

**2/21/79 [1]**

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THE WHITE HOUSE  
WASHINGTON

2/21/79

Mr. President:

Sec. Blumenthal has requested a meeting thursday afternoon before departing for Japan and China on friday. Shall I schedule this?

yes       no

Phil

*2:45 PM  
3:00*

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THE WHITE HOUSE  
WASHINGTON

2/21/79

Tim Kraft  
Arnie Miller

The attached were returned in the  
President's outbox today and are forwarded  
to you for appropriate handling.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

February 12, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT TH

ARNIE MILLER MA

SUBJECT:

Presidential Advisory Board on Ambassadorial Appointments.

On December 28, 1978, you signed Executive Order 12110, which revised and extended, until December 1980, the Charter for the Presidential Advisory Board on Ambassadorial Appointments. The Board provides guidance to you and Secretary Vance for purposes of recommending non-career candidates for ambassadorial positions throughout the world. Since your conversation with Reubin Askew, we have been reviewing the list with him and with Secretary Vance. They join us in the following recommendations.

Several current members have been active participants in Board activities and we recommend their reappointment.

Reubin Askew (Chairman), former Governor of Florida.  
Maria Duran, Television Producer, Miami.  
Maurice Ferre, Mayor of Miami.  
Nancy Flaherty, Assistant for Special Projects  
for Pittsburgh History and Landmarks Foundation.  
John Hope Franklin, Professor of History,  
University of Chicago.  
Chris Gitlin, Cleveland Council on Human Rights.  
W. Averell Harriman.  
Stanley Hoffman, Professor, Harvard University.  
Carol Laise, former Director General of the  
Foreign Service.  
Vilma Martinez, President and General Counsel,  
Mexican-American Legal Defense Fund.  
Joan Masuck, Unitarian Universal Association  
Planning Committee.  
Thomas P. O'Neill, Jr., Lt. Governor of Massachusetts.  
Mary Jane Patterson, Director, Washington Office of  
the United Presbyterian Church.  
Dean Rusk, former Secretary of State.  
Stephen Scholssberg, General Counsel, United Auto  
Workers.  
William Scranton, former Governor of Pennsylvania.  
Alex Seith, Partner, Lord, Bissell and Brook, Chicago.  
Ben J. Wattenberg, Author.

RECOMMENDATION

Reappoint the aforementioned eighteen members to the Advisory Panel on Ambassadorial Appointments.

✓ approve \_\_\_\_\_ disapprove \_\_\_\_\_

The Charter provides for a panel comprised of up to 25 members. In surfacing additional candidates, special attention was paid to finding prestigious individuals who would improve the participation of women and minorities in the Ambassadorial Appointments process. We recommend the appointment of the following seven candidates.

Clark Clifford, of Washington, D.C. Mr. Clifford is a former Secretary of Defense, and is Senior Partner of Clifford, Warnke, Glass, McIlwain & Finney.

Hannah Gray, of Illinois. Ms. Gray is President of the University of Chicago.

Lady Bird Johnson, of Texas. Ms. Johnson is the widow of the former President.

Barbara Jordan, of Texas. She is the former Representative from the 18th Congressional District. She currently lectures at the Lyndon B. Johnson School of Public Affairs at the University of Texas.

Benjamin Mays, of Georgia. Mr. Mays is President-Emeritus of the Atlanta University Center.

Dina Beaumont, of California. Ms. Beaumont is the District Vice President of the Communications Workers Association.

Esther G. Kee, of New York. Ms. Kee is the founder and organizer of the Council of Asian American Women. She has been very active in civic concerns, including the Chinatown Planning Council, Community Service Society, and has served as Director of the YMCA Camp Council of Greater New York.

RECOMMENDATION

Appoint the seven candidates listed above to the Advisory Panel on Ambassadorial Appointments.

approve  disapprove

J

THE WHITE HOUSE

WASHINGTON

February 9, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT <sup>TK</sup>  
ARNIE MILLER ~~AK~~

SUBJECT: Board of Directors, Overseas Private  
Investment Corporation

The Board of Directors of OPIC consists of eleven members of which six are non-government members appointed by you.

The term of present Board Member Allie C. Felder, Jr. expired in December. He is presently serving in a holdover capacity.

Felder has been Director of the Outreach Division of the Cooperative League of the U.S.A. in Washington, D. C. since 1966. He is black and has an extensive background in agricultural economics.

Your appointment as President of OPIC, J. Bruce Llewellyn, recommends you reappoint Felder. He has served on the Board since his appointment in 1970 by President Nixon. His expertise is a valuable asset to the Board and his reappointment would provide continuity.

RECOMMENDATION:

Nominate Allie C. Felder to the Board of Directors of the Overseas Private Investment Corporation.

approve  disapprove

J

NAME : DR. ALLIE C. FELDER, JR.

Director of the Outreach Division of the Cooperative  
League of the USA and Executive Vice President  
of The Cooperative League Fund

BORN : August 12, 1921

BACKGROUND : Spent 13 years in India as a consultant to the American  
International Association and for the Cooperative League  
of the USA. For 8 years was Director of the Cooperative  
League's office in India.

Prior to work in India, spent 6 years as Associate Professor  
of Agricultural Economics at Hampton Institute, Hampton,  
Virginia

Taught for one year at International Cooperative Training  
Center at the University of Wisconsin

EDUCATION : B. A. in Agriculture from Hampton Institute  
M. S. C. in agricultural economics and rural sociology  
from the University of Illinois  
Ph. D. in agricultural economics and rural sociology  
from Ohio State University

DR. ALLIE C. FELDER, JR.  
DIRECTOR  
OVERSEAS PRIVATE INVESTMENT CORPORATION

Dr. Allie C. Felder, Jr., is director of the Outreach Division of the Cooperative League of the U. S. A. and executive vice president of The Cooperative League Fund. He was named a director of the Overseas Private Investment Corporation in January, 1971.

Dr. Felder spent 13 years in India as a consultant to the American International Association and for the Cooperative League of the USA. For eight years he was director fo the Cooperative League's office there.

Earlier, he was an associate professor of Agricultural Economics at Hampton Institute, Hampton, Va., and taught for one year at the International Cooperative Training Center at the University of Wisconsin.

Dr. Felder holds a bachelor's degree in agriculture from Hampton Institute, a M. S. C. degree in agricultural economics and rural sociology from the University of Illinois, and Ph. D. in the same area from Ohio State University.

THE WHITE HOUSE  
WASHINGTON

①

February 12, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT <sup>TK</sup>  
ARNIE MILLER ~~AM~~

SUBJECT: Board of Visitors of the United States  
Air Force Academy

The Board of Visitors to the United States Air Force Academy meets annually to inquire into the morale and discipline, the curriculum, instruction, physical equipment, fiscal affairs, academic methods and other matters relating to the Academy.

The Board of Visitors is made up of nine members of Congress and six members are appointed by you and serve three-year terms.

There are presently two vacancies on the Board. We recommend the appointment of:

John Kester (District of Columbia): Formerly Executive Assistant to Secretary of Defense Brown.

Michael O'Callaghan (Nevada): Former Governor of the State of Nevada.

RECOMMENDATION:

Appoint John Kester and Governor Michael O'Callaghan to the Board of Visitors of the United States Air Force Academy.

\_\_\_\_\_ ✓ approve \_\_\_\_\_ disapprove

J

JOHN G. KESTER

28747

Office address: 1000 Hill Building  
Washington, D. C. 20036  
(202) 331-5502

Home address: 313 North Saint Asaph Street  
Alexandria, Virginia 22314  
(703) 548-4947

Born: Oshkosh, Wisconsin  
June 18, 1938

Family status: Divorced  
Two sons, ages 14 and 11

Education: University of Wisconsin  
Madison, Wisconsin  
B.A. (economics), 1959  
  
Universite d'Aix-Marseille  
Aix-en-Provence, France  
Fulbright Scholar, 1959-60  
  
Harvard Law School  
Cambridge, Massachusetts  
LL.B., magna cum laude, 1963

Admitted to bar: District of Columbia, 1964  
United States Court of Military  
Appeals, 1965  
Supreme Court of the United States,  
1968  
Various federal courts of appeals

Honors and awards: General Motors National Scholar;  
Phi Beta Kappa; Phi Kappa Phi; Fulbright  
Scholar; Harvard Law Review (President,  
1962-63); Army Commendation Medal; Deco-  
ration for Distinguished Civilian Service,  
Department of the Army.

Employment:

1963-65 Law Clerk to Mr. Justice Black  
Supreme Court of the United States

1965-68 Assistant to the General Counsel  
Department of the Army  
(Captain, JAGC)

1968 Visiting Lecturer in Law  
Duke University  
Durham, North Carolina  
Course: Copyright and Unfair Competition

1968 Private law practice (temporary associate)  
Steptoe & Johnson  
Washington, D. C.  
General practice

1968-69 Assistant Professor of Law  
University of Michigan  
Ann Arbor, Michigan  
Courses: Constitutional Law;  
Unfair Trade Practices

1969-72 Deputy Assistant Secretary of the Army  
(Manpower and Reserve Affairs)  
Areas of responsibility included  
recruitment, race relations, mili-  
tary and civilian personnel policies,  
status of women in the Army, drug  
abuse, officer training programs.

1972- Private law practice  
Williams, Connolly & Califano  
Washington, D. C.  
Partner in general practice law firm  
emphasizing litigation. Areas of con-  
centration have included law and poli-  
tical parties (represented Democratic  
National Committee in Supreme Court  
cases on 1972 delegate credentials  
litigation and television advertising);  
environmental law; criminal law;  
Federal Election Campaign Act; re-  
apportionment of electoral districts;  
communications law; international law.  
Pro bono cases for Lawyer's Committee  
for Civil Rights under Law and for  
historic preservation groups.

Military service: Served from first lieutenant to captain,  
Army, assigned as Assistant to the General  
Counsel, Department of the Army.

Publications: "Soldiers Who Insult the President,"  
Harvard Law Review, June, 1968.  
"Constitutional Restrictions on Political  
Parties," Virginia Law Review, May, 1974.

Civil activities: Member, Board of Zoning Appeals, Alexandria,  
Virginia.  
Member, Committee on Regulation of Growth  
and Development, Alexandria, Virginia.  
Director, Old Town Civic Association,  
Alexandria, Virginia.  
Counsel, Citizens for Historic Alexandria,  
Alexandria, Virginia.

Languages: Spanish, French

References: Ambassador Stanley R. Resor  
Department of State  
Washington, D. C.

Alfred B. Fitt, Esq.  
General Counsel  
Congressional Budget Office  
Washington, D. C.

Joseph A. Califano, Jr., Esq.  
Williams, Connolly & Califano  
Washington, D. C.

David E. McGiffert, Esq.  
Covington & Burling  
Washington, D. C.

Honorable William K. Brehm  
Assistant Secretary of Defense  
Washington, D. C.

Robert E. Jordan, III, Esq.  
Steptoe & Johnson  
Washington, D. C.

R. Kenly Webster, Esq.  
Kennedy, Webster & Gardner  
Washington, D. C.

(Additional references available  
upon request.)

THE WHITE HOUSE  
WASHINGTON

2/20/79

Mr. President:

Judge Bell would like to see you for 10 minutes this week to get approval for 7 more judges. May I set up the meeting?

yes  no

Phil

J

2/21

2:30 pm

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MICHAEL DONAL N. O'CALLAGHAN  
Governor, State of Nevada 1971-78

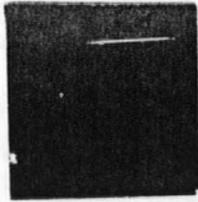
Born September 10, 1929, La Crosse, Wisconsin

B.S. and M.Ed., University of Idaho. Postgraduate work at Colorado State University, University of Nevada at Las Vegas, Georgetown University and Claremont Graduate School. LL.D., University, 1973.

Married, five children.

Taught high school in Henderson, Nevada, 1956-61; chief probation officer, director, juvenile court services in Clark County, Nevada, 1961-63; Nevada Director of Health and Welfare, 1963-64; Project Management Director, Job Corps Conservation Centers, Washington, 1964-66; Regional Director, Office of Emergency Planning in San Francisco, 1967-69; Governor of the State of Nevada, 1971-78.

President, Southern Nevada Amateur Athletic Union, 1959-60. Served with the U.S.M.C.R. 1946-48, U.S.A.F. 1950-52, A.U.S., 1952-53. Decorated: Purple Heart, Silver Star, Bronze Star.



THE WHITE HOUSE  
WASHINGTON

*done  
J*

February 20, 1979

David,

Remind the President that he asked  
ZB to remind him to call Mrs. Dubs.

Per ZB, 7:28 pm, this date.

Kathy

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C

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

EYES ONLY

February 21, 1979

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze <sup>CLS</sup>

Subject: Revised Figures on Fourth Quarter GNP

Tomorrow (Thursday, February 22) at 10:30 a.m., the Commerce Department will release its second estimate of GNP in the fourth quarter of 1978. The revisions are very small and do not change the basic picture of where the economy was going at the end of last year.

Real GNP is now estimated to have risen at an annual rate of 6.4 percent in the fourth quarter (the first estimate had been 6.1 percent). Estimated personal consumption expenditures were revised up, in line with the stronger expansion of retail sales indicated by revised data from retail stores; expenditures in several other categories (Federal Government purchases, net exports, and the rate of inventory investment) were revised down slightly. The GNP deflator is still estimated to have risen at an annual rate of 8.1 percent during the quarter.

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FOR THE RECORD:

THE ATTACHED WAS RETURNED TODAY, 2/21,  
AND LANDON WAS GIVEN A COPY BY NELL

*Meany said he  
has talked to  
Kahn*

February 19, 1979

*done*

TO: The President  
FROM: Fran  
RE: Request for Phone Call to George Meany

*J*

*Ray contact  
for time*  
*J*

Landon called this morning asking that you call Mr. Meany today. Meany is in Bal Harbour, Fla. at their Winter Meeting of the AFL's Executive Council. Formal meetings begin today.

The main purpose of the call, however, is to let Meany know that you are beginning the process of reviewing matters relating to oil-pricing and oil-allocation and that you would appreciate his getting together with Stuart, the Vice President and Secretary Marshall on this matter. (Stuart's recommendation.)

The small talk of the conversation could include:

- 1) asking about his wife --- she's quite ill, just returned home from a hospital stay.
- 2) asking him how the meeting's going - wishing him a good meeting, etc.

Landon says, if you decide to call, Meany is usually in his hotel room between 2:00 and 5:00 in the afternoon. Signal will have the number.

fran *[signature]*

K: UOM 10010/123MLZLKITK  
PM-IRAN-GHARANI

TEHERAN, FEB 21, REUTER - THE UNITED STATES WILL BE BARRED FROM EAVESDROPPING ON SOVIET MILITARY COMMUNICATIONS FROM SOPHISTICATED AMERICAN LISTENING POSTS IN NORTHERN IRAN, IRAN'S NEW ARMED FORCES CHIEF SAID TODAY.

GENERAL MOHAMMAD VALI GHARANI, THE ARMED FORCES CHIEF OF STAFF, LEFT THE DOOR OPEN FOR ONLY LIMITED MILITARY COOPERATION WITH THE UNITED STATES COVERING SPARE PARTS FOR U.S. EQUIPMENT SUPPLIED IN THE PAST AND CONTINUED TRAINING OF IRANIAN MILITARY PERSONNEL ALREADY IN AMERICA.

HE TOLD A NEWS CONFERENCE THAT THE DECISION WHETHER TO RETAIN ANY U.S. MILITARY ADVISERS WOULD DEPEND ON GOVERNMENT POLICY.

REGARDING THE OPERATION OF ADVANCED TECHNICAL EQUIPMENT, "WE MIGHT ASK SOME FRIENDS TO DO THESE THINGS," GENERAL GHARANI SAID. "BUT THE SITUATION WILL NOT BE THE SAME AS WE HAD IN THE PAST."

AROUND 1,000 U.S. OFFICERS AND TECHNICIANS WORKED ON U.S.-SUPPLIED EQUIPMENT WITH IRAN'S ARMED FORCES.

ASKED ABOUT U.S. LISTENING POSTS IN NORTHERN IRAN, GENERAL GHARANI SAID WHATEVER ARRANGEMENTS MIGHT HAVE BEEN MADE IN THE PAST, THE NEW AUTHORITIES WOULD NOT ALLOW THEM TO REMAIN IN FORCE.

MORE 1047

R709R 16918)LZSACZCIYC  
PM-IRAN-GHARANI 2 TEHERAN

THE UNITED STATES SAID IT MAINTAINED THE LISTENING POSTS TO MONITOR SOVIET COMPLIANCE WITH THE STRATEGIC ARMS LIMITATION (SALT) ACCORDS.

GENERAL GHARANI SAID NO SOPHISTICATED EQUIPMENT OR ARMS HAD BEEN REMOVED FROM IRAN DURING THE REVOLUTION, AND WASHINGTON HAD MADE NO REPRESENTATIONS OVER THE SECURITY OF ITS MILITARY EQUIPMENT.

"THERE IS NO GUARANTEE FROM OUR SIDE AND NO REQUEST FROM THEIRS," HE SAID THROUGH AN INTERPRETER.

HE SAID THE IRANIAN INFANTRY COMPANY POSTED IN OMAN TO HELP GOVERNMENT FORCES AGAINST REBEL GUERRILLAS HAD BEEN RECALLED.

HE SAID THE GOVERNMENT SO FAR HAD NO PROGRAM OF MILITARY HELP FOR THE PALESTINE LIBERATION ORGANIZATION (PLO), WHOSE LEADER, YASSER ARAFAT, THIS WEEK WON A STRONG PLEDGE OF SOLIDARITY FROM REVOLUTIONARY LEADER AYATOLLAH RUHOLLAH KHOMEINI.

REUTER 1049

Iran - Tele  
PRC/VN  
Soviet - telemetry  
NKov → Libya pilots  
Pakistanis  
Soviet  
Albania

Ker  
Mina

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1  
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1:15 p.m.

TALKING POINTS FOR THE PRESIDENT

1. Good relations between my Administration and State and local governments have been a high priority for me personally. I have stressed the need to consult closely with you in the formation of my Administration policies. I am extremely pleased with successes we have had to date with intergovernmental cooperation. On the vital issues of the last two years, such as our urban policy, energy policies, civil service reform, welfare reform, hospital cost containment, and others, State and local governments have worked extremely closely with us at the Federal level to the benefit of all Americans.
  
2. Today we are announcing a bold new anti-inflation partnership. Working closely with the various associations of State and local governmental officials and representatives of governmental employees, we have developed a program that includes a series of actions State and local governments can take to curb inflation and steps that the Federal government will take to assist the effort.
  
3. State and local governments can have a substantial impact on the problem of inflation:
  - o In 1976 the State and local sector accounted for 14.2% of the GNP;

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- o In 1976 State and local employees numbered 12.2 million, accounting for some 12.9% of the work force.

4. Success of my anti-inflation program will require restraint by all sectors of the economy and all levels of government. I have designed this program to assure that the burden of that restraint be shared fairly by all, and that no one sector be forced to carry an unfair share. To that end, I have

- o Sent an austere, anti-inflationary budget to the Congress;
- o Issued voluntary wage/price standards to bring the inflationary spiral to an end;
- o Ordered the Federal government to support the standards by purchasing goods and services only from firms which are in compliance;
- o Asked Congress to enact a Real Wage Insurance Program to encourage workers to comply with the wage standard;
- o Ordered regulatory agencies to analyze major new regulations to identify -- and seek to minimize -- their costs;
- o Supported the enactment of Hospital Cost Containment legislation.

5. But the Federal Government cannot curb inflation by itself. We will need your help. The program I am announcing today asks that help. It includes a number of steps you can take on your own to join in a partnership with the Federal government to fight inflation. It asks you to:

- o Comply with the voluntary wage/price standards.
- o Adopt anti-inflationary procurement policies in support of these standards.
- o Analyze your regulatory policies to see where inflationary programs can be eliminated.
- o Keep inflation in mind as you adopt spending and tax policies.
- o Take steps, as the Federal government is doing, to improve the efficiency and productivity of your governments.

6. The Federal government will offer its assistance whenever it can to help you take these actions I have just mentioned. And we will act to reduce the cost of your doing business with Washington. For that reason I am announcing today a new initiative in our ongoing effort to streamline the federal grant-in-aid system. I have:

- o Ordered the Inter Agency Coordinating Council to identify where we can standardize the often inconsistent requirements with which you must comply to receive Federal assistance;

- o Ordered OMB to work with you to identify new areas in which duplication of Federal, State & local efforts can be reduced.
- o Ordered a reduction in the paperwork necessary for you to apply for Federal grants.
- o Ordered OMB to give a high priority to identifying likley candidates for programs consolidation during the FY 1981 budget process.
- o Asked OMB to work with the appropriate agencies to put together grant packages through which a State or local government can receive funding from more than one Federal program or agency.
- o Ordered the streamlining of Federal planning requirement.

In addition, within a few weeks I will send to Congress legislation to improve Federal procedures for developing regulations that affect State and local government costs.

7. As with the Federal program, the State and local program is voluntary. I cannot implement these policies, I can only ask for your help in providing the leadership necessary at the State and local level.

We have been greatly encouraged by the widespread expression of support from State and local governments for the anti-inflation program generally.

Today, I ask for your help to:

- o Take this program home, evaluate it, and implement it to the maximum possible extent.

I also ask you not to be bound by the suggestions contained in this program, but rather to use these ideas as a starting point in the development of your own aggressive anti-inflation program.

Make no mistake about it -- I need your help; the country needs your help. If we are to overcome inflation, as we must, we must all do it together.

There is no substitute for your leadership and your aggressive action in combating the nation's number one domestic problem.

THE WHITE HOUSE  
WASHINGTON

2/21/79

Dick Moe

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
your information.

Rick Hutcheson

cc: Stu Eizenstat



OFFICE OF THE VICE PRESIDENT  
WASHINGTON

February 17, 1979

*To Dick Moe  
I agree with  
your recommendation  
JC*

MEMORANDUM FOR: THE PRESIDENT  
FROM: RICHARD MOE *RM*  
SUBJECT: CONSTITUTIONAL CONVENTION/BALANCED  
BUDGET AMENDMENT

Earlier this week, following a senior staff meeting on the subject, Ham asked me to head a task force to design options and recommendations for your consideration on how the constitutional convention issue and related issues should be handled by the Administration. As you know, there are more questions than there are answers about this whole business, but we have tried to put together in the attached paper all of the relevant information that is available, as well as our recommendations. Ham indicated you wanted something by this weekend so it is not as complete as it would otherwise be, but if there is more information you desire, we will of course do our best to provide it.

This morning the Senior Staff, along with Charlie Schultze, Jim McIntyre and Bob Strauss, met again to discuss this whole issue and to review the attached paper. The Senior Staff unanimously recommended that you approve Option 2 in the paper.

The Vice President, while not at today's meeting, agrees with that recommendation.

Judge Bell, who was also unable to attend today, has indicated that he has serious concerns with one of the components of Option 2 - Administration opposition to a Constitutional Convention. He believes a President should not be in the posture of opposing a Constitutionally-sanctioned process for amending the Constitution. Before making a final decision, you may want to speak to Judge Bell.

Bob Strauss strongly agrees with the Senior Staff's recommendations, but is concerned that we bring the bi-partisan Congressional leadership into our effort as soon as possible. Frank Moore agrees and will work to do that once you make a final decision.

Finally, if you decide to approve Option 2 the Senior Staff would add two cautionary notes:

- o You should not make any major statements, in response to questions or otherwise, about your position on this issue until after the Governors' meeting here next week. We are concerned that anything you might say on the subject during this period would be taken, by the press and by some Governors, as a direct attack on Governor Brown, and this might dominate and therefore sour the Governors' meeting.
- o At the leadership breakfast on Wednesday, you should avoid any real discussion of the issue, if possible. Frank is particularly concerned that the Members attending will immediately transmit your view to the press. All of us believe we should exercise better control over how your views on this sensitive subject are transmitted than by using Members as our spokesmen.

THE WHITE HOUSE

WASHINGTON

February 17, 1979

MEMORANDUM TO: THE PRESIDENT

FROM: THE SENIOR STAFF

SUBJECT: Constitutional Convention/Balanced Budget  
Amendment

This memorandum briefly reviews our latest information on the Constitutional Convention/balanced budget amendment issue and presents two alternative ways in which the Administration might handle the situation.

All of us agree that the Convention/amendment will likely become one of the dominant domestic-political issues over the next year. While the issue is not now framed to our advantage, we do believe an opportunity exists to convert the issue into an Administration victory. To do that, we need to pursue a well-defined, carefully coordinated strategy, and we need to begin doing so immediately. Once you decide on one of the alternative strategies described in this memo, we will begin at once to implement that strategy.

I. Review of Current Situation

Beyond the information about the Convention/amendment situation that you already know, we think you should be aware of the following recent developments:

A. States

There is some dispute as to the number of states which have passed resolutions seeking a Constitutional Convention to adopt a balanced budget amendment. This is due to the difference in resolutions' wording (some, for instance, seek a Convention only if Congress has not approved a balanced budget amendment); the fact that all states which appear to have passed resolutions have not forwarded them to the Congress; and some resolutions which have been forwarded do not meet technical requirements and might be void.

The National Taxpayers Union, which has been the major interest group force behind the amendment, and the National Conference of State Legislatures, whose President is actively pushing the amendment, indicate that 27 states have passed the necessary resolution for a Convention. Senate records indicate that only 18 states have submitted their resolutions, and 8 of those appear to have technical deficiencies (they lack appropriate signatures or necessary proof that the State Legislature has passed the resolution). The House has not progressed as far in developing its count, but preliminary indications are that its records will roughly correspond to the Senate's.

The Taxpayers Union is now in the process of ensuring that all states which have passed resolutions forward them to Congress. Where there are technical problems, the prudent course is to assume that all resolutions which have passed will be forwarded to Congress, and corrected where necessary. However, this process may take some time, thereby delaying the time that Congress would be forced to decide whether to convene a Convention or take other action. We are in close contact with Congressional staffs which are attempting to determine the correct number of states which have passed valid resolutions. In short, we think our planning should be based on the assumption that 27 states have acted already. Those states are as follows:

18 - submitted to Congress

Alabama	Maryland
Arizona	Mississippi
Arkansas	Nebraska
Colorado	North Carolina
Delaware	Oklahoma
Georgia	South Carolina
Indiana	Tennessee
Kansas	Virginia
Louisiana	Wyoming

9 - counted by NTU and NCSL

Florida	Pennsylvania
Idaho	South Dakota
New Mexico	Texas
North Dakota	Utah
Oregon	

The following states have not yet acted:

Alaska	Montana
California	New Hampshire
Connecticut	New Jersey
Hawaii	New York
Illinois	Nevada
Iowa	Ohio
Kentucky	Rhode Island
Maine	Vermont
Massachusetts	Washington
Michigan	West Virginia
Minnesota	Wisconsin
Missouri	

Our preliminary assessment indicates that the following states are among the most likely to pass a Convention resolution, unless circumstances change:

Alaska	Nevada
Missouri	Rhode Island
Montana	Vermont
	Washington

We are still in the process of gathering intelligence about the possible outcome in the above states. But, based on our current information, we believe it is possible -- though far from a certainty -- to keep 6 more states from passing a Convention resolution. At this point, though, it appears that the odds are against such an effort succeeding.

## B. Congress

In the House, Chairman Rodino will hold hearings on the balanced budget amendment. As you know, he is firmly opposed to the amendment, but does not believe he can any longer resist the pressures for hearings (nearly 150 members have co-sponsored one of the balanced budget amendments). His strategy is to string the hearings out over a six-nine month period, to build a comprehensive record against the amendment concept and to delay the amendment momentum.

The speaker is also very concerned about the amendment movement, and is interested in doing what he can to fight it. Chairman Rodino and the Speaker are both anxious to work with us to develop a strategy to stop the Convention movement and to bury the budget amendments. Congressman Giamo, as Chairman of the Budget Committee, is also eager to work with us to defeat the amendments.

In the Senate, Senator Byrd is opposed to an amendment. But he seems somewhat less concerned at this point than the Speaker about the prospect of an amendment being passed. He has publicly stated his preference for a Congressionally-passed amendment to a Constitutional Convention.

That is a sentiment which appears to reflect a growing view in the Congress: that it will be faced with the choice of sanctioning a Convention or passing an amendment to obviate the need for a Convention. For many members opposed to both a Convention and Congressionally-passed amendment, the latter is by far the preferable alternative.

Senator Bayh's Constitution Subcommittee will also be holding hearings beginning this month on the balanced budget amendment. Bayh is not in the same position as Rodino to lead an effort against the amendment: he is up for re-election in a state which was the first one to pass a Convention resolution (1957) and has recently passed it again; he also cannot control his own subcommittee -- 5 of the 7 members support an amendment.

Kennedy, in his role as Chairman of the Judiciary Committee, will eventually play a more active role than he has to date. Apparently because of other priorities, he has not yet focused attention on the issue. But his political and Committee staffs are now actively involved. It is possible that he will soon attempt to play a leading national role in an effort to stop a Convention or amendment. Unless we quickly decide what role to play, and begin implementing that decision, we may find ourselves appearing to respond to Senator Kennedy's lead.

Senator Muskie has been the first Senator to make a major public attack on the balanced budget amendment. He addressed the National Press Club this past week and delivered a major rebuttal to those seeking an amendment.

After labeling the amendment as "irresponsible" and "an ill-considered contrivance," Muskie pointed out that (i) the states collectively had a \$29 billion surplus in 1978 -- the amount of our FY '80 deficit and (ii) the FY '80 budget seeks \$82.9 billion in Federal grants to states and localities.

These facts are increasingly being used by Congressional opponents of an amendment to show how our deficit might be erased. As Muskie said, "an appealing solution to the balance dilemma comes very quickly to mind -- cutting state and local aid." Along that line, Senator Bentsen has already introduced a bill to eliminate the state share of Revenue Sharing (\$2.2 billion).

It is still too early to tell whether this Congressional message is being heard, or believed, in the State Legislatures. But it is clear that a number of Members believe some States might have second thoughts.

### C. Governors

The National Governors Conference will open in Washington on Sunday evening, February 25. Because of Governor Brown's presence and his well-known intentions to seek support for a balanced budget amendment, the Conference will attract much greater media interest than normally.

The Governor is expected to use the Monday morning Plenary Session to make his arguments for a balanced budget amendment. He was denied the right to address the Session on the issue and will therefore make his remarks from the floor.

During the same day, Congressman Rodino will address the Session on the very troubling legal and economic questions arising from efforts to amend the Constitution to balance the budget. His speech will likely be received as a major statement of Congressional concern about and resistance to an amendment.

Also on Monday, Jim McIntyre and Charlie Schultze will be featured speakers, Jim at the Plenary Session and Charlie at the Committee Session on Executive Management and Fiscal Affairs. Jim will speak on grant consolidation and simplification, but will be well prepared to respond to questions about our position on the Convention and the amendment. Charlie will speak on RWI and economic/anti-inflationary issues, but will likely also be called upon to give our view on the amendment issue.

At the Conference, Governor Jay Rockefeller will sponsor a resolution (with as many co-sponsors as he is able to secure) which (a) opposes a convention as a means of amending the Constitution, (b) calls upon the President and Congress to balance the budget by FY '81 and (c) may question the wisdom of amending the Constitution as a means of achieving a balanced Federal budget. Jack Watson is working closely with the Governor on the resolution. But we are not letting our involvement be known; Jay, along with Julian Carroll will lead the lobbying for the resolution. They are now looking for Republican supporters. Jay is concerned that a resolution which opposes a balanced-budget amendment might fail, so the wording on that part of the resolution will be very carefully drawn. If the resolution carries, we expect that it will be seen as a major rebuff to Brown.

Based on the information we already have about the Governors' views on a balanced budget amendment, it seems fair to say that a great many of them are unwilling at this point to oppose such an amendment. They believe the amendment concept

is popular in their states and see no politically attractive reason to get in front of what they see as a speeding locomotive. (Governors do not have any legal role in the process of passing a resolution seeking a Convention; record of the State Legislatures' action can be forwarded to Congress without a Governor's signature). At best, a few key Governors will speak against the amendment and a majority of those present will go on record opposing a Convention. Governor Brown, who has unsuccessfully been seeking support for a Convention among his colleagues, will probably not offer any resolutions.

As you know, your only meeting with the Governors will be at the annual White House Dinner with the Governors and their spouses.

#### D. Legal

The legal problems, ranging from enforcement to interpretation, that would arise from a balanced budget amendment are numerous and complex. To date, though, no real effort has been undertaken to review the legal questions that would result from an amendment. As we move further into the process of developing arguments against an amendment, we will fully review and publicize the legal uncertainties.

So far, most of the legal research has centered around the questions caused by a Constitutional Convention. We have discussed some of the questions with Judge Bell, and he is now preparing a final opinion on the subject. We should receive it next week.

Based on what we already know, though, we can answer the major questions relating to a Convention as follows:

(1) Does Congress have any flexibility in deciding whether to convene a Convention once 34 states petition for one?

The legal consensus, including the apparent view of Justice, is that Congress' role is ministerial -- it certifies that 34 states have sought a Convention and must set into motion the procedure for convening the Convention.

Congress does, however, have some discretion in determining whether resolutions are sufficiently similar to warrant being aggregated toward the total of 34. If an amendment is being seriously considered in Congress, it may well be that Congress would not convene a Convention immediately upon receipt of 34 State resolutions.

(2) Is the subject of a Constitutional Convention limited by the subject matter for which the 34 States sought the Convention, or is the entire Constitution open to amendment? This is the crucial question. To most Americans, the alarming feature of a Constitutional Convention is undoubtedly the prospect that the entire Constitution could be rewritten.

There appears to be a ground-swell of fear that every well-organized group might be able to get "its" amendment adopted, giving us a Constitution with busing, abortion, school prayer and other troublesome amendments. While this fear provides effective rhetoric, the reality seems to be that a Convention could be limited by the Congress to consideration of balanced-budget amendments, which is essentially what the State petitions are directed toward. This is the view that Judge Bell has already expressed publicly, based on his preliminary reading of the law. His final opinion is more likely to reflect greater uncertainty on the question. To the extent that it does, public opposition to a Convention could increase.

However, it should be recognized that whatever the Congress attempts to do in limiting the call of the Convention, the delegates may well decide to challenge the call. It is an entirely foreseeable prospect that the delegates may attempt to pass amendments unrelated to the budget and simply seek a court test of their right to do so. While Congress would ultimately be charged with sending the amendments passed by the Convention to the States and could refuse to forward for ratification those outside the call, political realities might prevent that. In any event, it should be assumed that Congress' call cannot safely be taken as the final word on what the Convention will consider.

(3) How does the Convention operate? Who picks the delegates? How do they vote? These procedural questions have no answer, at this point. However, the Senate has twice passed, in the early '70's, legislation drafted by Senator Ervin to govern the operations of a Convention. That legislation is now being reviewed by Justice and by members of Congress. One revised version of the same legislation has already been introduced by Senator Helms, and other versions are certain to follow. Chairman Rodino is intent on burying any such legislation, since he has no desire to facilitate a Convention. For the same reason, we should assume the posture of opposition to any such legislation, as premature and unnecessary. At this point, the vital fact is that there is virtually no dispute to Congress' ability to legislate the Convention's procedures. What Congress passes will govern the Convention.

(4) Does the President have any legal role in this process? There is also no dispute on this issue. The President has no legal role to play in the Constitutional amendment process, be it by the Congressional or Convention route. His signature is not required on anything. Of course, the President does have a role to play in the legislation just discussed, concerning the operations of a Convention. His signature is required on that, and we can play a role in shaping the legislation.

#### E. Economic

CEA has attempted to assess the macroeconomic effects of a balanced budget, both for the last recession (1974-5, fiscal years 1975-7) and for the current period. Obviously, the economic effect is much more startling during the recession, which simply fuels the argument that a balanced budget provides insufficient flexibility to manage the economy during a downturn. While not as devastating, the FY '80 simulations still indicate a significantly adverse economic impact from a balanced budget.

The FY '75-76 simulations, which are the result of averaging the simulations of three different econometric models, produce the following results:

- o Federal outlays in FY '76 would have had to be reduced by around \$100 billion, or by more than one-fourth.
- o Real GNP would have declined by about 12 percent from 1973 to 1975, compared to the 2-1/2 percent drop that actually occurred. Measured in today's prices, the extra loss of output in 1975 would have been about \$175 billion. This is the loss of output in 1975 only. The overall loss in the recession and recovery would have been much larger.
- o The recession would have lasted through end of 1975 (2 full years), instead of ending in the first quarter of 1975 (1-1/4 years).
- o The rate of inflation (as measured by the GNP deflator) would have been brought down to about 6-1/2 percent over the four quarters of 1975, compared with the 7-1/2 percent figure that actually occurred.

For FY '80, the CEA simulations show declines in GNP growth and inflation and an increase in the unemployment rate (all of which are exacerbated if outside economic forecasts, rather than CEA's, are used):

	If CEA forecast is correct		If outside forecasts are correct	
	FY 1980 budget plan (1)	Actions taken to balance the budget (2)	Col. 2 budget actions maintained (3)	Further steps taken to balance the budget (4)
GNP growth, 1979	2.2	0.8	-0.3	-0.9
1980	3.2	2.3	1.4	-0.6
Unemployment rate 4Q 1980	6.2	7.0	7.9	8.6
Inflation rate, 1980	6.4	6.0	5.5	5.3
Budget deficit, FY 1980 (billions of \$)	-\$29	0	-\$11	0

## F. Budget

OMB is preparing materials which will indicate the extent of programmatic cutbacks in the event that the current budget and previous recent budgets were in balance. This type of information should be extremely effective in translating the results of a balanced budget into terms the public, and public officials, can grasp.

## G. Public Policy

We are currently developing and reforming the arguments to be used by the Administration in attacking balanced budget amendments as unsound public policy. In the end, the power of arguments on the merits should prevail, if they are well-reasoned and effectively presented.

Charlie Schultze has drafted a summary (attached) of the most effective public policy arguments. Briefly, they are as follows:

1. A reasonably strict amendment would guarantee that short-lived economic recessions are converted into long-lasting depressions. An amendment that contained enough exceptions and evasions to permit the government to avoid having recessions worsen would inevitably be a mockery of its intended goal.
2. An amendment would, for all practical purposes, be impossible to administer in periods of unforeseen economic fluctuations. The Congress would continuously have to be changing the budget-reducing or increasing funding levels already decided -- as economic projections changed during the year, as they always do.
3. To ensure compliance, an amendment would have to be detailed enough to contain precise and comprehensive descriptions of the accounting methods and format to be used in assessing Federal budgetary practices.

4. An amendment would necessarily lead to protracted and repeated litigation over budgetary decisions, thereby bringing the judiciary into the budget process.
5. An amendment would establish strong incentives to develop alternative -- though socially less desirable -- ways of accomplishing objectives no longer possible under the budget. For instance, there would inevitably be increased efforts to mandate higher levels of State and local assistance in Federal programs. There would also be efforts to shift some budget programs, off-budget, through such devices as regulatory programs or guaranteed loans.
6. As the economy fluctuates, large and highly wasteful changes would be necessary in spending for defense and social programs and in tax rates. Advance planning and commitments would be severely restrained.
7. Unlike other Constitutional amendments, the purpose of a balanced budget amendment can be achieved without changing the Constitution.

We will continue working to refine our arguments on the merits, so that they can be presented in as politically affective a manner as possible.

## II. Alternative Approaches

In developing ways in which we might handle this issue, we have worked from a number of basic assumptions about our overall goals:

- o We should avoid an economic debate over the balanced budget amendment and make the issue appear to be one of protecting the Constitution from pure political gimmickry;
- o We must maintain your posture as someone who has long been committed to a balanced budget and who has made the tough decisions enabling us to reduce the deficit by more than half and to be moving toward balance; we should make certain the public never loses sight of the fact that you have been calling for -- and working toward -- a balanced budget since 1975;

- o We should have, and publicly appear to have, a clear, considered strategy -- one which the whole Administration closely follows: we should also appear decisive in our actions, not merely reactive or responsive to the actions of others;
- o We must attempt to prevent the convening of a Constitutional Convention, without appearing to be insensitive to the actions of nearly 2/3 of the State Legislatures and the apparent concerns of an overwhelming majority of Americans;
- o We must maintain your Presidential posture on this issue and not appear to have you engaged in simply a political battle against Governor Brown;
- o Our current assessment is that there is no balanced budget amendment that could be satisfactory to the proponents of such an amendment that we could support or accept. Any such amendment would seriously injure our economic, social and political system. We should, therefore, do what we can to keep such an amendment from going to the States for ratification;
- o We should work closely with Congressional leaders to forge a joint strategy in the handling of this issue;
- o We have a precious opportunity to align ourselves closely with labor, liberals, blacks, and Hispanics in a cause which they very strongly support. We must make every effort to work closely with these groups on this issue as is possible;
- o We should not play the game of "threatening" the States with cut-offs of funds; that should be left to Congress. We should always be in the high-road posture of appearing to be concerned about the Constitution and about the need to act prudently and responsibly.

*all good*

We have reviewed the various ways in which the Administration might handle the Constitutional Convention/balanced budget amendment issue, and believe that we are essentially presented with two basic options:

- (1) continue our present course of stated opposition to a Convention and an amendment, but do not work actively to prevent either of them;
- (2) oppose vigorously both the Convention and the amendment.

There are, of course, a number of variations on each of the above options; once an option has been chosen, we can modify the basic option to fit changing circumstances. But, we believe that a decision must be made now on which basic option to pursue, so that we can be properly prepared for the Governors' Association meeting at the end of the month, as well as to the Congressional hearings and debates that will soon be underway.

Option 1: Continue our present course of stated opposition to a Convention and an amendment, but do not work actively to prevent either of them.

The Administration's current public posture is opposition to both a Convention and an amendment, though the strength of our opposition to a Convention appears much stronger. This is the posture you took in answering a question at your January 17 press conference:

QUESTION: Mr. President, Governor Brown of California has called for a Constitutional amendment requiring the Federal Government to balance the budget. If Congress rejects the amendment, he says the States should indicate a Constitutional Convention to get it started.

How do you feel, sir, about the wisdom or feasibility of this proposal?

THE PRESIDENT: One of my political philosophies and economic philosophies and one of the commitments of my own Administration all have been to reduce the Federal deficit and to work toward a balanced budget.

I think it would be extremely dangerous for a Constitutional Convention to be assembled for this purpose. Many legal scholars and others believe that such a Convention would be completely uncontrollable, that the Constitution could be amended en masse with multitudes of amendments originating therefrom. It would be a radical departure from the policy of amendment of our Constitution that we have experienced for the last 200 years, and I think an amendment to our Constitution ought to be a very cautious, careful thing.

I personally prefer that amendments be carried out to the Constitution, originating in the Congress, and then ratified by the states, as we have used so well as a policy for the last 200 years.

It would be also a serious matter, a difficult matter, to devise a Constitutional amendment prohibiting any deficit spending without adding provisions that would let us deal with unanticipated military or security needs and unanticipated needs when we have a deep depression for keeping our people at work and providing for large numbers of those who might be poor or hungry, or needing services.

So I think this is something that ought to be approached very gingerly, very carefully, and if there is any Constitutional amendment, it ought to be done in accordance with practices that we have used in the past.

The final thing I would like to re-emphasize is that I intend to continue to work for a balanced budget and I believe that this is the best approach to it.

Administration officials have not been active in speaking against a Convention or an amendment. Nor have they been pressing Congress, or outside interest groups, to take a position. (As described earlier, though, we are working quietly with Governor Rockefeller in anticipation of the Governors' Conference. Secretary Blumenthal has contacted a few business leaders to seek their opposition to an amendment. It seems that organizations like the Roundtable are willing to oppose publicly a Convention, but not an amendment.) Press accounts have accurately indicated the Administration's position, while indicating the absence of activity on behalf of that position.

To continue along our current course would involve the following:

- o Your continuing to indicate our position when asked, though not making any speeches on the subject;
- o The Vice President, and your Cabinet and Senior Staff, being perhaps more visible than you in indicating opposition, but not making the issue a cause of any proportion;
- o Not working to oppose Convention resolutions in the State Legislatures;
- o Not organizing opposition to the Convention ~~in~~ the amendment among interest groups;
- o Indicating to Congressional leaders our opposition to a Convention and an amendment, but not actively lobbying at this point either to oppose them or to support the efforts of those who are doing so.

Arguments in Favor of this Option:

- o If the movement toward a Convention or an amendment is successful, the Administration will not appear to have suffered a setback, which is unlike the situation we would face after a more visible effort;

- o We do not risk alienating the great majority of Americans who apparently want the government to take tougher action to balance the budget.
- o We can concentrate our time and our resources on the priorities we have established -- inflation and SALT -- and not risk diluting our public emphasis on the priorities we have recently announced.
- o A Convention is unlikely to be held, regardless of what the Administration does, because Congress would take some action -- such as passing an amendment to obviate the need for a Convention. So the fear of a Convention may well be unrealistic. If Congress begins to seriously consider passing an amendment, we will not appear to be changing radically our position if we work to craft an acceptable amendment.

Arguments against this option:

- o Without a significant effort, the odds are probably against our being able to prevent 34 States from seeking a Convention or the Congress pressing an unacceptable amendment in effort to head-off a Convention.
- o We will certainly be charged by opponents of the Convention and the amendment with a lack of national leadership on a major public issue.
- o We will be viewed as conceding the strength of the Convention/amendment movement, thereby further strengthening it.
- o We may well decide later to get more actively involved in the Congressional process, thus forcing a mildly embarrassing change in strategy and a hasty catch-up with Congressional forces.
- o We will be leaving the high-visibility effort on this issue entirely to Governor Brown.

Option 2: Oppose vigorously both the Convention and the amendment.

This option would involve a more substantial use of your time and Administration resources. Because of the seriousness of the problem, and the apparent uphill fight, the effort to prevent a Convention and an amendment would become a priority of the Administration's.

However, we certainly do not foresee this effort as a priority anywhere near the SALT/inflation level, nor one which would visibly divert resources from other major Administration concerns. We do not believe this effort should be viewed as an all-out campaign, to be won at any cost. But we think an effort beyond that described in Option 1 can be undertaken which will improve our chances of success without involving the White House in another SALT-like effort.

The activities involved would include:

- o Your delivering at least one major speech opposing the Convention and the amendment. This would be followed by briefer statements by you at appropriate occasions -- press conferences, interviews, town hall meetings, and as part of speeches primarily directed to other subjects. We believe your major speech should be given soon after the Governor's meeting. There is some disagreement among the staff on this one recommendation. Some question whether a major speech is an appropriate vehicle and whether you should be devoting one of your upcoming speeches to this topic, in light of other priorities. If you select Option 2, we will resolve this issue and present a final recommendation.
- o The Vice President would serve as the Administration's principal public opponent of the Convention and the amendment, once your major speech has been given.
- o Frank Moore would work with the House and Senate leadership to develop a coordinated effort. You would initially show your concern by meeting with the leadership on the issue and would urge that a joint approach be developed and implemented. That might include:

- (1) Having the leadership organize separate task forces in the House and Senate to work with and educate Members;
  - (2) Encouraging appropriate Administration officials to testify in Congress on the serious problems with the balanced budget amendment.
  - (3) Calling on Members to assert their influence on State Legislatures;
  - (4) Encouraging Members to speak out publicly against the Convention and the amendment.
- o Jack Watson would work with the Governors and State Legislatures in those States where we have a chance of stopping a Convention/amendment resolutions. Tim Kraft would work with our key political contacts in those States. This effort could involve:
- (1) Encouraging public leaders in those States to speak against the Convention and amendment;
  - (2) Encouraging potentially supportive groups to assert their influence in the State legislatures;
  - (3) Having Cabinet and White House staff target their speaking engagements to these key states;
  - (4) Making calls from the White House to lobby State Legislators in those situations where we have reason to believe they will make some difference.
- o Anne Wexler would immediately begin to work with our interest group contacts. We would encourage a coalition of business, labor, black and other public leaders to form an outside group to work against a Convention and an amendment. We would work with the group but not control or direct it.

- o Stu Eizenstat, Charlie Schultz and Jim McIntyre would develop the economic, budgetary and social arguments against the Convention/balanced budget and would prepare materials for distribution at the White House meetings, at press functions, through Cabinet and Senior Staff Speeches. The facts developed would emphasize the serious dangers of the amendment and would be presented as frankly and boldly as possible.
- o You should appoint a member of your staff to oversee and coordinate the activities suggested here, though not through any visible or formalized White House Task Force.
- o We would emphasize, in all the above activities, that your commitment to reach a balanced budget remains undiminished and that your policies are leading to such a budget. We would emphasize that you are working to balance the budget already, while others are only talking about it. This is vital if we are to avoid appearing to be against balanced budgets and fiscal responsibility, as opposition to an amendment might be taken.
- o We would also intensify and emphasize our efforts to combat waste, fraud and abuse in the government. We believe the public concern over these problems is a partial contributor to the push for an amendment.

Arguments in favor of this Option:

- o The last best chance to prevent either a Convention or an amendment passed by Congress is through an Administration effort of this kind.
- o A Convention would be a nightmare anytime but particularly during an election year. As the earlier discussion indicated in more detail, a balanced budget amendment presents serious dangers to our economic, social and political system.

- o Such an effort would evidence strong Presidential leadership on a major national issue. Given recent public opinion polls, such an effort would clearly respond to a perceived weakness.
- o In light of apparent public support for an amendment, your position on this issue would evidence political courage, and that expression would ultimately redound to the perception of strong Presidential leadership.
- o Fiscal responsibility and balanced budget are your issues -- you began taking about the importance of balancing the budget in 1975, and you were the only Democratic Candidate to do so. You have emphasized, and taken steps to realize a balanced budget since taking office. You therefore have the political credibility to exert leadership against the amendment movement.
- o If you and your Administration are not repeatedly and forcefully emphasizing your commitment to balance the budget in the context of a campaign against an amendment, you may well lose the balanced budget issue to the amendment's proponents.
- o In a time of budget austerity and Democratic constituent disaffection, an effort of this kind provides us with a powerful common interest with those constituents. There will be few other opportunities in the coming year when we will be able to work in union with the basic Democratic constituency without spending more money.
- o Many Members of Congress, Governors and State legislators would applaud your leadership and would publicly indicate their support. Their appreciation of your position -- for a great number your position will ease their political burdens in opposing a Convention or amendment -- should help on other issues where we need their support;

- o A successful effort can be cast as an endorsement of your current budget policies, and should enable you to cut the budget with greater ease next year in order to approach a balanced budget.
- o An effort now does not preclude our working with Congress later, if clearly necessary, to craft the least offensive amendment we can.

The arguments against this option:

- o The odds of preventing 34 states from passing calls for a Convention appear to be against us; to the extent that we are publicly perceived as trying to keep 34 states from acting, we will suffer a visible public defeat when 34 states act;
- o If 34 states seek a Convention, the odds appear that Congress will act to prevent a Convention by developing and passing a balanced-budget amendment. Given the strong Congressional momentum, we may be unable to keep an amendment from passing. Again, to the extent that we are publicly opposing an amendment passage by Congress would be publicly played as a major Carter set back.
- o Our efforts will probably be played by the media, and be seen by the public, as a Carter v. Brown issue. Almost regardless of the ultimate outcome, Brown will be seen as having forced you to make his issue one of your priorities; he will be seen as the one who forced a President to shift resources, time and attention to an issue many in the public did not even realize exist to any real degree before he took up the charge. As a result, Brown's credibility as a national leader, as an "equal," may be enhanced.
- o We risk losing our public image as the Administration which is fiscally responsible, which is moving toward a balanced budget, which is responding to the country's

mood without a constitutional amendment. While we will make great efforts to remind the public of our record and goals, it is possible that Brown and company will be able to paint us as fiscally irresponsible and as unconcerned with the country's desire for reduced government spending.

- o By opposing a Convention, we will appear to be "anti-democratic process," for our opponents will have the appealing argument that they are only seeking to use a process set forth in the Constitution to make certain that the "people" can take action when the Congress refuses.

In addition to the above two options, we briefly considered a third -- opposing a Convention but downplaying opposition to an amendment, in order to permit us to begin quiet work with Congress in drafting a tolerable amendment. Even leaving aside the question of whether any amendment could be drafted which would be "tolerable", we believe that such an option would only add to the amendment momentum. For once it became clear, as it almost immediately would, that the Administration was working to develop some type of amendment, the amendment forces would be given needed credibility, and the question would become not whether an amendment would pass but when and in what form.

We do believe, however, that it is important for the Administration to be able, if the amendment momentum in Congress becomes irresistible, to work with Congress to develop the least objectionable amendment possible. Otherwise, we are likely to be faced with a devastatingly rigid and unworkable amendment.

But we feel that our option to work with the Congress in this way is preserved by Option 1 or Option 2. In either case, our public opposition now -- and probably for at least the next several months -- to an amendment need not preclude our ultimately developing an "acceptable" amendment. While it would be preferable to not have to publicly reverse courses on opposition to an amendment, that seems far preferable to standing by the side opposing any amendment as Congress proceeds to debate and pass one.

Any decision about having to develop a tolerable amendment is not likely to have to be made for several months. In the meantime, under Options 1 or 2 we would continue our stated, unwavering opposition, recognizing that at some future point we may have to shift.

### Recommendation

We have met several times to review this entire issue, and had a Final Session on Saturday to consider the Options presented in this memorandum. At times a number of us have differed on our views about how we should handle the issue, but a careful review of the available alternatives has persuaded us that Option 2 is the preferable course.

We certainly recognize the risks involved in this course. As indicated earlier, we will be:

- o Fighting against the seemingly strong national movement toward a Convention, or at least a Congressionally-approved amendment.
- o Possibly appearing to be against fiscal prudence and balanced budgets.
- o Making a leadership issue on a matter we may well lose, or be forced to retreat in the coming months.

Despite these risks, we believe that they are outweighed by the potential benefits of an Option 2 effort.

This belief is based primarily on four major considerations:

- o The merits

There really is no disputing that a balanced budget amendment which is meaningful is, on the merits, a very serious economic, social, and legal mistake. The catalogue of problems created by an amendment have been indicated earlier and do not need repetition here. Any amendment which is not meaningful, because of its exceptions and loopholes, is a sham.

Under Option 2 we believe the Administration has a much better chance of ultimately preventing an amendment. With Option 1, we feel the amendment forces would meet much less resistance in the States and the Congress, and would have far greater ease in passing an amendment. Given the seriousness of the threat, we believe the Administration has an obligation to take the course which offers the best opportunity for success.

o Leadership

One of our perceived weaknesses is a failure to provide the type of strong national leadership. Improvements can be made in projecting a stronger national focus and control. When opportunities for that arise, we should seize them and run with them. We see the balanced budget issue as a unique opportunity.

This is an issue where there is a vacuum of strong leadership to date - in the States, the Congress, or outside groups. There is growing national interest in this subject, and our actions will correspondingly be closely followed, and a leadership record well observed. And because of the nature of the issue, we have an excellent opportunity to increasingly indicate to the public the record we have achieved thus far - a record of budget authority not as widely recognized outside of Washington as inside Washington.

Finally, very few issues that reach your desk are clear on the merits. Had they been, they would have been resolved at a lower level. The result, though, is that we are often forced to be in the middle of issues - to take a position that attempts to satisfy all of the competing Congressional, bureaucratic and interest group concerns. Unfortunately, this leads to positions which are responsible but not particularly pleasing to those with a competing vested interest in the issue.

We now have an issue which on its merits, at least, is clear-cut where we should not seek a middle ground. We can, therefore, take a very strong position, a position we know to be right. In such a situation, strong leadership can be more easily demonstrated and appreciated - even by those who disagree with us on the merits.

THE WHITE HOUSE  
WASHINGTON

February 21, 1979

MEMORANDUM TO THE PRESIDENT

FROM: JODY POWELL *JMP*

~~Your meeting on inflation at 1:15 with state and local leaders is an opportunity to hit hard again on your commitment to fiscal responsibility and to holding firm in the fight against inflation. It will be open for coverage.~~

I suggest you skip a lot of this explanatory material in your talking points. They will get this from Kahn and others. What they need and the country needs from you is a strong statement of your determination to see this thing through despite political difficulties and an appeal for all elected officials and all American taxpayers to join the fight -- to put the general welfare and the common good above narrower, short-term interests.

You can use almost the same language you used at the Georgia legislature yesterday. It did not receive widespread coverage because of the foreign policy speech. Hitting those points again will give us the follow-through we need.

I have attached the best parts of the speech.

WE OWE THE WOMEN OF GEORGIA -- AND THE PEOPLE OF THE UNITED STATES -- NO LESS THAN THE RATIFICATION OF THE EQUAL RIGHTS AMENDMENT.

THESE DECISIONS ARE CHALLENGES FOR YOU. *THERE ARE MANY OTHERS.*

LET ME ALSO MENTION ONE MAJOR CHALLENGE THAT FACES ME AS PRESIDENT, *AND WHICH YOU SHARE WITH ME.*

BECAUSE OF PROBLEMS THAT HAVE DEVELOPED OVER A LONG PERIOD OF TIME, BOTH AT HOME AND ABROAD, OUR NATION NOW FACES INCREASINGLY COMPLEX AND CHALLENGING TASKS.

THE TIME AHEAD WILL BE DIFFICULT, REQUIRING US TO DRAW ON THE BEST THAT IS WITHIN US -- OUR IDEALISM,...OUR WILLINGNESS TO FACE UNPLEASANT REALITIES,...OUR READINESS TO PUT THE LONG-TERM INTEREST OF ALL OUR PEOPLE OVER THE SHORT-TERM INTEREST OF THE FEW.

LATER TODAY, AT GEORGIA TECH, I WILL DISCUSS ~~THE~~ OUR RESPONSIBILITIES WE ~~FACE~~ AS A WORLD POWER IN THE INTERNATIONAL ~~ARENA~~. MILITARY AND POLITICAL ARENA.

BUT WE FACE EQUALLY GRAVE TASKS HERE AT HOME. AND THE MOST DIFFICULT OF THESE RESPONSIBILITIES IS TO CONTROL THE PERSISTENT HIGH INFLATION WHICH THREATENS THE HEALTH OF OUR ECONOMY AND THE ECONOMIC WELL-BEING OF OUR PEOPLE.

*X* I AM DETERMINED TO BRING INFLATION UNDER CONTROL!  
-- THE IMPORTANCE OF THIS TASK.....

THE IMPORTANCE OF THIS TASK IS HARD TO OVEREMPHASIZE.  
WE MUST GRAPPLE WITH INFLATION IN A CONTEXT THAT IS FAR  
DIFFERENT FROM THE EXPANSIVE DAYS OF THE 1960's.

WHEN I BECAME PRESIDENT, I INHERITED BOTH A HUGE BUDGET  
DEFICIT AND AN ECONOMY WRACKED BY "STAGFLATION". WE HAD THE  
WORST UNEMPLOYMENT RATE SINCE THE GREAT DEPRESSION, ...AND AT  
THE SAME TIME INFLATION HAD BEEN RUNNING AT AN AVERAGE RATE OF  
8 PERCENT FOR THE THREE YEARS BEFORE I TOOK OFFICE.

WE HAVE MOVED FIRMLY AND STRONGLY TO TACKLE THESE PROBLEMS.  
WE HAVE CREATED OVER 7 MILLION NEW JOBS AND CUT THE UNEMPLOYMENT  
RATE BY 25 PERCENT. AND WE HAVE SET FORTH AN ANTI-INFLATION  
PROGRAM THAT RECOGNIZES THE CAUSES OF INFLATION AND ATTACKS  
THE PROBLEM ON A BROAD FRONT.

SOME OF THE CAUSES OF INFLATION ARE FRANKLY BEYOND THE  
\* CONTROL OF GOVERNMENT ACTION. *WE WANT THE FREE ENTERPRISE  
SYSTEM TO BE FREE.*

WE CANNOT CONTROL THE WEATHER, WHICH HAS AN IMPORTANT  
IMPACT ON FOOD PRICES.

WE CANNOT DETERMINE THE ACTIONS OF OTHER NATIONS, WHICH  
AFFECT THE PRICES OF ENERGY AND OTHER COMMODITIES, THOUGH WE  
CAN AND DO INFLUENCE THEM IN IMPORTANT WAYS.

NOR CAN WE ERASE THE FISCAL EXCESSES OF THE EARLY 1970's.  
*1960's AND*

BUT WE CAN ACT OURSELVES, AND BY PLANNING WISELY  
WE CAN MITIGATE THE EFFECT OF FACTORS WE CANNOT FULLY CONTROL.

*BECAUSE*

\* INFLATION IS OUR MOST SERIOUS DOMESTIC PROBLEM --  
~~AND~~ I HAVE TAKEN IT SERIOUSLY IN PREPARING MY BUDGET.

\* THE BUDGET I HAVE JUST PROPOSED TO THE CONGRESS CUTS  
THE FEDERAL DEFICIT. ~~BY THE~~ <sup>END</sup> OF FISCAL 1980, IF MY BUDGET  
IS ADOPTED, THE DEFICIT WILL BE \$36 BILLION LOWER THAN IT WAS  
WHEN I WAS RUNNING FOR PRESIDENT -- A CUT OF MORE THAN HALF.

*REDUCES  
CUTS*

MY BUDGET ALSO LOWERS THE PROPORTION OF OUR NATION'S  
INCOME THAT THE FEDERAL GOVERNMENT SPENDS TO ITS LOWEST LEVEL  
IN SEVEN YEARS. THAT PROPORTION IS NO LONGER RISE --

\* IT IS FALLING.

\* I SET FORTH A GOAL IN MY CAMPAIGN, AND I AM USING THE  
POWERS OF MY OFFICE TO MOVE OUR NATION TOWARD IT -- THE GOAL  
OF A BALANCED BUDGET.

WE CAN ACHIEVE THIS GOAL BY SENSITIVE, SENSIBLE,  
CAREFUL PUBLIC POLICY, WHICH WILL AT THE SAME TIME PROTECT  
THE STRENGTH OF THE AMERICAN ECONOMY.

I HAVE PROPOSED A SUBSTANTIAL INCREASE FOR NATIONAL  
DEFENSE. THIS AFTERNOON I WILL ANALYZE OUR INTERNATIONAL  
COMMITMENTS IN EUROPE, IN THE MIDDLE EAST, AND ELSEWHERE.

-- WE MUST HAVE THE MUSCLE .....

\* I INTEND TO SEE THESE INVESTIGATIONS OF FRAUD AND ABUSE PURSUED AGGRESSIVELY -- WHEREVER THEY LEAD -- LET THE CHIPS FALL WHERE THEY MAY.

THE FEDERAL GOVERNMENT HAS NEITHER THE RESOURCES NOR THE WISDOM TO SOLVE EVERY PROBLEM BY ITSELF. THE STATES AND THE LOCALITIES -- AND, MOST IMPORTANT, THE PEOPLE -- MUST DO THEIR PART.

THIS IS <sup>A</sup> TIME FOR RESTRAINT. EXPENDITURES MUST BE CONTROLLED; ... THE DEFICIT MUST BE REDUCED.

BUT THIS KIND OF RESTRAINT IS DIFFICULT. IT ASKS EACH OF US TO SERVE THE GENERAL GOOD BY ACCEPTING LESS THAN WE WANT IN A SPECIFIC AREA.

I HAVE SENT TO THE CONGRESS A BUDGET THAT IS TIGHT, BUT FAIR.

NOW, AS IN EVERY OTHER YEAR, THE INEVITABLE PRESSURES TO SPEND JUST A LITTLE MORE HERE OR A LITTLE MORE THERE -- FOR SOMEONE'S PET PROJECT -- OR FOR SOMEONE'S FAVORITE INTEREST GROUP -- HAVE BEGUN.

I AM DETERMINED TO FIGHT THOSE PRESSURES.

I AM DETERMINED TO STAND FIRM.

\* I AM DETERMINED TO USE THE FULL POWERS AND RESOURCES OF MY OFFICE TO HOLD THE LINE ON THE FEDERAL BUDGET.

~~SCARY FEELING~~  
-- TO HOLD THAT LINE, I NEED.....

TO HOLD THAT LINE, I NEED, AND I ASK FOR, THE HELP AND SUPPORT OF EVERY ELECTED OFFICIAL AND EVERY AMERICAN TAXPAYER WHO SHARES MY CONCERN ABOUT WASTE AND INFLATION.

I BELIEVE THE PEOPLE OF THIS COUNTRY ARE READY TO BUILD A NEW FOUNDATION FOR THE 1980's, ... TO REGAIN CONTROL OF OUR ECONOMY AND OF OUR DESTINY AS A NATION.

FROM OUR EARLIEST DAYS, STUDENTS OF AMERICAN DEMOCRACY HAVE WARNED THAT OUR FREEDOM AND PROSPERITY MIGHT TEMPT OUR CITIZENS TO GET SO CAUGHT UP IN THEIR OWN PERSONAL PURSUIT OF HAPPINESS THAT THEY WOULD NEGLECT THE PUBLIC BUSINESS.

THE CHALLENGE TO US TODAY IS TO PUT ASIDE TEMPORARY GRATIFICATIONS FOR THE SAKE OF THE LONG-TERM PUBLIC GOOD.

THE JOB WILL NOT BE GLAMOROUS AND RESULTS WILL NOT COME QUICKLY OR EASILY.

BUT I BELIEVE WE WILL SUCCEED.

AND WHEN WE HAVE, THE MONUMENTS TO OUR EFFORTS WILL BE A VITAL, HEALTHY ECONOMY -- SUSTAINING THE NEEDS AND HOPES AND DREAMS OF ALL PEOPLE.

AND WE WILL HAVE AN EVEN GREATER  
U.S. OF AMERICA! # # #