including elements of the anti-inflation program.

If you approve, OMB will submit to you by December 15 a decision memorandum designed to set the general parameters of reorganization strategy, without asking for decisions on program details.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

### 3. National Health Insurance

HEW had planned to publish for public comment in mid-December a comprehensive health insurance plan with phasing-in of benefits dependent on a Presidential decision regarding economic circumstances and the success of earlier phases. Total costs when fully implemented would be in the \$40 to \$60 billion range. It is highly unlikely that any proposal we can endorse would meet with approval of the Kennedy/Labor group. However, a "comprehensive" approach would be severely attacked by business and many economists as inflationary and would be strongly opposed by the medical lobby. Such a proposal has virtually no chance of enactment.

An alternative would be to describe the final objective of comprehensive coverage only in terms of principles, and to submit legislation for a first phase.

This legislation might include catastrophic coverage for all Americans, improvements in maternal and child health (including our CHAP proposal) and perhaps some improvements in Medicare and Medicaid. This proposal would be popular with Senator Long, is much more likely to be enacted, and might well help secure support for cost containment. Enactment of catastrophic coverage

would be seen by most Americans as meeting the most pressing need. Cost of such a proposal could range from \$5 to \$10 billion in FY 1983.

The Executive Committee strongly believe that the second option should be fully considered. We recommend that a decision memorandum be prepared by HEW for submission to the White House no later than December 7, and to you after prompt review by Senior Staff, OMB and the PRM agencies.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

4. Undocumented Aliens

During the last Congress, the Administration submitted legislation which would impose sanctions on employers who hire illegal aliens and would adjust the status of many who are now in the U.S. illegally. The bill was very controversial, especially in the Southwest, with elements of both the Hispanic and business communities. In addition, your foreign policy advisers are concerned about the negative impact of this proposal on our relations with Mexico, especially in view of your upcoming visit.

While the creation by Congress of a Select Commission on Immigration and Refugee Policy, which is directed to submit a report by September, 1980, could provide a justification for submitting no legislation to this Congress, illegal immigration is a major problem and there is growing public concern.

The question of whether to submit legislation in this area will be submitted to you by mid-December in the context of the NSC Mexico PRM, with the participation of domestic agencies and DPS.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

5. Welfare Reform

The Departments of HEW and Labor are preparing options containing important efficiency measures and program improvements. The major areas of likely reform include improved administration and fraud reduction, two parent cash coverage, a national minimum benefit, coordination with CETA jobs, private sector work incentives, and fiscal relief.

Options are being prepared at costs when fully effective (FY '82) ranging from \$4 billion to \$12 billion. If you approve, the

Departments will submit to you by December 7 a decision memorandum designed to establish the parameters of the Welfare initiative.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

6. Election Reform

Last session the Administration submitted an Election Reform proposal containing public financing of Congressional campaigns, universal voter registration, and a number of improvements in the existing Federal Election Campaign Act. Decision is required on which, if any, of these initiatives should be resubmitted. (Note that Speaker O'Neill has said that public financing will be a top priority of the House leadership.)

If you agree, the Executive Committee, together with the Justice Department, will submit to you by December 13 a decision memorandum on this question.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

7. Solar Energy

The Domestic Policy Review which you commissioned is almost complete. New initiatives could include changes in Federal procurement and mortgage policies to encourage solar; new tax incentives; rearranged, or increased, research development and demonstration efforts; better public information, and new international initiatives. There is enormous Congressional and general public interest in solar, and much may be done by the Congress with or without Administration initiative. Conflict likely over a solar powered satellite, as well as funding levels for popular solar programs.

The present schedule calls for a decision memorandum to you by December 5.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Note: Handguns omitted per Executive Committee discussion.

8. Urban Policy

While important administrative reforms have been implemented, the Urban Policy legislative package met with only mixed success on the H-ll. 13 of 19 legislative proposals were enacted

(including Urban Parks, the Employment Tax Credit and a strong CETA bill). Key proposals including Supplementary Fiscal Assistance and Labor-Intensive Public Works were in essence rejected, while the National Development Bank and State Incentive proposals were not fully considered under the pressure of time and other legislative priorities.

It is clear that the need for a tight budget precludes re-submission of the entire program. There appears to be consensus (including OMB) that at least the Development Bank should be resubmitted. Because of the importance of the Urban Policy and of the urban constituency, we recommend a separate review of the legislative and major budget decisions involved. If you agree, OMB and DPS will work together to produce a decision memorandum on this subject by December 18.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

9. Labor Law Reform

The Executive Committee is agreed that our decision on whether to submit last year's bill, no bill, or a revised bill should in large part be guided by the AFL-CIO's analysis of the legislative situation, which has apparently become more difficult as a result of changes in Senate membership. (We are convinced that the AFL will not want to pursue a hopeless course.) If you agree, we will ask Secretary Marshall to work with Stu and Hamilton to consult with the AFL and key Hill leaders, and report to you by December 20.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

10. Oil Pricing

Further consideration must be given to the need for future action to raise domestic oil prices, either administrative, legislative or both, in view of the President's Bonn commitment to raise domestic prices to the world level by 1980, and of the Administration's anti-inflation objectives. Increases in domestic oil prices will contribute to inflationary pressures -- adding (depending on the approach taken) as much as 1% to the CPI by the end of 1980.

Under the Energy Policy and Conservation Act of 1975, the President has some discretion now to increase oil prices (and thereby producer revenues). On May 31, 1979, oil price controls

are no longer mandatory, and the President may either retain or eliminate (fully or partially) price controls. All oil price control authority expires on September 31, 1981.

A variety of options are available, some requiring legislation, others purely administrative. If the Administration were to propose decontrol together with some method of recouping excessive profits to industry, a tax mechanism, and possibly a Congressional decision on use of the funds collected, would be required. If the decision were to decontrol, either in full or gradually (or to maintain the status quo), no Congressional review would be required, although some Congressional objection, in the form of legislation amending EPCA, might be introduced. Whatever our resolution of the issue, some controversy is to be expected. The oil producers are looking for new price incentives, and will doubtless press legislatively if the Administration does not initiate price increases. Those who favor price regulation will not look favorably on decontrol unless some legislative mechanism to recoup benefits of decontrol is provided, and even then may oppose it on inflation groups.

An interagency working group is scheduled to present recommendations to you by December 5.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

11. Genocide Convention

State, and NSC have identified ratification of the Genocide Convention as an important priorities decision for next year. On the one hand, ratification is important to our credibility internationally on human rights. On the other hand, requesting Congressional action on the Genocide Convention could have serious potential adverse impacts on SALT. This issue arises in the context of your December 6th Speech on Human Rights. NSC will submit an assessment and decision memorandum to you on this question by December 1.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Executive Committee Review of FY 80 Budget

Clearly your FY 80 budget recommendations will play a dominant role in shaping next year's legislative program and priorities. Given the choices that have emerged thus far, the primary question will not be whether we absorb political pain, but how much, in which areas and constituencies and at what cost in relation to other crucial objectives.

As the recommendations for individual agencies are being framed and passed back to the Cabinet, Jim McIntyre and his staff have established a process to involve the major White House units in the exchange of information and suggestions.

In addition, time has been set aside in early and mid-December for Cabinet appeals and a final round of decisions by OMB. While I am uncertain of Jim McIntyre's thoughts on this point, I believe that a few days should be set aside for the Executive Committee to review the critical last round of final decisions. This will be the only opportunity for your senior Congressional, policy, public liaison and political advisors to review the budget in its entirety with a view toward how it can be presented and sold, and if necessary how it might be adjusted -- at least at the margins -- and increase the chances for success on both budget and other priority goals. Jim McIntyre and his top staff would, of course, play a central role in this review.

Recommendation: That you approve a procedure by which the Executive Committee would have an opportunity to review the final round of budget recommendations before they are submitted to you for decision.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_



OFFICE OF THE VICE PRESIDENT

WASHINGTON

November 23, 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: THE VICE PRESIDENT  
SUBJECT: 1978 AGENDA

The following report reflects the results of a first round of analysis of the 1978 agenda. Those who have participated in the planning process include Executive Committee members, many of whom have provided detailed assessments which appear at Tab B. As you will see, in many areas further analysis would be useful. We view this submission as the first stage in a process that will hopefully result in a 1978 program that offers opportunities for substantial achievement based on your judgment of the most important priorities to be pursued next year. Where additional work is needed we will continue the evaluation process. The conclusion of the cover memorandum suggests possible options for proceeding.

## MEMORANDUM - 1978 AGENDA

### PART I -- GOALS, PRIORITIES AND ASSUMPTIONS

#### Introduction

The following memoranda and charts are the product of a first round analysis of the 1978 agenda. They reflect the tentative findings of a general discussion by the full planning committee, and a series of smaller working sessions which focused on the individual components of the agenda: reorganization, the economy, the budget, domestic policy, foreign policy, defense and Congressional and political activities. It should be emphasized that all conclusions are preliminary, and intended to serve not as a final blueprint, but as a starting point for further thought, discussion and review. They are submitted recognizing and respecting your fuller knowledge of your personal priorities, and the interrelationships among all aspects of the major initiatives moving toward announcement in 1978, than that possessed by any of the participants in the agenda planning process.

#### Goals

The findings and suggestions contained in this memorandum reflect agreement on major goals of 1978 planning -- to work toward a final agenda that:

- o offers the prospect of significant achievement in 1978, and strengthens the political base for continued programmatic, economic, foreign policy, budgetary and organizational success in 1979 and 1980;
- o enhances the chances for re-election of Democratic incumbents in 1978, particularly those who have most closely associated themselves with and been most helpful in achieving major Administration goals;
- o will be perceived by the public as attaching highest priority to those issues that concern people most -- in their individual lives -- and because they are felt to be of greatest importance to the future of our country.

## Priorities

### First Order Priorities

An underlying premise of the recommendations that follow is that by far the most important issues to all Americans are peace and prosperity, and to the extent that there is peace, that the dominant concerns are for a strong economy and control of inflation.

We assume on the part of the public a recognition based on recent experience that there is no guarantee of federal success in the economic arena. Nonetheless, we assume most Americans believe that the issue on which the Administration should be focusing most intensively is the effort to reduce unemployment and inflation.

Because of its volatility and direct relation to the hope of peace, the Middle East must rank among the first order priorities. In addition, as central components of your foreign policy agenda the highest level effort should be devoted to ratification of both the Panama and SALT agreements. Approval of these treaties is also critical to uphold the authority of the Presidency in future international negotiations.

If the Administration is not able to demonstrate progress in 1978 on the economy, to pass the SALT and Panama Treaties, and at a minimum to avoid confrontation in the Middle East, we believe that no matter the list of other achievements, the public will be reluctant to judge next year as a success.

If these assumptions are correct, a dominant share of your working time and, more importantly, your ability through televised speeches to educate and build public support for your policies should be reserved for these crucial issues.

### Second Order Priorities

A second major premise of the paper is that there is a sharp limit on the number of issues with which the President can be personally identified in a visible way without creating confusion in the minds of the general public and members of Congress about what your Administration is seeking to accomplish.

You might want to consider narrowing the list to no more than five or six major issues, particularly ones we have a reasonable chance of winning. By setting these as priorities in advance, the Administration

would be seen as having gained many of our major objectives by the end of the year. While it is certainly not necessary to win every fight in the Congress next year, the prospects for further achievement in 1979 and 1980 could be greatly enhanced by a series of major victories toward which both you and your Congressional supporters can point.

If you were, today, to survey your Administration regarding issues on which you should invest your personal prestige and public speaking time next year, based on our analysis, you would probably come up with not dozens but scores of candidates ranging across the board. Even assuming that all of these initiatives could be passed next year, unless clear distinctions are made in public presentation regarding their relative priority, it is doubtful that the public would be able to make sense of these accomplishments.

For those initiatives defined as Presidential, thematic links might be sought, which would allow you to emphasize the internal consistency, logic and vision underlying the Administration's program in a way that is readily understandable to both the public and the Congress. Possible themes might include:

(1) Economic Recovery and Stability

- o CETA, youth, economic development, jobs
- o Tax cut/reform
- o Inflation initiative
- o Possible inflation subset:
  - hospital cost containment
  - air deregulation
  - others

(2) Making government more honest and open

- o Public Officials Integrity Act
- o Lobby Reform
- o Corporate bribery
- o Wiretap bill
- o Intelligence and FBI charters

(3) Making government more effective and efficient

- o Civil Service Reform
- o Labor Law Reform
- o Nuclear Licensing Reform
- o Crop Insurance/Disaster Aid Reform
- o Reorganization/Paperwork Reduction

(4) Compassionate Government

- o Education
- o CHAP
- o Urban Policy

Third Order Priorities

There will be a number of issues which may be important to individual Departments, but in which your involvement should be limited to approving the initiative. Thereafter they should be launched and promoted by the appropriate Cabinet Secretary. You might communicate the personal priority you attach to each of these proposals to the Cabinet officers, and accountability could be provided through weekly progress reports in the Cabinet meetings. Cabinet presentation and follow through for the bulk of the new initiatives in the 1978 agenda might greatly reduce the potential for confusion concerning which are the highest and most important Presidential objectives.

Congressional Considerations

Certain assumptions are made from the start with respect to the Congress. First, there will be far fewer working days in 1978 than in 1977, because of the pressure to campaign for re-election. Adjournment not later than the first of October is virtually certain. Second, a substantial share of the Senate's time must be reserved for Panama and SALT, on which lengthy debates are probable. Third, with respect to both new and carry-over initiatives, the Senate is substantially

behind the House and will have great difficulty handling a lengthy legislative agenda. Fourth, in our planning we should note that time must be budgeted for routine business (extension of expiring authorities that uses House and Senate working time) and for initiatives that will be generated independently by Members of Congress. In an election year, the latter is an especially serious threat. Fifth, we will probably be asking much more from some Committees and Committee members, than from others (for example, Ways and Means, versus Agriculture or Interior). To the extent possible, we should seek to minimize the overload, and the potential for confrontation over relatively minor matters from a national perspective, that nonetheless pose particularly serious problems for incumbents in their local districts. Detailed analysis of our program -- including budget, reorganization, regulatory actions, as well as legislation -- with these assumptions in mind, might greatly assist in assuring next year's success.

#### Presidential Time

In reviewing next year's calendar we also begin with certain "givens" regarding Presidential time. In the first seven months, for example, present plans for foreign travel could consume a minimum of ten percent of your working time. An additional two days per month on the average, should probably be set aside for campaign activities. With a number of foreign visitors already expressing interest in Presidential meetings, and the prospect that this list will grow unless strictly contained, 1978 planning will require ever greater vigilance to assure that minor matters do not limit the time available for you to concentrate on the highest domestic priorities, particularly the economy. Already the potential list of foreign visitors for the first half of next year totals ten with increases certain to flow from the meetings related to the NATO Summit. It is suggested that the current list, through postponement of low priority foreign visitors, might be appreciably reduced -- perhaps by half in the early months in view of the heavy emphasis on foreign trips. Moreover, because foreign travel is such a major "media event" and because campaign-related speeches will be increasingly viewed as "political", from the standpoint of public perception, an advance schedule of major TV addresses might be desirable to ensure that the public perceives a heavy concentration on jobs, inflation and other priority domestic issues. It has been suggested that eight to ten hours per month might be devoted to speech preparation, major televised addresses, a possible call-in show, "non-political" domestic travel and other activities that would underscore your major objectives and help to maintain communication and contact with the public.

PART II -- SURVEY OF EXISTING PLANS FOR 1978 AGENDA

Background

The survey that follows reflects the findings of appropriate senior advisors, based on the submissions of Cabinet Departments and Agencies, and the budget and reorganization units. It does not include analysis of major regulatory actions which is well underway but not yet complete. Because the budget process is still ongoing, assessment of 1978 agenda implications must at this stage be tentative. In addition, it is likely that findings to date substantially understate the number of initiatives that are likely to be presented to you during the course of the year, given internal bureaucratic pressures, and the strong probability that we will be forced to develop a number of new proposals to counter and prevent passage of serious programmatic and budget threats generated independently in the Congress.

Quantitative Content of Next Year's Agenda

Carry-Over Initiatives

There are approximately 25 carry-over proposals in the domestic policy area alone with which the White House has been associated. There are at least an additional 11 1977 Administration foreign policy initiatives on which one or both Houses of Congress have yet to act. If Congress were asked to pass all of these proposals next year, plus our economic program and the treaties, deal with appropriations and the budget and manage the expiring authorities, it is doubtful that they would be able to complete action on the existing proposals, much less new initiatives that might be added.

New Initiatives -- Legislation

Roughly 60 potential Presidential domestic and foreign policy initiatives have been identified. These exclude the minor Departmental proposals that lack budgetary or major foreign policy significance. These are initiatives that have been counted in the Presidential Agenda survey either because they will in all likelihood be commended to you for White House announcement, because they are interdepartmental in scope, because they could conflict with higher priority goals, or because they could generate substantial controversy and require Presidential intervention to secure adoption. Excluded from this list are possible legislative proposals that may be required as a result of decisions made in the FY79 budget.

New Initiatives -- Reorganization

In addition, 19 reorganization initiatives have been identified for possible announcement in 1978. While a number of these might be implemented through executive order, many will require Congressional hearings, mandated 60 day waiting time or affirmative consideration, and/or passage of legislation. A substantial share (Natural Resources, Local Development, DOD command structure, etc.), could be highly controversial, either because they might mobilize influential constituencies or because of the implications for Congressional committee jurisdiction.

FY79 Budget

Depending upon its shape and final content a substantial amount of your time may be required for two purposes: (1) to sustain your proposed program cuts and increases of major budgetary and programmatic significance; and (2) to defend against almost certain add-ons that will be sought for key constituencies by Democratic incumbents facing tough election battles. A preliminary survey would indicate 24 such possible fights contingent upon the final budget decisions.

(Note: Appended to this memorandum at Tab A is a month by month calendar of potential 1978 Presidential Agenda items).

Assessment of Current 1978 Agenda

Overview

This preliminary review would suggest that the 1978 Agenda is already seriously overloaded. It holds potential for nearly 100 major issues that could be offered by the White House for Congressional consideration, in addition to the substantial carry-over that remains. The potential controversy over new regulatory actions and the controversial proposals generated in the Congress to which the White House must react, are also not reflected in this list.

When charted (Tab A) from an Administration point of view, this agenda would appear heavy, but probably manageable in terms of producing policy recommendations that would help to meet national needs.

However, when charted from a Congressional point of view (see Tab C) the difficulty becomes much more apparent.

Congressional Overload

Congressional Liaison estimates, for example, a maximum of 156 Congressional working days in 1978, with a more probable figure of between 138 and 144 working days, even assuming that both Houses will be in session Monday through Friday excluding recess periods. Further estimates would indicate that ongoing Administration domestic initiatives alone would require between 49 and 55 "floor action" days in the House and 80 to 92 "floor action" days in the Senate. Adding (conservatively) an additional 25 days for Panama and Salt, brings the Senate total "floor action days" to 105 to 117, without introducing a single piece of new legislation. To these totals must be added the time required for consideration of the budget resolutions and appropriations bills. Last year the House dealt with appropriations matters in record speed, but still consumer 25 "floor action" days. Thus, if the Administration merely asked the Congress to approve proposals that have already been introduced, (including Panama) to adopt appropriations and budget measures, and to approve the SALT II Agreement, the Senate's working time would be exhausted, and the House's working time substantially committed, excluding time required for "routine business" such as extension of expiring authorities, and excluding time for any non-Administration proposals the Congress might chose to consider. The following is a brief summary table:

	<u>HOUSE</u>	<u>SENATE</u>
	<u>Floor Action Days Required</u>	
Carry-Over Administration Proposals	49-55	80-92
Panama & SALT II	—	25*
Appropriations	25	25
Budget Resolutions	<u>7</u>	<u>7</u>
	81 to 87	137 to 149*
Total Days Available	138 to 144	138 to 144

\*minimum days required, a lengthy Panama filibuster could substantially increase this total.

Priorities

When weighed against the goals and assumptions set forth in Part I of this memorandum, the 1978 Presidential and Congressional Agenda charts reveal the possibility of a serious problem, unless we are able to communicate clearly to the Congress and the public which among our new and old proposals we consider the highest priorities and in what order we would ideally like to see them adopted. Moreover, you might want to consider the possibility of defining in-advance one-House action (e.g., House approval of Welfare Reform) as a significant 1978 achievement.

Potential elements of a strong and successful 1978 program might include:

- o adoption of major economic recovery and anti-inflation initiatives;
- o passage of Panama and SALT;
- o progress through Geneva negotiations on the Middle East;
- o passage of one or two major reorganization proposals (e.g., Civil Service Reform and Education\*);
- o success on several important budget fights, defined as priority objectives of the Administration.

De-Emphasis and Postponement of Initiatives

Of equal importance, the first-cut survey suggests that serious consideration should probably be given to postponing a number of major and minor initiatives that are now in the pipeline. Illustrations include the following:

1. Internal and external pressures could result in a mid-year proposal reaching your desk that the Jackson-Vanik amendment be modified. To the extent that such an initiative is supported by Jackson and the critical pro-human rights-emigration constituency, that momentum should probably be allowed to build on its own. The Administration should probably avoid at all costs initiating a fight with Jackson over policy on Soviet emigration at a time when we must secure passage of SALT.

\*Note: The heart of civil service reform is a legislative overhaul of the Civil Service Act, while Education reorganization may involve creation of a new Department, also requiring affirmative legislation.

2. Similarly a year-long review of the DOD command structure may be highly controversial within the Joint Chiefs of Staff and members of Congress and outside groups most vocal on defense issues. The risks of such a study may prove to outweigh the advantages when we must obtain approval of both Panama and SALT treaties.

3. The Ways and Means and Finance Committees will be heavily loaded with tax reform/relief, the debt limit bill, hospital cost containment and welfare reform. Any National Health Insurance proposal will be highly controversial. In addition NHI may call for additional payroll taxes which will be unsettling to business and difficult for Members of Congress who supported us on energy and social security taxation to defend. Consideration should be given to postponing NHI until 1979 or until the 1978 Congressional elections -- at the very tail end of the Session.

4. Serious consideration might be given to the timing and interaction between Panama and SALT, in terms of the clarity with which each agreement is understood by the public and risks that one or both agreements might be jeopardized if they are simultaneously at a stage that yields confusing, lengthy and potentially bitter Senate debate. For these reasons, SALT might be deferred until the Panama Canal Treaties are ratified.

#### Budget

A brief review of major budget issues that may emerge in 1978 suggests the possibility that we might be putting marginal Democrats who are trying to be helpful to us in particularly tough spots. We could be asking them to vote for major increases in foreign assistance (which is not widely popular) while we are asking them to hold the line on the programs that appeal to their core supporters (e.g., seniors, teachers, human services activists, small business).

X X X

There are, of course, no simple or easy answers to any of these problems. The budget must reflect your best judgement of the national interest and the need for discipline despite the political pressures. Each of the possible legislative initiatives that has surfaced thus far has a bureaucratic, Congressional and public constituency that could be disappointed, and in many instances, mobilized to fight any postponement or assignment to less than number one Presidential priority.

The following section suggests procedural options you might want to pursue if you feel that there is a problem with the 1978 agenda as it now stands. It also provides more detailed recommendations from appropriate staff regarding priorities, pacing, and possible candidates for postponement.

PART III -- SUGGESTIONS AND OPTIONS FOR FURTHER ACTION

Idealized 1978 Agenda

Attached at Tab B you will find memoranda prepared by domestic, foreign policy, budget and reorganization, political and economic policy units which discuss in greater detail the major components of the 1978 agenda as it now stands and offer recommendations on which items might be considered for highest Presidential emphasis, for delegation to appropriate Cabinet departments once policy decisions are made, and for deferral or de-emphasis.

Procedures for Follow-Up

Once you have had an opportunity to review this material you might want to:

- 1) Meet privately with me and the small planning group who have worked on the preliminary assessment of next year's agenda to discuss initially any of the points raised in these documents in greater depth, and to obtain further information from this group on content, timing and priorities.
- 2) Explicitly assign Stu for Domestic Policy, Zbig for Foreign Policy and Jim for Reorganization and Budget to review in detail priorities, potential candidates for postponement, and assignments for non-Presidential-level initiatives with appropriate Cabinet Members and staff.

In the process of defining priority objectives, you might want to consider delegating a small group to take private soundings with the Congressional leadership and possibly with a few other Members whose judgment you trust, who have been most helpful this year, and who face difficult re-election fights in 1978.

Having defined your highest priority goals, you might also request further analysis of potential significant negative Congressional impacts of lesser items in the current 1978 program.

Should you agree that the economic issues merit very high priority in 1978, we would recommend that you set aside 2 full days (possibly December 19 and 20) to provide time for intensive discussion of all of the major components of the economic picture before your final policies are set (e.g., jobs and growth, inflation, fiscal policy, monetary policy and major international economic considerations).

The agenda setting process might conclude (following your tentative judgments on priorities, timing and delegation of responsibility for initiatives) with a full Cabinet discussion after which the final agenda could be set.

All who have participated in this process are available at your convenience to discuss these issues in greater depth, or to follow up on any written notations provided on the documents submitted.

Final Note: The domestic policy unit is preparing a complementary assessment of controversial regulatory matters which could significantly affect both the Executive and Congressional Calendars. The budget unit is preparing a strategic assessment of potential budget issues. Congressional relations staff are carrying out a first cut assessment of potential Congressional "minefields" based upon initial soundings of the independent plans and priorities of House Committee Chairmen. This information will be forwarded to you as soon as it is available.



PRESIDENT'S  
REORGANIZATION  
PROJECT

WASHINGTON, D.C. 20503

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre

SUBJECT: Reorganization Priorities

As you know, we are working on over 20 projects scheduled for completion in 1978. From these, we have selected five priority projects based on the following criteria: (1) magnitude of the problem and potential for an organizational solution; (2) links to other Administration initiatives; (3) public and interest group concern for the problem; and (4) Congressional interest in the problem and the feasibility of an acceptable solution.

These five projects are:

1. Civil Service
2. Natural Resources
3. Local Economic Development
4. Civil Rights
5. Law Enforcement

The education project should join this list as a sixth priority if you decide at our meeting on Monday to pursue it in 1978.

Based upon the same criteria, we consider these projects to be almost as important: cash management, human services, and disaster assistance.

\* \* \*

Civil Service

The existing civil service system creates frustrations for managers and employees alike. Managers lack the personnel flexibility needed to carry out their missions. Employees are denied the protections they need for both effective job performance and their own economic and professional security.

Strong public concern about the quality of the federal service, confirmed in recent polls, demonstrates that this frustration is shared by the general public. All these reasons suggest that this project form the centerpiece of the Administration's commitment to reform the federal bureaucracy.

As you heard in last Friday's briefing, the Project is developing comprehensive recommendations to strengthen managers' flexibility in personnel matters; provide real incentives for improved employee performance; increase protections against merit system abuse and streamline the entire Civil Service System. Project recommendations have been developed primarily by civil servants themselves and are now being tested with a wider range of affected groups.

There is no doubt that certain of the recommendations will be controversial. Any modification whatever in existing veteran's preference provisions, for example, can be expected to arouse organized opposition. (This may be affected to some extent by Max Cleland's enthusiastic support for the program.) Opposition may also be expected from employee unions concerned at proposed modifications in personnel removal procedures, though the intensity of this opposition is not yet clear.

The project will have some strong supporters as well. Virtually the entire Cabinet has endorsed the proposals. "Good government" groups like Common Cause, are also enthusiastic. Women's groups will, of course, support strongly any attempts to modify veteran's preference.

Recommended Date of Announcement and Submission to the Congress: February 1, 1978.

#### Natural Resources and The Environment

The fundamental debate between those who favor developing our natural resources and those who favor conserving them finds its forum in this comprehensive review of Federal responsibilities and provides an opportunity for this Administration to balance economic and environmental interests.

Today, environmental and natural resource programs, and organizations, are scattered about the government in a historical disarray. And because of this lack of accountability and focus, efforts to develop and execute a comprehensive natural resource policy are hamstrung. Further, too much Presidential time may be devoted to ad hoc conflicts, research is uncoordinated and there may be opportunities for administrative cost reduction.

The early timing for this effort is especially propitious. First, the creation of the Energy Department created gaps in this important area. Second, Secretary Andrus has deferred changes within the Interior Department, pending the outcome of this comprehensive effort. Third, Senator Jackson, mindful of the gaps, overlaps, and dismanagement, is eager to receive our recommendation. Finally, the reorganization review is importantly related to the water policy and ocean policy initiatives.

Political interest is high and the participants are powerful (the EOP deliberations on the future of CEQ provided a heat lightning of concern). Environmentalists will seek to defend the continued organizational longevity of EPA and CEQ. Industry will seek a redressing of "environmental prejudice" and seek the establishment of organizational forum to advance its interests, and reduce regulatory burden. Further, jurisdictional jealousies among congressional committees will further complicate our effort.

Recommended Date of Announcement and Submission to the Congress: April 1978.

#### Local Economic Development

This project is studying a broad range of local development programs: housing, business assistance, public works, transportation, and employment and training. What we hope to do is transform the existing array of programs into a coherent, substantial, development strategy. While this is clearly an ambitious objective, the project offers some equally clear opportunities.

State and local officials have complained long and loud about the Federal Government's insensitivity to their administrative needs. By coordinating the major federal development assistance programs we could make it far easier for these officials to coordinate their planning and to better allocate their own resources.

A second reason for the early action on local economic development is its potentially direct link to the Administration's urban strategy now being formulated. One of the strongest options the project is now considering for the coordination of local and community development programs is the creation of an economic development "agency." Such an agency, which could be built on an existing unit, would be responsible for both urban and rural program administration. Such an organization could serve as a logical home for the proposed Urban Development Bank. The creation of such an agency, could moreover, serve to mitigate the rural opposition we could expect to follow any announcement regarding an Administration urban development policy. By teaming urban and rural development strategies we enlist a far broader base of support for any local development initiative.

Should the decision be for a conservative posture, we would limit our final recommendations to options such as streamlining planning requirements, additional coordination among key development programs, and a variety of additional items. Such non-controversial proposals would bring real, though not so dramatic, improvements.

Recommended Date of Announcement and Submission to the Congress: April 1978.

#### Civil Rights

This project deserves priority action for three reasons: it responds to a campaign promise to minorities; it promises management improvement in a much-criticized program; and it gives the civil rights community an early signal of the President's commitment in this area (the Black Caucus, for example, has already criticized us for delay).

This plan will avoid the controversy discerned in last Friday's briefing if we defer shifting aging, equal pay, and the handicapped programs until 1980 at which time we can evaluate the success of management reforms at the EEOC. With one exception, the rest of the civil rights reorganization proposal will be welcomed by most major interest groups. There is widespread support in labor, civil rights, and business groups for consolidating the contract compliance programs into the Department of Labor. There is strong support in civil rights and labor groups for shifting enforcement of the equal employment laws for Federal employees from the Civil Service Commission to the EEOC.

The one exception is the proposed abolition of the Equal Employment Opportunity Coordinating Council and investment of its authority in the EEOC. Business opposes this quite simply because it would signal our commitment to a strong EEOC. I suggest we spotlight the need for major management reform at the EEOC -- including reforms Eleanor already has under way -- while downplaying our long-term hope that EEOC, renewed, can be the vehicle of a comprehensive consolidation of enforcement programs.

Employing this approach, I am confident that we can get this reorganization plan adapted without a major battle next year.

Recommended Announcement: December 1977.

Recommended Submission to the Congress: February 1978.

#### Law Enforcement

There are three reasons for an early reorganization project in law enforcement:

- (1) we can solve real problems;
- (2) it relates directly to other Presidential priorities - drugs, undocumented aliens, and white collar crime;
- (3) we can achieve clear cost savings.

We are recommending a two-phase project, the first plan to deal with border management; the second on general law enforcement. The border management initiative focuses on the overlap and duplication of effort along the borders and at the ports of entry, a well-documented problem. In some inspection stations, as many as four different agencies are involved. Our air and sea patrol capacity is particularly weak. Addressing these problems can result in real savings. We expect that the economies realized as a result of eliminating the duplication of patrol and inspection functions should negate the need for additional resources during Fiscal Years 1979-1981. The project will also establish a more rational way to manage immigration policy, severing it from law enforcement responsibilities, while fixing accountability for the physical control of the land, sea and air borders of the United States.

Any border management initiative will be controversial because it will involve shifting the location of existing units. But GAO, the American Federation of Government Employees, and ODAP have agreed that reorganization would be an appropriate solution. Because the problem is so well-known, we believe that a proposal can succeed.

Phase II of the law enforcement project will try to rationalize the widely-dispersed Federal enforcement and investigative activities. Our proposals can focus either on relatively non-controversial areas, such as placement and training of guard services, and targetting priorities or propose major adjustment to enforcement agencies. The conclusions will dictate the amount of time and energy that will be required on the Hill. Whatever the recommendations, this project is one which should result in substantial cost savings and appeal to a wide public.

Recommended Date of Announcement and Submission to the Congress on Phase I - Border Management: January 1978.

Recommended Date of Announcement and Submission to the Congress on Phase II - General Law Enforcement: May 1978.

### Education

Three major problems currently confront education: Unsatisfactory levels of student achievement; the isolation of education from communities, families and social services; and changing demographics that threaten school enrollments and have implications for the composition of student bodies in the future. These problems have contributed to a serious crisis of public confidence in schools, and dramatic financial problems for a number of public school systems and private colleges.

To meet these challenges, there are today more than 250 Federal education and related programs scattered across 20 departments and agencies. The purpose of our study is to examine the current organization of education and closely-related programs, and determine to what extent there should be greater coordination or consolidation.

Components of the education reorganization study have included an identification of the current and potential Federal role in education; an identification of the perceived weaknesses of its current role and structure; the specification of new and improved program directions; and analyses of alternative ways to reorganize the Federal structure on the basis of their capability to both achieve existing program objectives and successfully undertake new initiatives.

There is wide general support both among affected groups and in Congress, for the creation of a department of education. This support becomes quickly diffused, however, when the character and specific components of such a department are discussed. Higher education groups and congressional appropriations committees prefer strengthening education within the Department of Health, Education and Welfare, as do the American Federation of Teachers.

The NEA and most other elementary and secondary education groups favor almost any new department that would elevate education and which they believe is feasible politically. They view a narrowly defined department as most feasible, and do not want to argue with organized labor about including training in a new department. A narrow department is opposed by key Congressmen, however, including Representatives Brademas and Ford.

Support does exist for a broad department. Some congressional leaders favor a broad department composed of a number of education programs (VA loans, Department of Defense schools, Bureau of Indian Affairs schools); others support a combination of education and human development activities (Brademas, Randolph). Substantial opposition can be expected from interests that do not want programs they support included in the broad department: manpower training, child nutrition and community action.

#### Federal Cash Management

The government should manage the taxpayers' money as carefully as the taxpayers manage their own. To this end, the Federal Cash Management Project, in conjunction with the Treasury Department, has begun a comprehensive review of how effectively the government manages its \$400 + Billion cash flow. The

objective of the effort is to identify further opportunities to apply modern cash management techniques through the Executive Branch with a focus on accelerating collections, controlling cash balances, disbursing money on time (but not before), compensating financial institutions for services fairly, and establishing incentives to make Federal managers better cash managers.

The likely benefits of the effort are two-fold. First, there are potential dollar savings in interest costs when cash is used more efficiently and Federal borrowing thereby reduced. A major example of such savings is the Treasury Department's recent success in gaining the passage of legislation authorizing the payment by banks of interest on Treasury's short-term cash deposits - a new cash management procedure that Treasury estimates will result in annual revenue gains of \$50 million to \$100 million. Second, the further institution of modern and sophisticated professional management practices affecting the entire government will demonstrate the Administration's commitment to competent and business-like financial administration.

We anticipate little public or political opposition to this effort (although some financial institutions, local governments and vendors who may have benefitted from more liberal payment practices may complain). It will be necessary to coordinate this effort with fiscal and monetary policy. While there may be jurisdictional sensitivities within the government, we believe that the bulk of the effort can be accomplished administratively, with limited technical alteration to banking and tax laws.

Recommended Date of Announcement: September 1978.

#### Human Services

The Federal government spends approximately \$22 billion annually on more than 100 human services programs administered by 10 departments and agencies. Each program has its own set of policies, administrative and eligibility requirements. Their numerous specifications, report requirements, and organizational arrangements are confounding to both local officials and potential recipients.

While nearly everyone favors reform, in this overall patchwork, each component has its own champions. Community groups favor community administration and discretion; groups representing the handicapped, aged or children call for the enhancement of categorial programs; local officials and many members of Congress call for the degree of program simplification opposed by the first two groups. Despite these political difficulties, the human services area is clearly one in which the public expects to see some reorganization focus.

**EMERGENCY**  
~~Emergency~~ Preparedness

The most likely outcome of this study, consolidation of the GSA's Federal Preparedness, the Defense Civil Preparedness Agency (DOD) and the Federal Disaster Administration (HUD), will in fact meet little resistance. Cost savings, on the other hand, can be achieved here through combining the three sets of regional offices, more coherent administration of programs, and renewed emphasis on disaster prevention as a substitute for relief.

Consolidation will not solve all the problems. We must untangle a labyrinth of Executive orders, and find some way to ensure that the agencies whose emergency assignments are incidental to other purposes take their responsibilities seriously.

Recommended Date of Announcement: March 1978.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

November 18, 1977

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Charlie Schultze *CLS*

Subject: Economic Program and Priorities in the Next Year

Our economic program for 1978 and 1979 can be separated into the following four segments:

I. Major Initiatives on Overall Economic Policy

- A. Tax reform and tax reduction.
- B. Employment initiatives: (1) youth unemployment, both in the public and private sectors, and (2) extension of PSE jobs programs. Both probably should be considered in the context of extension of CETA legislation, which expires next year.
- C. An anti-inflation program that might require legislative action.

II. Major Initiatives Already Underway That May have an Important Effect on our Ability to Move Programs in the First Group Through Congress

- A. Welfare reform.
- B. Urban initiatives, including possible redesign and extension of counter-cyclical revenue sharing.
- C. Airline regulatory reform.
- D. Legislation to authorize U. S. Participation in the IMF Financial Support Fund (Witteveen Facility).

III. Potential Administration Proposals with Economic Consequences that Could Become Major Initiatives in the Next Congress

- A. National health insurance, which we are currently committed to present to the public in the late winter or early spring, at least in outline form.
- B. A National transportation policy that DOT is developing.
- C. Motorcarrier reform, proposals for which are to be submitted in January to the President.

IV. Issues in the International Economy That May Require Congressional Attention.

- Trade Adjustment Assistance proposals, which are on the President's desk. Certain of these proposals would require reopening the Trade Act, raising the prospect of protracted Congressional debate on Administration foreign policies.
- The Multilateral Trade Negotiations, if concluded on schedule next year. Some elements -- particularly non-tariff barriers to trade -- will require Congressional approval.
- U.S. participation in a Common Fund, or in individual commodity agreements, would require Congressional approval. If negotiations come to fruition, Congress will have to approve participation and authorize and appropriate funds.

Issues in Establishing our Economic Program

The Administration should decide now which of these programs is to receive priority treatment -- including personal attention from the President, the White House staff, and the Cabinet.

This will require us to select those programs that are most important and to give clear signals about our priorities to the Congress and to the public.

I believe that our priorities should be established principally in light of the urgent need to encourage continued growth in the economy during 1978 and beyond. Our most recent economic forecasts suggest that unemployment is likely to decline only a little further during the first half of 1978, and that without additional fiscal stimulus, unemployment may be rising in late 1978 and 1979. Moreover, while inflation may not worsen significantly in 1978, we could be in trouble on the inflation front by 1979 and 1980 if we succeed in maintaining a satisfactory growth rate.

For this reason, I believe that our legislative strategy should have the following general outlines:

- (1) Top priority should be given to the macroeconomic proposals in the first group above: tax reduction and reform, job creation, and anti-inflation proposals. We should strive for prompt Congressional consideration and make it clear to the public as soon as possible that passage of these measures is assured.
- (2) Ongoing initiatives such as airline reform and legislation to enabling U. S. participation in the IMF Financial Support Fund should be given second priority.
- (3) Initiatives proposed earlier or to be included in the 1979 budget -- such as welfare reform and urban policies -- should be kept on the sidelines until passage of the core economic programs is assured. We should not overload the Congress, and in particular, the Ways and Means and Finance Committees, early in the year. Rapid passage of tax revision and anti-inflation measures -- by June at the latest -- is essential to improving the performance of the economy in 1978.
- (4) New initiatives -- national health insurance, motor carrier reform, etc. -- should be given low priority. No message, statement, or outline of a national health insurance proposal that even suggests a potential large-scale tax increase should be submitted next year.
- (5) International issues are not easily scheduled by the Administration. However, we should endeavor to limit the number of controversial issues put before the Congress, and to give the highest priority to approval of the Multilateral Trade Agreement and, if negotiations are completed, a Common Fund proposal.

A legislative strategy along these lines would help to convince the public and the Congress that our economic policies are coherent and carefully designed. Uncertainty with regard to the economic outlook would be reduced, and the passage of our economic proposals would be enhanced.

#### Contingencies on the Economic Front

In thinking through a legislative strategy, it is important to keep in mind that unforeseen developments may necessitate some reassessment of priorities. The principal contingencies likely to affect the economy in 1978 seem to accentuate the need to give top priority to broad economic measures. The most likely contingencies of major significance are the following:

- Economic developments abroad may create difficulties during the next year:
  - (a) Growth among our major trading partners may continue to be slower than desirable. This would limit the demand for our exports and dampen economic growth in the U. S.
  - (b) The pace of expansion also may be slowed if nations with continuing large deficits reduce imports by slowing economic growth or direct actions in order to preserve access to private capital markets.
  - (c) Instability of the dollar in exchange markets could lead to pressures to modify our domestic policies or take direct action to improve our international payments picture.
  
- Opposition may develop in the Congress to meaningful tax reduction in 1978. There is some sentiment within the business community, which Chairman Ullman shares, to settle for slower growth in the economy -- in the 3 to 4 percent range -- in order to avoid inflationary pressures, and this view may catch on with others in the Congress. A strong but temporary surge in economic growth in the first quarter of the year -- as happened early this year -- could create the illusion of a stronger economy than is actually likely to develop and increase the difficulty of getting tax reductions. I doubt that this will be a serious problem, but I could be wrong.
  
- Monetary policy may tighten more than allowed for in our forecasts, which could slow economic growth.
  
- A significant OPEC price increase, or an oil embargo -- as a result of political problems in the Middle East -- would drastically change the outlook for both inflation and economic growth.

Public Presentation of Economic Policies

A well-ordered legislative strategy will go a long ways toward repairing the Administration's image with the Congress, the business community, and the public. Public presentation of our economic policies should also be designed toward that end.

A. Consultations Prior to Publication of the Budget

We should consider seriously consultations with a few selected members of Congress -- the Chairmen of the Budget, Ways and Means, and Finance Committee, the Speaker, and the Majority Leader -- prior to our final decisions on budget and fiscal policy. Such a meeting should take place within the next several weeks. At these consultations, we could outline the options before us and seek their confidential guidance.

Once the President has made his decisions, he should hold a meeting to brief key members of Congress, as he did at the Pond House session prior to inauguration. This meeting would provide an opportunity for publicized consultations with the Congress that would help develop support on the Hill for our proposals.

B. Subsequent to Publication: The President's Role

This year's State of the Union message is expected to be a philosophical document that will not include many programmatic proposals. A longer message embodying specific recommendations will be sent separately to the Congress.

If this format is retained, I believe that a significant portion of the speech should be devoted to a general statement of the Administration's broad economic objectives and policies.

Current thinking within the White House calls for a detailed message outlining the President's programs to be submitted to Congress subsequent to the State of the Union speech. I suggest that our economic proposals be described in a separate Presidential message that outlines our economic program and the reasoning behind it. The two Presidential statements together will receive considerable attention in the press and provide Cabinet members with a clear statement of policy on which to base their own public comments. Once the President has made his decisions, it is vitally important that Administration officials speak with a common voice.

Meetings between the President and leaders from around the country in late January and February would provide a useful lobbying platform for our economic programs. A series of Presidential meetings, spaced over several weeks, with officials from State and local governments, civic groups, and business and labor leaders would help to mobilize support for our economic programs and act as a source of information for the general public.

After Congressional consideration of our economic objectives has begun, a fireside chat on the economy, perhaps in March or April, might be useful. Such a speech would enable the President to lay out for the average person his economic objectives and policies, and so maintain Presidential visibility in economic matters. The timing of such a speech might be altered to coincide with the need to accelerate Congressional action on our economic proposals. We will have to be alert to the possible need for other Presidential actions to ensure prompt passage of critical legislation if difficulties arise in the Congress.

Some Presidential speeches during the year, and particularly during the first few months, also might be slanted heavily in the direction of economic affairs and policies. These speeches may be presented to groups of business leaders, or to the general public through, perhaps, a "Town Meeting" on the economy.

### C. The Cabinet's Role

Members of the Cabinet, and in particular the President's economic advisers and the Secretaries of departments with a major economic role, can play a crucial part in elevating public awareness of our economic proposals.

One opportunity for considerable public exposure will come in February during the regular cycle of hearings on Capitol Hill on the Economic Report of the President and the Budget.

In March and later months, the President's economic advisers, particularly Mike Blumenthal and I, should undertake a public speaking schedule designed to explain Administration policies and the rationale underlying them to as wide an audience as possible. We might consider following the town meeting format in some instances in order to elicit widespread public interest.

THE WHITE HOUSE

WASHINGTON

November 21, 1977

MEMORANDUM FOR: THE VICE PRESIDENT

FROM: HAMILTON JORDAN  
DICK MOE  
TIM KRAFT

SUBJECT: 1978 People/Political Time Allocation  
Agenda

We think it is extremely important that the above category be budgeted for Presidential time, subject to the same forethought and calculation that will be accorded foreign policy, budget hearings, etc., for two reasons:

1. If next year's policy agenda is as crowded as this year's, it will be next to impossible to 'work in' Congressional campaign trips, on an ad hoc basis, and
2. If a Congressional campaign trip is to be effective for the Member and beneficial to the President, the elements of lead time and dependability must be there.

The time in mind is as follows:

1) Congressional campaign trips: 18 days, based roughly on two days per month, January through October. This was discussed by the campaign scheduling committee, chaired by Frank Moore; the rationale for early trips was that this would be certain Members' preference, to raise funds, ward off opposition, etc.

2) We propose that a certain amount of time be budgeted for constituency groups, as suggested by Watson, Eisenstat, and Strauss. We propose that twenty half-hour slots be blocked out for the President's participation (as part of a general two-hour briefing conducted by other Administration officials).

2.

3) We are concerned that other time blocks for different policy areas will not anticipate or factor in the time that may be needed for television appeals, special speeches and the preparation for same. For this, and other purposes, we propose that two afternoons a month be totally unscheduled.