

**6/7/79 [1]**

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THE WHITE HOUSE  
WASHINGTON  
06 Jun 79

Esther Peterson

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

Rick Hutcheson

2805

FOR ACTION  
FYI

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
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	LAST DAY FOR ACTION

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARONSON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FIRST LADY

HARDEN

HERNANDEZ

HUTCHESON

KAHN

LINDER

MARTIN

MILLER

MOE

/ PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

ADMIN. CONFIDEN.

CONFIDENTIAL

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EYES ONLY

THE WHITE HOUSE  
WASHINGTON

June 5, 1979

Dear Mr. President:

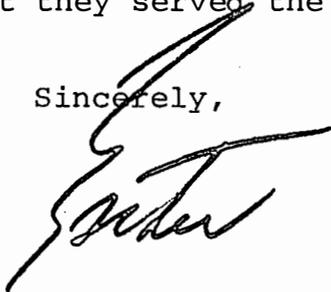
Some of my friends in the consumer movement disappointed me greatly last Friday during and following the discussion with you in the cabinet room.

It seems to me that no one, let alone the President, should be subjected to this kind of stubbornness.

As your consumer advisor, I was greatly disturbed that they chose not to use the time more constructively.

I count many of these people as my friends, and I generally admire the work that they do. But I want you to know that on this occasion, I do not think that they served the consumer well.

Sincerely,



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*Esther*  
*A few of them wasted my time & the opportunity of the others. I have a tough hide - not time to waste.*  
*J*

THE WHITE HOUSE  
WASHINGTON  
06 Jun 79

Anne Wexler

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
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Rick Hutcheson



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EYES ONLY

THE WHITE HOUSE  
WASHINGTON

Good -  
Keep it up  
C

June 5, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: ANNE WEXLER *Ann*

SUBJECT: Activities on the Panama Implementing  
Legislation (The Murphy Bill)

Pursuant to your request, this is a recap of activities by the White House and the State Department to obtain support for the Murphy Bill in the House of Representatives. Outreach has proceeded on two tracks: reactivating those who supported the treaties last time and organizing a Washington-based lobbying operation.

A. Reactivation of Treaty Supporters

1. Letter from Messrs. Harriman, Scott, Linowitz, Bunker to mailing list of 5,000; possible reading on floor.
2. Letter from Theodore Roosevelt, IV to 95 key swing votes in House; possible reading on floor.
3. Possible John Wayne letter to all 435 House members; possible op-ed reprint in The Washington Post or, at minimum, read on the House floor.
4. Washington Post - full page ad to be run in connection with House vote; possible editorial, John Wayne reprint, and George Will column.
5. Agronsky and Company - per my conversation with George Will, Panama will be likely agenda item this weekend.

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6. Calls by COACT Executive Committee - key members of the COACT Executive Committee are being asked to make calls to appropriate House members. Callers include:

Sol Linowitz  
 Ellsworth Bunker  
 Dean Rusk  
 George Ball  
 Jane Cahill Pfeiffer  
 Sandy Trowbridge  
 William D. Rogers  
 Angie Duke  
 Stuart Symington  
 Henry Cabot Lodge  
 Noel Gaylor  
 Lauris Norstad  
 Maxwell Taylor  
 William Westmorland

7. Activation of COACT organizations - key state people have been called and asked to mobilize support directed at appropriate House members.

B. Organize Washington-based Operation

1. Briefing on May 24 for 140 Washington-based representatives of
- a. business
  - b. labor
  - c. religious and foreign policy
  - d. agriculture, maritime and textile
  - e. state and local government organizations
- asked to work in support of Murphy Bill and against disabling amendments.
2. Follow-up telephone calls to all briefing attendees to identify supporters and actions which they are taking at grassroots and in Washington.
3. Formation of working group of outsiders for intensive contacts of swing Congressmen -- one outside point person for each of the 5 categories above to exchange information

daily with White House and receive specific assignments.

4. Daily coordination meeting at 6:30p.m. of State Department, Frank Moore and Anne Wexler representatives. Vote count reviewed daily based on information from State Department and White House and outside point persons, and assignments made for additional contacts, verification of counts and solutions to problems.
5. Presidential mailgrams to approximately 4,000 persons who supported the treaties last year. - ?
6. General supportive activities by Washington organizations:

-- AFL-CIO supporting letter to each Member of House delivered June 7.

-- Supporting letter from religious groups to each Member of House.

-- Letter from Council of Americas to its corporate members seeking support for the Murphy Bill.

-- Presidential message to Council of Americas meeting on Wednesday, June 6 urging continued support.

-- Miscellaneous activities generated by May 24 White House briefing; e.g., action mailgrams by Maritime unions to locals.

#### C. State Department Activities

Since the end of March, the Department has participated with DoD in briefings of House Members. That briefing program has reached 375 Members or staff. The program breaks down as follows:

- Personal visits -- 175 Members
- Phone calls to 80 Members considered supportive
- Five briefings for House staff, reaching 250

- Calls or personal visits to 120 House staffers
- Briefings by Ambassador Ambler Moss for the Republican Study Group, the Members of Congress for Peace Through Law, the Illinois and Indiana Republican delegations and 44 individual Members
- Hosted breakfast for 12 "managers"
- Mailed a pamphlet describing the legislation to the entire House membership
- Sponsored congressional delegations to Panama involving 26 Members
- Mailing to 350 newspapers; approximately 40 radio feeds to key sections of the country; assisted White House in briefing for editors and with media backgrounder.

MAILING LIST FOR LETTER FROM  
MESSRS. HARRIMAN, SCOTT, LINOWITZ AND BUNKER

Attendees at November 2, 1977 Briefing at International Inn	814 names
COACT Executive Committee Members	228 names
Contributors to COACT Direct Mail appeals	1,456 names
Supporters of COACT from Direct Mail appeals	1,825 names
Contributors to COACT Newspaper Ad	450 names
TOTAL	4,773 names

THE WHITE HOUSE  
WASHINGTON

June 5, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN *HJ*  
SUBJECT: MEETING WITH AVERELL HARRIMAN  
Wednesday, June 6, 1979  
10:30 a.m. (30 minutes)  
Oval Office

I. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: This meeting was scheduled as a result of your conversation with Cy Vance, Harold Brown, and Zbig at a foreign policy breakfast three weeks ago.

As you know, Governor Harriman is spending all of his time in full support of the SALT II ratification effort. He remains enormously influential.

B. Participants: Averell Harriman

C. Press Plan: White House photographer only.

II. TALKING POINTS

In addition to a general discussion of the progress of our SALT II effort, you may want to make the following points:

- The MX decision will be very controversial among many supporters of SALT. Governor Harriman's public support of your position will help to dampen criticism from the left.
- It would be useful to the Administration if Governor Harriman would meet regularly with a small group of Washington-based opinion leaders to organize their support for SALT. The group could include Clark Clifford, Paul Warnke, Sol Linowitz, Edward Bennett Williams, Lloyd Cutler, Harry McPherson, and others.

1:00 PM

THE WHITE HOUSE

WASHINGTON

June 6, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: Schmidt Meeting

After your meeting with Walter Levy I called Henry Owen and he will be arranging a meeting as you requested next week. He has also done a memo for you for the Schmidt meeting.

I would only add that it is important that you take the offensive and point out not only are their oil imports up 20% in the first four months of 1979, but they have increased their strategic reserve by an equal amount.

You might also want to mention the points Walter Levy made in arguing against the German "market approach" to the OPEC problem:

- a) such an approach does not work with a cartelized market;
- b) continued German buying in the spot market will just drive up prices for everyone without increasing supply;
- c) their buying practices will drive prices up and impoverish countries which are their chief export customers, thereby hurting Germany;
- d) the approach of trying to go it alone will not work and will hurt the basis of cooperation in other areas, including NATO.

I do not think you should be defensive on the \$5 entitlement issue. You should point out that this policy is designed to secure for the U.S. distillate supplies we normally receive from the Caribbean and Canada - supplies which are now being diverted to Europe. It should not draw distillate away from European refiners. It seems to me that you can indicate that this action by the United States, and the German reaction to it, are further indications of the need between the industrialized nations for cooperative action so that competition can be avoided. I think this will plant a seed in his mind without indicating that we are prepared to withdraw the entitlement.

3:30 PM

THE WHITE HOUSE

WASHINGTON

June 5, 1979

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MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Sp*

SUBJECT: Walter Levy Meeting

Based on my meeting with him, Walter Levy will probably make the following points:

1. OPEC has learned a fundamental lesson since the Iranian revolution: It can make more money by producing less. As the surcharges continue and the spot market continues to go up, pressure is put on the base price and then the cycle of prices increase with further surcharges and still higher spot prices. More and more oil is being syphoned to the spot market.
2. He is concerned that the Saudis will not increase their production to 9 to 10 million barrels per day in 1981-1982 if Begin is inflexible on the West Bank issue. He stated that from his conversations with the Saudis the key point was to avoid any new settlements.
3. At the current level of Saudi and Iranian production, world demand exceeds world supply.
4. There is great instability in the international market due to surcharges running up to \$4 to \$5 and a spot market of over \$30 per barrel. If the price of OPEC oil were raised to the \$18 - \$20 per barrel level, the additional cost imposed would be \$22 billion.
5. The United States has borne a disproportionate share of the shortage due to our need for light crude and the inability of our refiners to handle heavier crude oil.

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6. Western countries are disunited. For example, the Germans are willing to pay any amount charged rather than initiate strong conservation steps.
7. OPEC will lower its production to match any conservation we achieve. They will not increase production if it weakens prices. This will lead to grave inflationary impacts.
8. American oil companies have no incentive to fight OPEC increases since every 1% increase in OPEC prices means \$10 million per day for them.
9. It is critical that the Western countries stop spot market transactions.
10. Decontrol will not lead to very much production. There is no relationship between the increased price decontrol will bring and the cost of production. If the Congressional Budget Office is correct and there are only 400,000 barrels per day of additional production at a cost of \$70 billion in 1985, decontrol is not very cost effective.
11. What is necessary to help solve the current problem is coordinated Western action for the international allocation of crude oil, which may require national allocations in each Western country. It is critical that Western countries avoid making special bilateral deals with individuals OPEC countries to help only themselves; a common, united policy is needed. If the United States tries to make a special deal with an individual OPEC country for increased production for itself alone, other countries, for example France, would then be compelled to do the same and we would be no better off.
12. OPEC must not be approached until there is a joint Western agreement or common action. The Western countries should then tell OPEC that they have certain needs upon which they must depend on the West. We must tell them that the Western countries are united in controlling the spot market and that we want a five year agreement on a rational pricing policy with a 2-4% real increase each year. If the Arabs then demand political tradeoffs we should refuse (since the price would continue to escalate) and make it clear that we are prepared for an export embargo and would not rule out military action.

13. It is critical to convince Germany and France of the need for common Western action.

We must also make sure that OPEC understands that "the military card is there", and that our assistance for their economical development is contingent on their rational production and pricing policies. We are already in a political confrontation with OPEC due to their pricing and production policies.

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Notes for Meeting with the President

The White House, June 5, 1979

I. The Precarious Oil Supply Position

1. Precarious oil supply-demand balance; even at lower economic growth rate and with conservation
2. For this year and probably for at least some time to come.
3. In addition supply uncertainty
  - (a) Domestic decontrol probably at best stems decline of domestic production by perhaps 1985 with an import level of perhaps 10 million barrels per day -- plus or minus 15 percent.
  - (b) Foreign oil remains uncertain source
    - (b1) Iranian Revolution not over -- Communist danger -- secession problems -- Arab unrest in oil province of Khuzistan.
    - (b2) Saudi Arabia politically tenuous -- Camp David effects on U.S. relations.
    - (b3) Everywhere revolutionary danger against old-fashioned governmental systems.
    - (b4) Terrorism -- PLO attacks on Western interests -- Communist sabotage in producing countries and oil shipping lanes.

- (b5) Danger of strikes in oil producing and shipping areas.
- (b6) Key oil facilities dangerously concentrated and always possibilities of long-lasting damage through accidents.

## II. OPEC Policy

- 4. OPEC policy of
  - (a) Not creating surpluses that would result in price weaknesses.
  - (b) Not to produce oil beyond capacity to absorb effectively oil revenues for economic development -- disappointing 1974 to 1978 experience.
  - (c) Genuine limitation on oil productive capacity that would permit sustained level of production.
  - (d) Slowdown of investment in expansion of productive capacity to be able to resist Western pressures for higher output.
- 5. All of these factors apply to Saudi Arabia
  - (a) In addition experience of Iran has taught them that U.S. cannot protect them from internal upheaval. They will thus try to appease internal extremist threats including PLO and Arab nationalism. United States, they believe, will protect them in any case against external threats, whatever Saudi-Arab policy may be.

- (b) In any case Saudi present surplus capacity very small and their ability to keep prices down very limited -- if not existing. They can drive prices up by producing less.
6. Conservation and supply increases by importing countries very important -- but considerable time required before effective. At present perhaps mainly psychologically important. Moreover, any reduction of import needs will probably be counter-balanced by downward adjustments of OPEC production to prevent price weaknesses -- even to the extent that reduction in demand is caused by severe recession. Moreover, import savings could be severely hampered by nuclear slowdown.

### III. World Oil Price Chaos

7. Major present problem to Western world is caused by chaotic and uncontrolled price increases. They are being triggered already by a 2 to 3 percent actual or perceived shortage -- especially if unequally distributed among importing countries and various oil companies. Cost to country or company of having an oil shortage much greater than any large price increase. This is especially relevant if shortage is perceived to be long-lasting -- as it is now the case.

8. We are now having three price levels:
  - (a) Saudi marker crude
  - (b) OPEC-approved producing countries' surcharges
  - (c) Spot oil prices, usually affecting perhaps 3 to 4 percent of world oil trade -- but with current spot price explosion, affecting more and more oil moving in international trade as producing countries
    - (i) divert more and more oil to spot trade and
    - (ii) continuously adjust upwards their country surcharges.
9. Also OPEC looks to spot trade prices as a guide for the market value of their oil.
10. Moreover spot market value of product prices at Rotterdam, Singapore and U.S. Gulf now still much higher than spot crude prices, with U. S. spot prices presently being the highest.
11. Spot crude prices now about 75 to 100 percent higher than prices of OPEC marker crude and OPEC surcharge prices -- and spot product prices reflecting a premium even somewhat higher. None of these price advances increase the supply by one single barrel, but only divert oil from one customer to another.
12. OPEC at its June 26th meeting will probably raise its official Saudi marker crude by about 50 percent over the 1978 level to around \$18 a barrel with even larger increases for the surcharge crudes. Spot market prices will probably adjust accordingly.

13. If nothing is done to stop this upward trend, OPEC will probably increase its official prices by another 10 to 20 percent before the end of 1979. North Sea oil will follow and increase even more. U.S. product prices likewise, and so will U.S. crude after decontrol.

#### IV. Implications of the Oil Price Explosion

14. The June 26 price increase might raise the world oil import bill -- ignoring the spot trade -- on an annual basis by nearly \$70 billion, of which the U.S. share would be some \$20 billion. The annual rate of the oil bill of non-oil-producing LDC's would increase by nearly \$10 billion and their total deficit would advance from \$28 billion last year to some \$40 billion. This ignores the shortfall in their related export earnings.
15. The inflationary impact would be even larger as it would be based on the even higher increase in product prices.
16. The current clear and present threat to the economic welfare, the political stability and the strategic security of the importing countries is immense. We must try to cope with it immediately. It is not enough to limit our response solely to more effective conservation and measures to increase supplies, however essential and relevant they are. Equally, decontrol in the U.S. -- while essential -- is not the answer to the present urgent problem.

17. OPEC in its March 27 Resolution has expressed its "deep concern for the lack of necessary measures that should be taken by the industrialized developed countries with a view to controlling the market situation."
18. Likewise the Kuwaiti Oil Minister Sabah has on May 28th stated "that OPEC is not able to bring stability to the market. It really depends on the importing countries and their control over their own oil companies." If the importing countries can't do it, OPEC will take some action, "but whatever the action, it cannot bring stability to the market alone." Sabah then advocated "a dialogue between the importing and exporting nations with an arrangement where prices would rise gradually -- even in times of glut." Had we been successful in introducing gradual upward changes in crude prices or at least maintained the real price of oil, the present crisis could probably have been averted."

#### V. How to Cope with Excessive Oil Prices

19. In the light of all the underlying facts and OPEC's own appreciation of the responsibility of the developed countries, this is what I believe we must try to do.
20. The major importing countries must agree to abstain from purchases on the spot crude and product market.

21. Likewise they must abstain from purchases of oil at OPEC surcharges that are far in excess of reasonable differentials for locational and quality advantages over the Saudi marker crude.
22. At the moment there is a free-for-all among oil importing countries and companies to obtain the oil they want by continuously bidding up prices.
23. This involves among others many of the oil companies including our own. Even if they abstain from spot crude purchases, they probably continue spot product purchases with the same harmful effects -- and moreover in the U.S. supported by a \$5 per barrel entitlement payment which has further increased spot market quotations. If there is no coordinated policy among importers and a system of allocation, such a free-for-all fight on the spot market would continue with disastrous consequences for all countries.
24. It also involves countries that either believe that they can assure their essential supplies only by such purchases -- such as Japan -- or that follow the misguided policy in the case of OPEC oil, that whatever the "market" price is, they will and can afford to pay it -- such as Germany.
25. The problem is aggravated by the fact that nearly all of the major oil companies, because of their own shortage of supply, have cut down or cut out very substantial quantities of their previous third party sales. This has forced their previous country or company purchasers to go to the spot market or to the national oil companies

of OPEC countries in order to cover their essential oil requirements at all cost.

#### VI. The Role of the Major Oil Companies

26. There are further complicating factors, which have seriously undermined the effectiveness of the major oil companies in their national and international activities.
27. With a worldwide shortage of crude and products, and steeply escalating prices, the profits of the oil companies have increased greatly. Moreover any advance in OPEC prices further increases oil company profits, especially as their non-OPEC production in the North Sea and to a considerable extent in the U.S. and elsewhere participates in the OPEC price increases.
28. Accordingly, rightly or wrongly, their credibility with regards to the existence or seriousness of an oil shortage and the sincerity of their interest to contain OPEC price increases is under continuous and increasing attack.
29. Also, because of their worldwide refining and marketing operations, the international companies are presently a major factor in allocating a substantial part of the world oil supplies to the different oil importing countries. During a period of shortage, which moreover may affect the various countries to a different degree, such a role is obviously difficult and could be very dangerous to the companies' credibility and standing in the various countries.

VII. Suggestions for the Tokyo Summit Meeting

A. The Need for International Oil Allocation

30. In order to cope with the supply shortage with its resulting chaotic price explosion, the importing countries must agree on an international equitable distribution of available oil supplies. Within the importing countries there must also be an equitable distribution among companies.
31. Among the countries and companies there must be a financial settlement for the transfer of oil at a predetermined price that would not exceed the OPEC floor price plus reasonable differentials reflecting special circumstances such as transportation and quality factors.
32. In addition to conservation and supply, and perhaps even more urgently, this problem should be reviewed at the Western Summit in Tokyo on June 28 and 29.

B. Possible Arrangements with OPEC

33. Only after the major importing countries agree on a coordinated policy should they then consider a possible arrangement with OPEC . This should encompass the whole range of economic, political and strategic problems, centering on the one hand around oil supply, prices and their economic impact and, on the other hand,

the legitimate interest of OPEC in obtaining the optimum benefits from its oil resources in terms of their economic advancement, political stability and strategic security.

34. This may well include the protection of their prices and investments against inflation, Western assistance for their economic development program and protection against internal upheaval and external aggression.
35. A coordinated and unified Western policy will clearly establish the interdependence between the interests of the oil importers and those of the oil exporters. As long as the importers are disunited and play mainly their own selfish game in order to try to protect individual national interests, the real capabilities and power of the Western World would never become an effective element in the bargain that must be struck with OPEC.

#### C. An Alternative Proposal for Procedure at the Summit

36. If the Western Powers cannot agree at the Summit Meeting on what course to follow and how to coordinate their policy and how to approach OPEC, we should as a minimum try to achieve a common assessment of the problem we face and what the consequences to all of us would be if we should remain disunited or passive. The Summit could then decide to entrust an Intergovernmental Committee or a Group of Wise Men selected from several

countries to review during say the next six to eight weeks the whole complex situation and prepare policy recommendations for immediate urgent consideration of the Major Powers.

37. It should be noted that France most recently has apparently proposed that the importing countries agree "to refuse jointly to pay more than the official oil prices" and "to make their own arrangements directly with oil exporters. Moreover, France is prepared to work out sharing arrangements with the U.S. and other industrial countries to avoid price wars and boycott oil offered at higher prices. If Germany should resist the idea, it is doubtful whether Germany could succeed in outbidding the U.S. and the other importing countries for its own oil supplies without inflicting the most serious harm to its own economy and that of the rest of the world.
38. Because of the earlier timing of the OPEC meeting on June 26th, it is important if not essential that a joint importing countries' policy on refusing to purchase excessively priced crude oil and products be arrived at even before the Summit Meeting. This agreement should if at all possible include all the Nations that would be represented at the Summit and be announced before the OPEC meeting, in accordance with the suggestion by OPEC that the industrialized developed countries take the necessary measures to control the market situation.

Revised:  
6/6/79  
5:00 p.m.

THE PRESIDENT'S SCHEDULE

Thursday - June 7, 1979

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7:30 Dr. Zbigniew Brzezinski - The Oval Office.

8:00 Breakfast with Republican Congressional Leadership.  
(45 min.) (Mr. Frank Moore) - First Floor Private  
Dining Room.

9:00 Meeting with the Members of the Congressional  
(20 min.) Steel Caucus. (Mr. Frank Moore) - Cabinet Room.

9:45 Mr. Frank Moore - The Oval Office.

10:30 Budget Appeals Meeting. (Mr. James McIntyre).  
(2 hrs.) The Cabinet Room.

2:00 Drop-By Meeting with the New England Governors.  
(10 min.) (Mr. Jack Watson) - The Cabinet Room.

2:20 Depart South Grounds en route the Sheraton Park  
Hotel.

2:30 Address the Convention of United Food and Com-  
mercial Workers International Union.

3:20 Return to the White House.

7:00 Black Music Association Dinner and Concert.  
The South Grounds.

THE WHITE HOUSE

WASHINGTON

MEETING WITH NEW ENGLAND GOVERNORS

Thursday, June 7, 1979  
2:00 p.m. (10-15 minutes)  
The Cabinet Room

From: Jack Watson  
Stu Eizenstat

*Jack*  
*Stu*

I. PURPOSE

On April 5th you called four of these Governors while they were attending a NERCOM (New England Regional Commission) meeting. You promised the services of Jim, Stu, and Jack to follow-up on particular individual or regional energy issues.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: The New England Governors are obviously concerned with the entire range of energy issues, from prices to supply to sufficiency of data. However, we have held preliminary meetings with their state energy directors to narrow the agenda to priority items. Staff will continue to follow-up other issues in the coming weeks and months.

On a number of these issues, such as decontrol itself, we cannot provide answers that will satisfy the Governors. However, the Governors are in general much more supportive of your position than their corresponding congressional delegations. (Joe Garrahy specifically asked for this meeting to be in Washington rather than Boston as originally planned, because he felt they could all be more supportive here than in New England.)

While you are there the issues of highest priority to touch upon are: home heating oil, decontrol, and low-income assistance.

1. Home Heating Oil. This is the number one issue for the New England Governors. This past winter, newly inaugurated Joe Brennan of Maine received faulty information on the availability of home heating oil and was greatly embarrassed when there was a shortage. The adequacy of heating oil reserves is a major, if not the major issue.

You have stated that achieving adequate stocks of home heating oil for next winter is your first priority in managing the shortfall of oil. You have repeated DOE's target of a 240 million barrel reserve by October 1979. Basically, the Governors want your assurances of this. They will want to know whether or not DOE is willing to invoke its mandatory authority to direct refinery yield if necessary and what is DOE's schedule of benchmarks for making progress on this issue. DOE does not wish to invoke this authority unless absolutely necessary. We will exert every effort necessary to effect a voluntary achievement of this goal.

2. Decontrol. The Governors have strong views about the consumer impact of decontrol. In addition to higher prices, they are also worried about the added outflow of large amounts of money from their region, overseas or to the sunbelt, due to decontrol. They feel this creates one more disadvantage to their ability to compete with other regions for business development.

3. Low Income Payments/Weatherization. These concerns involve three agencies and two programs. They are the weatherization effort funded by DOE with CETA labor from DOL; and the low income projects program from CSA. The problems are:

- a. Funding. Grasso will likely press for more money and separation from the windfall profits tax/Energy Security Fund issue. Also, they feel the payments should not be the same for all households since those in colder climates will have much higher bills.
- b. Timeliness. The CSA payments were too late last winter and the definition of "hardship" is too retrospective, rather than prospective.
- c. Coordination. The weatherization effort should be directed at the homes of those expected to receive emergency assistance payments, in order to lessen the cost to the government and spread funds to more people.

Jack will coordinate the relevant agencies on these issues (Labor, CSA, DOE). Also, you have already sent each Governor a letter (May 23) urging them to enact laws prohibiting cut-offs by utilities.

4. Gasoline. Directly related to the home heating oil reserve is the outlook for gasoline in New England. They will want DOE's analysis of the shortages for their region. DOE's latest estimates for June are that New England will fair no worse than the rest of the country. In April, 1979 New England States received 102% of the April, 1978 amount of gasoline, compared to the .95% ratio for the U.S. In May, New England dropped to .85% and for June will be .88% while the U.S. will be at .89%.

5. Conservation. New England feels it has done a lot to promote conservation and is willing to do more. (Their per capita use of energy in relation to the national average has decreased significantly since 1960.) The various sub-issues are:

- a. The actual 5% conservation goals for each state (Governor Lamm has communicated a recommended formula for setting State goals to all Governors for their comments; a letter from you establishing these targets is in preparation and should be ready within the next ten days);
- b. The implementation of the public building thermostat regulations -- how can it really be enforced; the need for training of various building maintenance personnel; the development of measurement criteria;
- c. The implementation of authorities which you delegated to Governors for their use on a discretionary basis. These authorities are: odd/even day gasoline fill up systems based on license plates, minimum gasoline purchase requirements, and power to regulate gasoline station hours of operation, e.g. to remain open on part of the weekend.

6. Refinery Capacity. A lack of capacity in New England hurts the region's relationship to producing states. It also restricts their ability to control their own situation by having to only import (from overseas or domestically) product rather than crude.

On April 5 you signed the Energy Facility Siting Executive Order to streamline the decision-making

process for critical energy projects. Refineries generally, and refinery capacity in New England in particular, will be among the top priority of candidates for streamlining treatment.

7. Data. Related to all these issues is the Governors' collective concerns about having accurate and timely data on energy supplies.

Much of what they want is proprietary data DOE cannot release. Other information is actually irrelevant to actual real life problems. DOE has generally convinced the Governors' staffs of this. DOE has also informed the states of what will be coming on line in terms of more accurate and current data.

B. Participants:

Joe Garrahy, Rhode Island (Chairman of NERCOM)  
 Ella Grasso, Connecticut  
 Joe Brennan, Maine  
 Hugh Gallen, New Hampshire  
 Dick Snelling, Vermont  
 Ed King, Massachusetts  
 Jim Schlesinger  
 Stu Eizenstat  
 Jack Watson  
 Anne Wexler

C. Press Plan: Press photo opportunity.

III. TALKING POINTS

We recommend you begin the meeting by making the following statements. Since the press will be taping the first few minutes, it is important they record your strong statement concerning home heating oil reserves. You should then allow Joe Garrahy to make some comments as Chairman of NERCOM. After Joe speaks, others might want to make very brief remarks. We have asked Joe to keep things very brief; they understand you have absolutely no more than 15 minutes.

1. I appreciate your coming here today to work with my staff and Secretary Schlesinger to work out some of the energy problems of particular importance to the people of New England.

Energy has been an extremely difficult subject for the Congress and the country to form any kind of consensus about. Oil pricing and production policies

are the most contentious of the issues, and it is this subject which the Congress could not deal with in my April 1977 proposal for a crude oil equalization tax. We have had enormous difficulty, even in the face of the shortfall caused by Iran, in persuading the public that the energy problem is real and cannot be made to go away by blaming one organization or another.

My decontrol program is a good package. Decontrol will be phased in over 28 months in a slow, steady, and controllable way which will let us monitor its impacts carefully.

We have also proposed a stiff tax on the oil companies which, while providing them with generous additional production incentives, will permit us to make vitally needed investments in three key areas:

- assistance to low income families who are least able to bear the burdens of increasing energy costs; this will be especially important to New England, which has heavy dependence on imported oil;
- increased funding for mass transit -- busses and rail services -- to provide an alternative to automobiles and encourage sound conservation habits across the country; and
- additional research and development for new sources of energy, like solar power, making coal into more useable forms such as gasses or liquids, geothermal energy, and new conservation or energy productivity improvements.

The tax will leave the oil industry about 29¢ out of each dollar coming from decontrol for increased production of oil and gas.

I believe that this is a balanced program, though I will support any efforts in the Congress to make the tax stiffer either on oil that is being decontrolled or as insurance against future OPEC price increases which would cause the market price in the United States to rise. I will oppose efforts to weaken my tax proposal.

2. I know that decontrol is a hard fact for New England to face. I also recognize and applaud the great progress New Englanders have already made in conservation. By doing so, we will have enough energy resources in the future not only to meet their everyday needs but to continue making economic progress for the region.
- \*3. In managing the current oil shortfall, I assure you, and the people of New England, that my first priority is to guarantee adequate stocks of home heating oil for next winter. I will use all of my authority to do so. We must take all needed steps to ensure that we do not waste this summer the essential supplies which we will need to protect the health and welfare of the public, particularly New Englanders.
4. I understand and am sympathetic to the particular problems which rising energy prices -- especially oil prices -- pose for low income families in New England. As a first priority expenditure from the Energy Security Trust Fund, I have proposed that low income households receive an average of \$100 to offset price increases due to decontrol. I consider this to be one of the most pressing and compelling reasons for the establishment of the Fund.

Over the last several weeks, members of my Cabinet and my staff have been working with Members of Congress and various outside groups to determine the precise program options which are available for distributing these funds. One of the key issues which we are working to take into account is the difference in the impacts of decontrol between regions. We will continue to work to establish a mechanism which takes account of these differences -- which are particularly important to New England given both its climate and its heavy dependence on oil -- in our final proposal. I hope Stu, Jim Schlesinger, and their staffs will continue to work with you and your staffs on this critical issue.

- \* You might want to move this statement to the beginning since that is when the press will be taping.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

June 6, 1979

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

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

Subject: Producer Prices in May

Tomorrow (Thursday, June 7) at 9:00 a. m. the Bureau of Labor Statistics will release the producers price index for May. The rumor that all good news has been outlawed is apparently not true.

Total finished goods prices rose 0.4 percent in May, or an annual rate of 4.6 percent. This is the smallest increase since August 1978. The principal reason for the good news is a drop in food prices. Prices of nonfood finished goods rose 1.0 percent -- less than the 1.3 percent increase in April, but still very high. Energy prices increased dramatically further, but there were scattered signs of moderating rates of price increase in durable manufactured goods, construction materials, and industrial supplies other than energy.

Food Prices

Consumer finished food prices fell 1.3 percent in May, with large declines in beef and veal (6.9 percent), pork (10.1 percent), fresh fruits (4.5 percent) and eggs (4.2 percent). Since this is the second month in a row of declines in consumer finished food prices at wholesale, it seems likely that the May CPI will show only a small rise, or possibly some decline, in prices at the grocery store. In recent weeks, moreover, cash and future prices of live cattle and hogs have dropped significantly further, so there should be more good news about food prices in the months ahead.

Energy

Energy prices continued to increase sharply in May. Gasoline prices rose 4.2 percent, fuel oil 5.4 percent, jet fuel 8.1 percent, and diesel fuel 6.1 percent (not annual rates). The overall increase in energy items in the finished goods index was 4-1/2 percent in May -- about the same as in April. A substantial feedthrough of rising energy prices

into other industrial product prices is also evident. Prices of goods heavily dependent on energy inputs -- industrial chemicals, plastic resins, synthetic rubber, and plastic construction products and packaging materials -- rose sharply last month.

#### Other Finished Goods

Excluding food and energy prices of finished goods rose at a 12 percent annual rate in April; in May, these prices increased at a 7 percent annual rate, the lowest since October 1978. Price increases had accelerated in April for a wide range of durable goods -- passenger cars, trucks, industrial machinery and similar commodities. This probably reflected increases planned for the first month of the third quarter of the price program. In May, price increases were lower for a number of these commodities. For example, prices of all capital equipment rose 0.7 percent in May, compared with 1.1 percent in April.

#### Prices for Intermediate Products and Raw Materials

Prices for nonfood intermediate materials, parts, and supplies rose by 1 percent in May, compared to 1.6 percent in April. Energy related prices (residual fuel, chemicals, plastics, etc.) rose very sharply. But in other areas there were signs that slowing economic growth is beginning to have some anti-inflationary effects. Prices of plywood and mill work declined in May, and prices of woodpulp, paper and related commodities rose less than in April. Prices of natural rubber, wastepaper, and steel scrap all fell.

#### Conclusion

We cannot realistically expect to see continued increases in producers prices as low as 0.4 percent in the months ahead; our battle with inflation is a long ways from over. Gasoline and heating oil prices will continue to rise. And the higher costs of energy to industrial producers will be passed along in the prices of other goods like chemicals and plastic. Other raw material price increases that occurred earlier may also find their way into finished goods prices. Nevertheless this May figure does offer hope that our expectations of a deceleration of inflation in the second half of 1979 may be realized.

United Food and Commercial Workers Union

Susan  
ok  
J

Jokes and Recognition of Notables

-- Thank you for that kind introduction. I always knew that Bill Wynn was a man of courage and vision, but I never knew he was such an accurate student of recent history.

--~~Seriously~~, It is an honor to be introduced by one of the most decent, effective, respected labor leaders in America--your President and my friend, Bill Wynn.

--To join Secretary-Treasurer, Sam Tal--uh--reeco, the members of your Executive Board, and the first delegates to the newest, and now the largest, union in the AFL-CIO-- the United Food and Commercial Workers Union,

(A)

*to be with*  
-- one of the most committed and caring people ever to serve in any President's Cabinet, Ray Marshall, *and wife*

--a friend of yours, and ~~a friend of mine~~, a great labor leader in America, Lane Kirkland.

--I understand that this is your Inaugural Convention. When I heard that you were having an Inauguration, I came right over. ( Pause ). I walked all the way. ( Pause ). Actually, I have to walk ~~everywhere~~ these days. They took away my free parking <sup>a lot</sup> place too. ( Pause ).

-- ~~I was talking to Vice President, Fritz Mondale~~ Recently ~~he said~~; " Did you hear that Bill Wynn had endorsed you for re-election? ". I said, " ~~I have~~ and did you hear that Bill just created a new union with 50 different Vice Presidents? " And Fritz said, " Well, nobody is perfect ". *Yes,*

--I thought about ~~all the problems you must have had choosing~~ a new name for your union. You could have called it the Retail Meatcutters, but with the price of beef today, nobody would have believed it.

REMARKS TO UNITED FOOD AND COMMERCIAL WORKERS INTERNATIONAL  
UNION CONVENTION, June 7, 1979

*PRESIDENT BILL WYNN, United Food and Commercial  
Workers*

 → This historic merger of two unions, each with such  
a proud history, is a <sup>notable</sup> ~~great~~ achievement -- not just for the  
labor movement -- but for our country. When this great  
new organization of working people speaks out for social  
justice, ~~you will be heard throughout America.~~ I pledge  
~~to you today that~~, your voice -- the voice of the United  
Food and Commercial Workers Union -- will be heard <sup>throughout</sup> ~~in the~~  
*our nation* ..

~~White House~~, and in the Office of the President. (Pause)

*I need the advice and counsel of President*  
~~, Bill Wynn, is always welcome in the Oval Office.~~ Bill  
Wynn believes in this country, and <sup>he</sup> ~~Bill Wynn~~ is never afraid  
to speak his mind. (Pause)

Your new union was born out of a spirit of <sup>high principle</sup> ~~compromise.~~  
<sub>and</sub>

Each union could have jealously fought for every inch of

territory, every office, every perk and privilege. Instead,

you have pooled your strength and resources in a common cause.

*Bill Wynn has outlined some of the achievements which you and I have realized together. This is not a time*  
Today, all Americans face the same choice you faced *to rest on laurels. We*  
*with such courage.* *have just* *still have*  
~~in agreeing to this merger.~~ Each of us can choose to be *to face*  
*confident,* *and to*  
part of a stronger, more ~~hopeful,~~ more prosperous nation *Solve together.*

united through our sense of common purpose. -- Or we can worry

only about our own interests, be weakened and divided as a

*and be afraid of the future,* *of us*  
nation, until all ~~Americans~~ suffer in the end.

More than two centuries ago, the founders of our  
country wondered whether a free people could <sup>ever</sup> rise above narrow,  
sectional interests in times of crisis and join together for  
the common good. We face that same challenge today.

I see it every day in Washington. You see it on the  
evening news. ~~We see~~ <sup>is</sup> the greatest democratic system of  
government in the world <sup>is</sup> twisted and pulled in every direction  
by hundreds of well-financed, powerful special-interest groups.

We see every extreme, one-sided political position defended to the last vote by one unyielding, powerful group or another. We see every compromise, every even-handed solution that asks for a little sacrifice from everyone, abandoned like an orphan, without support and without friends. We see our country facing serious problems in energy and inflation, and we see <sup>the threat of</sup> stagnation, paralysis, and drift.

I am tired of seeing America pulled apart by selfishness, and I know you are tired of seeing it too. (Pause) *If we are united, I am not afraid of the future. I look forward to the challenges and the victories.*

Our country was not built by people who said "Me First! Me Last! and Me Always!" We have not prevailed as a free people for more than 200 years -- continually enlarging freedom, dignity, opportunity, prosperity, hope for all Americans -- by practicing the politics of selfishness.

You know that. <sup>Neither</sup> ~~the~~ Retail Clerks <sup>and</sup> ~~and~~ the Amalgamated Meat Cutters never drew a line through the nation and said:

"We will look out for our dues paying members and the rest of America can take care of itself." (Pause)

You have used your influence and your power to fight for decency and opportunity for all Americans *for the working family --* for the elderly, the poor, the handicapped, minorities and disadvantaged kids who would never have had a chance without your help. That is the spirit we need all across our country. It is time to put the interests of our nation and our children first in America, ~~again~~. (Pause)

I am not here to tell you that there are cheap, easy, painless solutions to the serious problems we face. For too many years, our leaders tried to postpone the hard decisions; and to duck the unpopular choice. This is a time for the truth. The days of the quick fix and the painless cure -- if they ever existed -- are gone.

The inflation which has been building for more than

10 years will not recede overnight. Yet it can be controlled if we are determined, patient, persistent, and fiscally responsible.

There is no single stroke of the pen that can wipe out 30 years <sup>of</sup> dependence on foreign oil. But we have the resources as a people to overcome the energy crisis if we have the will to face the challenge together.

Every generation of Americans has been willing to sacrifice when necessary -- through ~~a~~ Depression and through ~~two~~ <sup>war</sup> ~~long World Wars~~ -- to pass on to the next generation a freer, stronger, more prosperous America. We must <sup>and we will</sup> do the same.

This is not a time for politics as usual. America was not built by people who got up each morning to check the popularity polls. Harry Truman said, "America was not built on fear. America was built on courage, imagination, and an unbeatable determination to do the job."

I did not campaign across this country with my family

for two ~~and~~ <sup>or</sup> three years, <sup>just</sup> to sit in comfort in the White House, or to read in <sup>the</sup> ~~the~~ history books I ~~once held the title~~ <sup>was once</sup>

President of the United States. I sought this office to lead <sup>to face problems regardless of their difficulty,</sup> If the decisions I must make to safeguard the future of our country cost me <sup>some</sup> political support, <sup>then</sup> let the chips fall

where they may. (Pause)

<sup>and easy</sup>  
I will not take the cheap <sup>way</sup> around a serious <sup>mandatory government</sup> ~~problem.~~ <sup>on</sup>

I will not slap on <sup>wages and</sup> ~~wage and price~~ controls <sup>just</sup> ~~just to hold~~ <sup>later</sup> down <sup>prices</sup> through the 1980 elections and then watch inflation skyrocket out of control. I will never fight inflation by deliberately throwing millions of Americans out of work. (Pause)

I want to build an economy that is growing and producing so that our children can leave school -- 5 years, 10 years from now -- and look forward to steady jobs. I want to see a country where all Americans can work ~~hard~~, and save, and build for the future without fear that the dollar you earn this year will be <sup>worthless</sup> ~~worth 90 cents~~ the next.

If we ~~can~~ join together in common purpose <sup>now,</sup> today, the

1980's <sup>will</sup> can be a time of hope, a time of rebuilding for America, a time to fulfill so many of the dreams we share -- in our cities, in education, in health care, for human rights, and peace.

No American should live in fear of bankruptcy or a lifetime of debt if serious illness or accident strikes. No poor person should go without decent medical care in the richest nation on earth. For 30 years we have heard speeches, testimony, and press conferences in support of national health insurance, but not a single bill has passed the Senate or the House. The time has come for us to quit talking and get down to work. (Pause)

I will send my national health program to the Congress next week. Together, we can move towards the goal we share -- a comprehensive system of national health insurance to protect every American citizen. (Pause)

Together, we can continue the civil rights revolution.

We can offer jobs and training to minority teenagers who grow up with no hope. We can rid the legacy of prejudice and discrimination from our society. American women have waited 203 years for full equality. It is time to make the Equal Rights Amendment the law of the land. (Pause)

Together, we can continue <sup>our worldwide</sup> the struggle for human rights. There are brave men and women in <sup>many</sup> nations ~~around the world~~ striving against great odds to taste the freedom we sometimes take for granted. They look to America to hold <sup>high</sup> the lamp of freedom, ~~high~~. They <sup>must</sup> ~~listen for our voices to~~ know they are not alone. I pledge to you that so long as I am your President, our nation will always stand up in defense of freedom and human rights. (Pause)

Last week, I welcomed <sup>several hundred</sup> ~~about 400~~ Vietnam veterans to the White House. I told them that all of us feel <sup>love,</sup> respect, <sup>and</sup> gratitude, ~~and love~~ for the heroism and sacrifice of every young American who served in Vietnam. (Pause). You could see

among that group of veterans, reminders of the terrible cost of war. When I leave this office, I have no higher prayer than to be able to say: "No young American<sup>has</sup> had to fight or die in combat. All Americans<sup>have</sup> lived in peace." (Pause)

Lasting peace, in the Middle East and around the world, can mean ~~so~~ much more than the absence of war. ~~Just one percent of the world's annual military expenditures could~~ feed 200 million malnourished children. Together, we can begin to ~~rid~~<sup>remove</sup> the spectre of<sup>a</sup> nuclear holocaust from the world. the next generation will inherit.

*Next week* ← ~~Later this month~~ I will <sup>go</sup> travel to Vienna to sign a ~~new~~ treaty with the Soviet Union limiting nuclear arsenals on both sides. There is no doubt in my mind that SALT II will enhance the security of the United States. There is no doubt that the SALT Treaty will leave our nation stronger to compete peacefully, but successfully, with the Soviet Union.

There is no doubt that the SALT Treaty goes a long way

towards controlling present and future nuclear weapons.

There is no doubt that the SALT Treaty helps us prevent

other nations ~~who are not presently nuclear powers~~ from

developing atomic weapons of their own. There is no doubt

that the SALT Treaty will help prevent a nuclear war.

*Verification of The SALT Treaty is not based on trust of the Soviet Union. We can verify Soviet compliance with our nation's own SALT II is part of a long process that began under*

*I want to make it clear that the Soviet technical means.*

President Eisenhower. If SALT II is not ratified -- if, after

seven years of negotiations under 3 Presidents, a carefully

balanced agreement in our country's interests is rejected --

*the* <sup>*of controlling nuclear weapons*</sup> ~~that~~ process would be difficult to resurrect.

There is no decision we will face as a people more

crucial to our nation's security, our hopes for the future,

or the chance for our children to grow up in a safe, secure,

liveable world than the ratification of SALT II. Together, we

must choose ~~on~~ the side of peace. (Pause)

\* \* \*

We have such enormous freedom as Americans to debate, <sup>to</sup>

criticize, and <sup>to</sup> resolve our problems openly that we sometimes

*remember the transient disputes and we*

- 11 -

forget how much we have accomplished together and the inner strengths of our nation, ~~on which we can draw~~. We live in the strongest, ~~freest~~, most open, most prosperous, most generous, <sup>most free</sup> most hopeful society on earth.

The problems we face are serious and real, but they are manageable. The challenge we face is to our spirit as a people. We live in a time of rapid change. We must not permit the power of fear that Franklin Roosevelt warned us against -- fear of the future, or fear of futility, -- to paralyze our will.

We can make our economy work. We can be both strong and at peace. We can solve our problems as we always have -- not through gimmicks or slogans -- but through hard work and persistence, and occasionally through pain and sacrifice.

I look forward to the future because I know that the people of the United States have the will and the strength of character to make those years even better in the greatest nation on earth. Thank you.

# # #

(Substitute if desired for last paragraph)

John Gardner once wrote:

"A nation is never finished. You cannot build it and then leave it standing like the Pharoahs did the Pyramids. It has to be built and rebuilt. It has to be recreated in each generation by believing, caring men and women. It is our turn now. If we do not believe or do not care, nothing can save the nation. If we believe and care, nothing can stop us."

We are a nation -- you are a union -- of believing, caring men and women. I look forward to the future because I know that the people of the United States have the will and the strength of character to make those years even better in the greatest nation on earth. Thank you.

# # #

THE WHITE HOUSE  
WASHINGTON

07 June 79

FOR THE RECORD:

FRANK MOORE RECEIVED A COPY.

FOR ACTION  
FYI

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

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

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

*Call  
Terry  
Scheidt*

THE WHITE HOUSE  
WASHINGTON

*Frank  
Loue  
J*

June 7, 1979

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE *FM.*

RE: CALLS ON THE DEPARTMENT OF EDUCATION

With our Department of Education legislation reaching the House floor this afternoon, we are still faced with the problem of influential Members who have not made up their minds about how they stand, or are not committed enough to influence their peers. It would be most helpful if you could telephone the Speaker and Congressman Dan Rostenkowski and ask them to exert their influence with some of their state delegations.

1. The Speaker ought to be able to help us with the following Members from Massachusetts:

*will help*

- |                  |                |
|------------------|----------------|
| Eddie Boland     | Joe Moakley    |
| Silvio Conte     | Ed Markey      |
| Joe Early        | Jim Shannon    |
| Margaret Heckler | Nick Mavroules |

2. Rostenkowski needs to work the Chicago delegation, and of those the ones who need the most pushing are:

*Danny not for  
it - will  
support &  
help -*

- |                |                 |
|----------------|-----------------|
| Morgan Murphy  | John Fary       |
| Marty Russo    | Bennett Stewart |
| Frank Annunzio | Sid Yates       |

It is most important, of course, that in addition to helping us with their delegations that these men make an effort to exert their leadership responsibilities in general. This has not been the case so far, and it would help greatly if you would emphasize to them how important their leadership and example are to the outcome of this bill.

THE WHITE HOUSE  
WASHINGTON

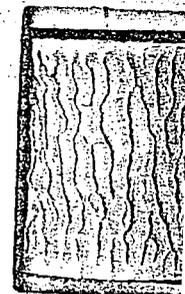
07 June 79

Frank Moore

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

Rick Hutcheson

The Vice President



FOR ACTION  
FYI

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

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

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

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

*Call Terry*

THE WHITE HOUSE  
WASHINGTON

*Frank J*

June 7, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Moore *F.M. / LES FRANCIS*  
Terry Straub

SUBJECT: Letter on Department of Education

Our bill proposing the creation of a Cabinet-level Department of Education was brought up earlier this afternoon. Debate and amendments will continue Monday. Depending upon attendance -- and depending on how votes on amendments break -- we may be able to push for a vote on final passage Monday afternoon (time permitting).

As you know, support for the bill is soft and victory is not assured. Our task force has given call lists to you, the Vice President, to various Cabinet officers and White House staff members. In addition, NEA and other supportive groups have redoubled their efforts. The vote count as of Noon Thursday was:

Yes and Leaning Yes = 221 (182 D and 39 R)

Undecided = 32 (18 D and 14 R)

No and Leaning No = 182 (80 D and 102 R)

In order to strengthen our base of support among Democrats, which has shown signs of serious erosion in the past few days, we want to send a Presidential letter to those Democrats we have listed "Yes", "Leaning Yes", and "Undecided" (200 Democrats). In addition to its direct impact on Members who receive it, such a letter will be visible evidence of your continued and strong support for the bill. No matter what the ultimate outcome on this bill, we want to make sure that no one can ever make the claim that we did not expend every possible effort.

**Electrostatic Copy Made  
for Preservation Purposes**

DRAFT

THE WHITE HOUSE

WASHINGTON

June 8, 1979

Electrostatic Copy Made  
for Preservation Purposes

*ch -  
Clear with V.P.  
J*

To Congressman \_\_\_\_\_:

The creation of a separate Department of Education is one of my highest priorities for this Congress. As you know, the House will vote soon on H.R. 2444, the Administration's proposal.

High quality education is tremendously important to all of us. I believe that the current organization of education in the Department of Health, Education and Welfare (HEW) does not allow the Federal government to carry out effectively its significant responsibilities in support of local education.

*while  
existing local and state control over the local schools and systems.*

The formation of a Department will greatly improve the management of federal education activities. It will increase the accountability of these programs. It will allow the Secretary of Education and program managers to respond faster and more effectively to local needs and concerns. It will reduce 450 positions and save \$19 million by eliminating bureaucratic layers necessitated by the current HEW organizational structure. And finally, separation of education programs from HEW will also provide the opportunity to improve the management of health and welfare programs.

*IT*

*to me  
and to  
the  
Congress*

It is essential for ~~my~~ <sup>our</sup> domestic agenda that this legislation pass the Congress. I ask for your help and support in this effort.

Sincerely,

APPROVE \_\_\_\_\_

DISAPPROVE \_\_\_\_\_

*Therefore reducing  
enhancing communication  
and consultation among  
the different levels of government  
in order to avoid misunderstandings,  
controversy, and legal confrontations.*

*Government's responsibilities  
to education.*

THE WHITE HOUSE  
WASHINGTON

6/7/79

Tim Kraft  
Arnie Miller

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

Rick Hutcheson

*Admin to be truly Confidential*

2549

FOR ACTION  
FYI

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

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

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
✓	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
✓	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

THE WHITE HOUSE  
WASHINGTON

C

June 5, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*  
ARNIE MILLER *AM*

SUBJECT: Staffing the Department of Education

As you know, the Department of Education bill may be enacted by July. The legislation will create 12 (Senate version) to 15 (House version) PAS appointments.

We have begun to profile specific positions, and will work closely with the Vice President, Jim McIntyre, and Stu to define the jobs and recruit candidates.

Our objective to re-shape and re-invigorate the Federal education bureaucracy by creating an Education Department depends on the recruitment of new talent, unfettered by close ties to narrow interests and willing to re-examine critically existing policies and programs. The first senior appointments and the career staff they recruit will establish the new department's long-term character. Tentatively, several criteria merit priority in selecting senior departmental officials:

- . Appoint generalists, who are not "captive" to any education group but who would command the respect of the education community
- . Look for experienced managers
- . Insist on a track record in civil rights
- . Seek people devoted to excellence with progressive, open-minded views on improving the quality of education.

The first Secretary clearly must be part of the selection process for sub-Cabinet positions, since you, the Congress and the public will hold her or him accountable for the department's performance. We feel we should not totally turn over the appointments to the Secretary, however. It

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should be a team effort with you and your senior staff playing a major role. If this approach can be agreed upon at the outset we can discuss it with prospective Secretaries and avoid future misunderstandings.

Creation of an Education Department provides an excellent opportunity to bring women and minorities into important policy positions in the Administration. Your involvement in the selection process is the best way to assure that this opportunity -- probably the single largest cluster of PAS appointments between now and the election -- is handled appropriately.

RECOMMENDATION

We recommend that you direct the senior staff to participate in the selection of sub-Cabinet appointments in the Department of Education, using a process which involves the Vice President, Jim McIntyre, Stu Eizenstat, Jack Watson and the Secretary-designate when he or she is selected. The Vice President, Stu, Jim McIntyre and Jack concur. If you agree, Arnie and I will communicate this to the appropriate senior staff and bring together a small White House task force next week to begin recruiting a Secretary and Under Secretary. A tentative schedule, contingent on prompt Congressional action on the Department of Education legislation, for staffing the department is attached.

Agree  
 Disagree

*any*  
*we will have created*  
*a monster*  
*if the new dept*  
*is "captured" by*  
*special interest group(s)*

J

TENTATIVE  
SCHEDULE FOR SELECTION  
OF SENIOR DEPARTMENT OF  
EDUCATION STAFF

(NOTE: This schedule is contingent on prompt Congressional action on the Education Department legislation.)

Week of:

- |           |   |
|-----------|---|
| June 11   | Convene White House Task Force* to discuss criteria for selecting a Secretary and Under Secretary   |
| June 18   | Review first list of candidates for Secretary and Under Secretary   |
| June 25   | Agree on short list of Secretary candidates, and assign and begin interviews and reference checks   |
| July 16   | Recommend persons for the President to interview for Secretary  |
| July 30   | Complete Presidential interviews and all reference checks on both Secretary and Under Secretary candidates  |
| August 6  | Recommend Secretary<br><br>Discuss within the Task Force criteria for sub-Cabinet positions and process for soliciting potential candidates         |
| August 13 | Announce Secretary-designate<br><br>Discuss short list of Under Secretary candidates with the Secretary-designate, and interview the candidates     |
| August 27 | Recommend Under Secretary<br><br>Begin interviews and reference checks on sub-Cabinet positions -- Goal: to select all PAS appointees by November 1 |

\* The Task Force will be chaired and staffed by the Presidential Personnel Office, and include senior staff from the Office of the Vice President, OMB, Domestic Policy Staff, and Jack Watson's staff.

THE WHITE HOUSE  
WASHINGTON

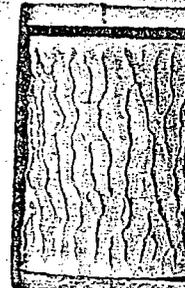
07 Jun 79

Zbig Brzezinski

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

Rick Hutcheson

Ed Sanders



FOR ACTION  
FYI

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

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
✓	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

THE WHITE HOUSE

WASHINGTON

June 6, 1979

*2619-  
agenda  
J*

MEMORANDUM FOR THE PRESIDENT

FROM: EDWARD SANDERS *Ed*

SUBJECT: Soviet Prisoners, Refusenicks and  
Dissidents.

I have received numerous calls, visits and letters from persons representing Jews who are either in Soviet jails or in exile or who have been prevented from leaving the Soviet Union.

I have discussed this matter with Dr. Brzezinski and Jessica Matthews and it is my understanding that this item will be on your agenda. I believe that it is extremely important for you to specifically discuss with Mr. Brezhnev the following persons: Anatoly Shcharansky, Ida Nudel, Iosif Mendelevich, Iosif Begun, Vladimir Slepik, Josef Goldman and Lev Tukashensky.

I underscore the importance of our being able to report after you return that you did, in fact, discuss the issue of human rights and these specific individuals.

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THE WHITE HOUSE  
WASHINGTON

10

MEMORANDUM FOR THE PRESIDENT

FROM: LONDON BUTLER 

DATE: JUNE 7, 1979

SUBJECT: UNITED FOOD AND COMMERCIAL WORKERS'  
SPEECH

I spoke to one of the officers of the UFCW after we returned today, and I was told that the comments after your speech were extremely favorable.

There now is a good chance that the UFCW will formally endorse your candidacy in 1980 at the first meeting of the new Board this Saturday.

cc: Hamilton Jordan

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*THE MOST*

*ZIMBABWE - A*  
AFTER CAREFUL AND THOROUGH CONSIDERATION, I HAVE REACHED A DECISION  
ON RHODESIAN SANCTIONS:

> FIRST, I AM ABSOLUTELY CONVINCED THAT THE NATIONAL INTERESTS OF  
THE UNITED STATES WOULD NOT BE SERVED BY THE LIFTING OF SANCTIONS.

> SECOND, I AM EQUALLY CONVINCED THAT THE BEST INTERESTS OF THE  
*ZIMBABWE*  
PEOPLE OF RHODESIA WOULD NOT BE SERVED BY THE LIFTING OF SANCTIONS.

*ZIMBABWE*  
FINALLY, IT IS CLEAR TO ME THAT ALTHOUGH THERE HAS BEEN SOME  
PROGRESS IN RHODESIA, THIS PROGRESS IS NOT SUFFICIENT TO SATISFY THE  
CRITERIA FOR THE LIFTING OF SANCTIONS SET DOWN IN THE CASE-JAVITS  
AMENDMENT.

(=OVER=) (IN REACHING THIS DECISION...)

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4:30 PM

C  
/

THE WHITE HOUSE

WASHINGTON

June 7, 1979

MEETING WITH MEMBERS OF CONGRESS  
ON RHODESIA

Thursday, June 7, 1979

4:30 p.m.

The Cabinet Room

From: Frank Moore *F.M./BR*

I. PURPOSE.

To discuss your Rhodesia decision, we have invited to meet with you this afternoon the following Members of Congress:

Robert Byrd + (not attending; out of town)

Cranston + on previous Senate votes

Baker -

Church + (Chairman of the Foreign Relations Committee)

Javits + Ranking Republican on both the Full Committee and the Africa Subcommittee, but actually leans toward lifting sanctions

McGovern + (Chairman of the Africa Subcommittee)

Tsongas + and a floor leader for our position

Muskie +

Kennedy +

Helms -

Hayakawa -

The House and Committee leadership and the entire Africa Subcommittee:

O'Neill

Wright

Rhodes

Zablocki

Broomfield

Collins

Solarz

Goodling

Gray

Wolpe

Fithian

Buchanan

Fenwick

Brademas

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IN REACHING THIS DECISION, WE HAVE CONSULTED CLOSELY WITH THE  
BRITISH GOVERNMENT, WHICH RETAINS LEGAL AND HISTORIC RESPONSIBILITY FOR  
ZIM-RHODESIA. WE HAVE ALSO REVIEWED THE RECENT DEVELOPMENTS IN RHODESIA. <sup>THERE.</sup>

THE ACTUAL VOTING IN THE APRIL ELECTIONS APPEARS TO HAVE BEEN  
ADMINISTERED IN A REASONABLY FAIR MANNER, CONSIDERING THE CIRCUMSTANCES.

BUT THE ELECTIONS WERE HELD UNDER A CONSTITUTION THAT WAS DRAFTED BY  
AND THEN SUBMITTED ONLY TO WHITE RHODESIANS, <sup>CITIZENS</sup> ONLY 60 PERCENT OF WHOM  
APPROVED IT. THE BLACK RHODESIANS, <sup>CITIZENS</sup> WHO CONSTITUTE 96 PERCENT OF THE  
POPULATION, NEVER HAD A CHANCE TO VOTE FOR OR AGAINST THIS CONSTITUTION.

THE CONSTITUTION PRESERVES EXTRAORDINARY POWER FOR THE 4 PERCENT  
WHITE MINORITY.

(=NEW CARD=) (IT GIVES THIS SMALL MINORITY..)

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IT GIVES THIS SMALL MINORITY A VASTLY DISPROPORTIONATE NUMBER OF  
VOTES IN THE PARLIAMENT; CONTINUED CONTROL OVER THE ARMY, POLICE,  
JUDICIARY AND CIVIL SERVICE; AND A VETO OVER <sup>ANY</sup> SIGNIFICANT CONSTITUTIONAL  
REFORM.

MOREOVER, WHILE THE CASE-JAVITS AMENDMENT CALLED FOR THE FREE  
PARTICIPATION OF ALL POLITICAL GROUPS IN THE ELECTION, THE INTERNAL WINGS  
OF OPPOSING PARTIES WERE BANNED.

THEY WERE UNABLE TO PARTICIPATE IN THE POLITICAL PROCESS; THEY WERE  
PROHIBITED FROM HOLDING MEETINGS OR POLITICAL RALLIES OR ADVERTISING  
THEIR VIEWS IN THE NEWS MEDIA. <sup>EVEN</sup>

FOR THESE REASONS, I CANNOT CONCLUDE THAT THESE ELECTIONS WERE  
EITHER FAIR OR FREE.

(=OVER=) (NOR CAN I CONCLUDE.....)

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NOR CAN I CONCLUDE THAT THE OTHER CONDITION OF OUR LAW HAS BEEN FULLY MET.

*IN ZIMBABWE - RHODESIA*

THE ~~RHODESIAN~~ <sup>RHODESIAN</sup> AUTHORITIES HAVE EXPRESSED THEIR WILLINGNESS TO ATTEND AN ALL-PARTIES MEETING, BUT THEY HAVE NOT INDICATED THAT THEY ARE PREPARED TO NEGOTIATE SERIOUSLY ABOUT "ALL RELEVANT ISSUES", AS OUR LAW SPECIFIES.

WE WILL OF COURSE CONTINUE TO KEEP THE QUESTION OF OUR OBSERVANCE OF SANCTIONS UNDER REVIEW. ALONG WITH THE BRITISH, WE WILL PARTICULARLY LOOK FOR PROGRESS TOWARDS A WIDER POLITICAL PROCESS AND MORE GENUINE MAJORITY RULE.

IN SO DOING, WE WILL REPORT TO THE CONGRESS ON A MONTHLY BASIS ON THE PROGRESS BEING MADE.

(=NEW CARD=) (THE POSITION I HAVE.....)

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THE POSITION I HAVE OUTLINED BEST SERVES AMERICAN INTERESTS AND  
THOSE OF OUR ALLIES IN A REGION OF INCREASING IMPORTANCE TO US ALL.

IT SHOULD PRESERVE OUR TIES TO FRIENDLY AFRICAN GOVERNMENTS, AND  
LIMIT THE OPPORTUNITY FOR OUTSIDE POWERS TO TAKE ADVANTAGE OF THE SITUATION  
AT THE EXPENSE OF THE UNITED STATES.

ZIMBABWE-

> NO OTHER GOVERNMENT ON EARTH HAS FORMALLY RECOGNIZED THE RHODESIAN  
GOVERNMENT.

HOWEVER, OUR ACTION SHOULD HELP AND ENCOURAGE THE NEWLY-ELECTED  
AUTHORITIES ~~IN RHODESIA~~ -- TO INTENSIFY THEIR EFFORTS TO ACHIEVE GENUINE  
MAJORITY RULE, BASED ON FIRM AND JUST CONSTITUTIONAL FOUNDATIONS, LEADING  
TO MORE PROGRESS IN RHODESIA-ZIMBABWE AND TO MORE NORMAL TRADE RELATIONS  
WITH THE NEW GOVERNMENT BASED ON ITS OWN FUTURE ACTIONS AND CHARACTER.

# # #

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cc Adm Rickover  
Thanks - Dr Kemeny will contact  
you re your giving testimony  
to the Arlington, Virginia  
June 6, 1979  
investigating Commission.

J.C

Dear Mr. President:

When you were so kind as to visit us I mentioned that I had just testified in connection with the Three Mile Island Plant incident. My testimony covered the training given in the naval nuclear program.

I believe that adequate training and continuous retraining are essential for the safe operation of an advanced technology. For this reason the enclosed may be of interest.

The two pamphlets show the small amount of radiation released by the naval nuclear program.

The two clippings may possibly be of interest.

With my best regards to Rosalynn and to Amy, and with Eleonore's and my thanks for your thoughtfulness in sending us the lovely plant,

Sincerely and Respectfully,

  
H. G. Rickover

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THE WHITE HOUSE

WASHINGTON

June 7, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: FRANK MOORE *FM*  
SUBJECT: Letters to O'Neill and Rhodes  
on Panama

Attached are the letters requested this morning about  
the Panama Legislation.

The text has been cleared by the Speechwriters.

Attachments

THE WHITE HOUSE

WASHINGTON

June 7, 1979

To Congressman John Rhodes

Confirming our recent conversations, I want to emphasize the importance of prompt passage of legislation which will enable us to exercise our rights and fulfill our obligations to manage and defend the Panama Canal under the Panama Treaties of 1977.

Affirmative action on such legislation is a matter of the highest national interest. It will enable us to establish the United States Government machinery for operating the Canal until the year 2000; to employ and retain the dedicated work force we need to keep the Canal operating smoothly; and to ensure that the Canal will in the future, as in the past, operate as a self-sustaining enterprise.

Passage of H.R. 111 without crippling amendments is necessary if we are to attain these goals. Without it, we will have neither the organization nor the legal right to maintain an American presence in Panama.

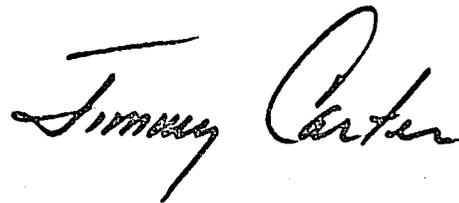
The Panama Treaties were approved by our constitutional processes. They are the law of the land. The 1903 Treaty will terminate unconditionally on October 1, 1979. We must take the steps required to prepare ourselves for this development. We must not risk the contingency of a closed Canal, or of a challenge to the legitimacy of our defense and operational rights there. Every region of the United States -- and nations around the world -- have an economic stake in a safe, secure, and efficient Canal operation.

I earnestly hope that the Congress will not be diverted from this purpose by unfounded assertions with respect to the costs of Treaty implementation. The sums we will spend to carry out our obligations under the Treaty will not go to the Government of Panama. Our expenditures will enable us to maintain United States defense capabilities at the Canal, and to service and adequately compensate the employees who must continue to run the Canal. These defense and employee costs are highly favorable to our country when compared with expenditures for defense installations in other areas of the world.

To require Panama to meet our own national expenses, and to pay us for the cost of the property being turned over to them, would change the terms of the Treaties ratified by the Senate and place us in violation of our international obligations. These Treaties, which were negotiated over a 13-year period by Democratic and Republican Presidents alike, cannot be rewritten now. I believe they are beneficial to both countries.

Accordingly, I hope you will urge all Members of the House of Representatives to approve H.R. 111 as it now stands. We must avoid delay or obstacles, so that the United States can preserve its rights under the Treaties by living up to its pledged word. The Congress has the opportunity to ensure that we can do so. I am confident that, together, we will meet our constitutional responsibilities.

Sincerely,



The Honorable John J. Rhodes  
United States House of Representatives  
Washington, D. C. 20515

*p.s. I have instructed Sec. Brown to provide detailed estimates of future expenditures.*

*J*

THE WHITE HOUSE

WASHINGTON

June 7, 1979

To Speaker Tip O'Neill

Confirming our recent conversations, I want to emphasize the importance of prompt passage of legislation which will enable us to exercise our rights and fulfill our obligations to manage and defend the Panama Canal under the Panama Treaties of 1977.

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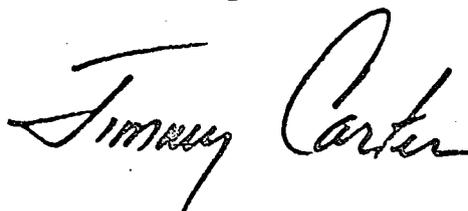
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Sincerely,



The Honorable Thomas P. O'Neill  
Speaker  
United States House of Representatives  
Washington, D. C. 20515

*p.s. I have instructed Sec. Brown to provide detailed estimates of future*

8:00 AM

THE WHITE HOUSE  
WASHINGTON

C  
/

June 6, 1979

REPUBLICAN CONGRESSIONAL LEADERSHIP BREAKFAST

Thursday, June 7, 1979  
8:00 a.m.  
Family Dining Room

From: Frank Moore *F.M. (J. Capeland)*

I. INTRODUCTION

*Adm. Service*

Republicans have played critical, occasionally decisive, roles in the outcome of issues such as the Panama Canal Treaties, the Mideast plane sales, the lifting of the Turkish Arms Embargo, passage of the Natural Gas De-regulation bill and our efforts to cut the Federal Budget deficit. You should thank them for their help and for their displays of bi-partisanship in these vital matters as well as others. (You should not be too effusive in your praise -- don't give them a quote to use against their Democratic colleagues).

You should say that you will continue to look to them for bi-partisan leadership on issues just as vital to our country this year. Among these issues are: oil decontrol, Panama Implementing legislation, ratification of the SALT Treaty, inflation, the economy generally, and health care protection as well as health care costs.

I suggest that you then focus most of your comments on two issues - Panama and Energy.

II. PRESS PLAN

White House photographer.

III. PARTICIPANTS

See attached list.

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IV. AGENDA

1. Panama

The Panama Implementing Legislation will be on the House Floor next week. The negotiations have been carried on by Republican as well as Democratic Presidents. President Ford shares my view that passage of legislation is essential if we are to avoid serious problems. Without effective legislation we run the risk of a closed Canal, of prejudicing its security by reviving Panamanian animosities, and of impairing the credibility of our pledged word throughout the Western Hemisphere.

The vote will be close and I need your help.

2. ENERGY - DECONTROL

The House Republicans are supportive of your decision to decontrol crude oil. An early Republican whip count indicates the following:

For Decontrol	- 116
Undecided	- 32
Against Decontrol	- 11

We don't have a count for the Senate but anticipate heavy support in that body also.

You should encourage the leadership to continue their efforts and indicate your belief that decontrol is necessary to increase domestic oil production and encourage conservation of existing energy supplies.

3. ENERGY - WINDFALL PROFITS TAX

The Ways and Means Committee is expected to begin mark-up Thursday morning.

The Committee Republicans are generally supportive but will seek some changes. They seem to prefer a stiffer tax on lower tier oil to the permanent OPEC tax. They no longer are talking about plowback -- apparently looking to Senator Long for this.

In light of this you should encourage the Leadership to simply help with the tax so as to enable us to finance the development of alternative energy sources, mass transit and assistance for low-income households.

4. SALT - (Optional)

If you choose to comment, I suggest something like:

"I believe the Treaty we have negotiated is in the best interest of the United States. If I did not I would not sign it. I think that once you have read the text of the Treaty you will agree with me and support it also. Until then I only ask you to keep an open mind."

5. QUESTIONS AND ANSWERS

During the discussion time, I encourage you to be extremely cautious - especially in instances where they might be trying to "scoop" their Democratic colleagues. Specific problems could arise if you were to give an otherwise confidential status report on a project or program for instance to Howard Baker when we haven't given it to Jim Sasser. I suggest you tell the questioner that you will look into it and I or one of my staff will be in touch.

6. CENSUS

On May 29, you received a letter signed by most of the House Republican Leadership expressing their concern over your decision to exempt the census from the Civil Service Reform Act. If this issue is raised you should make the following points:

- a) Your nomination for the head of the Census is Vincent Barabba, who, among other things, was Nixon's and Ford's Director of the Census.
- b) All of the census experts agree that the best way to make an accurate census is to use people indigenous to the areas in which they make the canvas.

c) Your goal is simply to have the best census count possible.

7. ENERGY CRISIS - NATURE OF THE PROBLEM.

Attached are talking points I gave you for yesterday's meeting.

Administration Support  
95th Congress

Panama Treaties

Senate

Howard Baker	48.3	Y
Ted Stevens	33.3	N
John Tower	17.9	N
Jake Garn	22.1	N
John Heinz	58.0	Y

House

John Rhodes	21.1
Bob Michel	32.2
Bud Shuster	13.8
Sam Devine	14.5
Jack Edwards	25.0

REPUBLICAN CONGRESSIONAL LEADERSHIP BREAKFAST

Thursday, June 7, 1979

PARTICIPANTS

The President

Senator Howard Baker, Minority Leader  
Senator Ted Stevens, Minority Whip  
Senator John Tower, Chairman of the  
Republican Policy Committee  
Senator Jake Garn, Secretary of Conference  
Senator John Heinz, Republican Campaign Committee

Congressman John Rhodes, Minority Leader  
Congressman Bob Michel, Minority Whip  
Congressman Bud Shuster, Chairman,  
Republican Policy Committee  
Congressman Sam Devine, Vice Chairman,  
Republican Conference  
Congressman Jack Edwards, Secretary,  
Republican Conference

Note: John Anderson, Chairman of the Republican Conference, will not be attending because he is giving a commencement address the evening before and cannot get back to Washington by 8:00 a.m.

Stu Eizenstat  
Jody Powell  
Frank Moore  
Jim McIntyre  
David Aaron  
Bill Cable  
Dan Tate  
Bob Beckel  
Jim Free  
Bob Thomson  
Bill Smith



THE WHITE HOUSE

WASHINGTON

June 5, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Moore

SUBJECT: Wednesday's Congressional Leadership  
Breakfast/Discussion on Energy

Clearly, your discussion with Congressional Leaders tomorrow morning on the subject of energy is likely to be one of the most important conversations this year. Rather than providing "Talking Points" in the usual format, I thought it would be helpful to provide you with a more detailed memorandum covering our thoughts about the course we think the meeting ought to take.

First of all, it is CL's opinion that the following four points accurately describe the context within which any discussion of national energy policies should take place:

- 1) The failure of Congress to face up to the energy problem is due primarily to the fact that public recognition of the severity of the problem lags far behind the need for such recognition. In the absence of a concerned and/or aroused constituency, one which is demanding responsible action on energy, Congress is institutionally incapable of taking on such a complex and painful issue.
- 2) Unfortunately, too many Members of Congress have forgotten, or have chosen to ignore, their responsibility to educate their constituents on important and controversial national issues. Energy is but one example. Most votes and most public statements seem to be based upon short-term, parochial political considerations, rather than upon long-term national needs.
- 3) The American public is deeply suspicious that the so-called "energy crisis" is really a hoax. The people believe most of the problem is attributable to dishonesty and chicanery on the part of energy industries, most especially

the oil companies. However, the suspicion goes even deeper in the minds of too many Americans; in their view, the government is a co-conspirator in the hoax.

- 4) Much of the public and Congressional skepticism and hostility on the entire energy issue stems from a widespread disenchantment with the Department of Energy. In fact, to some extent at least, the House action on rationing and the caucus vote on decontrol were votes of "No Confidence" in the Department of Energy. *E. R. S.*

While some of these perceptions may be unpleasant -- and others may be flat wrong -- we believe they play important roles in the current debate.

During your opening comments you should cover the following points:

Nature of the Problem

- The most critical aspect of the energy problem is petroleum and the world's heavy reliance on that fuel which is constrained both in availability and in the willingness of some of the major producing countries to supply it. Almost all energy analysts have predicted a "cross-over" between supply and demand sometime in the 1980's.
- That cross-over point has in fact arrived in 1979. The current imbalance between supply and demand has caused spot shortages of oil and oil products here in the United States and has also, and more seriously, substantially increased prices charged for oil. The average price of OPEC oil long-term contract has increased by about 30% since December of last year. Spot market prices are reported well above \$30 for crude oil and above \$40 for refined products. The spot market prices and the surcharge system now being used by most OPEC nations continue to increase pressures for further increases in the long-term contract price for OPEC -- and non-OPEC -- oil. The spiraling of prices threatens the U.S. and other countries with devastating inflation rates and severe economic consequences. 65% of all oil used in the U.S. is bought at the world price, since half of our oil is imported, and about one-third of our domestic production is not, by law, price-controlled.

- The restoration of Iranian production has not restored world supply and demand balances for oil. The current Iranian production level is almost 2 million barrels per day below its pre-Revolution levels, and that deficit is not being fully made up elsewhere. During the cessation of Iranian production, our stocks of crude oil and refined product, as well as those of other countries, were drawn down to very low levels. Given current demand for oil and the need to rebuild stocks, world demand is still 1-2 million barrels per day above available supply.
- We face the chronic condition of living on a thin edge of a demand/supply balance. Variations of as little as 1 or 2% of total world supplies are enough to throw our economies -- and the world oil pricing system -- into disarray. Another disruption such as occurred in Iran would have serious consequences.
- In the United States, the estimated shortfall in supplies is about 500,000 - 700,000 barrels per day, including supplies needed to rebuild currently depleted stocks. This difference has to be made up, in the immediate term, by conservation, either voluntarily taken, or induced through the lack of supplies. We currently estimate that actual demand is over 1 million barrels per day below that which it would have been, reflecting the success of some of our oil to gas switching, power wheeling, other conservation steps, and the lack of supplies. We need to conserve at a rate of 5% below what we would otherwise be using if we are to rebuild stocks for next winter and meet essential priorities for home heating oil, agricultural use, and emergency services.
- As far as gasoline supplies are concerned, we hope and expect that recent moderate increases in the level of imports will lessen somewhat the probability of repetitions of a California-type situation. We will, however, be doing very well to get back to 1978 levels of gasoline availability. As you have read, allocations recently announced for the month of June are down from May levels, as a percentage of demand from last year. These allocations can be revised as the increase in imports is reflected in the system, and we expect this to occur soon if the oil companies perform as they should.

- I have directed the Antitrust Division of the Justice Department, along with the Department of Energy, to investigate oil company practices, including use of stocks, to ensure that no supplies are being withheld from the market in order to force prices up.
- In summary, it is essential that we -- and the American public -- recognize that there is a fundamental and underlying energy problem which is related to both supply and to world price increases. If there are violations of the law by the oil companies, we will detect them and bring the full force of the law to enforcement against them. If there are problems created by the way in which the federal government or I handle this situation, we will try our best to correct them. But none of these actions can possibly make the problem go away. We will still need to conserve, to provide incentives for domestic production of oil and other energy sources, and shift from oil to other supplies if we are to resolve our energy problem over the longer term.

(Note: Secretary Schlesinger has charts prepared for an afternoon press briefing. He will bring them into the Dining Room only at your direction).

#### Proposed Solutions

- This is why I focused on this issue early in my Administration, with the crude oil equalization tax proposal, and why I have continued those efforts with my actions to decontrol oil prices and the proposed windfall profits tax. I believe firmly that every day which we wait to act on these proposals simply compounds the difficulties we face now and in the years ahead.

*Ration - conservation measure -  
outdoor lighting  
6 days/week*

Lack of Public Understanding

- Pat Cadell did a national poll about two weeks ago which indicated that only 1/3 of the American people describe the energy crisis as resulting from real shortages of petroleum:

How would you describe the energy crisis (open-ended)?

- 33% - actual natural resources shortages (fossil fuels)
- 33% - "gasoline is too expensive"
- 33% - "conspiracy/hoax"

- While the situation is improving, only slightly more than half of the respondents regard the crisis as being very serious:

<u>May '79</u>	<u>Feb. '79</u>	<u>Nov. '78</u>
52% <i>SERIOUS</i>	47%	42%

- You could also discuss the changes in perception which have occurred in California as reported by Charles Warren. No longer do they imagine tankers lurking off the coast. No longer do they fear a conspiracy which will deprive them of all gasoline for some indefinite period of time. Instead, Californians now seem to understand that the crisis means 10-15% less than what they had expected. They can deal with that -- they're adjusting their consumption habits. Cooperatively, they're minimizing the adverse effects, not unlike the way they conserved during the drought of '77.

Proposals for Increasing Public Awareness

- You should indicate a willingness to do whatever you can to educate the American people about the nature of the crisis. While you probably should not mention specific steps, we have in mind activities such as:
  - An ambitious series of White House briefings.
  - Regional forums and town hall meetings similar to Kahn's anti-inflation conferences.
  - Publication of an "Energy White Paper" and brochures - distributed widely, especially to editorial boards.

- Greater use of symbolic moves to highlight energy conservation methods.
- You should suggest that Members of Congress can help by:
  - Holding Congressional hearings or community forums around the country highlighting the problem. (They might also assist with Administration sponsored forums and town hall meetings.)
  - Appearancing on TV news talk shows by MC's who believe there is a problem and who are effective advocates.
  - Using Congressional newsletters to highlight energy problems.
- You should suggest that the private sector also be called on to help in the educational process. They could develop and sponsor:
  - Public service announcements
  - Advertisements - newspapers, magazines, outdoor
  - Speaker's Bureaus - labor leaders and corporate officers could seek and coordinate engagements with service clubs, local Chambers of Commerce, community organizations, etc.
- You should conclude by challenging the Members and Senators with something like:

"I have just outlined for you what I think our energy problems are, what I think the reasons are for the problems, what my proposed solutions have been and are now, and what I believe we ought to do to educate the American people. What I want to hear from you are any points of disagreement either on the nature and extent of the problem, the proposed solutions and/or the effort to increase public understanding."
- You should encourage a vigorous dialogue and then bring the discussion to an end by refocusing attention on its most important element - the need to increase the public's understanding of the issue. You should again solicit their active involvement and support - not necessarily for specific legislative or administrative programs - but rather in joining you in accomplishing the difficult task of educating the American people to the severity of the problem.

- If the meeting goes well, another possibility you might want to consider is a televised discussion of the nature of the crisis between you and Members of Congress. While certainly an unusual approach from an historical perspective, it might be a way to demonstrate the joint responsibility of the Executive and Legislative branches.

(Note: we do not recommend that you discuss conversations which the Vice President and Stu have had with Byrd and O'Neill.)