

3/7/79 [2]

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memo	From Blumenthal to The President Re: Trip to China (5 pp.) /enclosed in Hutcheson to Blumenthal 3/7/79	3/5/79	A

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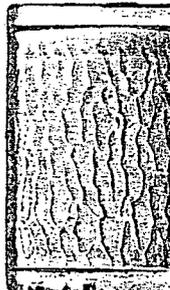
THE WHITE HOUSE
WASHINGTON

07 Mar 79

Jody Powell
Jerry Rafshoon

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

Rick Hutcheson



FOR ACTION
FYI

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
/	POWELL
/	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

THE WHITE HOUSE
WASHINGTON

3/7/79

Mr. President:

No comment from Phil/Fran.

Rick

THE WHITE HOUSE

WASHINGTON

March 5, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

JERRY RAFSHOON
JODY POWELL



SUBJECT:

Interview for Norman Miller, Wall Street Journal

Once again, we have been contacted by Norman Miller, Washington Bureau Chief of the Wall Street Journal, requesting an interview with you.

Mike seems to be a reasonable guy and in light of some of his recent editorials (latest one attached), we recommend that you meet with him sometime soon.

_____ Agree

_____ Disagree

*This would require
a great amount of study
& preparation for me.
General statements would
be inadequate*
J

THE WALL STREET JOURNAL DOW JONES & COMPANY, INC.

Publishers

1025 CONNECTICUT AVENUE N. W.
SUITE 800
WASHINGTON, D. C. 20036

NORMAN C. MILLER
WASHINGTON BUREAU CHIEF

March 2, 1979

Mr. Gerald Rafshoon
Assistant to the President
The White House
Washington, D.C. 20500

Dear Jerry:

This is a renewal of my request of December 1, 1978, for an interview with the President at an early time.

With inflation continuing at a high level, we obviously would appreciate the opportunity to interview the President about his economic policies, and thereby give our 1.6 million readers an in-depth exposition of his views on when his anti-inflation policies may be expected to show results. I also would want to question the President about the energy situation, particularly with respect to threatened shortages and their potential impact on the U.S. and world economies. The prospective trade agreement *and* SALT, and the outlook for Congressional reaction to the treaties the President plans to forward to Congress, are also issues of vital concern to our readers. As you know, the Journal reaches a national audience of leaders in business, labor and other professions.

I am sending this same request to Jody Powell on the assumption that the two of you might want to discuss my request for an early interview. I hope we can make arrangements before long and I look forward to hearing from you.

Best regards,

Norman C. Miller
Norman C. Miller

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

March 2, 1979

Jerry
It is one of
the most interesting
he's seen lately
J

MEMORANDUM FOR THE PRESIDENT

FROM: JERRY RAFSHOON 

SUBJECT: Norman Miller, Wall Street Journal

I think you will find the attached article which appeared in yesterday's Wall Street Journal interesting.

The author is Norman C. "Mike" Miller, who is the Washington Bureau Chief for the Journal. He's about the most sympathetic ear that we have there.

As you know, the WSJ has asked several times for an interview with you. We've continued to put them off. It might not be a bad idea, however, for you to meet Mike Miller sometime.

By the way, this article was also reprinted in today's Washington Star.

Perspective on Politics

By Norman C. Miller

Demagogic Critics

WASHINGTON — As Jimmy Carter's troubles mount at home and abroad, the criticism of the President is taking a demagogic turn.

There is, as everybody knows, plenty to criticize Mr. Carter for. But at least for today, let's take a hard look at the stuff some of the President's political rivals are peddling.

Even in the rough and tumble of American politics, the savagery of some of the attacks on Mr. Carter by politicians who hunger for his office goes beyond the pale. Seizing especially on foreign misfortunes over which the President has little or no control, some Republican presidential hopefuls are resorting to saber-rattling demagoguery.

Take Ronald Reagan. Out on the stump, according to *The New York Times*, Mr. Reagan is firing new one-liners to wow the Republican hardliners. Listening to the Carter State of the Union message, Mr. Reagan says he heard "in the background music to that speech the sorry tapping of Neville Chamberlain's umbrella on the cobblestones of Munich." He, too, talked of "peace in our time."

What would a President Reagan propose to talk about — war in our time? Search Mr. Reagan's speeches and you'll find a lot of bellicose rhetoric about increasing U.S. military might, but virtually nothing about the intelligent application of U.S. power to cope with enormously complicated international issues.

Instead, Mr. Reagan is expert at offering melodramatic exaggerations of foreign crises. Thus, he says, "I'm beginning to wonder if the symbol of the United States pretty soon isn't going to be an ambassador with a flag under his arm climbing into an escape helicopter."

The Reagan comparison of the 1975 disaster in Saigon with the brief seizure of the U.S. embassy in Teheran by Iranian revolutionaries is demagoguery. Carter administration coolness during that madhouse episode in Teheran helped save American lives and left U.S. diplomats in place to try to protect American interests in Iran.

Of course, the critics complain that Mr. Carter should have been able somehow to keep Iran from whirling out of the U.S. ambit. To be sure, the President seemed indecisive and made mistakes while the Iranian revolution gathered force. But it is an ugly distortion to depict an indigenous revolution as a U.S.-Russian struggle which Mr. Carter lost. Yet John Connally, for one, derides Mr. Carter for standing helplessly while Moscow fomented much of the trouble in Iran to oust the shah.

The President's inability to control foreign crises produces nothing but sneers from Republican presidential hopefuls boasting of the macho qualities they would bring to foreign policy. Thus, Sen. Howard Baker deplores "a growing view that America is a patsy and we never retaliate."

Firing one of the cheapest shots of all, Sen. Baker seeks political advantage from the assassination by terrorists of the American ambassador to Afghanistan. "I think it is time to signal that the assassination of American representatives abroad is simply off limits," the Senator says piously. "We do more with someone who shoots a cop than someone who assassinates an ambassador."

What exactly does the Senator propose to do? Not surprisingly, he is reluctant to say he thinks the President should have a "full range of options," whatever that means. But when pressed on NBC's "Meet the Press" program, Mr. Baker suggested the possibility of "swift and precise but limited engagement to protect American lives."

Think about that for a moment. Does it make sense to respond to murder by terrorists by dispatching U.S. troops to a foreign capital? Wouldn't such reckless action likely escalate a tragedy into a bloody catastrophe? Does Sen. Baker seriously think U.S. armed forces can pursue terrorists in foreign countries like "someone who shoots a cop"?

In domestic affairs, Mr. Carter's most powerful Democratic rival, Sen. Edward Kennedy, keeps hammering at the President's reluctance to push a costly national health insurance plan. Sen. Kennedy deserves to be taken seriously in his long-running campaign for a health plan, but he also wants to be taken seriously when he asserts he is for driving the deficit down to the \$30-billion level the President has proposed.

Well, the two objectives don't mesh, especially when Sen. Kennedy also keeps demanding more spending for most existing social programs plus much more for health care. How would a President Kennedy cope with the chief domestic issue of inflation? The Senator doesn't offer practical answers to that question.

If Sen. Kennedy is being unrealistic, California Gov. Jerry Brown is being totally irresponsible in his opportunistic conversion to budget-balancing. Having had Proposition 13 reveal taxes and inflation as issues to him, Mr. Brown now proposes to solve all economic problems with a constitutional amendment to balance the budget.

A budget-balancing amendment is simplistic nonsense, and Mr. Brown's call for a convention that could change the entire Constitution is dangerous demagoguery. But apparently it bothers Mr. Brown not a bit to champion an irresponsible idea if he thinks it improves his chances of knocking off President Carter in Democratic primaries.

None of this is meant as a defense of President Carter's policies. People are unsettled, with good reason, by his handling of the nation's business. But the President is struggling with terribly difficult problems, and it is repellent to see some of his rivals firing cheap shots at him.

ID 790892

THE WHITE HOUSE

WASHINGTON

DATE: 06 MAR 79

FOR ACTION: PHIL WISE

FRAN VOORDE

INFO ONLY:

SUBJECT: RAFSHOON POWELL MEMO RE INTERVIEW FOR NORMAL MAILER,
WALL STREET JOURNAL

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM THURSDAY 08 FEB 79 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 790892

THE WHITE HOUSE

WASHINGTON

DATE: 06 MAR 79

FOR ACTION: PHIL WISE

FRAN VOORDE

INFO ONLY:

SUBJECT: RAFSHOON POWELL MEMO RE INTERVIEW FOR NORMAL MAILER,
WALL STREET JOURNAL

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM THURSDAY 08 FEB 79 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. (X) NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

5:30 PM

THE WHITE HOUSE

WASHINGTON

MEETING WITH MEMBERS OF CONGRESS

Wednesday, March 7, 1979
5:30 p.m. (30 minutes)
Oval Office/Cabinet Room

From: Frank Moore *F.M.*

- I. PURPOSE: To brief key Senators and Congressmen on your trip to the Middle East.

- II. BACKGROUND, PARTICIPANTS, AND PRESS ARRANGEMENTS:
 - A. Background: This group of Members represents the Leadership of both Houses, the Chairmen of key Committees, and important supporters.

There is a great deal of optimism on the Hill about the chances of success. It is important that you give as realistic an appraisal about the situation as possible. This might be a good opportunity to lay the groundwork for any assistance package we might need (the cost of withdrawing Israeli troops from the Sinai, the bases, Egypt's economic needs).

B. Participants

- Sen Robert Byrd (D-W.Va.)
- Sen Alan Cranston (D-Cal.)
- Sen Henry Jackson (D-Wash.)
- Sen Jacob Javits (R-N.Y.)
- Sen Warren Magnuson (D-Wash.)
- Sen Howard Metzenbaum (D-Ohio)
- Sen Daniel Moynihan (D-N.Y.)
- Sen Charles Percy (R-Ill.)
- Sen Abraham Ribicoff (D-Conn.)
- Sen John Stennis (D-Miss.)
- Sen Ted Stevens (R-Alaska)
- Sen Richard Stone (D-Fla.)
- Sen John Tower (R-Texas)
- Sen Milton Young (R-N.Dakota)
- Sen Edward Zorinsky (D-Neb.)

Rep Tip O'Neill (D-Mass.)
 Rep Jonathan Bingham (D-N.Y.)
 Rep John Brademas (D-Ind.)
 Rep William Broomfield (R-Mich.)
 Rep Shirley Chisholm (D-N.Y.)
 Rep Silvio Conte (R-Mass.)
 Rep Edward Derwinski (R-Ill.)
 Rep Robert Giaimo (D-Conn.)
 Rep Lee Hamilton (D-Ind.)
 Rep Abraham Kazen (D-Texas)
 Rep Toby Moffett (D-Conn.)
 Rep Mary Rose Oaker (D-Ohio)
 Rep Melvin Price (D-Ill.)
 Rep Nick Rahall (D-W.Va.)
 Rep John Rhodes (R-Ariz.)
 Rep Dan Rostenkowski (D-Ill.)
 Rep Ben Rosenthal (D-N.Y.)
 Rep Stephen Solarz (D-N.Y.)
 Rep Henry Waxman (D-Cal.)
 Rep Lester Wolff (D-N.Y.)
 Rep James Wright (D-Texas)
 Rep Sidney Yates (D-Ill.)
 Rep Clement Zablocki (D-N.Y.)

Secretary Vance, David Aaron, Frank Moore

WH/NSC: Bob Beckel, Madeleine Albright

SCENARIO: Senator Byrd, Senator Stennis, and Speaker O'Neill will be in the Oval Office where you will meet with them privately. In the meantime, Secretary Vance will be in the Cabinet Room with the other Members awaiting your arrival.

Senators Byrd and Stennis and Speaker O'Neill will accompany you to the Cabinet Room where you will address the other Members.

Following the meeting, Congressional Liaison staff will escort the Members to the South Lawn and to their reserved places.

C. Press Arrangements:

White House photographer

III. TALKING POINTS:

As appropriate

THE WHITE HOUSE
WASHINGTON

Mr. President:

Tim Kraft would like to bring John Dalton by today for you to confirm his choice as a campaign member. Jody does not want his time so I suggest 10:30. It is a 5 minute request.

Phil

approve disapprove

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file

Admin
confidential

THE WHITE HOUSE
WASHINGTON

Mike--

Susan took the
directly to 1. m.

3/7/79

THE WHITE HOUSE
WASHINGTON

Tim - Return
this week -
J.C.

Tim - Return to
Jim Schlesinger
J.C.

**MANAGEMENT AUDIT OF SELECTED AREAS OF THE
DEPARTMENT OF ENERGY**

Jim - Jim's paper
to help if needed -
J.C.



COOPERS & LYBRAND

THE WHITE HOUSE
WASHINGTON

7 Mar 79

Richard Moe

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

Rick Hutcheson

Hamilton Jordan
Stu Eizenstat
Jody Powell
Jerry Rafshoon
Jack Watson

ED 790913



OFFICE OF THE VICE PRESIDENT
WASHINGTON

March 5, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

RICHARD MOE *RM*

SUBJECT:

CONSTITUTIONAL CONVENTION DRIVE

Our task force is increasingly convinced there is a good chance of preventing the necessary 34 state legislatures from passing resolutions calling for a constitutional convention. Our preliminary analysis -- based, admittedly, on incomplete information -- indicates there will probably be seven "battleground" states where the issue will be decided: Vermont, Alaska, Missouri, Ohio, West Virginia, Rhode Island, and New Hampshire. We have been forced to virtually write off Indiana and Montana because the process is so far along. In the remaining thirteen states there is no chance or very little chance of action this year, although we will monitor these very carefully. If all of this proves to be accurate, we must prevent four of the seven "battleground" states from acting, and we believe we have a reasonable prospect of doing so.

Good [We have mobilized a number of resources here at the White House, on the Hill, and among outside groups. The Speaker is particularly anxious to work with us, and we have established a close working relationship. These activities are already bearing fruit (see attached resolution from the Business Roundtable). In short, our strategy is to give the issue as much exposure as possible on the premise that it won't stand up under close scrutiny and to get as much of the activity as possible outside the White House so that we don't appear to be running an all-out campaign that will raise the political stakes for us. I believe it is inevitable, however, that at least some of our activities will become public.

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Memorandum for the President
March 5, 1979

Page 2

Because of your effective answer to Godfrey Sperling's question last Tuesday, we think it is unnecessary for you to speak publicly on this question again unless asked. This is particularly true since the Vice President raised it in California and again today at the League of Cities. Nonetheless, we think it highly desirable to have you on the record with a written, thoughtful and forceful case against the convention. We think the best way to do this is in response to a letter which we would solicit from a friendly state legislator. Your letter could then serve as the definitive statement on the matter and something that could appropriately be circulated among other legislators.

Attached is a proposed draft which we recommend you approve for this purpose.

Approve letter



Disapprove

no amended
J

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The Business Roundtable

Thomas A. Murphy
Chairman

Clifton C. Garvin, Jr.
Cochairman

Reginald H. Jones
Cochairman

Charles J. Pilliod, Jr.
Cochairman

February 27, 1979

NEWS RELEASE

For Immediate Use

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New York, New York 10017
(212) 682-6370

G. WALLACE BATES
President

JAMES KEOGH
Executive Director—Public Inform

RICHARD F. KIBBEN
Executive Director—Construction

WASHINGTON
1801 K Street, N.W.
Washington, D.C. 20006
(202) 872-0092

JOHN POST
Executive Director

The Business Roundtable today took the position that the problems of Federal spending and budget deficit should be dealt with through the legislative process rather than by calling a constitutional convention.

The Business Roundtable statement follows:

"The issue of amending the United States Constitution, by means of a constitutional convention, to require a balanced budget is receiving increased attention.

The Business Roundtable is on record in favor of sound fiscal and monetary policy including proper restraint in government spending and the reduction and ultimate elimination of the budget deficit.

The Roundtable, however, is deeply concerned with the proposal to hold a constitutional convention for the purpose of addressing the problems of fiscal and monetary policy. These problems can and should be dealt with through the legislative process provided by the Constitution.

Because no constitutional convention has been held since the adoption of the Constitution, many serious, unsettled issues exist about how such a convention would be convened and how it would function. Since other, more certain means exist for addressing the questions of budget deficits and government spending, the Business Roundtable considers them to be preferable."

The Business Roundtable is an association through which the Chief Executive Officers of some 190 United States companies focus and act on public policy issues.

POLICY COMMITTEE:

- Thomas A. Murphy, *Chairman* • Clifton C. Garvin, Jr., *Cochairman* • Reginald H. Jones, *Cochairman* • Charles J. Pilliod, Jr., *Cochairman*
- Ray C. Adam • Robinson F. Barker • John F. Bookout • Fletcher L. Byrom • Frank T. Cary • John T. Connor • Justin Dart • John D. deButt
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- David Packard • Donald S. Perkins • Donald T. Regan • John J. Riccardo • Richard A. Riley • David Rockefeller • Donald V. Seibert • Irving S. Shapiro
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- Rawreich Warner, Jr. • William L. Wearly • Richard D. Wood • Walter B. Wriston

ok
J

To State Legislator:

I appreciate your letter seeking my views on the issues surrounding a Constitutional Convention intended to approve a balanced budget amendment to the Constitution. I hope my ^{opinion} ~~views~~ will be of help to you and your colleagues during any deliberations you might have on this important matter.

First of all, there should be no doubt that I am committed to balancing the Federal budget. Since taking office, I have been working to balance the budget: the deficit has gone from \$66 billion ^{in FY '76} to a projected \$29 billion for FY '80 -- a reduction of more than half. I am determined to continue reducing the deficit until a balance is reached. But, as with the reductions already made, I intend to eliminate the remaining deficit through prudent, responsible and equitable spending reductions. This will not be easy, but it is possible; and your cooperation -- and that of State Legislators throughout the country -- can make this difficult task easier.

The task of reducing the budget deficit will not be made easier by a Constitutional Convention or by a balanced budget amendment. As I have indicated at two of my recent press conferences, both a Convention and an amendment would create very serious legal, social and economic problems for our country. For those reasons, I am totally opposed to the convening of a Constitutional Convention; and just as importantly, I believe any balanced budget amendment approved by such a Convention

would, if ratified, be not only dangerous for the country but clearly counterproductive to our current efforts to reach a balanced budget in a responsible and fair manner.

The Constitution is our nation's most precious possession. For nearly 200 years, it has served the country very well. It has been amended 26 times, but in each case that occurred after Congressional passage and State ratification of a proposed amendment. No Constitutional Convention has ever been convened to consider amendments to the Constitution. I think there is good reason for that fact.

The radical and unprecedented action of convening a

I am deeply concerned that ~~any~~ Constitutional Convention might do serious, irrevocable damage to the Constitution. It is far from certain that a Convention could be limited in its agenda to just one area or one amendment. Therefore, the entire Constitution could be subjected to review and substantial revision. The fundamental principles upon which our government is based could be altered or eliminated. That is not a risk that I believe is worth taking, particularly when the expressed purpose of the Convention would be to consider an amendment as flawed and harmful as one ~~requiring~~ *mandating* a balanced Federal budget.

Such an amendment would not provide the type of flexibility needed in times of economic or national security emergencies. In the event of a recession, the Federal government would

acting
effectively be barred from ~~stimulating the economy in a~~
~~way that would enable us~~ to restore sound economic growth
and ^{to} provide our unemployed with jobs. If the Federal govern-
ment had been required to balance the budget during the 1974-5
recession, the economic consequences would have been even more
severe -- the unemployment rate would have jumped to 15% *(higher*
than in 1932 - during the Great Depression),
economic growth would have declined by ___%, and the recession
been more severe and longlasting.
would have ~~lasted an additional year~~. In the case of a war
or other national security emergency, the requirement of a
balanced budget could mean that the United States might be
unable to increase defense-related expenditures promptly
enough to meet our clear national needs.

An amendment could conceivably be drafted which would
contain sufficient exemptions and evasions to permit a budget
to be out of balance. But then, such ^{a long and complicated} an amendment would
truly be a sham -- one which ^{would} exist in name only but ~~is~~ *be*
repeatedly ignored, much like the Prohibition Amendment. Our
Constitution should not be so uselessly amended.

In short, any amendment would either be so filled with
loopholes as to be meaningless or so rigid as to tie the
nation's hands in time of war or depression. I have yet to
see proposed constitutional language which does not run one
of these dangers. Nor do I expect to see such language,
because I do not believe it can be written.

The most serious budgetary / questions involving
national policy or security would be decided by the inter-
pretation of a mathematical formula or economic
statistics by a Computer analyst or other unidentifiable
federal bureaucrat.
might ultimately have to

Moreover, how would the term "balanced budget" be defined in the Constitution? If the Federal government prepared its budget the same way many states do, that is, by excluding capital expenditures, the FY '80 budget I recently submitted to Congress would be in balance.

Proponents of a balanced budget amendment have the burden of producing language which meets all of these concerns. So far they have not done so.

Constitutional amendments should be reserved for the most significant of governmental matters which cannot be resolved through other means. The budget can be balanced without a Constitutional amendment. ^{*That is our goal.*} There is simply no need to amend the Constitution to achieve that purpose. We are progressing toward a balanced budget in a prudent, sensible manner. We should not let the latest in political gimmickry interfere with or impede our efforts. A balanced budget amendment would do precisely that.

I therefore urge that you and your colleagues disapprove any resolution calling for a Constitutional Convention to pass a balanced budget amendment.

Sincerely,

Jimmy Carter

THE WHITE HOUSE
WASHINGTON

07 Mar 79

Chairman Campbell

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder
Stu Eizenstat
Jim McIntyre

Been logged out

United States of America
Office of
Personnel Management

Washington, D.C. 20415

February 23, 1979

In Reply Refer To:

Your Reference:

MEMORANDUM FOR THE PRESIDENT

FROM: Alan K. Campbell
Director

SUBJECT: SES Pay Schedule

The Civil Service Reform Act of 1978 provides that you establish an SES pay schedule with at least five pay rates ranging from the minimum for GS-16 (currently \$44,756) to the rate for Executive Level IV (currently \$52,800 although it is held to \$50,000 by an appropriations freeze which expires September 30 of this year unless renewed by the Congress). The law also permits you to revise the number of rates and the dollar amounts within the range each year at the same time comparability adjustments are made to the General Schedule.

The initial SES Schedule will be a crucial part of the information needed by incumbents considering conversion to SES on July 13, 1979. These current executives must be given this information at least 90 days before they are required to make a decision. Therefore, I recommend that you issue the attached memorandum containing the SES Schedule at the earliest possible date.

The SES Schedule I am recommending consists of six rates because it is important to dispel the misconception that SES rates must be linked directly to the five levels of executives (GS-16, 17, and 18 plus EL-V and IV) being converted into SES. The first and sixth rates are essentially fixed by law. The fourth rate is set at \$50,100 because this is the actual rate (without the effect of the current appropriation freeze) of EL-V. This is the rate most executives will be paid in FY-1980 even if they decline conversion to SES, because over 80% of the incumbent executives have their pay compressed by the current EL-V ceiling. The second, third, and fifth rates are set as equal percentage increments between the fixed points in the schedule.

My purpose in both of these features of the SES Schedule is to guarantee agency heads the pay setting flexibility intended in the Law. No mechanical conversion linkage is implied but a rate is provided to use in cases where the agency head wishes to offer a conversion option with no increase in basic pay.

There is currently an appropriations freeze on executive level salaries, and as a result Federal executives did not receive last year's 5.5% comparability pay increase. The freeze is due to expire September 30, and executives will automatically receive from that point onward the 5.5% increase (the top of the range would rise to \$52,800). It is possible that Congress may attempt to renew the freeze. Your issuance of the proposed SES schedule will be perceived as committing you not to seek the statutory continuation of last year's freeze on executive salaries (you can, of course, consistently seek a freeze for executives of next year's comparability increase). Jim McIntyre, Director of the Office of Management and Budget, and I strongly favor such a commitment but you need to be aware of the implication.

Attachment

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HEADS OF
DEPARTMENTS AND AGENCIES

SUBJECT: SES Pay Schedule

The Senior Executive Service (SES) will go into effect on July 13, 1979. The Civil Service Reform Act of 1978 provides for SES pay to range between the minimum rate for GS-16 of the General Schedule and EL-IV of the Executive Schedule. After consulting with the Director of the Office of Personnel Management I have determined that there shall be six salary rates for SES. Agency heads will, subject to the requirements of law, set the rate to be paid to each individual. In doing so agencies should be aware that the amounts payable to an individual before October 1, 1979, may be limited to the pay cap contained in Public Law 95-391. I am establishing the following as the initial SES Schedule:

ES-1 =	\$44,756
ES-2 =	46,470
ES-3 =	48,250
ES-4 =	50,100
ES-5 =	51,450
ES-6 =	52,800

The Director of the Office of Personnel Management will issue guidance and prescribe regulations for the administration of SES pay.

Jimmy Carter

10:25 a.m.

THE WHITE HOUSE

WASHINGTON

March 7, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT *TK*

SUBJECT: Photo/Greeting with John Dalton and Tim Smith

John is leaving GinnyMae to assume the role of Treasurer of the Jimmy Carter Presidential Campaign. This will be a full-time position; he'll be helped by a national finance council chaired by Lee Kling.

Tim Smith, tennis ace, former Deputy Appointments Secretary and trust-buster at Justice will be Legal Counsel for the Committee.

This is really a good combination to help Evan and us. It's difficult to assess who has the more difficult job between Dalton and Smith ---- one has to pay for our excesses and the other has to exonerate them.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

07 Mar 79

Frank Moore

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

Rick Hutcheson



FOR ACTION
FYI

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
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	IMMEDIATE TURNAROUND
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	LAST DAY FOR ACTION

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ANDRUS

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BLUMENTHAL

BROWN

CALIFANO

HARRIS

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MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARONSON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FIRST LADY

HARDEN

HERNANDEZ

HUTCHESON

KAHN

LINDER

MARTIN

MILLER

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

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THE WHITE HOUSE
WASHINGTON

Q

MARCH 7, 1979

MR. PRESIDENT

DAN TATE TALKED TO SENATE PERCY.

THE SENATOR, AT THIS MORNING'S

SENATE PRAYER BREAKFAST, LED

16 SENATORS IN A PRAYER FOR

GUIDANCE IN YOUR MISSION TO

EGYPT AND ISRAEL.

PHIL

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THE WHITE HOUSE
WASHINGTON

Senator Church will hold a Press Conference in one hour in Idaho. His staff has briefed him on what they know about Yemen and the peace process. The staff tells us that Church is unsure about what to say on these two issues.

If you call him before the Conference, he could say that he has just talked to you and that negotiations are at a delicate stage, and it is not appropriate to comment.

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OK JIM W CW

P's desk
J.M.

THE WHITE HOUSE

WASHINGTON

CONGRESSIONAL TELEPHONE CALL

TO: Senator Frank Church (D-Idaho)

DATE: March 7

RECOMMENDED BY: Frank Moore *FM*

PURPOSE: To discuss Middle East trip, Yemen, and China Legislation

BACKGROUND: Church cannot come to the meeting at 5:30 today to discuss the trip because he is in Idaho. Keeping in mind his earlier negative statements about the Saudis, it would be useful to use the opportunity of briefing him on the trip to gently remind him not to say anything negative about the Saudis at this delicate stage.

TOPICS OF DISCUSSION:

1. Middle East Trip - hope he can be supportive.
2. Yemen - what we are doing and our plans, as you did in the Leadership breakfast yesterday.
3. China Legislation - thank him for his part in working out the legislation which is on the Floor today and tomorrow.

DATE OF SUBMISSION:

March 7, 1979

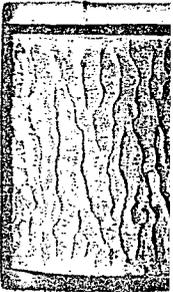
THE WHITE HOUSE
WASHINGTON
07 Mar 79

Hamilton Jordan

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

Rick Hutcheson

ADMINISTRATIVELY
CONFIDENTIAL



FOR ACTION
FYI

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM FOR THE PRESIDENT

FROM: Hamilton Jordan *HJ*
DATE: March 6, 1979
SUBJECT: Draft schedule for SALT-related activities
on the day of the summit announcement

The SALT Task Force has begun preparation for a variety of activities which will be timed to coincide with the summit announcement. If this schedule meets with your approval we will continue with our preparations.

FORMAL ANNOUNCEMENT

Jody Powell or Hodding Carter will formally announce the date of the summit in the late afternoon of the day of the announcement.

CONGRESSIONAL ACTIVITIES

- a) Early AM. The President will meet separately with Byrd and Baker for about 15 minutes the day of the announcement.
- b) Mid-Morning. Vance and Brzezinski will brief Senators Nunn, Jackson, Stennis, Church, Glenn, Javits, Bayh, Goldwater, Hart, Culver and Cranston. The President will join them for the last half-hour.
- c) Presidential Letter. The day of the announcement a letter from the President urging careful consideration of SALT, etc., should be hand-delivered to each Senator.
- d) Late Morning. Calls will be made to all other Senators to provide information on the conclusion of major points and on the planned summit. In addition, all Senators will be invited to the White House the following day for a complete briefing.

Calls will be made by:

Vice-President
Brzezinski
Brown
Seignious
Beckel
Tate

Vance
Christopher
Duncan
Moore
Nimetz

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D. Jones

- d) Next Day. The President, Brown, Vance, Brzezinski and ~~the~~ Joint Chiefs will brief the entire Senate in an off-the-record session with questions and answers. (Approximately 2 hours.)

MAJOR PUBLIC FIGURE LIAISON

A number of prominent individuals should be contacted on a one-on-one basis by the President and other high Administration officials. When necessary, these persons should be offered a personal briefing on SALT II.

The President: President Ford, Tom Watson, Averell Harriman, Clark Clifford, George Meany

The Vice President: Lane Kirkland

Vance: Henry Kissinger, William Rogers, Dean Rusk

Brown: Mel Laird, Donald Rumsfield, Robert McNamara, Elliot Richardson, Maxwell Taylor and Matthew Ridgeway

Brzezinski: Richard Nixon, McGeorge Bundy

Seignious: George Ball, George Kennan

PRESS

The afternoon of the announcement a major briefing should be held for the Washington press corps by Vance, Brown and Brzezinski.

The day of the announcement, editors favorable to SALT will be contacted and asked to take the lead in urging an open mind on the treaty.

As soon as available, background information will be mailed to editors throughout the country.

Following the announcement, detailed briefings will begin for the Pentagon and State Department press corps, editorial writers, commentators, etc.

PUBLIC OUTREACH

The day of the announcement an invitation will be sent over the President's signature to 30-35 key nongovernmental foreign policy leaders for a White House briefing by Vance, Brown and Brzezinski with a Presidential drop-by. The list of invitees will include members of the Boards of Directors of the Council on Foreign Relations and the Foreign Policy Association, the US-USSR Trade Council, the Atlantic Council, the Trilateral Commission, etc.

In addition, on the day of the announcement, Anne Wexler's office will send out telegrams to approximately 300 national constituency leaders, and 4-5 pro-SALT opinion makers in critical states will be contacted.

Following the announcement, detailed Secretarial-level White House briefings (with possible Presidential or Vice-Presidential drop-by) will begin for some 200 leaders of the business, labor, scientific, retired military and religious communities, as well as women's and minority groups.

Lower level Roosevelt Room briefings will also be held for appropriate staff of primarily Washington-based business, labor and special interest organizations.

PUBLICATIONS

By the date of the announcement, the following publications will be available for distribution:

1. A summary of the terms of the agreement
2. An advocacy piece on SALT II
3. A short piece on the background to SALT II and the SALT process
4. A SALT lexicon
5. SALT questions and answers
6. Visual aids

In addition several sample press releases announcing support for SALT (or wait and see) will be made available for use on the Hill.

ALLIED LIAISON

Immediately prior to the announcement, an official of State or DoD will brief the North Atlantic Council in Brussels. State will notify our principal allies, *and others, including PRC, India*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

C
/

March 6, 1979

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CS*

Subject: Background Material for the Quadriad
Meeting on March 7

You are meeting tomorrow with your economic advisers and Chairman Miller to discuss economic developments and the course of economic policy. This memo provides background material for that discussion.

Overview

Economic developments over the next few months will have an important bearing on the progress we make against inflation in 1979, and on the prospects for slowing economic growth but avoiding a recession. Economic activity has been very strong since last fall, and this has contributed to a worsening of price pressures. The acceleration of inflation, in turn, may have led businesses and consumers to step up their purchases of goods and services in anticipation of further price increases.

These developments are worrisome. Continuation of rapid increases in prices would reduce the chances of continued compliance with the pay standard. Moreover, speculative buying brought on by anticipations of inflation may lead businesses and consumers to overextend -- in effect, to "borrow" demand from the future. Such a distortion could weaken the economy later on and lead to more weakening of economic activity than we had expected.

You may wish to explore with Chairman Miller whether he shares our concern with these developments, and obtain his counsel on the policy steps that might appropriately be taken to moderate inflation. A discussion of the policy actions being contemplated within the Administration is contained at the end of this memorandum.

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Recent Economic Developments

Economic growth in the fourth quarter was much stronger than almost anyone had expected. Real GNP grew at a 6-1/2 percent annual rate, led by a very strong rise in personal consumption expenditures. As a result of the strength of consumer spending, inventory-sales ratios were reduced below their desired levels.

The strength of the fourth quarter gave the economy substantial momentum heading into the current year. It is too early to assess the rate of expansion in the first quarter more than very roughly, but it could be as much as 4 percent.

There are some signs of a slowdown. January housing starts fell by 20 percent; part of this decline is undoubtedly due to adverse weather, but it is hard to tell how much. Industrial production rose only one-tenth of a percent in January, although there were some special factors affecting the estimated rise of output. Retail sales rose only slightly in the first month of the year, and new car sales in January and February remained at about the fourth-quarter level.

On the other hand, other indicators point to continued near-term strength. Total employment increased by 450,000 in January, and new orders for durable goods have shot up recently, suggesting that businesses are seeking to replenish depleted inventories or buy in advance of price increases.

There are indications of underlying long-term strength in the economy as well. Non-defense capital goods orders rose sharply further in January, and new capital appropriations of manufacturers increased significantly in the fourth quarter. These developments suggest substantial future growth in business fixed investment, perhaps more than we have allowed for in our forecast.

The interagency forecasting group is in the process of updating our outlook on the economy. It is too soon to say what our new forecast will be, but there is a good chance that economic growth over the four quarters of 1979 will be higher than the 2 - 2-1/2 percent figure included in the economic assumptions underlying the budget. Most of the additional increase in growth may come in the first half of the year. There is also a possibility that we may have to revise down the growth rate forecast for 1980.

Price & Wage Developments

Developments on the price front in the past several months have been very discouraging. Food prices have been driven up by adverse weather conditions; oil prices have reacted to the Iranian situation, and price increases for a wide range of commodities other than food and fuel have also accelerated.

The prospects for food price inflation in 1979 have worsened. At the farm level, livestock prices in the three months ending in February rose by 16 percent. Vegetable prices also have risen strongly. We have not yet been able to assess accurately the loss of meat and vegetable supplies due to adverse weather. We do expect a moderation of the rate of food price increase, but the increase during all of 1979 will be larger than we had forecast at the end of last year.

The disruption of oil supplies attendant upon the civil disorders in Iran has forced prices up on the spot market and has provided OPEC nations with the opportunity to push up prices. Saudi Arabia, Kuwait, Iraq, Libya and Venezuela have already attached a \$1.20 surcharge to their recent contracts; Abu Dhabi and Qatar have increased their prices by 7 percent above the level scheduled in January. Algeria today announced a sharp increase in the premium it charges for its crude oil. The extent of the rise of domestic energy prices will depend in part on our policy actions with respect to decontrol. As a minimum, however, it is likely that domestic oil prices late this year will be 10 percent above those assumed in our last forecast.

In the three months ended in January, producer prices of finished goods other than food rose at an 11 percent annual rate. Over this period, consumer prices excluding food and fuel rose much less, about a 6-1/2 percent annual rate. It is likely that some of the increases in prices at wholesale will be passed through to the consumer in coming months.

The rapid increase in wholesale prices excluding food since October may partly reflect "front-loading" of price increases allowed under the price-deceleration standard. The wholesale price index for February, to be released Friday, should give us some clue about that possibility. In addition, smaller and mid-sized firms may not all be complying with the standards; we are accelerating our monitoring efforts in this area to find out. Price increases recently have also reflected the strength of demand. There appears to be little resistance to price increases in the buyer's markets that now exist.

Statistics on wages do not as yet show any deceleration. However, a survey made by COWPS during the third week of February among collective bargaining units covering 1,000 workers or more suggests that most of the settlements concluded during the first three months of the program were in compliance with the pay standard. Continued compliance with the pay standard will be difficult to achieve, however, if inflation continues at its recent pace for many more months.

Financial Markets and the Dollar

Recent developments in financial markets have been relatively uneventful. Business credit demands have moderated recently, reflecting the highly liquid state of corporate balance sheets. Corporate profits soared in the fourth quarter of 1978, while business' inventory policies were restrained and capital spending rose modestly. Mortgage demands also slowed somewhat in the fourth quarter, and recently outstanding mortgage commitments at thrift institutions have begun to decline. Growth of consumer installment credit, on the other hand, turned up again in the fourth quarter, fueling the strong expansion in consumption.

Since last September, growth of the monetary aggregates has been exceptionally weak. In mid-February, in fact, the level of the narrowly-defined money stock (M1) was lower than it was in September. We do not put a sinister interpretation on this development, as some "monetarist" economists do. It appears to us that high interest rates are encouraging businesses and individuals to hold more of their liquid balances in interest-bearing forms.

Because of the uncertainties in interpreting these monetary trends, however, the Federal Reserve has been reluctant to tighten monetary policy and raise interest rates further and as a consequence, interest rates have remained about unchanged since mid-December. Persistence of strong economic growth and inflationary pressures, however, will eventually force the Federal Reserve to push up interest rates another notch, whatever the behavior of the monetary aggregates. 7

In foreign exchange markets the dollar has also remained remarkably stable in the face of the poor January trade figures and the acceleration of inflation. How long the present climate in exchange markets will last, given strong economic growth and high inflation, is not clear.

Policy Actions under Review Within the Administration

During the past week or so, a group of EPG deputies has been looking at ways to help cool off the economy and make the anti-inflation program bite harder. We hope to have recommendations ready for you when you return from your trip to the Mideast.

Aggregate Demand Restraint

Consideration is being given to the need for additional measures to restrain aggregate demand with either general monetary policy or fiscal policy, or both. There is no agreement yet among your advisers on these matters -- they are now being evaluated.

For fiscal policy, one approach might be to ask the Congress to increase fiscal 1979 outlays in the third Concurrent Budget Resolution by less than the amount they otherwise would, so as to keep total outlays this year below the \$493 billion level in the January budget document. This might be done by asking for Congressional approval of an across-the board cut of perhaps 1 percent in all outlays except entitlement programs. For monetary policy, which is of course the province of the Federal Reserve, one action would be to increase short-term market interest rates by, say, one-half percentage point, with perhaps a larger rise in the discount rate to signal a strong determination to fight inflation.

Housing

There are some selective measures that might be taken to ensure that demand for housing and housing starts will decline in 1979. (The rise of housing prices might be checked if activity in that industry declined, although we cannot be sure.) Reduced Federal support to the mortgage market, through FNMA purchases of mortgages and advances by Federal Home Loan Banks to savings and loan associations, is one possibility. Another is to limit the ability of thrift institutions to bid for the 6-month money market certificates (MMCs) that have been bolstering deposit inflows to the thrift institutions. Action to dampen the growth of MMCs is presently being contemplated by the regulatory authorities, in part to keep the profit positions of thrifts from declining too severely this year. They are aware of our concern with limiting funds to housing.

Consumer Credit Controls

Under the Credit Control Act of 1969, you have the authority to ask the Federal Reserve Board to impose direct credit controls on specific sectors of the economy. A possibility under study is to slow down consumer spending by increasing the minimum monthly payment on revolving credit (credit cards), or to specify minimum downpayments or maximum maturities on auto loans. |

Food Prices

Several actions to moderate the rise of food prices are under review. The rise of meat prices might be limited by relaxing meat import quotas, encouraging consumers to eat less meat, and reducing Federal meat purchases. Dairy prices could be held down by keeping the April 1 increase in dairy support prices to the minimum required by law, and by reducing CCC resale prices for nonfat dry milk. The rise in tomato prices could be moderated by reducing size restrictions on Florida tomatoes imposed by Florida marketing orders. Soybean prices, which are rising rapidly because of an expected poor crop in Brazil, could be moderated by allowing soybeans to be grown on land set aside under other crop programs.

The Council on Wage and Price Stability is stepping up its monitoring effort among small and medium size firms. Consideration is also being given to requiring all large firms to report after 6 months on their compliance with the price deceleration program, and to asking all firms to limit their price increase over the first 9 months of the program to three-fourths of the allowable increase during the program year.

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the christian CENTURY

MARCH 7, 1979

JAMES M. WALL
EDITOR

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HOME 312 - 279-7166



A Liturgical Strategy

James F. White

Mapping the Brain

Paul W. Walaskay

'The Praying Jew (The Rabbi of Vitebsk),' by Marc Chagall



Marc Chagall's

Religious Vision

Cinematic Sermon

in Grand Rapids

Petropolitics

Backlash in Britain

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