

5/21/79 [3]

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THE WHITE HOUSE
WASHINGTON

5/21/79

Mr. President:

If you are still interested
in having a group of oil
company types in to see you
I suggest this coming friday
for a working lunch for
about 90 minutes.

approve disapprove

Phil

*Why lunch?
See me*

J

*no pmg
9pm
mil plane*

*1:30
90 min
no lunch*

THE WHITE HOUSE
WASHINGTON

21 May 79

Jody Powell
Zbig Brzezinski

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

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

May 21, 1979

*ok to change
J*

MEMORANDUM FOR THE PRESIDENT

FROM:

JODY POWELL *JJP*

After reviewing this transcript, the NSC and State feel that use of the term "members" could cause problems, as it is against the law to be a member of the PLO in Israel.

We have indicated on the transcript that you intended to say "supporters" instead of "members."

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NON-PARTICIPANTS UNTIL
3 P.M., EDT, SATURDAY,
MAY 19, 1979

MAY 18, 1979

Office of the White House Press Secretary

THE WHITE HOUSE

INTERVIEW WITH THE PRESIDENT
FOR
NON-WASHINGTON EDITORS AND NEWS DIRECTORS

The Cabinet Room

1:15 P.M. EDT

THE PRESIDENT: I am very pleased to have all of you here. I see some old friends around the table from Georgia. I am very pleased.

I think this is one of the best things that we have done since I have been President, is to have in on frequent occasions, distinguished leaders of the news media throughout the country. It gives me an opportunity to answer your questions, to learn about the interests around the Nation, and also to express in each case, at the beginning of the session, some particular point that illustrates the kind of difficulties or responsibilities that a President has to meet.

Yesterday, there was a very disappointing vote in the House of Representatives on obtaining a rule for Panama Treaty implementation legislation. We only won the vote by two votes, which is very disturbing to me, and I am sure to the Nation. The fact is that the Panama Treaties have already been implemented. The President and three other Presidents before me negotiated the treaties. The Senate has now ratified the Panama Treaties. They are the law of the land. They became effective the first day of April.

The Panama Canal Zone will become Panama territory on the first day of October 1979, no matter what the Congress does this year on implementation.

The reason for the implementation legislation is to permit the United States to operate the Panama Canal between now

MORE

and the year 2000 and also to defend the Canal Zone between now and the year 2000 with U.S. forces.

If the implementation legislation is not passed in a timely fashion and in compliance with the treaty, we would be faced with a very serious consequence.

We could not handle the problems or needs or obligations for and to American workers there. We could not transfer workers from one place to another. We couldn't deal effectively with the Panamanian workers who have been employed there for many years.

The citizenship status and basic rights of Americans in the Panama Canal Zone would be in doubt. We could not provide for the facilities and equipment to defend the canal. In fact, the operation of the canal itself might very well be interrupted.

I don't believe the Congress will put us as a Nation in that posture. But there is a great deal of misinformation about this subject. Even some Members of the Congress feel that if they don't pass implementation legislation, it could somehow abrogate the treaties themselves.

As you know, the canal is very important to us. A substantial portion of oil, for instance, for the East Coast is derived from wells in Alaska, it comes down through the Panama Canal and up to this coast.

The Gulf ports are dependent upon the Panama Canal in a very large way, about six or seven percent of our total trade traffic goes through the Panama Canal with overseas destinations. Consumers would be adversely affected. Farm supplies, farm goods, grain and other items use the Panama Canal in a very large and important fashion.

This is the kind of problem that a President does face in dealing with the Congress, to implement basic policy after that policy has been established.

We will be facing the question in the future of how to deal with the SALT treaty, which will have been negotiated, I hope -- if everything goes well -- by the end of next month; and of course, how to deal with the Rhodesian question, how to implement the Mideast Peace Treaty in an effective fashion.

Those are some of the foreign affairs problems I have to face -- inflation, energy, and many other items on the domestic scene are of comparable importance and I might say of comparable difficulty.

I would be glad to answer any questions you all might have.

QUESTION: Mr. President, when you meet with Secretary Brezhnev next month, what will be the priority items of discussion -- SALT obviously -- but there must be others?

THE PRESIDENT: We have not yet agreed on an agenda. It is a little difficult for me to answer your question definitively until we and the Soviets have concluded that discussion.

The conclusion of the SALT negotiations which will be practically concluded then and the signing of the documents will obviously be a major step. In arms control, we are dealing with the question of anti-satellite capabilities, trying to restrain that. We will proceed with further discussions of a comprehensive test ban on nuclear testing. The British are a party to that. We keep the British thoroughly informed. We will proceed also with discussions on the control of the transfer of conventional weapons to the developing countries and to others as major arms suppliers.

We have had several meetings on that subject.

We will proceed with discussions of the mutual and balanced force reduction talks that have now been going on without much progress for the last five years in Vienna. We hope to make some progress there.

Prior to the time I meet with President Brezhnev, I will be meeting with Chancellor Schmitt in this room, I think

the first week in June. We are constantly consulting with our European allies on some of these subjects that affect them.

Secretary Harold Brown, who is in Europe right now, has been involved with those subjects. We will also lay the ground work, describe the parameters or a general outline of the SALT III discussions if everything goes well.

We will have some discussion about trade, I am sure, about refugee problems, about some potential improved ways for us to communicate with one another, if regional altercations or disagreements should arise so that we can have a stable and a more secure, more peaceful interrelationship with the Soviet Union, and at the same time, meeting with the Soviets on a peacefully competitive basis, and prevailing in those competitions as often as possible.

I would say arms control, trade, better communications in the future would be the general outline. All of those items that I described to you, certainly with the exception of SALT, still have to be approved by the Soviets.

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QUESTION: Morris Wilkes from KRLB in Lubbock, Texas. What happens if the United States Senate does not ratify the SALT treaties? I was talking to some Senators on the Hill yesterday and they said the votes are not there and they don't see them coming around. What happens if they do not ratify the treaty, Mr. President?

THE PRESIDENT: That is a terrible possibility to have to contemplate.

The SALT negotiations are a continuing process that were initiated as far back as President Eisenhower. We have made steady incremental progress, sometimes very slow, very tedious, very careful, with a limited test ban to protect the atmosphere, SALT I at Vladivostok and now with SALT II. SALT II has been under negotiation for going on seven years. I am the third President who has participated in this process. It is a carefully balanced treaty. It is in our best interest. It protects our own Nation's security and will contribute to world peace and I think also is in the best interest of the Soviet Union.

Substantial amendments to the treaty which would be an easy way out for a Senator to say, "Well, we don't like what you have done, do it again," would be, I think, unacceptable to the Soviet Union and to us if there was any substantial change in the treaty terms.

It would put me in a very difficult position. And I think that a rejection of the treaty would interrupt -- I wouldn't predict terminate -- but at least interrupt with serious consequences the process of controlling nuclear weapons over many years time.

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There would be no way to move to SALT III. It would be very difficult to reopen SALT II because why should a President of the Soviet Union want to negotiate with the President of the United States if ultimate approval by the Senate of a carefully balanced treaty was extremely doubtful?

It would be a terrible blow to our own allies in Europe. I think it would shake the strength of NATO itself because many of our allies in Europe feel that they are in the forefront of some possible confrontation between the two superpowers. And they might be the first to suffer in case a nuclear war should take place. And for us to prove that we are not able to get along with the Soviet Union and control nuclear weapons, when we have thousands of nuclear weapons on both sides already, I think, would cause many of our allies to look with doubt on the advisability of their having unilateral agreements with us.

I think they would start searching for some alternative to the NATO alliance exclusively. I don't think they would abandon NATO but they would just have to start feelers to the East to see if they could have some insurance here to avoid a confrontation when we ourselves have proven unable to lay the groundwork for nuclear arms control.

We would have a very serious problem, too, in trying to restrain other potential nuclear powers from coming into being.

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There are at least a dozen or more nations right now who have the technological capability of developing nuclear explosives. We have exerted a tremendous amount of effort, I and the Congress, in trying to restrain those nations and keep them from becoming nuclear explosive powers.

India, Pakistan, Iraq, South Africa, Argentina, Brazil, South Korea, Taiwan, and so forth, and others that I could name if I wanted to, have been restraining themselves with a large part of their restraint predicated upon the anticipated voluntary control by the Soviet Union and the United States. If we should fail in this, it would be almost impossible for me to go to the President of Brazil or the Prime Minister of India and say, "Please do not develop a nuclear explosion." It would make me look ridiculous to try to continue that effort that I have been pursuing.

And the last thing that concerns me that I will mention this afternoon because of the pressure of time, it would give the Soviets an enormous propaganda weapon to use against us. They would be identified, at least in their own mind and maybe in the minds of many non-aligned countries around the world as a peace-loving Nation. They would certainly hammer at this point -- "We ourselves believe in nuclear arms control, but look what the United States has done." In the peaceful competition that I described earlier with the Soviet Union, we would be at a decided disadvantage if we should reject this major move toward increased peace throughout the world, toward increased security for the United States, toward increased control of the world's most destructive weapon.

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QUESTION: Mr. President, Herb Kamm of the Cleveland Press, sir.

Mr. President, I would like to turn to a political question. As you no doubt are aware, the Chairman of the Democratic Party in Cuyahoga County is leading an effort to encourage Senator Kennedy to run as President.

THE PRESIDENT: Yes, I have heard that. (Laughter)

QUESTION: Would you mind commenting, sir?

THE PRESIDENT: Well, what the local political organization does is something that I can't control. I have not talked to him about it. I would be glad to, if he has some particular concerns.

I think that this is the case in several instances around the country. It is certainly not an unprecedented political circumstance in the year prior to a Presidential election year. I am not a candidate, I am a President. I don't have any intention of announcing my own plans until late this year.

But Senator Kennedy is a very popular and attractive man. If he became a candidate, he would be a formidable opponent for anyone else who ran. If I decided to run, I wouldn't have any fear of meeting that kind of competition. It was there for me to face when I was an unknown Governor planning my campaign when Senator Kennedy was the prime potential opponent.

Senator Kennedy has announced repeatedly that he is not a candidate, he intends to support me; thinks I will get the nomination. I think he is pleased with that. I take him at his word. It doesn't cause me any deep concern. I would like to have the full and enthusiastic support of the Democratic leaders in the Cleveland area, Cuyahoga County and also throughout Ohio, indeed the entire Nation. But I have to make difficult decisions. I am responsible for them. I have no aversion to them.

People naturally get concerned about particular issues or ideas. I don't know what the motivations of the County Chairman are, but I have confidence that eventually the Democrats will make the right decision, and the American people. (Laughter)

QUESTION: Mr. President, Richard Grimes from West Virginia. There is a feeling in the State that your strong commitment in 1977 for coal has eased up somewhat, I think a lot having to do with the EPA regulations that are slowing our sale of coal. Is that true?

THE PRESIDENT: No. I doubt that any other Administration has ever done as much to encourage the present and future production of coal as we have.

It has been a top priority for us. We want to increase the production and use of coal tremendously in this country. We passed, by law, restraints on major stationary power plants, against the future continued use of oil and natural gas and substitutes for coal.

We have tried to encourage the use of coal in this respect. I think the new settlement between the United Mine Workers and the operators has provided a degree of stability and an absence of wildcat strikes and so forth that is encouraging.

I think in the long run, the sure supply of coal, without unexpected interruption, is going to be helpful. Under the chairmanship of Governor Jay Rockefeller, a commission made up of all elements of the coal industry is now preparing a report for me that would give advice to me and the Nation on how we can increase the use and production of coal.

I have asked all the agencies who are interested in the Federal Government, who have a responsibility in the Federal Government, to prepare advice for me on how we can increase the consumption of coal in our Nation. We are running out of oil and gas. Our basic energy proposal to the Congress in April 1977 contemplated an enormous increase in the production and use of coal.

We have tried to deal with the transportation problems that affect the coal industry, not only in West Virginia, but throughout the Nation. My guess is that when the environmental protection standards are promulgated as is now required by Federal court order, that the need of our Nation for the use of coal will be a major factor in their decision.

I have met around this table within the last two weeks with the United States Senators, I think from 12 different coal-producing States, to get all of their ideas on the consequences of this decision. It is made by EPA, an independent agency, and the EPA Administrator was here. He is a sound person and he is working with people who have a balanced view of the quality of our environment and the need to meet our energy requirements.

So I don't think the people of West Virginia need to fear any deviation of my Administration in enhancing the production and the use of coal.

The last thing is that if we get -- if and when we get--the windfall profits tax and the Energy Security Fund, we will have substantial increased monies for pilot plants for the liquefaction and gasification of coal and research and development on new ways to use coal that would be of tremendous benefit to West Virginia, and to other States.

QUESTION: Mr. President, I am Ed Belkin, news director of KYW News Radio, Philadelphia. Citizens in the northeast are increasingly disturbed with military facilities being closed or shifted to the so-called Sunbelt States from what is already an economically depressed area. I am sure you know all too well the case of Frankford Arsenal, the battle of the aircraft carrier Saratoga is underway, yet, between Philadelphia and Newport News. Now, of course, is the issue of basic training at Fort Dix. What are you doing to ensure that this apparent imbalance is corrected so that all these facilities are not shifted out of the northeast and that the thousands of jobs and millions and billions of dollars that would go with these facilities are not shifted elsewhere?

MR. PRESIDENT: Economic factors and balance of military placement in the country are both factors in the ultimate decision. The primary factor, however, is how to enhance our Nation's security to an optimum degree within budgetary and personnel constraints.

I have never interfered in a very carefully evolved decision by the Department of Defense in deciding how to modify the base structure. I think that we have proven, since I have been in office, to have the best interest of Philadelphia at heart.

We recognize the adverse economic impact of the Frankford Arsenal decision. It was reassessed after I got into office and again, after considering all the factors, the Defense Department felt this change was advisable. I did not dispute that final decision. We assessed all the economic factors as well as the military factors.

On the Saratoga, we could save some money by having the repairs or the overhaul of Saratoga performed at Newport News.

But I feel that it is very important for the shipyard, not only at Newport News, but also in Philadelphia, the Navy shipyards, to be kept available for future use in case of a national emergency. My Administration, with the full knowledge of the Newport News people, went all out to assure that the major overhaul of the Saratoga would be carried out in Philadelphia. It was done on the basis of merit and although it cost a little bit more to do the actual overhaul, it preserves the entity itself and the strength of the Philadelphia shipyard for future use in a balanced fashion.

These are very complicated decisions. They have in the past been fraught with political interference. I don't believe that anybody could accuse me or my Administration or the Defense Department, Charlie Duncan, the Deputy that makes the basic recommendation, of ever making one of these decisions on the basis of politics, not to get votes or anything else.

Sometimes we aggravate some extremely interested and dedicated and competent Members of Congress when those changes are made. But in balance, I can tell you that every decision has been made to the best of my ability, in the best interest of our Nation's security, within the budgetary and personnel limits.

And we, on some occasions, we make a decision like in the Philadelphia shipyard overhaul case of the Saratoga to preserve the ability of a defense establishment for future use in case of an emergency. That is the best answer I can give you.

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QUESTION: Raul Parra from the Spanish Television Network, Albuquerque. Are there any definite plans on how to deal with the illegal aliens influction from Mexico and the possibility of implementing the bracero program again?

THE PRESIDENT: We have no plans to use the bracero program again. As you know, I presented to the Congress my first year in office, after a great deal of study, a proposal on how to deal with the undocumented workers -- there are many names for the same people, some illegal aliens, some undocumented aliens. I lately have been calling them undocumented workers. The other day somebody suggested we call them undocumented taxpayers. (Laughter)

But the Congress has not been willing to act on my recommendations. The Hispanic American community is sharply divided on the issue because the undocumented workers coming into our country compete in some areas for scarce jobs, as you know. In other cases, those very same American citizens who have Mexican heritage would like for their relatives to come here, and the pressures from economics in Mexico are quite severe now. But Mexico, with a large prospective improvement in their economy in the future because of the gas and oil discoveries, I think will help to assuage this problem. I have met with Lopez Portillo, the President of Mexico, on this subject at length. I have sent Reubin Askew, the former Governor of Florida and the Chairman of my Commission on Immigration, down to meet for several days with the President of Mexico, the Secretary of State, the Foreign Minister and others. We are trying to evolve a program that would be fair. I think for the first time, at least in my historical memory, Mexico and the United States Government are now working in harmony to try to hammer out a reasonable and fair approach to the problem.

I don't say that we will be together at the end, but we are working together. The last thing is that I have pledged to all the minority groups in our country, and to the people of Mexico, that undocumented workers who are in our Nation and who do not have a legal

right to be here, will be treated fairly. They will not be abused. Their constitutional -- human -- rights will be preserved.

I am sworn on my oath to uphold the law and the Constitution of my country. There is no way that I can condone the illegal crossing of our border. But we are working the best we can to deal with the question that has been long in existence and to do it humanely and fairly and legally. Some modification of the law will be required.

The Commission that has now been established will make those recommendations. I and the Congress are waiting for the recommendations to be made.

PATRICIA BARIO: Thank You, sir.

THE PRESIDENT: Thank you. I will take one other question.

QUESTION: Hal Rosen of Chicago. Earlier this week on Monday, Joseph Sisco, speaking before the Chicago Foreign Relations Council, said that while it is official U.S. policy that we don't recognize -- or make contact, rather, with the PLO unless they recognize 242, that he sees modification in this in the future.

While he is not an official government spokesman, obviously, does his view reflect any change in our policy?

THE PRESIDENT: There has been no change. I don't contemplate any change. Our Nation is pledged, again, on our word of honor, which I have corroborated since I have been in office, that we will not deal with the PLO until they accept UN Resolution 242 as a basis for negotiations which all the other Arab entities have done, and until they recognize the right of Israel to exist.

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I think that any such meeting on any kind of official basis would be counterproductive. We are not doing it surreptitiously. We are not cheating on our commitment. Obviously, as is well known by Israel, there are members of the PLO, individual members, who are mayors of major cities, for instance, on the West Bank and the Gaza Strip. Both we and the Israelis deal with them as Palestinians, not, however, in their capacity as members of the PLO.

So there has been and will be no change in this policy.

I have got time, I think, if you would let me, to have either one more question or get an individual photograph with everybody here. My preference would be to get a photograph. (Laughter)

We only have three or four minutes, so if you would come by, I would like to just shake hands and we will have a photographer standing here. We will send you the photograph.

END (AT 1:45 P.M. EDT)

THE WHITE HOUSE
WASHINGTON

21 May 79

Secretary Califano
Secretary Marshall
Stu Eizenstat
Jim McIntyre
Charles Schultze

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

Rick Hutcheson



THE WHITE HOUSE

WASHINGTON

May 15, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
JIM McINTYRE
CHARLES SCHULTZE
JOSEPH CALIFANO
RAY MARSHALL

SUBJECT: Welfare Reform

In January, you directed us to consult with interested parties around a welfare package that would cost about \$5.5 billion in FY 1982. You later agreed to postpone, pending consultations, a final decision on whether to add roughly \$500 million to the package in order to finance "cashing-out" food stamps for a portion of the aged, blind, and disabled (SSI) population.

This memorandum:

- ° reports to you on the results of our consultations;
- ° reports our agreement that a \$400 million version of the cash-out be included;
- ° recommends that the cash-out be financed within a \$5.7 billion total by proposing a smaller increase in the Earned Income Tax Credit than described to you in January;
- ° provides other background information.

DESCRIPTION OF THE PROPOSAL

During the last 15 weeks HEW, DOL, USDA, and DPS staffs have discussed the broad outlines of our proposal with key members of Congress, state and local government officials, and interest group representatives. We have made improvements in the proposal that we believe, will increase its acceptability, but that do not alter in important ways its basic philosophy, program elements, or costs.

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To recapitulate, our proposal will

- ° increase and emphasize employment and training opportunities for the low-income population in both the private and public sectors by
 - establishing a program of intensive job search with supportive services to assist participants in obtaining private sector employment during a mandatory 8-week job search period;
 - providing an estimated 45,000 new private sector jobs through on-the-job training and the WIN tax credit;
 - targeting 170,000 existing CETA Title II job-training slots on welfare eligibles; and
 - creating 375,000 additional new CETA job-training slots exclusively for welfare eligibles.

This component will be a key method for increasing the incomes of the employable poor while reducing welfare dependency and providing useful services to communities. Governors will have more flexibility and more responsibility to strengthen linkages between cash assistance and local employment and training programs under state plans subject to approval by the Secretary of Labor.

- ° improve the fairness and adequacy of AFDC by
 - providing a national floor under combined AFDC plus Food Stamp benefits at 65 percent of the poverty line, raising benefits to 800,000 people in the 13 lowest benefit states;
 - providing cash assistance to two-parent families in all states during an initial 8-week job search period and when no job or training opportunity is available in either the public or private sector. (Only 27 states now have two-parent coverage);
 - simplifying the benefit computation and eliminating several sources of inequity in the current system.

- improve welfare administration by
 - aligning definitions of income and assets in the AFDC program with those in Food Stamps;
 - requiring more regular reporting of actual income on a retrospective, not prospective, basis;
 - standardizing the current set of itemized work expense deductions in AFDC;
 - negotiating in advance the rate of Federal reimbursement for administrative expenses; currently we reimburse States for one-half of their administrative expenses on an open-ended basis;
 - building upon current anti-fraud and anti-waste efforts such as HEW's computer matching and quality control programs.
- expand the Earned Income Tax Credit to provide greater assistance to low-income working families;
- provide about \$900 million of fiscal relief to state and local government.

The proposal would increase the incomes of 2.3 million families, removing from poverty 800,000 families containing about 2.2 million persons. About 200,000 families, 6% of the AFDC caseload, would have reduced incomes averaging about \$70 per family per month. The primary cause of these benefit losses are the reduction in AFDC eligibility ceilings and the inclusion of EITC benefits in the income of AFDC recipients. In addition, the more accurate and timely monthly retrospective accounting and reporting system will reduce AFDC payments by \$290 million. Overall, the AFDC, jobs, and EITC components of the proposal makes 40% of the existing caseload better-off, 6% worse-off, and leaves 54% about the same. One million families who do not currently participate in AFDC would be made better-off. The partial SSI cash-out makes about 1.3 million SSI recipients better-off, including about 750,000 who are currently eligible for Food Stamps but do not now participate. Some 160,000 persons would have their incomes reduced by the cash-out, but these persons will be "grandfathered," that is, the current level of their benefits will be maintained.

The proposal is in two bills as a tactical measure to aid passage. They have been developed and must be presented as an integrated effort. If we get only the cash bill, welfare rolls would increase greatly, few incentives for work would be added and many would assert that present incentives have been eroded, almost no fiscal relief would occur, federal costs for welfare would rise steeply. If the jobs bill alone were passed, we would have more than doubled public service jobs with no improvements in the welfare system and added \$5 billion to the CETA budget. As a matter of public posture and program integrity, it is essential that the Congress understand that the two bills are linked.

FY '82 NET FEDERAL COST OF
ESTIMATED WELFARE REFORM PACKAGE
(\$ Billions)

<u>Cash Bill:</u>	AFDC Reforms	1.8	
	EITC Expansion	.8	
	SSI Food Stamps Cash-Out	.4	
	Cash total		3.0
<u>Jobs Bill:</u>	(Gross)	(5.0)	
	(Cash and Program Savings)	(-2.3)	
	Jobs Total		2.7
Total Net Federal			<u>5.7 billion</u>
Fiscal Relief included above:			\$.9 billion

CONSULTATIONS AND POLITICAL PROSPECTS

Although Congressional concern about spending poses substantial difficulties, it now seems possible to build a broad, centrist coalition, tapping liberals who favor raising the lowest welfare benefits and providing greater work opportunities, conservatives who favor improving welfare administration and making work requirements meaningful, and state and local governments that support both of the above aspects but most of all want relief from welfare costs. We should not delude ourselves that welfare reform will have easy passage: Indeed, it is a decided long-shot. But it is a significant proposal on behalf of the poor, and, in those terms, is an initiative worth launching. A summary of our findings follows:

House

- o Jim Corman, the Ways and Means subcommittee chairman, has agreed to cosponsor our proposal, but has made it clear that he will support welfare reform legislation only if it contains a cash-out of Food Stamps for the SSI population. The degree of his enthusiasm for our modest proposal varies from one discussion to another, but if given the partial cash-out he should be supportive. Corman will support some changes in our bill in subcommittee. The cash-out issue is discussed in the following section.
- o Al Ullman will support the bill, but will insist on no major cost increases above the \$5.5-6.0 billion range. Both he and Corman may seek to modify certain provisions.
- o Tom Foley will probably not actively oppose the partial food stamp cash-out but will insist on sequential referral of that provision to his committee.
- o Gus Hawkins and Carl Perkins, chairmen of the jobs subcommittee and full committee, are supportive. Although there are problems with CETA in the House, we believe that the Committee will act on the legislation. For Gus Hawkins the welfare reform jobs are a link to the Humphrey-Hawkins commitments. We do not expect a battle to restructure the CETA system or wage levels, since the bill is largely a change in authorized spending levels under Title II.

Senate

- o Pat Moynihan will press for more fiscal relief than we can offer and is, as you know, hard to pin down on the type of welfare reform he favors.
- o Russell Long has said he opposes a national minimum benefit and our modest coverage of two-parent families. He should support our EITC expansion and administrative simplification and tightening proposals.

- Ted Kennedy will probably be generally supportive, but will offer several liberalizing amendments.
- Gaylord Nelson will introduce the jobs bill.
- Henry Bellmon is enthusiastically supportive and has offered to speak to moderate and conservative Republicans in support of our package.
- Moderate Senate Republicans such as Jack Danforth and Jacob Javits should be supportive.

Interest Groups

- State and local government groups are generally supportive, but will press for more fiscal relief.
- AFL-CIO should be able to support most of the proposal, but will oppose strongly our proposal not to provide EITC benefits to CETA workers in the newly created Title II-E jobs for welfare eligibles. We withhold the EITC in order to provide an incentive for those workers to seek private sector jobs which do carry EITC benefits, and to reduce our costs (by \$400 million).
- Welfare and liberal groups will support our general approach, but share the AFL-CIO's view on the EITC. They also oppose the various FY '80 budget savings and administrative tightenings which make some recipients worse-off.

KEY ISSUES

1. Fiscal Relief

Moynihan, Rangel and some others continue to press for more fiscal relief, with support from the high benefit states, the National Governors Association, and the National Association of County Officials. On the other hand, there remains solid opposition to any fiscal relief absent important changes in the welfare system. We hope to use these competing forces to gain support for our middle-of-the-road fiscal relief proposal, which has four important aspects.

- About \$900 million in FY 1982.

- o No interim relief for 1980; no administration position as yet on the important bargaining issue of fiscal relief in the \$1.5 billion reserved in your budget for FY 1981 phase-in of cash/jobs. (It would be premature to take a position on this issue now. This is in part because we want flexibility to negotiate the phasing as the bills go through committee and also because the very tight 1981 budget situation may require you to limit sharply any welfare reform spending in 1981.)
- o A temporary guarantee that states will pay no more than 95% of their pre-reform costs. This should help alleviate state concerns that unexpected caseload growth might totally swamp the \$900 million.
- o A pass-through of fiscal relief to local governments in proportion to their share of costs. This follows last year's consensus but irritates some New York City and local government advocates who would prefer tilting relief away from the states. Recall that in only a dozen states is there a major local role in financing AFDC, although it seems to be an issue only in New York. We have worked closely on this issue with officials of both New York City and New York State. We are in the process of determining whether the former, unified city/state position on proportional pass-through still holds.

2. Jobs

The jobs bill is separated from the cash assistance program. Congressman Hawkins may try to move the program in the direction of a guaranteed job. He is unlikely to succeed, and the House Education and Labor Committee will probably report out something close to our proposal.

Our estimates assume FY '82 appropriations sufficient to meet the expected demand for public jobs among the welfare-eligible population, including those required to work and those who volunteer (primarily single women with young children). DOL has cut the number of slots to levels which seem to be the minimum number which will allow us to claim that the expected employment needs of the welfare population will be served. While this is not a job guarantee, it affirms your commitment to make a qualitative shift from cash assistance to employment and training services.

Our recommended approach entails neither a job guarantee nor an entitlement to funding for the CETA prime sponsors. We feel that actual program levels should be contingent on a number of factors, including macroeconomic circumstances, the performance of CETA Title II, and our ability to encourage private employment through the employment tax credit, the proposed job search assistance program, the on-the-job training program, and other measures.

Jobs provide

- ° a major portion of the income improvement for poor in this package;
- ° over half of the fiscal relief;
- ° fulfillment of your pledge to redirect the welfare system to a work-oriented program.

In view of the current budget pressure on CETA and recent revisions of the whole system which have not yet been fully implemented, we expect some Congressional resistance to any expansion of CETA.

3. For Your Decision -- Work Incentives for Two-Parent Families

A key principle in your comprehensive reform proposal was that work incentives should be strengthened by ensuring that work is more rewarding than welfare, and private jobs are more rewarding than public service employment (PSE). As a result of consultations and further staff analysis our recommendation to you now varies from the program we described in January in two important respects:

- ° We had proposed to encourage roughly 15 comparatively high-benefit states to keep two-parent benefits below PSE and private wages by eliminating all federal match for benefits above 80% of poverty. The affected states contain three-fourths of the current two-parent caseload.

Consultations have persuaded us that this provision is politically insupportable and potentially fatal to our hoped-for coalition.

- ° We had proposed an EITC expansion of \$1.3 billion, or 72% over current law, in order to increase earnings and hence the attractiveness of low-wage jobs.

Our consultations identified little interest in new EITC expenditures as a component of welfare reform, as distinct from a general tax bill. Nevertheless, we continue to believe that the EITC is programmatically important, provides help to the working poor, and is supported by Russell Long. We now

recommend only an \$800 million expansion in the EITC (or 44%) in order to accommodate certain increases in cost estimates and the partial cash-out of food stamps.

In short, while the package will greatly expand work and training opportunities and strengthen job search assistance, there is no broad and substantial improvement in financial incentives to work. It would be difficult to make such an improvement without substantially increasing the number of welfare recipients or the costs of the proposal.

In an effort to strengthen work incentives, the cash bill we now recommend

- excludes the new Title II-E welfare jobs from the EITC in order to increase the relative attractiveness of private employment.
- requires states who refer welfare recipients to jobs with net earnings less than welfare, to supplement the wages out of state-financed General Assistance programs.

The latter provision requiring wage supplementation has a slight fiscal impact on the states (-\$60 million) which is substantially less than their fiscal gain from moving a person from jointly financed large welfare payments to a job with a very small state-financed supplement. If implemented, this wage supplement approach would ensure that work is better than welfare while giving states a continuing financial incentive to keep welfare benefits for those expected to work just below prevailing entry wages.

Your advisors, however, are divided on one work incentive question. If a referral of a welfare recipient to a job would require supplementation because the wages (minus work expenses) in that job are lower than the cash benefit,

- (a) should states be required to make that referral (and supplement), or
- (b) should referral (with supplementation) be left to the discretion of the states.

Your advisors agree that -- because referral to jobs creates substantial savings to the states -- in the great majority of cases, the referral will take place regardless of a federal mandate. Therefore your decision on this issue will have no budgetary impact.

OMB argues that, as no recipient would be made worse off by referral, the political advantage of being able to say that our bill in every instance requires welfare recipients to be placed in available jobs at the minimum wage justifies a federal mandate. The agencies, DPS and CEA argue that (1) a mandate will have little impact on the actual behavior of the states, (2) the mandate will cause bureaucratic difficulties and (3) states will object to the requirement, and that therefore we should not impose a mandate in this area.

Decision

- Mandate referral and supplementation (OMB) 
- Leave to discretion of states (Agencies, DPS, CEA)

4. For Your Decision -- Food Stamp Cash-Out for SSI

The \$5.5 billion you authorized in FY 1982 did not include the cost of cashing out Food Stamps for the low income aged, blind and disabled recipients of Supplemental Security Income. You authorized us to consult on the advisability of a cash-out and deferred a decision on this issue pending our consultations. Summary arguments follow.

For the cash-out:

- ° Food stamp participation rates among this population are very low (under 40% nationwide). Furthermore, although SSI offices will eventually be processing food stamp applications, any status changes must be processed by the state food stamp offices. Thus, in many instances, the elderly and disabled will still have to contend with two separate offices and administrative structures.
- ° Currently the Federal SSI benefit for an individual with no other income is \$189 per month. Only 40% of SSI recipients receive state supplements, with the most generous being a total benefit of \$316. The monthly poverty level is about \$275. Distributing the typical cash-out amount of \$30 (current dollars) to people with such low incomes is channeling money where it is most needed.

- ° The cash-out is a first step toward your goal of consolidation of programs within the welfare system. While this is far less than the comprehensive reform proposal of last year, it is important to establish the principle so that it can be advanced in the future. This is real welfare reform.
- ° Rep. Corman has made it very clear that he will not support, and may not introduce, a package without this cash-out. He, like many liberals, finds very little in the cash bill that will help the poor in states outside of the South. We have struggled to get Corman on board a greatly reduced plan. Without a modest cash-out in our proposal we cannot go forward with welfare reform and have any prospect of success.

Against the cash-out:

- ° Although Agriculture Chairman Foley will probably not actively oppose the cash-out, it will require a referral to the Agriculture Committee. We can expect political complications there.
- ° We may be criticized for diluting the food stamp constituency by removing its most influential elements -- the elderly and handicapped. This concern has been expressed by Congressman Foley and by the AFL-CIO, which will oppose the cash-out.
- ° This provision has programmatic drawbacks. It is only a cash-out for that portion of the SSI population (54%) which lives in SSI-only households. A broader cash-out would be quite costly. The details are difficult to explain, though not difficult to administer.
- ° CEA and OMB believe that although the cash-out is desirable other uses of the \$400 million, including the EITC, have more programmatic merit.

DECISION

Agree to partial cash-out for SSI (recommended by all)

Do not agree (in which case, your advisors, would like to meet with you)

✓

J

5. For Your Decision: Overall Cost

You approved consultations based on a \$5.5 billion cost, plus exploratory discussions on an additional \$500 million for the cash-out. Your advisors recommend a \$5.7 billion package which includes the cash-out and which "absorbs" several cost re-estimates by shaving or reformulating the components. Reducing the program still further would do serious political and substantive damage:

- o Reducing the number of jobs would make less defensible any claim that we expect to meet employment needs of welfare-eligibles.
- o Further trimming of the EITC would make that component too small to serve any programmatic or political objectives.
- o Eliminating the cash-out would guarantee no support from Corman, the Subcommittee chairman.
- o Eliminating various small AFDC improvements would greatly stiffen liberal opposition to the several administrative tightenings and cost-saving provisions. They already view the AFDC component as a mixed blessing, at best.

Since your advisors are agreed on this \$5.7 billion package but cannot agree on a reduced \$5.5 billion package, if you do not approve the higher figure we would request a meeting with you.

DECISION

Approve \$5.7 billion package (recommended)

Disapprove, with meeting

Meeting

do not ask me to approve a higher figure in the future.

J

THE WHITE HOUSE
WASHINGTON

5/21/79

Tim Kraft
Arnie Miller

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

Rick Hutcheson

FOR ACTION
FYI

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND
<input type="checkbox"/>	NO DEADLINE
<input type="checkbox"/>	LAST DAY FOR ACTION

<input type="checkbox"/>	VICE PRESIDENT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	KRAFT
<input type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input type="checkbox"/>	RAFSHOON
<input type="checkbox"/>	WATSON
<input type="checkbox"/>	WEXLER
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	MCINTYRE
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<input type="checkbox"/>	ADAMS
<input type="checkbox"/>	ANDRUS
<input type="checkbox"/>	BELL
<input type="checkbox"/>	BERGLAND
<input type="checkbox"/>	BLUMENTHAL
<input type="checkbox"/>	BROWN
<input type="checkbox"/>	CALIFANO
<input type="checkbox"/>	HARRIS
<input type="checkbox"/>	KREPS
<input type="checkbox"/>	MARSHALL
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VANCE

<input type="checkbox"/>	ARONSON
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	CRUIKSHANK
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HERNANDEZ
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	KAHN
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<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SANDERS
<input type="checkbox"/>	WARREN
<input type="checkbox"/>	WEDDINGTON
<input type="checkbox"/>	WISE
<input type="checkbox"/>	VOORDE
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<input type="checkbox"/>	ADMIN. CONFIDEN.
<input type="checkbox"/>	CONFIDENTIAL
<input type="checkbox"/>	SECRET
<input type="checkbox"/>	EYES ONLY

THE WHITE HOUSE

WASHINGTON

May 14, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT ^{TK}
ARNIE MILLER ~~AAA~~

SUBJECT: National Alcohol Fuels Commission

In November 1978 you signed a bill which in part creates the National Alcohol Fuels Commission. The purpose of the Commission is to study the long and short-range potential for alcohol fuels from biomass and coal.

The Commission is composed of nineteen members: six, including the Chairman from the Senate; six, including the Vice Chairman from the House; and seven of whom you must appoint from the public. Senator Birch Bayh is the Chairman, and we have worked closely with him in making these selections:

Philip French (Indiana): Assistant Executive Vice President of the Indiana Farm Bureau Cooperative Association, Inc. He is responsible for Petroleum, Crops, Livestock and Poultry, and Farm and Building Supply Operations. He would lend credible agricultural experience to the Commission.

James B. Creal (Virginia): President of the American Automobile Association since 1976. He has been active on the Hill in promoting interest in gasahol, and launched with President Ford a national voluntary gasoline conservation program in 1975. He would bring a broad consumer perspective to the Commission.

C. Fred Jones (Florida): Has served in the Florida House of Representatives since 1970, and is the Chairman of the Transportation Committee. He is also a farmer and a businessman. He is very knowledgeable on the subject of alternative energy sources.

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for Preservation Purposes

Theodore A. Schwartz (New Jersey): An environmentalist lawyer who has served as Deputy Attorney General of New Jersey (1965-1970). He has substantial expertise on the technical, economic, legal, social and environmental factors relative to the use of industrial and municipal waste and sewer sludge in energy conversion.

Serge Gratch, Ph.D. (Michigan): Director of the Chemical Science Laboratory of the Ford Motor Company. He has broad scientific expertise in the area of automotive emissions and pollution.

Sharon Peterson (Montana): Member of the National Gasahol Commission and has been instrumental in organizing a gasahol caravan to Washington, D.C., and in numerous other gasahol projects in Montana.

Charlene Block (Connecticut): International Representative of UAW. She has been working on the Northeast Energy Congress, and also serves on the Solar Energy Board.

RECOMMENDATION:

Appoint the above slate of candidates to the National Alcohol Fuels Commission.

approve

disapprove

**Electrostatic Copy Made
for Preservation Purposes**

PHILIP F. FRENCH
ASSISTANT EXECUTIVE VICE PRESIDENT
INDIANA FARM BUREAU COOPERATIVE ASSOCIATION, INC.

Philip French, Assistant Executive Vice President of Indiana Farm Bureau Cooperative Association, Inc., is a native of Noble County, Indiana. He has been employed by the Farm Bureau Cooperative System in Indiana for 25 years. He started as an office manager, served as an auditor for the Indiana Farm Bureau Co-op, as Assistant Manager of the Clay County Farm Bureau Co-op, and as General Manager of the Allen County Cooperative Association.

As Assistant Executive Vice President, he is responsible for Petroleum, Crops, Livestock & Poultry, and Farm and Building Supply Operations; Economic and Market Research and Communications Services Departments of IPBCA.

He is IPBCA's representative on the board and executive committee of CE Industries, is President of Agri-Petco International and Cooperative Seeds, Inc., and is Vice Chairman of the American Institute of Cooperation.

3/29/79-kb

JAMES B. CREAL

President
American Automobile Association

J. B. Creal has been with the American Automobile Association since 1955. He became executive vice president in 1971 and was named AAA president in September 1976.

Under Creal, AAA has become increasingly involved in matters of national concern to the motorist consumer. In areas such as traffic safety, automotive engineering, improved repair facilities, safety of international tourism and highway maintenance, AAA has stepped up its traditional efforts. Since 1973, energy has been a major concern for AAA.

Before the Arab Oil Embargo, AAA was encouraging members to conserve gasoline. Then in 1973-74, AAA clubs were reporting on gasoline availability at over 5,000 stations nationwide to help motorist travel without being stranded. In 1975, with President Gerald Ford, Creal launched GAS WATCHERS a national voluntary gasoline conservation program.

Creal's interest in maintaining the freedom of mobility for American motorists has sparked AAA's efforts since 1973 to study and promote domestic alternative motor fuels. Creal's decision to underwrite the cost of the Congressional Alcohol Fuels Demonstration in June of 1978, to offer free tankful of gasohol to members of Congress and the Administration, heightened interest in alcohol-gasoline blends in the Capitol and in AAA clubs across the nation. Ten distinguished senators and congressmen sponsored this event with AAA.

Creal is on the boards of directors of the American Society of Association Executives and the Highway Users Federation for Safety and Mobility. He has served as a member of the National Highway Safety Advisory Committee which counsels the Secretary of Transportation on highway safety matters. Creal is a member of the board of advisors of the Alliance to Save Energy (ASE), and chairman of ASE's Transportation Committee.

He is vice president of the International Automobile Federation (FIA) Paris, president of the North American Region and member of the Finance and Management Committees of the International Touring Alliance (AIT) Geneva, and member of the board of directors of the Interamerican Federation of Automobile and Touring Clubs (FITAC) Buenos Aires.

Born in Terre Haute, Indiana, Creal served in the U.S. Marine Corps and attended George Washington University prior to joining AAA.

He and his wife Dairdre live in Arlington, Virginia.

C. FRED JONES

P. O. Box 1246
Auburndale, Florida 33823
(813) 967-6400

330 House Office Building
Tallahassee, Florida 32304
(904) 488-3483

PERSONAL: Birthdate - April 19, 1930
Married - 3 Children

OCCUPATION: Farmer - cattleman and citrus grower.

Legislator - Chairman, Transportation Committee, Florida
House of Representatives.

EDUCATION: Polk County public schools; University of Florida 1948-52,
Bachelor of Science degree in Business Administration (Phi
Eta Sigma, Student Council, Honor Court, Florida Blue Key).

MILITARY SERVICE: U.S. Air Force, 1952-54; overseas staff auditor with 3rd
Air Force - completed duty as First Lieutenant.

BUSINESS EXPERIENCE: Proctor & Gamble Distributing Company in Jacksonville after
graduation and following military service; sales, staff,
two years; National Cylinder Gas Company - Tampa, two years;
Adams Packing Association, Auburndale - seven years;
Assistant to harvesting superintendent, then full responsibility
for harvesting operation for three years; International Paper
Company - 1965 to 1970; Personnel supervisor, industrial
engineer and territory manager.

MEMBERSHIPS: Auburndale Rotary Club (President 1960-61)
F & AM No. 135, Scottish Rite, Egypt Temple Shrine
Citrus Center Boys' Club, Member Board of Directors
Tri-County Mental Health Board, Inc., Member Board of Directors
Florida Farm Bureau
Florida Citrus Mutual
Polk County Cattlemen's Association
First Baptist Church in Auburndale

OFFICES: Elected to Florida House of Representatives in 1970, reelected
subsequently; Mayor of Auburndale, 1962-63; Chairman of
Auburndale Centennial Committee, 1961; Chairman, Polk County
Heart Association, 1971.

HONORS: Member, Governor's Advisory Committee on Transportation; Member, National Conference of State Legislatures Committee on Transportation; Named "Legislator of the Year" of Florida House of Representatives (1972) by Florida Farm Bureau Federation.

Began legislative career in Florida House of Representatives in 1970. During 8 years as a legislator served on seven different committees including Agriculture & Citrus; Community Affairs; Elections; Appropriations; Education; and Rules & Calendar. Appointed Chairman of the Transportation Committee in December 1974, and has been reappointed through 1980.

Under Representative Jones' direction, House Transportation Committee developed a long-range plan to make Florida's Department of Highway Safety & Motor Vehicles the most progressive and innovative in the area of highway safety of any state in the nation.

Has a strong personal interest in the subject of alternate energy sources and is familiar with research being conducted at the University of Florida on the potential for alcohol fuel production.

BIOGRAPHICAL DATA
THEODORE A. SCHWARTZ

BIRTH PLACE: Born May 30, 1939
Brooklyn, New York

PRESENT ADDRESS AND FAMILY DATA:

2 Troy Drive
Livingston, New Jersey

Married - 2 children, ages 9 and 12

EDUCATIONAL DATA:

Forest Hills High School
New York City, New York
1954 - 1957
Participated in Varsity Athletics

Seton Hall University
South Orange, New Jersey
1957 - 1961
Received A.B. Degree in Political Science
Selected to Who's Who Among Students in American
Colleges and Universities, 1961.

St. John's University School of Law
Brooklyn, New York
1961 - 1964
Received LL.B. Degree
Received American Jurisprudence Prize for excellence
in legal studies.

LEGAL ACTIVITIES:

Admitted to the practice of law in the State of New Jersey
in 1965.

Admitted to practice before the U.S. District Court
in 1965.

Admitted to practice before the U.S. Supreme Court
in 1969.

Member of the New Jersey Bar Association and American
Bar Association.

GOVERNMENT LEGAL EXPERIENCE:

Served as Deputy Attorney General of the State of New Jersey - 1965-1970

In this capacity I represented the following State Agencies:

Department of the Treasury
1965 - 1966

Department of Health
1966 - 1970

Chief of the Attorney General's Task Force
on Pollution
1967 - 1970

Responsibilities Regarding Above

In the aforesaid capacity, I was responsible for representing all Agencies of the State of New Jersey that had jurisdiction over health and environmental matters. I was responsible for redrafting the Air Pollution Control Laws, Water Pollution Control Laws and Solid Waste Management Laws of the State of New Jersey. I restructured and streamlined State Agency Activities in order that all matters pertaining to Health and the Environment be coordinated into one Agency for more effective enforcement programs. I developed various environmental enforcement programs, which included the investigatory stage directly through the administrative hearing and enforcement process. As a Deputy Attorney General, I worked with numerous other State Governments to assist them in developing environmental enforcement programs. In this capacity, I participated in the activities of the National Association of Attorneys General regarding the development of effective environmental enforcement programs throughout the United States. As Deputy Attorney General, I was responsible for all legal and enforcement action regarding environmental litigation for the State of New Jersey. I developed and handled an extensive litigation program which resulted in the development of innovative remedies for enforcement of the State's Pollution Laws. e.g.

- A. State takeover of improperly operated municipal sewerage facilities.
- B. Imposition of building restrictions in many areas of the State wherein inadequate sewerage facilities existed.

- C. Curtailment of industrial production until adequate pollution control measures were installed.
- D. Successful in obtaining, during my term in office, the largest penalties for violation of the Air and Water Pollution Control Laws.
- E. Successfully defended substantial legal attacks on the State's Air, Water and Solid Waste Control Laws.
- F. Instituted the first legal action of its kind against the major airlines in the United States for control of air pollution from jet engines. As a result of said action, I obtained a national consent order requiring the major airlines to install anti-pollution equipment on all jet aircraft.

As a consequence of my extensive environmental activities as a Deputy Attorney General, I became recognized as a national figure in the fight against the pollution of our environment. Due to my earlier activities in the environmental area at a very early stage, I worked extensively with other state governments to assist them in the development of extensive pollution abatement programs.

Appointed by Governor Richard J. Hughes of the State of New Jersey to the New Jersey Clean Water Council - 1968

The Council was responsible for overseeing the State's water pollution control programs and making recommendations to the Governor and the Commissioner of Health regarding the effectiveness of the program and recommendations for improvement of the same.

Served as special consultant to Commissioner Henry L. Diamond of the Department of Environmental Conservation of the State of New York - 1970

In my consulting capacity, I was responsible for the review and overhaul of New York State's environmental programs, particularly in the area of enforcement methodologies. As a result of my work, the Department of Environmental Conservation was reorganized with a more effective enforcement program.

PRIVATE SECTOR EXPERIENCE:

I entered the private practice of law in June of 1970, and I am presently a partner in the law firm of Schwartz, Steinberg, Tobia & Stanziale, with offices at 141 South Harrison Street, East Orange, New Jersey 07019 and 350 Fifth Avenue, New York, New York 10001.

Upon entering the private practice of law, I devoted my legal activities exclusively to the area of environmental law. As a consequence of my specialization in the area of environmental law for the past nine (9) years, I have become actively involved in numerous matters both before administrative agencies and courts of law.

Since becoming involved in the environmental area for the State of New Jersey and the private sector, I have become intimately involved in the technical engineering aspects associated with environmental problems. I have developed the ability to converse and understand engineering requirements and needs in conjunction with the legal principles involved in environmental matters and litigation. I have testified at numerous hearings regarding proposed regulatory programs for government agencies and have appeared on behalf of private clients in the development of regulatory programs.

Due to the experience I have developed in the environmental area I am frequently called upon as a legal consultant and advisor to various government officials. I have developed a substantial law practice, strictly limited to environmental matters; and, as such, our firm represents many substantial private sector companies in the planning, development and regulatory aspects of environmental matters.

In the last seven (7) years, I have become intimately involved in the area of solid waste management, which includes both solid waste and liquid wastes. I have devoted over 60% of my activities in this period of time to all aspects of solid waste management matters. These include the development of collection, transportation, treatment, processing and disposal of all forms of solid and liquid wastes. I have been actively involved and have represented clients in the development of resource recovery facilities, energy production facilities from both solid and liquid wastes and reuse of waste materials for fuel conversion. I have also been intimately involved in the processing and treatment of industrial waste residues and sewage sludge in regard to their

reclamation, reuse and energy production on behalf of numerous private sector companies. In conjunction with my legal activities in the aforementioned respects, I have worked closely with many engineering consultants, both at the public and private level, in utilizing all aspects of processing, treatment, disposal and reuse of these wastes for productive purposes.

I have participated as legal advisor in preparation of the U.S. Environmental Protection Agency manual regarding ground water problems associated with land disposal solid waste facilities. 1975 - 1976.

I have participated in the preparation of a program sponsored by the New Jersey Institute for Continuing Legal Education concerning all aspects of environmental law. I assisted in developing the program and participated as a moderator and panelist during the program's presentation throughout the State.

I have been a frequent guest lecturer and speaker at numerous environmental programs sponsored by various public and private organizations associated with environmental matters.

To: Eve Labelin
363 Russell Senate Office Bldg.
Washington, D. C.

Dr. Serge Gratch is Director of the Chemical Sciences Laboratory of the Ford Motor Company. He received a B.S. degree in Chemical Engineering in 1943, a M.S. degree in Mechanical Engineering in 1945, and a Ph.D. degree in Mechanical Engineering in 1950, all from the University of Pennsylvania.

From 1943 to 1951 he was on the Mechanical Engineering faculty at the University of Pennsylvania. From 1951 to 1959 he was a Senior Research Scientist with Rohm & Haas Company, Philadelphia, Pennsylvania. ~~From September 1959 to June 1961 he was Associate Professor in Mechanical Engineering at Northwestern University.~~

Since September 1961 Dr. Gratch has held various research management positions with Ford Motor Company. From 1961 to December 1962 he was Supervisor, Processes and Devices Section, Applied Science Department. From January 1963 to February 1969 he was Manager, Chemical Processes and Devices Department. From February 1969 to January 1972, he was Assistant Director for Engineering Sciences and since January 1972 he has been Director of the Chemical Sciences Laboratory which includes the chemistry, chemical engineering, fuel sciences and polymer sciences departments. The programs under his direction include control of automotive emissions and of pollution from manufacturing operations, corrosion, plating, fuels and lubricants.

I am 38 years old, married to Garde Peterson Jr, Winifred, Montana . I have three children.

I am an active partner in our Farm and Ranch, feedlot and trucking business. We have a family corporation, and I am the secretary treasurer, basically I do all of the bookwork..

Some of the organizations I have been active in, and what they have accomplished are:

I helped organize, and have been an officer in, the Montana WIFE (Women Involved in Farm Economics) organization since its beginning. I am currently serving as Montana's Legislative Chairman, and Central Montana Area Spokeswoman.

I helped organize and have been very active in forming new chapters and helping more states organize WIFE chapters. I served on the Nominating Committee of the first annual convention in Sydney Nebraska. We are now organized in 15 states and have about 6000 members, and our membership is growing every day.

One of the projects of Montana WIFE was a convoy to Washington D.C. using Gasahol in our vehicles, which I organized. We drove from Glendive, Montana to Washington D.C. and to New York City, gathering rural women along the way to demonstrate the feasibility of Alcohol Fuels. We had great success, as a result of our convoy, legislation was passed, concerning Gasahol, and the people who were interested in the project formed a group to gather information from the various states. This group is known as the National Gasahol Commission, and at the last meeting in Denver there were over 450 people from all over the United States in attendance. I am a member of Cowbelles, both in Montana and Nationally, I also belong to the Farm Bureau and the Farmers Union.

I have been very active in the American Lutheran Church, and in youth organization in Winifred. I have served on the advisory council for the FFA.

I have served in every office of the Winifred Women's Club, and we have managed to build both a swimming pool, and a tennis court, for the people of the community.

I have gone to Washington D.C. to testify before the interior committee on Grazing fee increases on BLM land.

I worked very actively on the Campaign of Congressman Max Baucus for the United States Senate, which was successful.

I was a Democratic candidate for State Representative in District 47 in Montana. I was very narrowly defeated in a very Republican District.

I traveled to Washington D.C. last year to take part in the first conference for leadership of Rural American Women. I have been very active in Rural American Women since its beginning.

I was Chairman of the Agriculture Committee for the Democratic Platform in Mont. in 1978.

During the 1979 session of the Montana Legislature I have worked as a lobbyist for the WIFE organization. We have been able to pass several pieces of Legislation concerning Alcohol Fuels, and are hoping to be able to be in production before the 1981 session.

One of the best things that have happened in Montana for a long time, is the coalition of Agricultural Groups in the Montana Legislature this year. I have been a part of the Coalition. All of the Agricultural Groups meet together before testifying on Legislation and listen to each other's opinions, and come up with a unified stand. This has drawn a lot of attention, and we are hoping to keep working together after the session.

I have been doing a lot of volunteer work for the Montana State Democratic Party in Helena, while I have been here, as a part of a coalition lobbying together from that party we managed to defeat the recission of ERA in Mont., and the Calls for a Constitutional Convention, both to balance the budget and to outlaw abortion.

I recently was appointed Chairman of the advisory board to the Fergus County

NATIONAL ALCOHOL FUELS COMMISSION

Independent

AUTHORITY: 42 U.S.C. 5904
P.L. 95-599, Title I, Sec. 170, November 6, 1978

METHOD: Appointed by the President and see below

MEMBERS: NINETEEN

SLX, consisting of a Chairman and five members appointed by the President pro tempore of the Senate from the membership of the Committee on Energy and Natural Resources, the Committee on Appropriations, and the Committee on Agriculture, Nutrition, and Forestry of the United States Senate;

SLX, consisting of a Vice Chairman and five members appointed by the Speaker of the House of Representatives from the membership of the Committee on Appropriations, the Committee on Science and Technology, and the Committee on Agriculture of the United States House of Representatives; and

SEVEN appointed by the President from members of the public, including a broad representation from industrial, labor, agricultural, small business, and consumer groups.

Members of the Commission shall be appointed by February 1, 1979.
The Commission shall be established within sixty days of being provided with funds.

TERM: Pleasure of the President

SALARY: Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, per diem in accordance with the rules of the Senate, or subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

Members of the Commission, except Members of Congress, shall each receive compensation for such periods of time as they are engaged in the business of the Commission at a rate not in excess of the maximum rate of pay for GS-18 as provided in the General Schedule, and shall be entitled to reimbursement for travel expenses, per diem in accordance with the rules of the Senate, or subsistence and other necessary expenses incurred by them in performance of duties while serving as a Commission member.

NATIONAL ALCOHOL FUELS COMMISSION (Cont'd)IndependentPURPOSE:

The Commission shall make a full and complete investigation and study of the long- and short-term potential for alcohol fuels, from biomass (including, but not limited to, animal, crops and wood waste, municipal and industrial waste, sewage sludge, and oceanic and terrestrial crops) and coal, to contribute to meeting the Nation's energy needs. It shall take into consideration the technical, economic, legal, environmental, and social factors associated with the production, manufacture, distribution, and use of such fuels. It will evaluate the costs and benefits of alternative feedstocks, and their possible end uses, and analyze the feasibility and desirability of converting these resources to alcohol fuels. Based on such study it shall recommend those policies, and their attendant costs and benefits, most likely to minimize our dependence on petroleum, insure adequate energy supplies, and contribute to the economic health of the Nation.

FINAL REPORT
AND
TERMINATION:

The Commission shall not later than one year after being established submit to the President and the Congress its final report including its findings and recommendations. The Commission shall cease to exist six months after submission of such report.

THE WHITE HOUSE
WASHINGTON

5/21/79

Zbig Brzezinski
Jim McIntyre

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

Rick Hutcheson

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

ACTION
FYI

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

VICE PRESIDENT
EIZENSTAT
JORDAN
KRAFT
LIPSHUTZ
MOORE
POWELL
WATSON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE

ARAGON
BOURNE
BUTLER
H. CARTER
CLOUGH
COSTANZA
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HUTCHESON
JAGODA
LINDER
MITCHELL
MOE
PETERSON
PETTIGREW
PRESS
RAFSHOON
SCHNEIDERS
VOORDE
WARREN
WISE

ADAMS
ANDRUS
BELL
BERGLAND
BLUMENTHAL
BROWN
CALIFANO
HARRIS
KREPS
MARSHALL
SCHLESINGER
STRAUSS
VANCE

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

#2641

May 15, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. McINTYRE, JR. 
ZBIGNIEW BRZEZINSKI 28

SUBJECT: Additional FY 80 FMS Credits
for Southeast Asia

At Tab A is a memorandum from Harold Brown, recommending that you authorize State and Defense to support Congressional initiatives to add increases in FMS credits for Thailand, Indonesia, and Malaysia. Shortly after Harold sent his memorandum, the Senate Foreign Relations Committee completed action on the security assistance legislation. As the House Foreign Affairs Committee had done previously, the SFRC added \$15 million to the FMS authorization for Thailand. The SFRC also approved Glenn amendments adding \$10 million for Indonesia and \$5 million for Malaysia.

The issue for your decision, therefore, is whether the Administration should support the additional authorizations as they proceed to conference and to the respective appropriations committees. Harold, and Cy Vance, recommend that you authorize such support. Our views on this subject, which differ, are set out below.

Views of Jim McIntyre

Secretary Brown proposes that State and Defense be authorized to support the proposed FMS increases for Thailand, Indonesia, and Malaysia in the 1980 authorization bill without requesting a budget amendment, on the grounds that this approach better accords with your concern to keep the budget down, limit arms sales, and avoid making security assistance a major Congressional issue.

OMB is concerned that support of additional assistance for these countries in the wake of the numerous security assistance supplementals and amendments already transmitted and our consultations about still other potential supplementals (which you subsequently disapproved) will confuse the Congress as to the Administration's priorities. It could also encourage (and provide a ready excuse for) a growing tendency of the committees to modify specific country programs at their whim.

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Moreover, OMB believes the recommended approach would undercut the integrity of the budget process. We cannot have it both ways. Either we support additional FMS credits for these countries or we do not. If we do, we should transmit a budget amendment so that the appropriations committees will have an unequivocal budget request. In the absence of a budget amendment, the appropriations committees are unlikely to take the additional requests for these countries seriously. If, on the other hand, we do not want to increase the overall total of FMS credit but merely wish to change priorities among countries, all we need do is inform the Congress of the revised country allocations. The country levels in committee reports are not legally binding.

In conclusion, OMB believes that Administration support now for the additional FMS credits for Thailand, Indonesia, and Malaysia is unlikely to affect the overall total finally authorized and appropriated. Administration support, moreover, will raise expectations in these countries that we may be able to meet only at the expense of fulfilling higher priority needs already before the Congress.

Views of Zbig Brzezinski

As Harold notes in his memorandum, I agree with the recommendation to support the Congressional initiative for Thailand, Indonesia, and Malaysia. The investment of a small amount of additional obligational authority will, in my view, produce a very significant return in an area of the world that is looking to the United States for tangible evidence of continued interest in its regional security. This is especially true because of the Vietnamese occupation of Kampuchea, and continuing Soviet efforts to upgrade both its and Vietnam's forces in Southeast Asia.

Also, you should be aware that your words in the Georgia Tech speech have already given rise to significant expectations on the part of our ASEAN friends with regard to security assistance:

"Many nations are troubled -- even threatened -- by the turmoil in Southeast Asia and in the Middle East. To stand by our friends and to help meet their security needs in these difficult times, I will consult with the Congress to determine what additional military assistance will be required. This added measure of support is crucial for stability throughout the Indian Ocean area. And let me repeat, on the Middle East, in Southeast Asia, and elsewhere in the world we will stand by our friends -- and we will protect the vital interests of the United States, and you can depend on it."

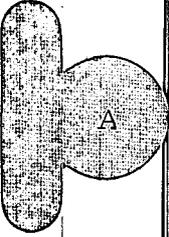
Unless these proposed additions receive our support, it is very likely that, once the appropriations committees have made their almost inevitable across-the-board cuts, the FY 1980 FMS funds for these countries will be less than what they will receive in FY 1979. I think that this result would be a very unfortunate signal to the ASEAN countries, particularly at this sensitive time.

DECISION

Authorize State and Defense to support additional FMS financing for Thailand, Indonesia, and Malaysia.
(NSC, State, Defense) (Congressional Liaison)

Reaffirm your earlier decision denying additional FMS financing, while holding open the option to provide additional financing to these countries within existing totals by reprogramming. (OMB)

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for Preservation Purposes**





THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

May 2, 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Supplemental FY-80 FMS Credits for Southeast Asia

Last Friday you disapproved a State request for authorization to support House action increasing FMS credits to Thailand in FY-80 by \$15 million and a DoD recommendation to add modest additional FMS for Indonesia (\$10 million), Malaysia (\$5 million), and Thailand (a further \$5 million). I urge that you consider a slight modification of that decision. Failure to maintain at least this year's FMS support for key ASEAN countries -- and that will be the effect of the decision -- would go against recent assurances of support for Thailand conveyed to Prime Minister Kriangsak and raise questions about the seriousness of our interest in ASEAN. Juxtaposed against Vietnam's military aggression in Cambodia and the growing Soviet military presence in the area, this result could appear perverse to our friends in the area.

Because I share your concern to keep the budget down, limit arms sales, and avoid making security assistance a major Congressional issue, I do not recommend initiating any further amendments to the International Security Assistance budget. However, I suggest that you authorize State and Defense to support Congressional initiatives to add modest increases in FMS credits for Thailand, Indonesia, and Malaysia. The House has already approved a \$15 million increase in the authorization for Thailand. I understand that John Glenn plans to seek an increase of \$10 million for Indonesia and \$5 million for Malaysia in the Senate. I believe the Administration should accede to these Congressional initiatives for these reasons:

- Both Senator Glenn and Senator Nunn are strong supporters of additional security assistance for friendly ASEAN countries; both will play critical roles in the upcoming SALT debate.

- Modest supplemental security assistance is one of the few tangible ways in which we can provide some reassurance to

friendly countries in Southeast Asia forced to reconsider their own defense requirements in the light of a conflict in Indochina which has now brought Vietnamese forces to the Thai border. I would not maintain that US security interests will be irretrievably damaged if we fail to provide these modest additional credits; I would argue very strongly that the gesture represents a very important, if modest, investment in the security of friendly countries in an important area where friends of the US are in somewhat short supply. Very modest assistance now may forestall much larger claims on our resources later.

- Support for these Congressional initiatives represents at most \$3 million in new obligational authority. This is negligible as compared with across-the-board cuts which are in prospect, and indeed are already being made. The result will therefore still be well below your budget.

Cy and Zbig concur in these views.

Harold Brown

THE WHITE HOUSE
WASHINGTON

5/21/79

Frank Moore

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

Rick Hutcheson

cc: Stu Eizenstat
Bob Lipshutz

THE WHITE HOUSE

WASHINGTON

May 21, 1979

Frank -
Have Harold, Joe
& Warren go to
see Eckhardt
together to
present their
Case. J

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
BOB LIPSHUTZ *RLM*
FRANK MOORE *F.M.*
SUBJECT: Ethics Legislation

The amendments submitted by the Administration to the Ethics Act, quickly passed in the Senate, may be in real trouble in the House. Although the basic amendments passed the House Judiciary Committee with relative ease, they were ambushed on the House floor last week by Congressman Eckhardt. As a result, our floor leader, Congressman Danielson, pulled the bill from floor debate rather than risk a crippling loss. In his judgment, with which we concur, the mood of the House is quite antagonistic to the Ethics Act, and it is very likely that efforts to unravel it could well succeed.

As you may recall, the problem we face is getting the Act amended quickly, for the July 1 effective date is fast approaching. Unless we can soon assure Federal employees that their basic post-employment concerns will clearly be handled by the new legislation, sizable numbers of them can be expected to depart prior to July 1. The only alternative would be to seek a delay of the Act's implementation, which is obviously undesirable.

Congressman Eckhardt's amendments would essentially do three things: (1) undo a critical change in our amendments by prohibiting former Federal employees from providing advice to their private employees on matters on which they worked (of particular concern to scientists and educators); (2) broaden the coverage of the Act's prohibitions by broadly defining the types of matters former Federal employees must be considered to have had "under their official responsibility"; and (3) eliminate the one year bar on contacts with employee's former agency.

We are now working to see if an "acceptable" compromise can be reached with Eckhardt, so that the bill can be brought back to the floor early this week for a less-contested vote. Our concern is that too great a "compromise" may upset Senator Ribicoff, the key figure in that body and someone who is very reluctant to participate in wholesale amendments to the Act. We will stay in close touch with his staff.

It may be necessary for you to make one or two phone calls or to send a letter to help our position in the House. We will get back to you very shortly.

THE WHITE HOUSE
WASHINGTON

MAY 21, 1979

MR. PRESIDENT

WOULD YOU LIKE TO GET A
HAIRCUT THIS WEEK?

WEDNESDAY MORNING

WOULD BE BEST.

APPROVE DISAPPROVE

PHIL

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

21 May 79

FOR THE RECORD

ATTACHED IS SOME OF THE
MATERIAL THE PRESIDENT
USED FOR HIS SPEECH AT
CHEYNEY STATE COLLEGE

2224

THE WHITE HOUSE

WASHINGTON

May 17, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JERRY RAFSHOON **JR.**

Cheyney State College has requested a Presidential message to be inserted in the programs for Saturday's graduation ceremony.

If you approve the attached text, we will have it offset and sent to the college.

Priority
PRECEDENCE

Unclass
CLASSIFICATION

FOR COMM CENTER USE ONLY

FROM: Bill Simok

TO: Phil Wise

CAMP DAVID
1

INFO:

DEX _____

DAC 10

GPS _____

LDX _____

PAGES # 5

TTY _____

CITE _____

DTG: 182153Z

RELEASED BY: JO

TOR: 182219Z

SPECIAL INSTRUCTIONS:

Pls call upon receipt

1979 MAY 18 21 53

WHITE HOUSE
SITUATION ROOM

79 APR 17 P 6: 52

THE WHITE HOUSE

WASHINGTON

May 18, 1979

MR. PRESIDENT

Re: Cheyney State speech

It is important that we stress your employment programs for young people and minorities in the Cheney State speech. The programs are not sufficiently understood.

The attached memo and draft language might help.

The language has been cleared with the speechwriters and the Vice President's office. It would go in as marked on the attached copy of page 6 of the latest draft.

I have also marked a suggested cut. This would avoid an unnecessary attack on Vernon Jordan.

Stu Eizenstat

THE WHITE HOUSE

WASHINGTON

May 18, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
RAY MARSHALL
LOUIS MARTIN

SUBJECT: Summer Youth Employment Program in 1979
and 1980

The number of summer jobs available this summer and next has become a serious political issue with black and urban constituents.

In the summer of 1978 there were about 1 million participants in the program; while funds were appropriated for an additional 100,000, the appropriation came too late that the funds were not spent.

This year the CETA program is funded under a continuing resolution, making available the same amount of money for summer jobs as in the summer of 1978.

In our 1980 budget we proposed the following:

1. Maintain the 1 million participant 1978 level in the summer of 1979, and defer the additional funds (\$122m).
2. Cut the 1980 funding by 25% by ending the eligibility of 14 year olds for the program.

The 25% cut, at a time of very high minority youth unemployment has been sharply criticized, and there are widespread doubts that the amount of money we have budgeted for 1979 is enough for 1 million jobs.

- o U.S. News and World Report states that we are 9,000 jobs short in 6 major cities.
- o A DPS/DOL survey of 10 major cities found us 27,000 short.

OMB believes that these shortfalls may be the result of the Congressionally mandated allocation formula affecting specific cities rather than a system-wide problem. In addition there may be increased costs.

In any case, there is a widespread misimpression among the public that our summer jobs cut of \$200 million affects this summer rather than next summer as is the case. We strongly believe that the credibility of the Administration's commitment to minority youth employment is to a significant degree dependent upon (a) keeping our commitment to a constant level of summer jobs in major cities, and (b) showing openness to the widespread concern for the level of summer jobs in 1980.

We propose taking the following steps, and that you announce them as part of your speech at Cheney State this Sunday:

1. Ask prime sponsors in the CETA system to allocate a share of presently available Title II-D public service employment dollars (\$40 - \$70 million maximum) to maintain this summer's youth employment program at last year's level, with no increase to our overall budget.

DOL states that funds are available for this purpose at the local level.

2. State that we are reviewing the 1980 summer jobs program as part of the Youth Employment Policy Review process now underway, and that if the evaluation shows increased effectiveness we will consider this in formulating our new youth employment policy.

Such a commitment to review the program would not commit us at this time to additional 1980 spending, but allow us to consider the program as part of the broader youth review. At that time a decision to continue our present summer jobs approach and focus instead on other aspects of youth employment would be more acceptable.

equal opportunity and affirmative action in jobs, schools,
and housing if even the act of voting is too great an effort?

I ask you to join with me in overcoming fear, in battling
apathy, in fighting for change. One place to begin is to
keep the pressure on for equal opportunity in jobs and
education.

- JOBS INSERT -

The struggle for civil rights is not over. We have
not achieved all we need to accomplish. *But the)*
~~despair because we mistakenly believe that all we won in~~
~~Brown vs. the Board of Education was lost in the Bakke decision.~~
~~That just isn't true.~~

The Brown decision tore the mask of legality from the
face of racism, and you and I are never going to let it be
put back on.

Before the Brown decision, there were only a few thousand

5/18/79

JOB INSERT -- p. 6 following first full paragraph

Our economy has added 250,000 jobs for black and other minority teenagers since I became President. This year, we have committed \$3.4 billion for youth employment and training -- twice what we were spending before.

But we must do better. That is why I have asked Vice President Mondale to head a Cabinet-level task force to review everything both government and industry are doing in youth employment and training. We are going to make sure our programs work, and we are going to look for ways to get private business to do its part as well.

As part of that review, we will take another look at our summer job program, which has been seriously troubled. The level of jobs in the future will depend on the effectiveness of the program. In the meanwhile, I am going to make it my business to assure that this summer we have the one million summer jobs we promised.

THE WHITE HOUSE
WASHINGTON
26 May 79

FOR THE RECORD

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WASHINGTON
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	FOR STAFFING
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	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

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	POWELL
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	SCHULTZE

	ARAGON
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	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

#2641

May 15, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. McINTYRE, JR. *[Handwritten signature]*
ZBIGNIEW BRZEZINSKI *28*

SUBJECT: Additional FY 80 FMS Credits
for Southeast Asia

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DECISION

Authorize State and Defense to support additional FMS financing for Thailand, Indonesia, and Malaysia. (NSC, State, Defense) (Congressional Liaison)

Reaffirm your earlier decision denying additional FMS financing, while holding open the option to provide additional financing to these countries within existing totals by reprogramming. (OMB)

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THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

May 2, 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Supplemental FY-80 FMS Credits for Southeast Asia

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Because I share your concern to keep the budget down, limit arms sales, and avoid making security assistance a major Congressional issue, I do not recommend initiating any further amendments to the International Security Assistance budget. However, I suggest that you authorize State and Defense to support Congressional initiatives to add modest increases in FMS credits for Thailand, Indonesia, and Malaysia. The House has already approved a \$15 million increase in the authorization for Thailand. I understand that John Glenn plans to seek an increase of \$10 million for Indonesia and \$5 million for Malaysia in the Senate. I believe the Administration should accede to these Congressional initiatives for these reasons:

- Both Senator Glenn and Senator Nunn are strong supporters of additional security assistance for friendly ASEAN countries; both will play critical roles in the upcoming SALT debate.

- Modest supplemental security assistance is one of the few tangible ways in which we can provide some reassurance to

friendly countries in Southeast Asia forced to reconsider their own defense requirements in the light of a conflict in Indochina which has now brought Vietnamese forces to the Thai border. I would not maintain that US security interests will be irretrievably damaged if we fail to provide these modest additional credits; I would argue very strongly that the gesture represents a very important, if modest, investment in the security of friendly countries in an important area where friends of the US are in somewhat short supply. Very modest assistance now may forestall much larger claims on our resources later.

- Support for these Congressional initiatives represents at most \$3 million in new obligational authority. This is negligible as compared with across-the-board cuts which are in prospect, and indeed are already being made. The result will therefore still be well below your budget.

Cy and Zbig concur in these views.

Harold Brown

THE WHITE HOUSE

WASHINGTON

May 21, 1979

Frank -
Have Harold, Joe
& Warren go to
see Eckhardt
together to
present their
Case. J

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
BOB LIPSHUTZ *Bob*
FRANK MOORE *Frank*
SUBJECT: Ethics Legislation

The amendments submitted by the Administration to the Ethics Act, quickly passed in the Senate, may be in real trouble in the House. Although the basic amendments passed the House Judiciary Committee with relative ease, they were ambushed on the House floor last week by Congressman Eckhardt. As a result, our floor leader, Congressman Danielson, pulled the bill from floor debate rather than risk a crippling loss. In his judgment, with which we concur, the mood of the House is quite antagonistic to the Ethics Act, and it is very likely that efforts to unravel it could well succeed.

As you may recall, the problem we face is getting the Act amended quickly, for the July 1 effective date is fast approaching. Unless we can soon assure Federal employees that their basic post-employment concerns will clearly be handled by the new legislation, sizable numbers of them can be expected to depart prior to July 1. The only alternative would be to seek a delay of the Act's implementation, which is obviously undesirable.

Congressman Eckhardt's amendments would essentially do three things: (1) undo a critical change in our amendments by prohibiting former Federal employees from providing advice to their private employees on matters on which they worked (of particular concern to scientists and educators); (2) broaden the coverage of the Act's prohibitions by broadly defining the types of matters former Federal employees must be considered to have had "under their official responsibility"; and (3) eliminate the one year bar on contacts with employee's former agency.

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We are now working to see if an "acceptable" compromise can be reached with Eckhardt, so that the bill can be brought back to the floor early this week for a less-contested vote. Our concern is that too great a "compromise" may upset Senator Ribicoff, the key figure in that body and someone who is very reluctant to participate in wholesale amendments to the Act. We will stay in close touch with his staff.

It may be necessary for you to make one or two phone calls or to send a letter to help our position in the House. We will get back to you very shortly.

THE WHITE HOUSE
WASHINGTON

MAY 21, 1979

MR. PRESIDENT

WOULD YOU LIKE TO GET A
HAIRCUT THIS WEEK?
WEDNESDAY MORNING
WOULD BE BEST.

APPROVE DISAPPROVE

PHIL

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THE WHITE HOUSE

WASHINGTON

5/21/79

The Vice President

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

Rick Hutcheson

cc: Hamilton Jordan
Frank Moore
Jim McIntyre
Charlie Schultze

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 19, 1979

cc: Fritz
Jim
Charles
J

MEMORANDUM FOR THE PRESIDENT

From: James T. McIntyre, Jr. *JT McIntyre*
Charles L. Schultze *CLS*

Subject: Economic Assumptions for the
Mid-Session Review

Note: This memo
is very redundant
& too lengthy
J

Background

We have to make a final decision, early next week, on the economic assumptions to be used in our Mid-Session Review of the budget, which has to be sent to the Congress this summer. That review must set forth economic projections and budget estimates through fiscal 1984.

The long-term economic projections in the Economic Report and the Budget issued in January were consistent with the economic goals established by the Humphrey-Hawkins Act -- a 4 percent overall unemployment rate and a 3 percent inflation rate by the end of calendar year 1983. They were therefore very optimistic. While neither the Economic Report nor the Budget implied that these goals could in fact be achieved simultaneously, the estimates and projections in the Budget were based on these assumptions.

In addition to being unrealistic, the use of overly optimistic economic assumptions causes serious problems for long-term budgetary control; it subverts the goals of our 3-year planning and tracking system. Because both inflation and unemployment are understated, the future year outlay totals are misleadingly low. In the case of receipts, the unrealistically low inflation assumptions are broadly offset by the unrealistically high projections of real income growth. Thus future year surpluses -- which are sometimes viewed as budgetary resources available for program initiatives or tax cuts -- are overstated.

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The unrealistic assumptions also seriously impair the usefulness and destroy the credibility of long-term budget plans in the Defense Department and other agencies with fully-funded programs. Use of Humphrey-Hawkins inflation assumptions understates the defense request, and will inevitably lead to what appear to be "cost overruns" but are in fact a result of unrealistic inflation assumptions.

The Humphrey-Hawkins Act stipulates that the January budget be consistent with the medium-term economic goals, and requires the President to review progress toward those goals in the 1980 and subsequent Economic Reports. The Act permits the President to recommend modification of the timetable for achieving these medium-term economic goals in the 1980 and subsequent Economic Reports, if necessary. The Act does not explicitly refer to what we must do in the Mid-Session Review. In theory, the Mid-Session Review could ignore Humphrey-Hawkins. In practice, this would violate the spirit and intent of the law.

Our current internal economic forecasts have much higher inflation and somewhat weaker economic growth for 1979-1980 than the January assumptions. We will need to modify our 1979 and 1980 public forecast for the Mid-Session Review in this direction to maintain credibility. A new forecast will mean that achievement of the 1983 targets would require even more rapid (and less realistic) declines in inflation and unemployment, and increases in real growth, in 1981-83.

The Congress, in developing its budget resolutions, need not and does not meet the medium-term Humphrey-Hawkins goals. During the debate on the 1980 Resolution in the House, Representative Giaimo inserted into the record a fact sheet on the economic implications of achieving the Humphrey-Hawkins goals by 1983. The conclusions of the fact sheet were: (1) "A very optimistic economy must be assumed to reach Humphrey-Hawkins goals by 1983." (2) "There are inconsistencies between the unemployment, growth and inflation objectives that create severe problems accompanying any effort to reach the Humphrey-Hawkins objectives in 5 years."

Economic Assumptions for the Mid-Session Review

Even though the Humphrey-Hawkins Act does not technically apply to the Mid-Session Review, failure to acknowledge the Humphrey-Hawkins economic goals would clearly violate both the intent of the law and Administration support of its goals. On the other hand, the use of economic assumptions consistent with Humphrey-Hawkins would -- to put it mildly -- require great optimism and would seriously understate the level of outlays and overstate the potential surplus in future years.

In order to avoid this dilemma, we are planning to use alternative economic assumptions for the Mid-Session Review. The detailed multiyear planning base numbers would reflect economic assumptions that are more realistic than the Humphrey-Hawkins goals. The Mid-Session Review would contain a separate section discussing the Humphrey-Hawkins goals and present -- but only in very aggregate terms -- budget projections consistent with Humphrey-Hawkins.

The strongest proponents of Humphrey-Hawkins both inside and outside government will object to this change, arguing that the alternative economic projections we are recommending dilute the commitment to the Humphrey-Hawkins goals. We believe that the use of only the Humphrey-Hawkins assumptions would be extremely costly in terms of sound budget planning and public credibility. More realistic assumptions can be defended in the name of conservative and prudent budgeting, and the commitment to the Humphrey-Hawkins goals can be at least formally maintained in the discussion of the alternative Humphrey-Hawkins economic projections.

_____ Agree
_____ Disagree

*Let V.P.
advise me
J*

cc: Vice President Mondale
Secretary Blumenthal
Mr. Eizenstat
Mr. Watson

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cabinet meeting

5/21/79

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Terry Smith NYF

THE WHITE HOUSE
WASHINGTON

5-21-79

Cabinet

- > Budget '79 $\Delta 0^b$ ^{OMB+} '80 $\Delta 0^2$ outlays
- Hosp Cost
- > Food stamps
- > Panama - Cabinet make calls
- > Turkey = \$198 m + 200 ^{FMS} + 50 MAP
- > Truck dereg ^{EO 12044} 6/13 report
- > Regul Council - Xport, EPA + Reg Reform ^{EPA}
- Labor - HEW App. Secret Sub. com
- > Auto regulation - coordinate
- > Energy - Catalytic converters - diesel
- > Econ = CPI Tri
- > Kregs - PRC = FAA next - Textile - Pay?
- > Infl. Kahn \rightarrow de Butts II
- > Welfare reform
- > Brock - decontrol = 1 mil 10/12 '81
- > Govt travel - cuts
- > Rhodesia
SALT II
Mid East
- > Cyprus - continuous - no partition ^{Jan 79}

Plan English. DOT, USDA, HEW, EPA, OARS

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federal employee meeting

5/21/79

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THE WHITE HOUSE
WASHINGTON

Federal employees 5/21/79

Comrat - awards - best
talent, creativity

Farm - energy - Ed. def. medicine
Waste, red tape - some fraud

Criticisms - yours & mine

Troubling exciting times

long neglected problems

Civ Serv Reform. Sr Exec Service major

No raise in minimum retirement age

Study - merge SocSec & Civ Serv Ret.

Vested Rts Fed benefits paid for - protected

42000 saved \$318 mil waste

One NASA - \$30 mil = 747

Pay cap 55% → 6%

Reform Congress system - comparability