

**8/13/79**

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THE WHITE HOUSE  
WASHINGTON

Stripping -

Please mail

Copy to Bergland

Already sent.

Hutchison's  
Office

**STATE DEMOCRATIC EXECUTIVE COMMITTEE**

Carl King

Committeeman, 31st Senatorial District

Fran Finney

Committeewoman, 31st Senatorial District

August 13, 1979

Hon. Jimmy Carter  
President  
United States of America  
Washington, D. C.

Mr. President:

I have been active in Democratic Party politics for more than twenty-five years and have been engaged in farming most of my life.

I would like to recommend to you to listen more to the farmers themselves, so that you might get the true picture as to the needs of agriculture and agri-business. As you know, farm prices can stay low to the farmer, but grocery prices continue to climb.

May I suggest that you beef up the Justice Department if you feel the need and pursue more vigorously anti-trust violations and bring them to justice, if this is what it takes to stop some of the large food chain conglomerates and small ones alike from creating more inflation. For example, sugar prices have been down drastically the past two years, yet the soft drink industry keeps raising their prices to the consuming public.

Your discretionary powers are such that if they were used to help the farmer, it would not necessarily create inflation, but create more jobs, in agri-business, reducing unemployment and help the country as a whole.

We farmers feel this administration is dedicated to a cheap food policy at the farmers expense. I honestly believe, Mr. President, that the farmer wouldn't mind sacrificing if this were true. But this is not a reality. Food prices still escalate, regardless of what the farmer gets for his product.

*cc Carl King letter.  
Thanks for your letter.  
We disagree completely  
re our farm program  
and its effect on  
farmers. Sec. of Ag.  
Bob Bergland will  
send you some specific  
information.*

*Jimmy  
cc Bergland*

**Electrostatic Copy Made  
for Preservation Purposes**

Hon. Jimmy Carter  
August 13, 1979  
Page 2

We in West Texas supported you in 1976. The Farmers for Carter movement was a big success. Now unless you help agriculture achieve its rightful priority (fuel included), the Republicans are going to have a field day, not only in Texas but across the nation in the rural areas.

Respectfully yours,



CARL L. KING  
Committeeman  
31st Senatorial District  
State of Texas

President  
Texas Corn Growers Association  
Member  
Texas Energy Advisory Council

CLK/bh

THE WHITE HOUSE  
WASHINGTON

8/13/79

Dr. Preus --

President Carter asked me  
to send you the enclosed  
copy of your letter which  
includes his comments, with  
his best regards.

-- Susan Clough  
*h*

The American Lutheran Church  
Office of the President



422 South Fifth Street  
Minneapolis, Minnesota 55415  
612-338-3821

August 8, 1979

President Jimmy Carter C. D.  
The White House  
Washington, D. C. 20500

*cc David*  
*I agree*  
*cc sent 8/13/79*

Dear President Carter:

The July 30 luncheon and briefing for the Camp David group was a good, solid, encouraging occasion. Thank you for inviting me to participate.

Thank you, too, for the invitation to continue a candid interchange with you. I have a suggestion to make.

Please say no more about your personal mistakes and shortcomings that you think contributed to the present crisis. A one-time acknowledgment that you too have erred is enough. Good theology declares there is no need to continue confessing the same sin. Furthermore, public confession may often be more harmful than helpful. It easily conveys the wrong message. God's grace abounds. Settle for that and take the focus off yourself and put it on the problem.

My fear is that repeated attention to your mistakes will suggest that you have lost confidence in yourself and in the country. Americans know their presidents are fallible. We do not need the president calling attention to that. We will be quick to wonder why if he does.

Americans need to know that the President has a comprehensive understanding of the country's needs and a coherent program for meeting those needs. In your recent speeches you have made it clear that you have such understanding and program. Din that into our ears and heads and hearts.

America needs to see your strength, your confidence, your command in the face of hardship. Others of us, myself included, will help rally the citizenry to action.

I am enclosing a xerox copy of a brief article in our church magazine that goes to over 500,000 Lutheran homes. It is one of many efforts we are making to support your call to action.

The Lord bless you and give you wisdom and strength.

Sincerely,

*David W. Preus*

ME0  
David W. Preus, President  
DWP:meo

Electrostatic Copy Made  
for Preservation Purposes

## From the president

# Conservation: a moral imperative

"Conservation of resources is a moral imperative." I wrote that a couple of weeks ago as the opening of this column. Then a call came from a White House aide, who said President Carter wanted me to join a discussion group at Camp David.

As I write now, a week after Camp David and two days after President Carter's address to the nation, I am revising my original column. But my main thesis is the same. I simply say it with greater urgency: *Conservation of resources is a moral imperative!*

The human family must grasp that fact and act on it, if we are to have a sustainable earth. Our profligate use of nonrenewable resources has never been justified. Now the energy crisis is helping to convince us that our appetites are indeed outracing the earth's available resources. There is no substitute for conservation. That may sound trite, simplistic, and uninteresting—but it is true. To ignore the fact is to invite judgment in the form of vast human suffering and permanent damage to the earth.

Shortages of resources always represent serious threats to human well-being. Physical, environmental, economic, and international health are all dependent on an adequate energy supply. That lays a moral imperative on each of us.

### Dangerous alternatives

All the alternatives to conservation contain dangerous elements—at least for the near future. Increased oil use hastens the depletion of this limited resource, pollutes the air, runs up the price, puts the heaviest burden on the poor, and leaves us dependent on nations over which we have no control. Increased use of coal threatens the earth's atmosphere. Nuclear power poses threats of radiation leakage.

To produce significant quantities of synthetic fuels will require a crash

result in unacceptable levels of air pollution. The "safe" alternatives, with solar energy getting the most publicity, are years away from providing a major share of our basic energy needs. The only thing that elicits agreement from all who seek solutions to our energy dilemma is that conservation is required to maintain an assured and adequate energy supply.

We have been flirting with resource conservation for years. We have seen dramatic turnabouts in soil, air, and water conservation, even though many problems remain. But the absolute need for energy conservation is only beginning to penetrate our consciousness. We Americans could easily reduce our per capita use of energy. A quick look at the rest of the industrialized world makes that clear. Our Scandinavian friends have a standard of living as high as ours, yet we use 40% to 55% more energy.

We buy smaller cars, but the number of cars on the road keeps increasing. We deign to use car pools or public transit, so our roads are clogged with one-passenger cars. In our homes, businesses, and churches we waste staggering amounts of energy every day—amounts which could be saved for necessary use.

Now we are called to do much more. The earth can't sustain the human family's ever-increasing consumption pattern. Our unrestrained pursuit of material abundance is destructive of the best in the human spirit. We have been created to love people, not to collect things. We are called to care for the planet and share its gifts, not to unrestrained self-indulgence. Human greatness comes not in the pursuit of pleasure, but in "doing justice, loving kindness, and walking humbly with God."

I am not calling for a return to Walden Pond or for some form of Christian asceticism. Those courses

God's creation is for use, enjoyment, and sharing. He hasn't given us appetites simply to test our powers of renunciation.

I don't think God is asking us to abandon our 20th-century technological society. But he means for us to control it, not for us to be controlled by it.

We need to seek a reasonable course between self-indulgence and the renunciation of all but the barest necessities. Changes in life-style are in order—but those changes should reflect our self-control and serious stewardship rather than self-punishment and "guilt trips."

I sympathize with President Carter these days. Conservation of resources isn't a theme that Americans traditionally associate with moral greatness. It's difficult to sound a clarion call for conservation.

### Unhealthy self-indulgence

In his address to the nation, President Carter joined America's energy concerns to a broader ethical issue: our need to substitute self-discipline and self-reliance for our unhealthy self-indulgence and wasteful overconsumption. We in the churches ought to join in issuing that kind of call as well as the narrower call to conserve energy. We should do so not only because the president calls for it, but because it is right.

We in the ALC should be especially ready to take up the conservation theme. Many of us have had firsthand experience with the need for soil, wetlands, water, air, or energy conservation. Our biblical heritage calls us to be caretakers of the earth. We share a Christian heritage of confidence in the face of difficulties. God has equipped us for these times. *I look for the people in ALC congregations to preach and do conservation—now.*

*A. D. R.*

# Stop! Don't run.

I was watching the keeper of a wildlife refuge. Supplied with a bundle of fresh hay, he walked toward a herd of deer. As he approached them, they scattered fearfully in all directions.

Only one animal responded to his inviting gestures. It did not run away, but instead remained still and then even stepped forward.

I was told that this one deer was raised by this keeper. Lovingly he touched and spoke to it, while the other animals of the herd watched and waited at a safe distance.

Didn't they yearn for such a close relationship too? Didn't they know their provider by now? Patiently he encouraged and coaxed them to come closer. But unable to trust him completely, these deer kept their distance.

Perhaps the reaction of the deer is similar to our actions in relationship with God. Are we running from him and living only in fear?

Lately we have heard of many people who speak of "born-again" experiences, and we might wonder what we have to do to stop running and to come closer to God.

Are we hoping for great signs or demanding that God reveal himself to us in a special way? Are we like the Pharisees and scribes? Jesus had walked among them and taught them. He had fed the hungry and healed the sick. But still they wanted to see great signs. For the same reason, Jesus scolded his disciples with the words: "O men of little faith" (Matt. 16:8).

Or are we like the young ruler in Matthew 19, who confidently stepped forward, convinced that he was a good and obedient man? Aren't we sometimes like him, wrapped in self-righteousness, trying to meet God on our own terms?

What do we have tucked away that we are not able to present and surrender completely before God? Are we attempting to cover our mistrust and lack of faith by doing good works? Are we hoping to come closer to God by our own merits?

Thanks be to God! The good news is this: Our running to God will not bring us any nearer to him, but God—reaching down to us with his generous grace and love—claims us. It is not our doing, but God's drawing Spirit that enables us to enter humbly into his presence.

God knows our difficulty in letting ourselves be drawn in childlike faith. He knows our fears and doubts and our struggle for independence. He knows that by nature we would rather stay distant than submit trustingly and be tamed by him.

With the knowledge of forgiveness through Jesus Christ, we live in grateful trust. Our running in fear, our mistrusting, and our watching and waiting from a distance have turned into a desire to be as close to God as possible and not to lose touch. We want to grow in our faith. We want to become servants to each other. So we humbly pray: "Create in me a clean heart, O God, and put a new and right spirit within me" (Ps. 51:10).

*Hanna Poppe Upmanis*



*Mrs. Upmanis is a writer, homemaker, and licensed practical nurse in Minneapolis, Minn.*

## It's good news

# Living by grace in daily lives

by Theodore P. Fricke

Ephesians is regarded by some biblical scholars as the greatest of Paul's letters to early Christian congregations and leaders. The letter is as practical as it is profound.

Because Ephesians differs in style and theology from Paul's other letters, Paul's personal authorship of it has long been a matter of debate. But whether written by Paul or by one of his followers, Ephesians is "Pauline."

The first three chapters of the letter are doctrinal, focusing on God's grace. The last three deal with practical matters—and in them, Paul exhorts all who live by grace to express their beliefs in their daily lives.

In Ephesians 4:30—5:2, the Second Lesson text for Pentecost 12, Paul argues that Christians must avoid conduct unbecoming children of God, particularly in their relationships with each other. He summons his readers to be "imitators of God" and, following Christ's example, to "walk in love." He warns that to do otherwise would "grieve the Holy Spirit of

Based on the Second Lesson texts for Pentecost 12 (Aug. 26), Ephesians 4:30—5:2; Pentecost 13 (Sept. 2), Ephesians 5:15-20; and Pentecost 14 (Sept. 9), Ephesians 5:21-31.

THE WHITE HOUSE  
WASHINGTON  
13 Aug 79

Chairman Campbell

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

Rick Hutcheson

The original has been given  
to Bob Linder for appropriate  
handling.



THE WHITE HOUSE  
WASHINGTON

8/13/79

Mr. President:

No objection from OMB or  
DPS.

Speechwriters have cleared  
the proposed letter.

Rick

United States of America  
**Office of  
Personnel Management**

Washington, D.C. 20415

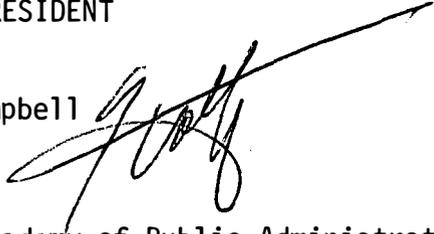
August 8, 1979

In Reply Refer To:

Your Reference:

MEMORANDUM FOR THE PRESIDENT

FROM: Alan K. Campbell  
Director



SUBJECT: National Academy of Public Administration's Study of  
Presidential Management

The National Academy of Public Administration, the most distinguished of the various professional organizations devoted to the study and practice of public administration and public policy analysis, is undertaking a major study on the role of the President in managing the Federal government. This will be the most thorough analysis of this function of the President since that undertaken under the direction of Louis Brownlow during the Roosevelt years which led to the establishment of the Executive Office of the President.

The Academy has a format modeled after that of the National Academy of Sciences. A distinguished panel of Academy members and non-members will be brought together, and with the help of a professional staff will commission individual studies and from these develop a final report. The panel for this study is one of the most distinguished the Academy has ever drawn together. The co-chairmen are Don Price, who is Dean Emeritus of the John F. Kennedy School at Harvard, and Rocco Siciliano, who is Chairman of the Board and Chief Executive Officer of TICOR and who has had considerable Government experience in previous Administrations. Attached is a list and brief identification of the other members of the panel.

It is anticipated the study will take approximately 18 months and will be reported in January, 1981. I think it would be useful if you indicated your support for this undertaking by writing to the co-chairmen. A proposed letter is enclosed.

Enclosures

MEMBERS OF THE NATIONAL ACADEMY OF PUBLIC ADMINISTRATION'S  
PRESIDENTIAL MANAGEMENT STUDY PANEL

Co-Chairmen: Don K. Price, Dean Emeritus, John F. Kennedy School of  
Government, Harvard University  
Rocco C. Siciliano, Chairman of the Board and Chief  
Executive Officer, TICOR

Members

David E. Bell is Executive Vice-President of The Ford Foundation, and has served as Director of the Budget Bureau, Administrator of the Agency for International Development, and as Presidential Assistant.

Fletcher L. Byrom is Chairman and Chief Executive Officer of Koppers Company, Inc., and, in addition to his work on corporate and philanthropic boards, he serves as Chairman of The Conference Board and Vice-Chairman of the Committee for Economic Development.

Lisle C. Carter is President of the University of the District of Columbia, and previously served in a number of academic positions as well as in high-level Government positions in the Department of Health, Education and Welfare and the Office of Economic Opportunity.

William T. Coleman, Jr. is an attorney in Washington and has served as Secretary of Transportation and as a member of the Warren Commission, as well as having served on several Presidentially-appointed commissions.

Lloyd N. Cutler is an attorney in Washington who has served as a source of counsel for several Presidential Administrations, as well as having served on a variety of Presidential commissions and panels.

Alan L. Dean is the current Chairman of the Board of Trustees of the National Academy of Public Administration and was Assistant Secretary for Administration at Transportation, Deputy Assistant Director of OMB, and Vice President of the United States Railway Association.

Thomas R. Donahue is Executive Assistant to the President of the AFL-CIO and served as Assistant Secretary of Labor, in addition to duties with the Service Employees International Union.

Andrew J. Goodpaster is Superintendent of the U. S. Military Academy at West Point and, in addition to his military career, has served as the official Presidential representative on numerous advisory groups on strategy, security, international affairs, and management.

James D. Hodgson is a corporate director in Los Angeles and previously served as Secretary of Labor, as Ambassador to Japan, and in various capacities in the business community.

Dwight A. Ink is Director of the Office of Sponsored Research at American University, having previously served with the Atomic Energy Commission, the Office of Management and Budget, the Department of Housing and Urban Development, and as Deputy Administrator of the General Services Administration.

Carol C. Laise has served most recently as Director General of the U. S. Foreign Service and previously was Ambassador to Nepal, Assistant Secretary of State, and held numerous international advisory positions.

Arjay Miller is Dean of the Graduate School of Business at Stanford University, and has served as Vice Chairman of Ford Motor Company in addition to having served on a variety of Presidential commissions and panels.

Bill D. Moyers is a journalist with the Public Broadcasting Service, and while editor and chief correspondent of CBS Reports served as analyst for CBS coverage of the Presidency. He also served as Presidential Assistant and Press Secretary and as Director of the Peace Corps.

Charles S. Murphy is an attorney in Washington, and has served as Special Counsel to the President and as Presidential Assistant, as well as Under Secretary of Agriculture and Chairman of the Civil Aeronautics Board.

James H. Rowe, Jr. is an attorney in Washington and has served as Administrative Assistant to the President, in a wide variety of government positions, and on most major government reorganization commissions.

Donald Rumsfeld is President of G. D. Searle in Chicago and has served as Counselor to the President, Ambassador to NATA, Secretary of Defense, Director of the Office of Economic Opportunity, and is a former Member of Congress.

Charles B. Stauffacher is President and Chief Executive Officer of Field Enterprises in Chicago, having served in several positions in the Executive Office of the President in addition to his business and corporate board career.

Sydney Stein, Jr. is an Investment Counsellor with extensive Federal government experience including positions as Consultant to the President and Director of the Bureau of the Budget on government organization and as a member on the Advisory Committee on Private Enterprise Foreign Aid, the President's Special Panel on Federal Salaries, and the Randall Advisory Panel on Federal Pay Systems.

James L. Sundquist is Director of Government Studies at The Brookings Institution, having served in a variety of government positions and having written extensively on Post-World War II politics and policymaking.

Glenn E. Watts is President of the Communications Workers of America and serves in a variety of union leadership positions, as well as on a number of government advisory bodies and philanthropic boards.

James E. Webb is an attorney in Washington, having served previously as Administrator of the National Aeronautics and Space Administration, Director of the Bureau of the Budget, and Undersecretary of State and Treasury.

Arnold Webber is an economist, currently Provost of Carnegie-Mellon University and Professor of Economics and Public Policy. He has served as Assistant Secretary of Labor for Manpower, Associate Director of OMB, and as Executive Director of the Cost of Living Council and Special Assistant to the President.

THE WHITE HOUSE

WASHINGTON

To Don Price and Rocco Siciliano

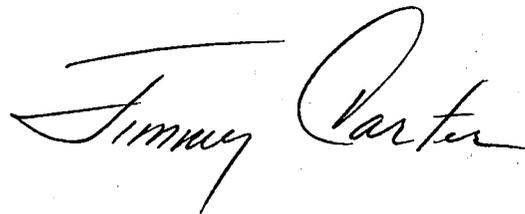
I was pleased to learn of the formation of a distinguished panel, under your leadership, to study the management of the Federal government with an emphasis on the role of the President.

This study, undertaken on an independent and non-partisan basis by the National Academy of Public Administration, can provide an enormously useful overview of an often-overlooked aspect of the Presidency. I pledge my support for your endeavor and urge the cooperation of all members of my Administration with your independent inquiry.

The managerial functions of the President in relation to other responsibilities have not been re-examined on a systematic basis since 1939, with the completion of President Roosevelt's "Brownlow Report." An analysis of the past forty years' experience should be of great value -- not only to me but also to those who will follow me in this office, for the effort to make our system of Government more effective as well as more responsive must never cease.

I look forward to receiving the results of your study.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed name.

Mr. Don K. Price  
Mr. Rocco C. Siciliano  
Co-Chairmen, Presidential Management Study  
National Academy of Public Administration  
1225 Connecticut Avenue, N.W.  
Washington, D.C. 20036

ID 793385

T H E W H I T E H O U S E

WASHINGTON

DATE: 09 AUG 79

FOR ACTION: RICK HERTZBERG

INFO ONLY: THE VICE PRESIDENT	STU EIZENSTAT
JODY POWELL	ANNE WEXLER
JIM MCINTYRE	JERRY RAFSHOON

SUBJECT: CAMPBELL MEMO RE NATIONAL ACADEMY OF PUBLIC  
ADMINISTRATION'S STUDY OF PRESIDENTIAL MANAGEMENT

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+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM SATURDAY 11 AUG 79 +
+++++

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ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

Messrs. Don K. Price and Rocco C. Siciliano  
Co-Chairmen, Presidential Management Study  
National Academy of Public Administration  
1225 Connecticut Avenue, N.W.  
Washington, D.C. 20036

Dear Mr. Price and Mr. Siciliano:

I was pleased to learn of the formation of a panel, under your distinguished leadership, to study management of the Federal government with an emphasis on the role of the President.

This action, undertaken on an independent and non-partisan basis by the National Academy of Public Administration, can provide a timely and valuable examination of an often-overlooked aspect of the Presidency. I pledge my support for your endeavor and urge the cooperation of all members of my Administration with your independent inquiry.

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JIMMY CARTER

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Co-Chairmen, Presidential Management Study  
National Academy of Public Administration  
1225 Connecticut Avenue, N.W.  
Washington, D.C. 20036

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<sup>Study,</sup>  
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THE WHITE HOUSE

WASHINGTON

DATE: 09 AUG 79

FOR ACTION: RICK HERTZBERG

INFO ONLY: THE VICE PRESIDENT

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SUBJECT: CAMPBELL MEMO RE NATIONAL ACADEMY OF PUBLIC

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+ BY: 1200 PM SATURDAY 11 AUG 79 +  
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PLEASE NOTE OTHER COMMENTS BELOW:

*See suggested changes on draft letter.*

*Rick Hertzberg  
8/9/79*

United States of America  
**Office of  
Personnel Management**

Washington, D.C. 20415

August 8, 1979

In Reply Refer To:

Your Reference:

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Director

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Bill D. Moyers is a journalist with the Public Broadcasting Service, and while editor and chief correspondent of CBS Reports served as analyst for CBS coverage of the Presidency. He also served as Presidential Assistant and Press Secretary and as Director of the Peace Corps.

Charles S. Murphy is an attorney in Washington, and has served as Special Counsel to the President and as Presidential Assistant, as well as Under Secretary of Agriculture and Chairman of the Civil Aeronautics Board.

James H. Rowe, Jr. is an attorney in Washington and has served as Administrative Assistant to the President, in a wide variety of government positions, and on most major government reorganization commissions.

Donald Rumsfeld is President of G. D. Searle in Chicago and has served as Counselor to the President, Ambassador to NATA, Secretary of Defense, Director of the Office of Economic Opportunity, and is a former Member of Congress.

Charles B. Stauffacher is President and Chief Executive Officer of Field Enterprises in Chicago, having served in several positions in the Executive Office of the President in addition to his business and corporate board career.

Sydney Stein, Jr. is an Investment Counsellor with extensive Federal government experience including positions as Consultant to the President and Director of the Bureau of the Budget on government organization and as a member on the Advisory Committee on Private Enterprise Foreign Aid, the President's Special Panel on Federal Salaries, and the Randall Advisory Panel on Federal Pay Systems.

James L. Sundquist is Director of Government Studies at The Brookings Institution, having served in a variety of government positions and having written extensively on Post-World War II politics and policymaking.

Glenn E. Watts is President of the Communications Workers of America and serves in a variety of union leadership positions, as well as on a number of government advisory bodies and philanthropic boards.

James E. Webb is an attorney in Washington, having served previously as Administrator of the National Aeronautics and Space Administration, Director of the Bureau of the Budget, and Undersecretary of State and Treasury.

Arnold Webber is an economist, currently Provost of Carnegie-Mellon University and Professor of Economics and Public Policy. He has served as Assistant Secretary of Labor for Manpower, Associate Director of OMB, and as Executive Director of the Cost of Living Council and Special Assistant to the President.

TO W. GRANQUIST  
8/9 AD/MP #43

ID 793385

THE WHITE HOUSE  
WASHINGTON

RECEIVED  
79 AUG 9  
OFFICE OF  
MANAGEMENT & BUDGET  
PI2: 53

DATE: 09 AUG 79

FOR ACTION: RICK HERTZBERG

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT

JODY POWELL

ANNE WEXLER

JIM MCINTYRE

JERRY RAESHORN

SUBJECT: CAMPBELL MEMO RE NATIONAL ACADEMY OF PUBLIC  
ADMINISTRATION'S STUDY OF PRESIDENTIAL MANAGEMENT

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM SATURDAY 11 AUG 79 +  
+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

*W. Granquist*

**EYES ONLY**

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

C  
/

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley *LSG*

Subject: Retail Sales in July

Monday afternoon (August 13), the Census Bureau will release estimates of July retail sales. The exact time of the release has not yet been determined.

Total retail sales rose 0.4 percent in July, which would imply some decline after adjustment for inflation. Dollar sales of both durable and nondurable goods were up slightly.

Sales estimates for May and June were revised up. Over the two months, total retail sales now are estimated to have risen 0.2 percent, compared with a decline of 1.1 percent in the earlier figures. The real volume of sales still declined in those two months, but less steeply than in the previous estimates.

Contacts in the retail trade industry have told me that weekly levels of sales tended to improve somewhat during the course of July -- largely, they believe, because of increased availability of gasoline. Reports received by the Federal Reserve from their District banks corroborate that judgment. Tourism is also said to be increasing.

August figures on retail sales may therefore show some pickup. But consumer incomes are rising too slowly to support a significant rebound of spending.

**EYES ONLY**

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for Preservation Purposes**

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

EYES ONLY

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THE WHITE HOUSE  
WASHINGTON

August 11, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

ALFRED E. KAHN *Free*

SUBJECT:

Your Meeting with Food Industry Representatives  
about Prices

This is background material and talking points for your August 13 meeting with representatives of the food retailing and processing and the meat packing industries.

Staff of the Department of Agriculture and the Council on Wage and Price Stability developed the information for this meeting, but it has been reviewed and revised by FOP and White House staff and your Senior Advisors.

We have limited invitations to the meeting to Chief Executive Officers of twelve firms and four trade associations to keep the group small and permit manageable discussions. They cannot and do not speak for the thousands of grocery stores, food manufacturers, and meat packers in this country. They were selected instead to be representative of these three classes of industry. Most of them are executives of retail food chain stores where we believe much of the margin spread problem lies.

Bob Bergland, Stu, Esther, Anne, and I will sit with you at the Cabinet Table. Howard Hjort and Bob Russell will attend the meeting just in case the discussion turns technical, although that is not probable.

We have emphasized to everyone that this is not a meeting about compliance or non-compliance with the voluntary price guidelines, but about the widening gap between farm prices and prices paid for food by consumers. Although CWPS has intensified monitoring of food industry firms, and has sent letters of probable non-compliance to more than thirty of them, they have reached no conclusions and probably won't

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for several weeks. None of the companies represented at your meeting are suspected to be in violation of the guidelines.

We are considering distributing the four tables included in the attached materials to the participants so they can follow the technical basis for the points you will be making.

All your Advisors are in agreement that the tone you should set for the meeting should be moderate and cooperative, not adversarial.

Attachments

# THE WHITE HOUSE

WASHINGTON

## MEETING WITH FOOD RETAILERS, FOOD PROCESSORS AND MEAT PACKERS

Monday, August 13, 1979

3:00 p.m. (15 minutes)

The Cabinet Room

From: Fred Kahn

### I. PURPOSE

The purpose of this meeting is for you to register your concern over the widening spreads between farm and retail food prices, particularly for red meats, fish, fruits, and poultry, and to ask for the cooperation of the food marketing industry in passing on the benefits of lower farm prices to consumers.

### II. BACKGROUND, PARTICIPANTS, AND PRFSS PLAN

Background: For the past several months, CWPS and USDA have closely monitored food price changes from the farm through retail outlets. As you know, food price increases have been an important part of our overall inflation problem over the past 3 years. Retail food prices increased 8 percent in 1977, 12 percent in 1978, and will increase an estimated 9.5 percent more by the end of 1979. Higher farm prices have been responsible for much of this increase, accounting for about two-thirds of the total. Farm prices increased 22 percent in 1978, and at an annual rate of 49 percent during the first three months of 1979. However, farm prices overall are now moderating. During the second quarter of this year, the farm value of foods contained in the USDA market basket of domestically produced foods declined at a 17.3 percent annual rate. Cattle prices have fallen below \$60 per cwt in Omaha, from \$78 in mid-April. Hogs are now selling around \$36 per cwt versus \$56 in mid-February.

Although consumers are now beginning to experience a lower rate of food price inflation, the reduction is not as great as we would like. The primary reason food price inflation has not slowed more is that marketing spreads (the difference between farm value

and retail value) have been increasing. The increase has been particularly large for red meats, fresh fruits, and poultry. According to USDA estimates, the increased farm to retail spread for the first half of this year is about twice as large as could be justified by the increased costs experienced by these processing and marketing firms. The USDA estimates that costs increased about 11 percent, at an annual rate, in comparison with an increased spread of about 22 percent. In the case of meat, it is important to note that the increased spread appears to have occurred after the product has left the meat packer.

As an industry, food retailing has historically exhibited a relatively high degree of competition, although the level of competition has varied from market to market. Illustrative of the industry's attractiveness as an investment opportunity is the recent evaluation by a major New York investment firm that lists food chains near the bottom (41st out of 45 industries evaluated). There is considerable variation in profitability from firm to firm, as the attached materials show. In general, the firms represented in this meeting are above average performers. Albertson's, Winn-Dixie, and Supermarkets General are among the very best. The most notable exception is A & P, which has slipped badly in recent years.

Despite the high degree of competition in this industry, its overall profits are good, judged by historic standards. Although the information is sketchy, we believe that food retailers are taking advantage of the current situation to build-in a slightly higher profit margin. We believe they are doing this as a hedge against two possibilities: (1) that some of their product prices will soon increase again and (2) that price controls could be imposed. It is particularly important, therefore, to reassure them that the latter action will not be taken.

Raw farm product prices are exempt from the price standard because they are determined for the most part by competitive market forces. Because prices at the farm level are exempt, we have declared our intention to monitor margins -- which account for two thirds of the final cost -- with special diligence. Food processors, manufacturers, wholesalers,

and retailers are covered by the price standard. However, because the price deceleration standard is difficult for them to apply, these sectors have been provided with alternative standards based on gross margins (sales less the cost of food products purchased for processing or resale).

Because of the rapid increases in aggregate margins, CWPS has intensified its monitoring of the food sector. Notices of probable noncompliance have been issued, or will shortly be issued, to 11 food processors and retailers. In addition, 30 warning letters have been sent to companies that are on the verge of noncompliance. None of the companies that you will be meeting with have received such notices or letters.

Why not?

We believe that the most useful tone to strike in this meeting is one of resolute determination to see that food price inflation is brought under control, accompanied by an open invitation to the food marketing industry to cooperate in that effort. We recommend you take a positive approach, and that you avoid creating a feeling of defensiveness on their part. Tell them how much we are counting on them, and how central they are to our success in bringing inflation under control.

We recommend that you avoid placing too much emphasis on our information on market spreads and marketing costs. Although these are the best data available, they have their limitations. One of the most serious limitations is that the market spreads are prepared on an individual commodity basis. Although they are calculated for a market basket of 65 major food items, the list is not all-inclusive. It includes no non-food items, which make up about 25 percent of all food store sales. The average supermarket stocks about 12,000 separate items, and the distribution of overhead costs among these individual items is often an important element in their merchandising strategy. It is not unusual to find entire product lines that carry a margin below cost, with other products carrying a margin above cost. For these reasons, our information on margins and spreads is best considered as an indicator of the actual situation.

Participants: A list of participants is attached. Food retailing, food processing, and meat packers are represented. Each of the participants is a recognized leader in his respective field.

Anti-Trust Precautions: It is important that this meeting be conducted with sensitivity to the Anti-Trust laws. Any assembly of industry leaders to talk about their prices and pricing policies could be alleged to create the conditions of conspiracy.

Livestock growers have in fact filed anti-trust suits against a number of food retail firms, including some of those who will be attending the meeting, charging they have conspired to fix meat prices in a way that damages the livestock business. In one such suit filed against A&P, plaintiffs argued that in a meeting called by then Secretary of the Treasury John Connally in 1972, A&P conspired with other retailers to fix prices which they claim injured their business.\* The presiding Federal judge admitted this allegation to the record in the trial.

Several precautions are necessary to avoid anti-trust problems during the meeting.

1. None of the firms present in the room should consult with each other about pricing decisions, nor should they condition any response to your request for moderation in their individual pricing decisions, either today or in the future, on the response of any other member of the industry.
2. There should be no discussion by anyone during the meeting of company-specific, competitively sensitive information about costs, supplies, or pricing plans.
3. There is no ban to discussing in general terms such subjects as problems of the food industry as a whole, suggested solutions to them, or proposals for governmental action.

\*The allegation is that Secretary Connally asked retail chains specifically to reduce beef margins; that they in fact did reduce beef prices; but to preserve their margins, the retailers told packers and wholesalers they would pay no more than stated amounts for beef supplied by them; and that packers therefore were forced by their own requirements to limit the prices paid to ranchers and farmers for beef. It is important for you, therefore, to avoid targeting your request to the firms at this meeting for margin reductions to any single commodity.

These three points should be announced at the beginning of the meeting. You may announce them, or you may ask Richard Favretto, Acting Assistant Attorney General of the Anti-Trust Division, Department of Justice, who will be in the room, to announce the precautions.

If you announce the points, you should announce that Mr. Favretto is in the room, ask him to stand so everyone can see him, and state that if any of the discussion strays into sensitive areas, you have asked him to break in and stop the discussion.

Press Plan: Photo opportunity for the first 3 minutes.

III. SUPPLEMENTAL ANALYTICAL POINTS ON FOOD PRICES AND MARGINS SPREADS

1. Food accounts for 18 percent of the typical consumer's budget, but has contributed disproportionately to the worsening of inflation in recent years (see Table 1).
  - ° Food prices increased
    - 0.6 percent in 1976,
    - 8 percent in 1977,
    - 12 percent in 1978, and
    - at an annual rate of 12.5 percent over the last six months.
  - ° The major source of the increases has been in domestically produced (rather than imported) food.
2. During 1978 and early 1979, increasing farm prices were the basic cause (Tables 1 and 2). These increased
  - ° 22 percent during 1978, and
  - ° at a 49-percent annual rate during the first three months of 1979.

3. During the second quarter of 1979, however, the situation changed drastically (Tables 1 and 2).
  - The farm value of foods declined at a 17.3-percent annual rate, but the marketing spread (the retail value minus the farm value) increased at a 28.6-percent annual rate. As a result, the retail prices of domestically produced food increased at an 8.0-percent annual rate.
  - As shown in Table 3, the fastest increases in spreads were for
    - red meats (a 109-percent annual rate),
    - fresh fruits (a 90-percent annual rate), and
    - poultry (a 37-percent annual rate).
4. Some widening of spreads is to be expected when farm prices decline, and it is normal also for spreads to be compressed for a time when farm prices rise.
  - The experience in 1978 was typical. During the first quarter, when the farm value rose at a 55-percent annual rate, the spread rose at only a 3-percent rate (see Table 2). In the second quarter, spreads recovered.
  - The behavior of spreads this year has been atypical. During the first quarter, when the farm value was rising at a 49-percent annual rate, the marketing spread increased at a 15.4-percent rate.
  - Thus, this year the marketing spread for domestically produced foods has risen very rapidly during periods of both rising and falling farm prices.
  - Over the last six months, the farm-retail spread has increased at a 22-percent annual rate, up sharply from the 10-percent rate in 1978.
5. The costs of fuel, packaging, labor, and the other inputs used by food processors and distributors increased substantially during the first half of 1979 (Table 4), but these can explain only about one half of the increases in the aggregate farm-to-retail spread (Tables 3 and 4).

- ° During the last six months, marketing costs increased at an annual rate of 11 percent, as compared with the 22-percent annual rate of increase of the spread.
  - ° During the last three months, marketing costs increased at an annual rate of 13 percent, as compared with a 29-percent increase in the farm-to-retail spread.
6. For the remainder of the year, food-price inflation is expected to be more moderate, ending about 10 percent above year-earlier levels.

IV. TALKING POINTS

Talking points are attached.

Attachments

TABLE 1: CONSUMER PRICE INDEX  
(Annual Percentage Changes \*/)

	Relative Importance %	1976	1977	1978	Changes to June 1979		
					Last 12 Months	Last 6 Months	Last 3 Months
<u>ALL ITEMS</u>	(100.0)	4.8	6.8	9.0	10.9	13.2	13.4
<u>FOOD</u>	(18.2)	0.6	8.0	11.8	10.1	12.5	7.5
Food at Home	(12.6)	-0.9	8.0	12.5	9.5	12.3	5.7
Domestically Produced	(10.4)	-3.2	5.1	14.2	10.5	17.2	8.0
Farm Value	(4.1)	-11.8	6.3	22.2	7.0	11.2	-17.3
Farm-Retail Spread	(6.3)	2.6	4.4	9.6	12.7	21.8	28.6
Imported	(2.2)	16.5	25.5	5.1	5.3	7.8	6.9
Food Away from Home	(5.5)	6.1	8.0	10.3	11.4	13.7	11.8

\*/ Annual values for 1976, 1977, and 1978 are December to December percentage changes.

Table 2: USDA MARKET BASKET OF DOMESTICALLY PRODUCED FOODS  
(Quarterly changes in price index)

Quarter	1978				1979	
	1	2	3	4	1	2
	- - - - - percent change, annual rate - - -					
Retail cost	21.1	29.9	0.6	7.7	27.5	
Farm Value	55.3	36.9	-0.7	7.8	48.0	-17.3
Farm-Retail Spread	2.9	26.2	1.2	7.5	15.4	28.6

TABLE 3: CHANGES IN FARM-RETAIL SPREAD  
(Annual Percentage Rates of Change)

Food Group	Changes to June 1979		
	Last 12 Months	Last 6 Months	Last 3 Months
Market Basket (total)	12.7	21.8	28.6
Meat	24.5	62.7	108.5 ←
Dairy	7.6	11.5	9.2
Poultry	27.8	10.5	37.0
Eggs	-4.2	3.1	-12.3
Cereal and Bakery	7.6	5.4	1.1
Fresh Fruits	23.6	79.1	89.9 ←
Fresh Vegetables	5.3	23.0	10.1
Processed Fruits and Vegetables	8.6	5.3	5.2
Fats and Oils	6.4	-2.0	12.5

TABLE 4: CHANGES IN FOOD MARKETING COSTS  
(Annual Percentage Rates of Change)

	Relative Importance	Changes to June 1979		
		Last 12 Months	Last 6 Months	Last 3 Months
All Inputs	100.0	10.7	11.2	13.0 ←
Labor	38.9	8.9	8.4	8.3
Packaging	12.6	12.1	12.8	11.0
Equipment	3.1	12.8	17.2	29.3
Services	24.5	4.9	4.1	2.4
Interest	0.6	27.3	-14.3	-10.4
Rail Freight	8.7	13.2	3.9	6.2
Fuel and Power	3.5	14.4	30.4	42.9
Motor Transit supplies	5.5	29.5	43.5	66.4
Other Inputs	2.6	9.4	8.3	6.5

Figure 3 Choice Beef - Components of Farm-to-Retail Price Spread

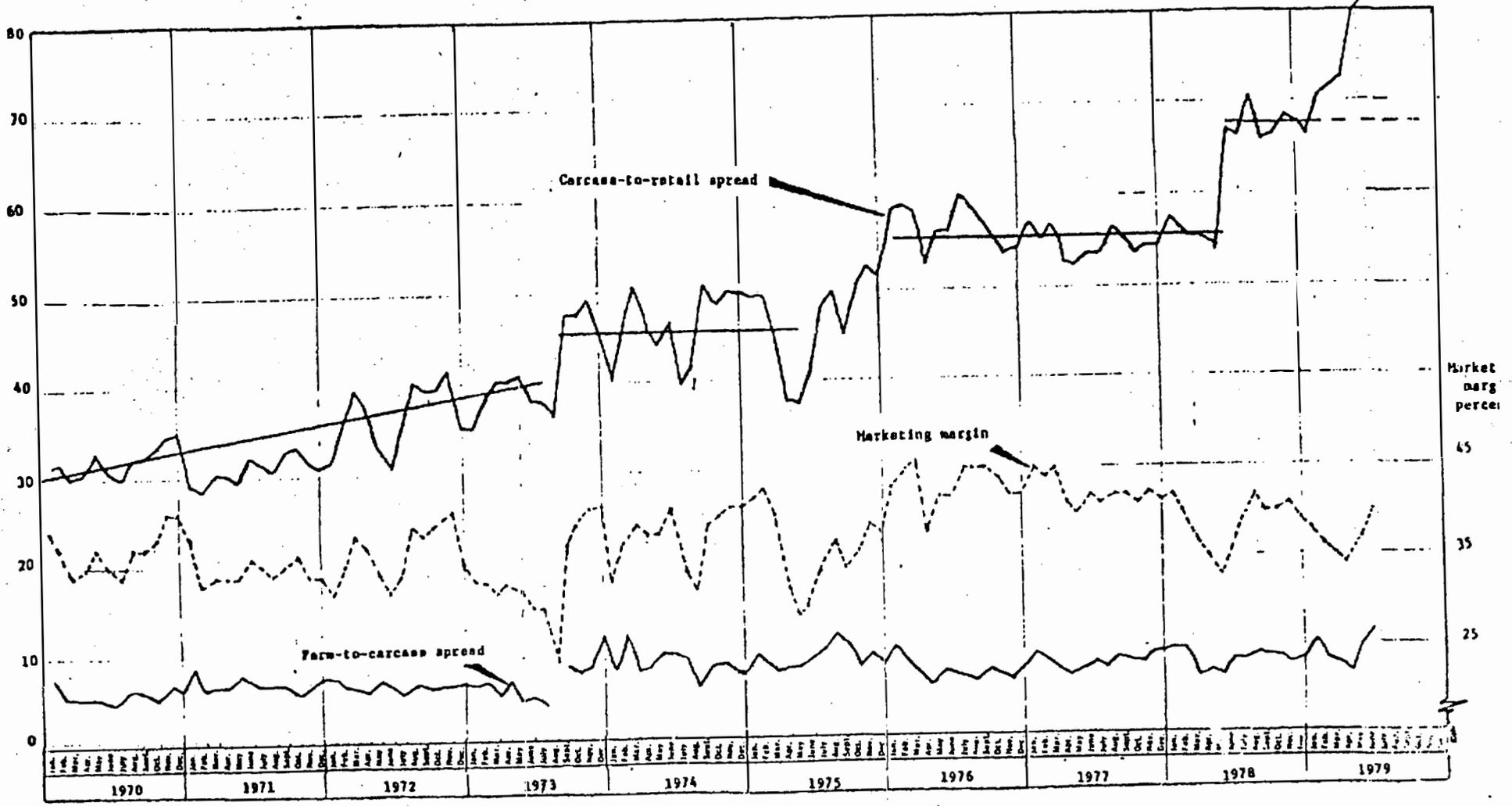
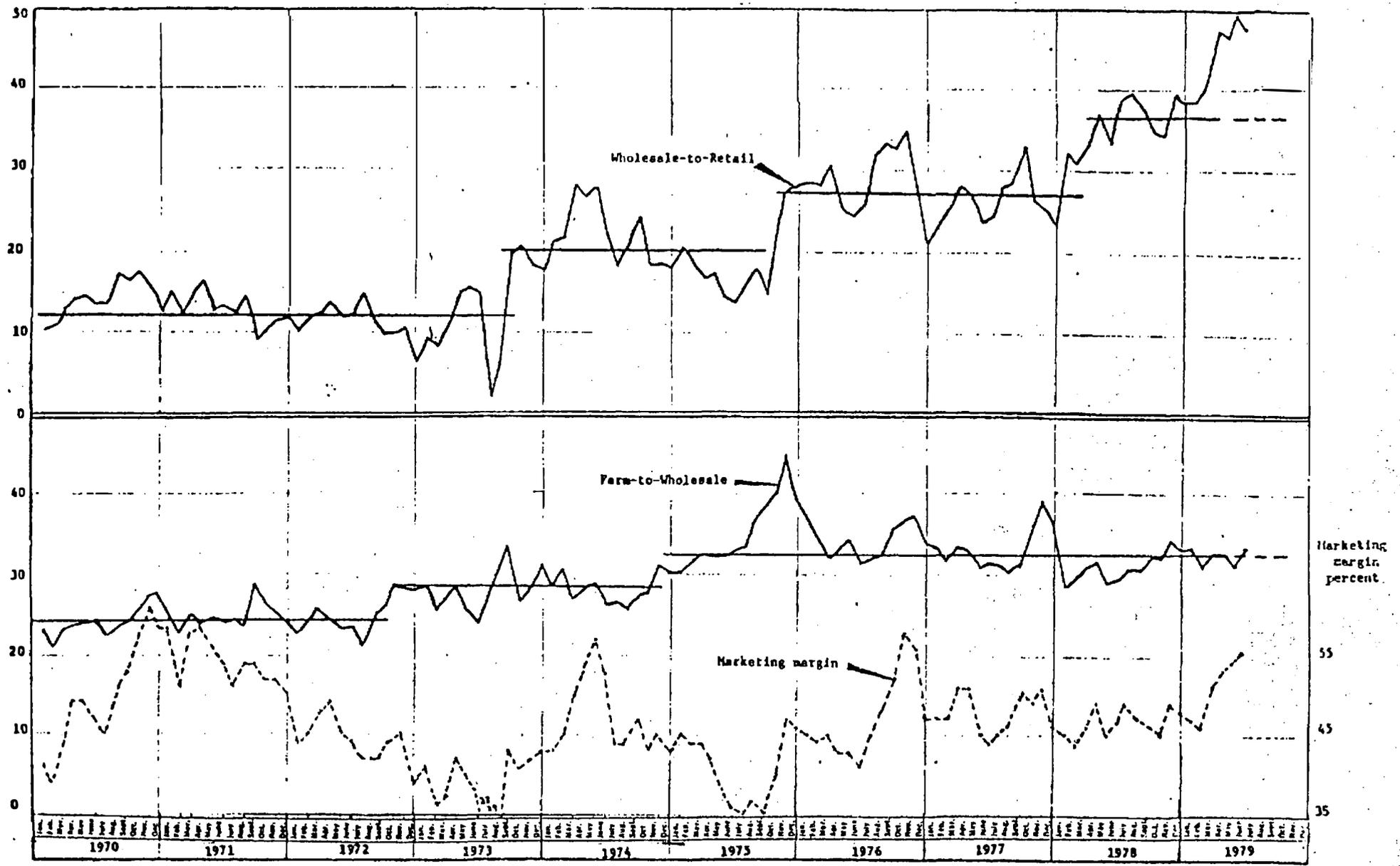


Figure 4 Pork - Components of Farm-to-Retail Price Spreads



## TALKING POINTS

1. We are entering a critical phase of our fight against inflation. If the last six months of double digit inflation in consumer prices gets built into our wage structure, we could have built-in double digit inflation for years. We need therefore to take advantage of every available opportunity to slow the increase in the cost of living at once. Retail food prices have been an important part of that problem; but they are now in a position to be an important part of the solution.
2. Two-thirds of the cost of food to consumers is added by processors and distributors. You therefore have an important role to play in the fight against inflation. I want to share with you our view of the situation, solicit your suggestions, and ask for your continuing help, as leaders in the food industry.
3. We are pleased with the cooperation we have enjoyed in our anti-inflation program. Compliance with the price standards has been far more uniform at the national level than we ever dared hope. I am particularly encouraged by the widespread recognition by businessmen of the evils of inflation, and their strong support of my adamant opposition to mandatory controls. Let me assure you that I have absolutely no intention of

changing this position. With your continued help, we will make the voluntary standards work.

4. As you know, during 1978 and early 1979, rising farm prices were the primary cause of increasing retail food prices. However, the price of many farm products has now begun to moderate. During the last three months, the farm price of food fell at an annual rate of 17 percent, but prices paid by consumers rose at an 8-percent rate. This striking difference reflects a sharp increase in the farm-retail spread. These spreads rose at a 29-percent annual rate during this period.
5. I recognize that some increase in the spread was inevitable, because of rising fuel, labor, packaging, and other costs of processing and distribution. But according to Department of Agriculture data, these increases explain only about half of the increase in the spread in the last six months and less than that in the last three. I am aware that there is normally a lag between price changes at the farm and at the retail level. But last winter, when farm prices rose so rapidly, there was no such lag at retail.
6. I am particularly troubled by the large increase in meat price spreads -- at an annual rate of more than 100 percent during the last three months. As a result, the substantial declines we have experienced in cattle and hog prices have not been fully passed on to the consumer.

7. I have directed the Council on Wage and Price Stability to intensify its monitoring of the food sector because of these increases in spreads.
8. When the anti-inflation program was announced last October, I said that food would be a sector of special emphasis both because of its great importance in the cost of living, and because I was and remain convinced that trying to apply price ceilings at the farm level would be counter productive. For this reason, I am committed to ensuring that price decreases at the farm level are quickly and fully reflected in lower retail prices. These decreases provide food processors and distributors with a special opportunity to make an extremely important contribution to the anti-inflation effort at a particularly critical time. I hope that I can count on your fullest cooperation.

THE WHITE HOUSE

WASHINGTON

Food Industry Officials Invited  
to Meet with President Carter  
to Discuss Food Prices  
3:00 p.m., August 13, 1979

Food Retail Industry Representatives

Lyle Everingham  
Chairman of the Board  
The Kroger Company

1014 Vine Street  
Cincinnati, Ohio 45201

Leonard Lieberman  
Chairman of Path Markets  
Division of Supermarkets  
General Corp.

301 Blair Road  
Woodbridge, New Jersey 07095

Warren E. McCain  
Chairman of the Board  
Albertson's Inc.

250 Park Center Building  
Boise, Idaho

William S. Mitchell  
Chairman of the Board & CEO  
Safeway Stores, Inc.

4th and Jackson Streets  
Oakland, California 94669

Don Perkins  
Chairman of the Board  
Jewel Companies, Inc.

5725 East River Road  
Chicago, Illinois 60631

Jonathan LaVon Scott  
Chairman & CEO  
A & P

2 Paragon Drive  
Montvale, New Jersey 07645

Burt L. Thomas  
President  
Winn-Dixie Stores

5050 Edgewood Court  
Jacksonville, Florida 32205

Michael Wright  
President & Chief Operating  
Officer  
Super Value Stores

101 Jefferson Avenue, South  
Hopkins, Minnesota 55343

Donald Schnuck  
Chairman  
Food Marketing Institute  
President  
Schnuck's

12921 Enterprise Way  
Bridgebar, MO 63044

Stephen D'Agostino  
1st Vice Chairman  
Food Marketing Institute  
Chairman of the Board  
D'Agostino Supermarkets

2525 Palmer Avenue  
New Rochelle, NY 10801

Bob Aders  
President  
Food Marketing Institute

1750 K Street, N. W.  
Washington, D. C. 20006

Meat Packing Industry Representatives

James Holton  
Chairman of the Board  
American Meat Institute  
Chairman of the Board & CEO  
George Hormel Company

Post Office Box 800  
Austin, MN 55912

Richard Lyng  
President  
American Meat Institute

1600 Wilson Boulevard  
Arlington, VA 22209

John Mohay  
President  
National Independent  
Meat Packers Association

1734 15th Street, N. W.  
Suite 800  
Washington, D. C. 20005

Food Processing Industry Representatives

Thomas Carroll  
Chairman  
Grocery Manufacturers of America,  
President  
Lever Brothers Company

390 Park Avenue  
New York, NY 10022

George Koch  
President & CEO  
Grocery Manufacturers of America

1010 Wisconsin Avenue  
Suite 800  
Washington, DC 20007

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mark up reports -  
gross sales, feet  
costs, net  
first Mexico news -  
Price spreads "bad news"  
Truck lost  
pp 1  
\$78-60  
USDA data incorrect

Operating Data for Food Retailing Firms Represented  
in the Meeting  
 (All data for 1978 operating year)

Firm	Sales Volume (millions)	National Rank	Number of Stores	Net Income As % of:		Geographic Market Coverage
				Sales	Equity	
Safeway Stores	\$12,551	1	2,436	1.2	15.6	Western U.S.; D.C. metro area
Kroger	7,828	2	1,202	1.1	15.3	21 states in midwest and south
Great Atlantic and Pacific Tea Co.	7,289	3	1,771	0.1	1.0	30 states in east and northeast
Winn-Dixie Stores	4,444	5	1,171	1.9	19.4	Southeastern U.S.
Jewel Companies	3,516	7	364	1.2	11.9	17 midwestern states
Albertson's	2,269	11	365	1.6	24.5	15 states in west and south
Supermarkets General	2,117	12	109	1.0	18.2	New York/New Jersey metro area

Source: Moody's and Fortune

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3:00 PM

THE WHITE HOUSE

WASHINGTON

August 11, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: ALFRED E. KAHN *Fred*

SUBJECT: Your Meeting with Food Industry Representatives about Prices

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Attachments

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WASHINGTON

MEETING WITH FOOD RETAILERS, FOOD PROCESSORS  
AND MEAT PACKERS

Monday, August 13, 1979

3:00 p.m. (15 minutes)

The Cabinet Room

From: Fred Kahn

## I. PURPOSE

The purpose of this meeting is for you to register your concern over the widening spreads between farm and retail food prices, particularly for red meats, fish, fruits, and poultry, and to ask for the cooperation of the food marketing industry in passing on the benefits of lower farm prices to consumers.

## II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

Background: For the past several months, CWPS and USDA have closely monitored food price changes from the farm through retail outlets. As you know, food price increases have been an important part of our overall inflation problem over the past 3 years. Retail food prices increased 8 percent in 1977, 12 percent in 1978, and will increase an estimated 9.5 percent more by the end of 1979. Higher farm prices have been responsible for much of this increase, accounting for about two-thirds of the total. Farm prices increased 22 percent in 1978, and at an annual rate of 49 percent during the first three months of 1979. However, farm prices overall are now moderating. During the second quarter of this year, the farm value of foods contained in the USDA market basket of domestically produced foods declined at a 17.3 percent annual rate. Cattle prices have fallen below \$60 per cwt in Omaha, from \$78 in mid-April. Hogs are now selling around \$36 per cwt versus \$56 in mid-February.

Although consumers are now beginning to experience a lower rate of food price inflation, the reduction is not as great as we would like. The primary reason food price inflation has not slowed more is that marketing spreads (the difference between farm value

and retail value) have been increasing. The increase has been particularly large for red meats, fresh fruits, and poultry. According to USDA estimates, the increased farm to retail spread for the first half of this year is about twice as large as could be justified by the increased costs experienced by these processing and marketing firms. The USDA estimates that costs increased about 11 percent, at an annual rate, in comparison with an increased spread of about 22 percent. In the case of meat, it is important to note that the increased spread appears to have occurred after the product has left the meat packer.

As an industry, food retailing has historically exhibited a relatively high degree of competition, although the level of competition has varied from market to market. Illustrative of the industry's attractiveness as an investment opportunity is the recent evaluation by a major New York investment firm that lists food chains near the bottom (41st out of 45 industries evaluated). There is considerable variation in profitability from firm to firm, as the attached materials show. In general, the firms represented in this meeting are above average performers. Albertson's, Winn-Dixie, and Supermarkets General are among the very best. The most notable exception is A & P, which has slipped badly in recent years.

Despite the high degree of competition in this industry, its overall profits are good, judged by historic standards. Although the information is sketchy, we believe that food retailers are taking advantage of the current situation to build-in a slightly higher profit margin. We believe they are doing this as a hedge against two possibilities: (1) that some of their product prices will soon increase again and (2) that price controls could be imposed. It is particularly important, therefore, to reassure them that the latter action will not be taken.

Raw farm product prices are exempt from the price standard because they are determined for the most part by competitive market forces. Because prices at the farm level are exempt, we have declared our intention to monitor margins -- which account for two thirds of the final cost -- with special diligence. Food processors, manufacturers, wholesalers,

and retailers are covered by the price standard. However, because the price deceleration standard is difficult for them to apply, these sectors have been provided with alternative standards based on gross margins (sales less the cost of food products purchased for processing or resale).

Because of the rapid increases in aggregate margins, CWPS has intensified its monitoring of the food sector. Notices of probable noncompliance have been issued, or will shortly be issued, to 11 food processors and retailers. In addition, 30 warning letters have been sent to companies that are on the verge of noncompliance. None of the companies that you will be meeting with have received such notices or letters.

We believe that the most useful tone to strike in this meeting is one of resolute determination to see that food price inflation is brought under control, accompanied by an open invitation to the food marketing industry to cooperate in that effort. We recommend you take a positive approach, and that you avoid creating a feeling of defensiveness on their part. Tell them how much we are counting on them, and how central they are to our success in bringing inflation under control.

We recommend that you avoid placing too much emphasis on our information on market spreads and marketing costs. Although these are the best data available, they have their limitations. One of the most serious limitations is that the market spreads are prepared on an individual commodity basis. Although they are calculated for a market basket of 65 major food items, the list is not all-inclusive. It includes no non-food items, which make up about 25 percent of all food store sales. The average supermarket stocks about 12,000 separate items, and the distribution of overhead costs among these individual items is often an important element in their merchandising strategy. It is not unusual to find entire product lines that carry a margin below cost, with other products carrying a margin above cost. For these reasons, our information on margins and spreads is best considered as an indicator of the actual situation.

Participants: A list of participants is attached. Food retailing, food processing, and meat packers are represented. Each of the participants is a recognized leader in his respective field.

Anti-Trust Precautions: It is important that this meeting be conducted with sensitivity to the Anti-Trust laws. Any assembly of industry leaders to talk about their prices and pricing policies could be alleged to create the conditions of conspiracy.

Livestock growers have in fact filed anti-trust suits against a number of food retail firms, including some of those who will be attending the meeting, charging they have conspired to fix meat prices in a way that damages the livestock business. In one such suit filed against A&P, plaintiffs argued that in a meeting called by then Secretary of the Treasury John Connally in 1972, A&P conspired with other retailers to fix prices which they claim injured their business.\* The presiding Federal judge admitted this allegation to the record in the trial.

Several precautions are necessary to avoid anti-trust problems during the meeting.

1. None of the firms present in the room should consult with each other about pricing decisions, nor should they condition any response to your request for moderation in their individual pricing decisions, either today or in the future, on the response of any other member of the industry.
2. There should be no discussion by anyone during the meeting of company-specific, competitively sensitive information about costs, supplies, or pricing plans.
3. There is no ban to discussing in general terms such subjects as problems of the food industry as a whole, suggested solutions to them, or proposals for governmental action.

\*The allegation is that Secretary Connally asked retail chains specifically to reduce beef margins; that they in fact did reduce beef prices; but to preserve their margins, the retailers told packers and wholesalers they would pay no more than stated amounts for beef supplied by them; and that packers therefore were forced by their own requirements to limit the prices paid to ranchers and farmers for beef. It is important for you, therefore, to avoid targeting your request to the firms at this meeting for margin reductions to any single commodity.

These three points should be announced at the beginning of the meeting. You may announce them, or you may ask Richard Favretto, Acting Assistant Attorney General of the Anti-Trust Division, Department of Justice, who will be in the room, to announce the precautions.

If you announce the points, you should announce that Mr. Favretto is in the room, ask him to stand so everyone can see him, and state that if any of the discussion strays into sensitive areas, you have asked him to break in and stop the discussion.

Press Plan: Photo opportunity for the first 3 minutes.

III. SUPPLEMENTAL ANALYTICAL POINTS ON FOOD PRICES AND MARGINS SPREADS

1. Food accounts for 18 percent of the typical consumer's budget, but has contributed disproportionately to the worsening of inflation in recent years (see Table 1).
  - ° Food prices increased
    - 0.6 percent in 1976,
    - 8 percent in 1977,
    - 12 percent in 1978, and
    - at an annual rate of 12.5 percent over the last six months.
  - ° The major source of the increases has been in domestically produced (rather than imported) food.
2. During 1978 and early 1979, increasing farm prices were the basic cause (Tables 1 and 2). These increased
  - ° 22 percent during 1978, and
  - ° at a 49-percent annual rate during the first three months of 1979.

3. During the second quarter of 1979, however, the situation changed drastically (Tables 1 and 2).
  - ° The farm value of foods declined at a 17.3-percent annual rate, but the marketing spread (the retail value minus the farm value) increased at a 28.6-percent annual rate. As a result, the retail prices of domestically produced food increased at an 8.0-percent annual rate.
  - ° As shown in Table 3, the fastest increases in spreads were for
    - red meats (a 109-percent annual rate),
    - fresh fruits (a 90-percent annual rate), and
    - poultry (a 37-percent annual rate).
4. Some widening of spreads is to be expected when farm prices decline, and it is normal also for spreads to be compressed for a time when farm prices rise.
  - ° The experience in 1978 was typical. During the first quarter, when the farm value rose at a 55-percent annual rate, the spread rose at only a 3-percent rate (see Table 2). In the second quarter, spreads recovered.
  - ° The behavior of spreads this year has been atypical. During the first quarter, when the farm value was rising at a 49-percent annual rate, the marketing spread increased at a 15.4-percent rate.
  - ° Thus, this year the marketing spread for domestically produced foods has risen very rapidly during periods of both rising and falling farm prices.
  - ° Over the last six months, the farm-retail spread has increased at a 22-percent annual rate, up sharply from the 10-percent rate in 1978.
5. The costs of fuel, packaging, labor, and the other inputs used by food processors and distributors increased substantially during the first half of 1979 (Table 4), but these can explain only about one half of the increases in the aggregate farm-to-retail spread (Tables 3 and 4).

- During the last six months, marketing costs increased at an annual rate of 11 percent, as compared with the 22-percent annual rate of increase of the spread.
  - During the last three months, marketing costs increased at an annual rate of 13 percent, as compared with a 29-percent increase in the farm-to-retail spread.
6. For the remainder of the year, food-price inflation is expected to be more moderate, ending about 10 percent above year-earlier levels.

IV. TALKING POINTS

Talking points are attached.

Attachments



## TALKING POINTS

1. We are entering a critical phase of our fight against inflation. If the last six months of double digit inflation in consumer prices gets built into our wage structure, we could have built-in double digit inflation for years. We need therefore to take advantage of every available opportunity to slow the increase in the cost of living at once. Retail food prices have been an important part of that problem; but they are now in a position to be an important part of the solution.
2. Two-thirds of the cost of food to consumers is added by processors and distributors. You therefore have an important role to play in the fight against inflation. I want to share with you our view of the situation, solicit your suggestions, and ask for your continuing help, as leaders in the food industry.
3. We are pleased with the cooperation we have enjoyed in our anti-inflation program. Compliance with the price standards has been far more uniform at the national level than we ever dared hope. I am particularly encouraged by the widespread recognition by businessmen of the evils of inflation, and their strong support of my adamant opposition to mandatory controls. Let me assure you that I have absolutely no intention of

Importance of inflation = <sup>most wage & price</sup> compliance gratifying

Retail food prices major factor in CPI

2/3 cost of food → consumers added by processors/distributors

Last 3 mos. farm prices ↓ 17%

Mkt cents  
13%

Farm-retail spread ↑ 29%

spread after meat packer

Meat price spreads ↑ 10%

FRESH FRUITS +90%

→ Costs of processing & distributing < 1/2 spread

Aware of lag, but last winter, farm prices ↑, no lag

1<sup>ST</sup> QTR FARM value ↑ 49% spread ↑ 15%

COWPS - 30 letters probable non-compliance

Anti-trust - Richard Lavetto Asst AG - Anti-trust

What can be done

Schnuck -

DIP CREDENTIALS 8/13/79

OMAN - Amb SULAIMAN  
SULTAN QABOOS (US '75)  
SADAT + US +

8/13/79

diplomatic credentials

GRENADA Amb RADIX

P.M. BISHOP

RADIX → US, UN, Canada

New Jewel Movement

EARLY, FREE ELECTIONS

TURKEY Amb EL EK DAG

PM ECEVIT, PRES. KORUTURK

PM → US '78

EMBARGO OFF - AID → TURKEY

CYPRUS ? SALT, VERIFICATION

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THE WHITE HOUSE  
WASHINGTON

8-13-79

Lunch @ VP

Lloyd Cutler

Jody Deputy

Al McDonald

Hedley Donovan

Strauss / M.d E

VP. Energy pkg

Politics - PR - Culture

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changing this position. With your continued help, we will make the voluntary standards work.

4. As you know, during 1978 and early 1979, rising farm prices were the primary cause of increasing retail food prices. However, the price of many farm products has now begun to moderate. During the last three months, the farm price of food fell at an annual rate of 17 percent, but prices paid by consumers rose at an 8-percent rate. This striking difference reflects a sharp increase in the farm-retail spread. These spreads rose at a 29-percent annual rate during this period.
5. I recognize that some increase in the spread was inevitable, because of rising fuel, labor, packaging, and other costs of processing and distribution. But according to Department of Agriculture data, these increases explain only about half of the increase in the spread in the last six months and less than that in the last three. I am aware that there is normally a lag between price changes at the farm and at the retail level. But last winter, when farm prices rose so rapidly, there was no such lag at retail.
6. I am particularly troubled by the large increase in meat price spreads -- at an annual rate of more than 100 percent during the last three months. As a result, the substantial declines we have experienced in cattle and hog prices have not been fully passed on to the consumer.

7. I have directed the Council on Wage and Price Stability to intensify its monitoring of the food sector because of these increases in spreads.
8. When the anti-inflation program was announced last October, I said that food would be a sector of special emphasis both because of its great importance in the cost of living, and because I was and remain convinced that trying to apply price ceilings at the farm level would be counter productive. For this reason, I am committed to ensuring that price decreases at the farm level are quickly and fully reflected in lower retail prices. These decreases provide food processors and distributors with a special opportunity to make an extremely important contribution to the anti-inflation effort at a particularly critical time. I hope that I can count on your fullest cooperation.

PARTICIPANTS

THE WHITE HOUSE

WASHINGTON

Food Industry Officials Invited  
to Meet with President Carter  
to Discuss Food Prices  
3:00 p.m., August 13, 1979

Food Retail Industry Representatives

Lyle Everingham  
Chairman of the Board  
The Kroger Company

1014 Vine Street  
Cincinnati, Ohio 45201

Leonard Lieberman  
Chairman of Path Markets  
Division of Supermarkets  
General Corp.

301 Blair Road  
Woodbridge, New Jersey 07095

Warren E. McCain  
Chairman of the Board  
Alberton's Inc.

250 Park Center Building  
Boise, Idaho

William S. Mitchell  
Chairman of the Board & CEO  
Safeway Stores, Inc.

4th and Jackson Streets  
Oakland, California 94669

Don Perkins  
Chairman of the Board  
Jewel Companies, Inc.

5725 East River Road  
Chicago, Illinois 60631

Jonathan LaVon Scott  
Chairman & CEO  
A & P

2 Paragon Drive  
Montvale, New Jersey 07645

Burt L. Thomas  
President  
Winn-Dixie Stores

5050 Edgewood Court  
Jacksonville, Florida 32205

Michael Wright  
President & Chief Operating  
Officer  
Super Value Stores

101 Jefferson Avenue, South  
Hopkins, Minnesota 55343

Donald Schnuck  
Chairman  
Food Marketing Institute  
President  
Schnuck's

12921 Enterprise Way  
Bridgebar, MO 63044

Stephen D'Agostino  
1st Vice Chairman  
Food Marketing Institute  
Chairman of the Board  
D'Agostino Supermarkets

2525 Palmer Avenue  
New Rochelle, NY 10801

Bob Aders  
President  
Food Marketing Institute

1750 K Street, N. W.  
Washington, D. C. 20006

Meat Packing Industry Representatives

James Holton  
Chairman of the Board  
American Meat Institute  
Chairman of the Board & CEO  
George Hormel Company

Post Office Box 800  
Austin, MN 55912

Richard Lyng  
President  
American Meat Institute

1600 Wilson Boulevard  
Arlington, VA 22209

John Mohay  
President  
National Independent  
Meat Packers Association

1734 15th Street, N. W.  
Suite 800  
Washington, D. C. 20005

Food Processing Industry Representatives

Thomas Carroll  
Chairman  
Grocery Manufacturers of America,  
President  
Lever Brothers Company

390 Park Avenue  
New York, NY 10022

George Koch  
President & CEO  
Grocery Manufacturers of America

1010 Wisconsin Avenue  
Suite 800  
Washington, DC 20007

TABLE 1: CONSUMER PRICE INDEX  
(Annual Percentage Changes \*/)

	Relative Importance %	1976	1977	1978	Changes to June 1979		
					Last 12 Months	Last 6 Months	Last 3 Months
<u>ALL ITEMS</u>	(100.0)	4.8	6.8	9.0	10.9	13.2	13.4
<u>FOOD</u>	(18.2)	0.6	8.0	11.8	10.1	12.5	7.5
Food at Home	(12.6)	-0.9	8.0	12.5	9.5	12.3	5.7
Domestically Produced	(10.4)	-3.2	5.1	14.2	10.5	17.2	8.0
Farm Value	(4.1)	-11.8	6.3	22.2	7.0	11.2	-17.3
Farm-Retail Spread	(6.3)	2.6	4.4	9.6	12.7	21.8	28.6
Imported	(2.2)	16.5	25.5	5.1	5.3	7.8	6.9
Food Away from Home	(5.5)	6.1	8.0	10.3	11.4	13.7	11.8

\*/ Annual values for 1976, 1977, and 1978 are December to December percentage changes.

Table 2: USDA MARKET BASKET OF DOMESTICALLY PRODUCED FOODS  
(Quarterly changes in price index)

Quarter	1978				1979	
	1	2	3	4	1	2
	- - - - - percent change, annual rate - - -					
Retail cost	21.1	29.9	0.6	7.7	27.3	8.0
Farm Value	55.3	36.9	-0.7	7.8	49.4	-17.3
Farm-Retail Spread	2.9	26.2	1.2	7.5	15.4	28.6

TABLE 3: CHANGES IN FARM-RETAIL SPREAD  
(Annual Percentage Rates of Change)

Food Group	Changes to June 1979		
	Last 12 Months	Last 6 Months	Last 3 Months
Market Basket (total)	12.7	21.8	28.6
Meat	24.5	62.7	108.5
Dairy	7.6	11.5	9.2
Poultry	27.8	10.5	37.0
Eggs	-4.2	3.1	-12.3
Cereal and Bakery	7.6	5.4	1.1
Fresh Fruits	23.6	79.1	89.9
Fresh Vegetables	5.3	23.0	10.1
Processed Fruits and Vegetables	8.6	5.3	5.2
Fats and Oils	6.4	-2.0	12.5

TABLE 4: CHANGES IN FOOD MARKETING COSTS  
(Annual Percentage Rates of Change)

Relative Importance	Changes to June 1979			
	Last 12 Months	Last 6 Months	Last 3 Months	
All Inputs	100.0	10.7	11.2	13.0
Labor	38.9	8.9	8.4	8.3
Packaging	12.6	12.1	12.8	11.0
Equipment	3.1	12.8	17.2	29.3
Services	24.5	4.9	4.1	2.4
Interest	0.6	27.3	-14.3	-10.4
Rail Freight	8.7	13.2	3.9	6.2
Fuel and Power	3.5	14.4	30.4	42.9
Motor Transit supplies	5.5	29.5	43.5	66.4
Other Inputs	2.6	9.4	8.3	6.5

Figure 3 Choice Beef - Components of Farm-to-Retail Price Spread

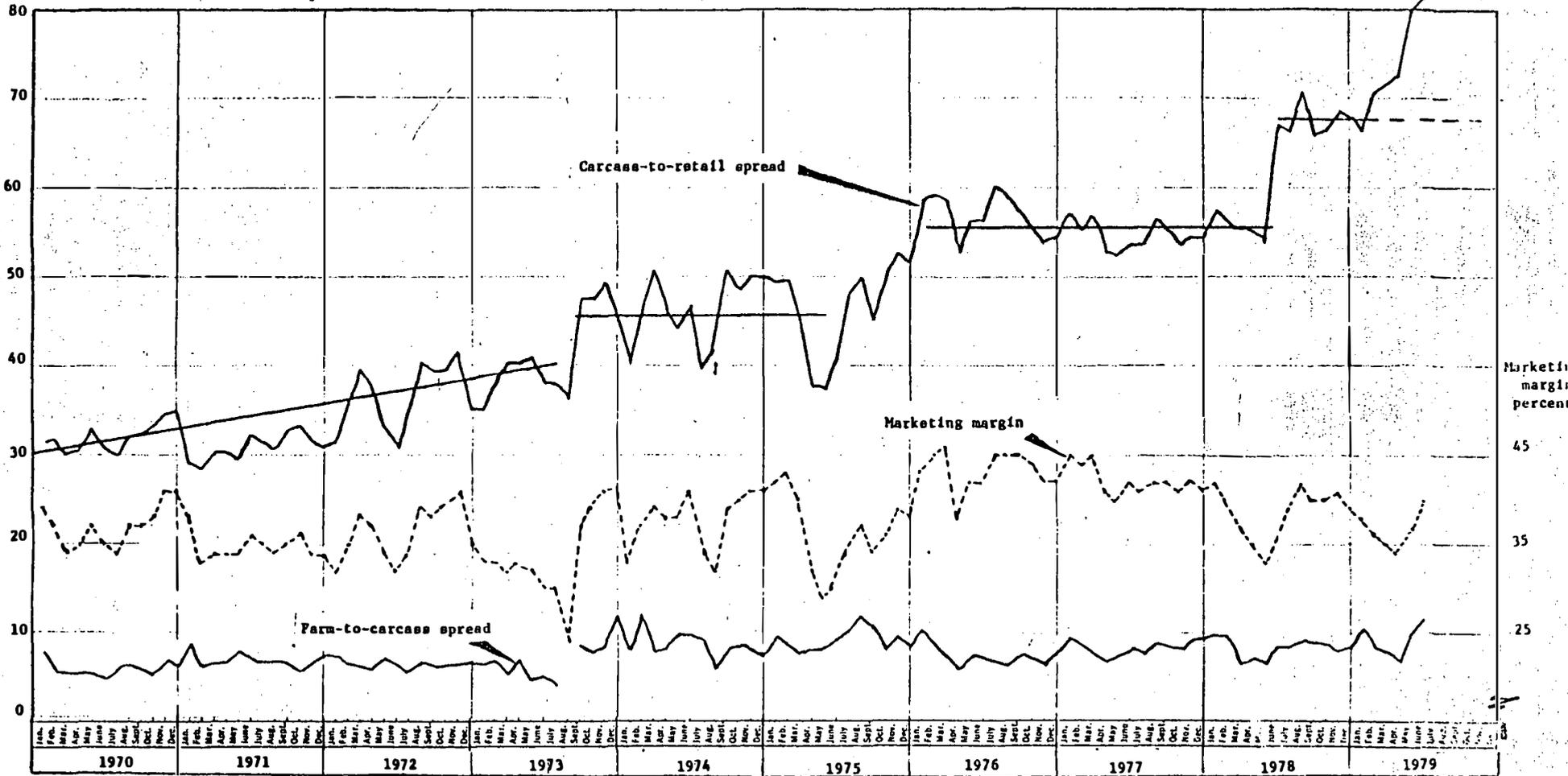
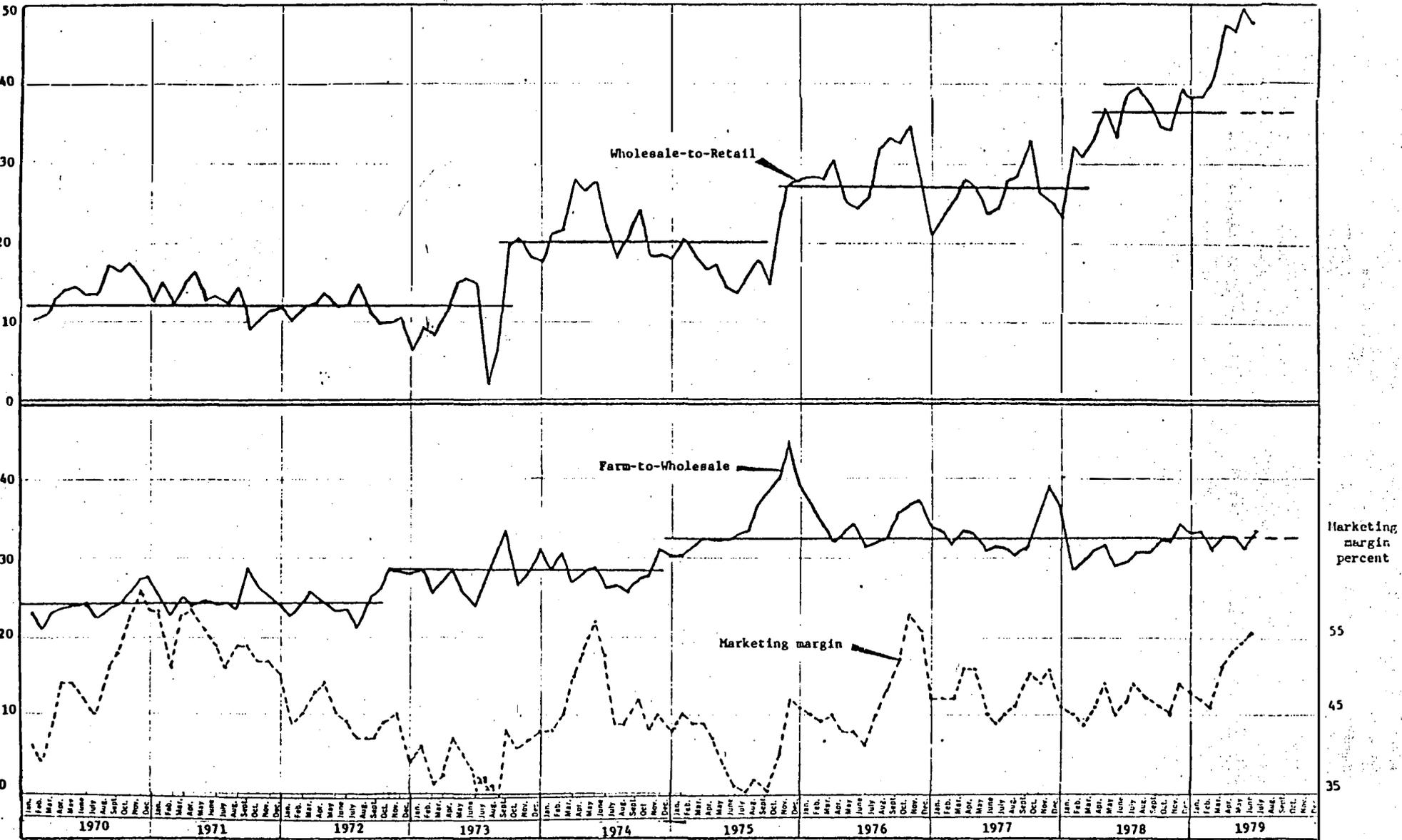


Figure 4 Pork - Components of Farm-to-Retail Price Spreads



Operating Data for Food Retailing Firms Represented  
in the Meeting  
 (All data for 1978 operating year)

Firm	Sales Volume (millions)	National Rank	Number of Stores	<u>Net Income As % of:</u>		Geographic Market Coverage
				Sales	Equity	
Safeway Stores	\$12,551	1	2,436	1.2	15.6	Western U.S.; D.C. metro area
Kroger	7,828	2	1,202	1.1	15.3	21 states in midwest and south
Great Atlantic and Pacific Tea Co.	7,289	3	1,771	0.1	1.0	30 states in east and northeast
Winn-Dixie Stores	4,444	5	1,171	1.9	19.4	Southeastern U.S.
Jewel Companies	3,516	7	364	1.2	11.9	17 midwestern states
Albert Albertson's	2,269	11	365	1.6	24.5	15 states in west and south
Supermarkets General	2,117	12	109	1.0	18.2	New York/New Jersey metro area

Source: Moody's and Fortune

THE WHITE HOUSE  
WASHINGTON

8/13/79

Bob Strauss

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

Rick Hutcheson

cc: Bob Linder

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

ACTION  
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

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

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

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

1

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS

WASHINGTON

20508

MEMORANDUM FOR THE PRESIDENT

7 AUG 1979

FROM: Ambassador Strauss *R.S.S.*

SUBJECT: Recommended Presidential Action on the Exclusion of Certain Patent Infringing Articles, Certain Multicellular Plastic Film, Under Section 337 of the Tariff Act of 1930, as Amended

Section 337 of the Tariff Act of 1930, as amended, authorizes the United States International Trade Commission to order remedies for unfair practices in import trade. Under that authority the Commission has ordered the exclusion from importation into the United States of multicellular plastic film produced by a process that infringes a United States patented process. Section 337 is generally used to seek relief in patent cases.

Section 337 contains Presidential authority to disapprove the ordered remedy for policy reasons by informing the Commission of disapproval within 60 days of receipt of the Commission's determination and order. Representatives of the agencies of the Trade Policy Committee (The Special Representative, the Attorney General, the Chairman of the Council of Economic Advisers, the Director of the Office of Management and Budget, and the Secretaries of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury) unanimously recommended that you exercise Option 1 below and take no action on this case. This will allow the exclusion order to become final after August 29, 1979. There is no provision for Congressional override of the President's action in 337 cases.

There are no known economic or political policy reasons favoring disapproval of the exclusion order. The multicellular plastic film produced by the patented process is used as covering for swimming pools. Imports of the product produced by processes not patented will continue to be admitted.

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THE WHITE HOUSE  
WASHINGTON

August 13, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: Domestic Policy Staff Status Report

ENERGY

The detailed status report that you requested will be to you by Monday.

BANKING AND FINANCE

Small Savers Reform: The House Banking Subcommittee approved your proposal permitting all depository institutions to offer consumers interest-bearing checking accounts, and favorable full House action is expected in September. We will try to broaden this bill into Regulation Q phaseout legislation in the Senate, although prospects for such a comprehensive package are increasingly uncertain. In response to your request, the bank regulators raised passbook savings rates for the first time in five years and created a new market-yield 4-year savings deposit for small savers.

McFadden Act Study: Your report to the Congress on geographic restraints on bank branching is due in mid-September. We will have a draft by September 1 which will suggest the long-term goal of deregulation, but which will avoid specific recommendations which would precipitate a major losing legislative battle this year. Only the largest commercial banks in New York and California support deregulation.

Foreign Acquisitions of U.S. Banks: The Administration last week opposed a moratorium proposed by Senators Proxmire and Heinz on foreign acquisitions of U.S. banks.

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HOUSING AND COMMUNITY DEVELOPMENT

Community-Based Urban Initiatives: House-Senate Conferees cleared the way for congressional approval next month of the HUD Neighborhood Self-Help Development appropriation and the CSA/NCUA Community Development Credit Union initiative. The HUD Livable Cities arts program will be taken to a floor vote since Conferees could not reach agreement.

National Consumer Cooperative Bank: The Senate did not confirm Administration nominees prior to the recess as we had hoped. Senators Garn and Lugar have asked the Administration to expand the Board from 13 to 15 members in order to include a representative of small business from the private sector. We are working with them to resolve differences.

HUD Appropriations for FY 80: The Conference basically agreed to the Administration's requests for assisted housing and community development.

Housing and Community Development Amendments of 1979: Conferees will take up controversial matters after recess. These include Section 8 rental assistance, mortgage limits, definition of pockets of poverty, and legislative review.

Neighborhood Commission: Agency reviews of recommendations should be completed by early September.

NATURAL RESOURCES

Alaska Lands: The Senate Energy Committee is expected to consider the Alaska lands bill in September but overall Senate timing is still very uncertain. Secretary Andrus is completing work on possible administrative withdrawals of the proposed National Wildlife Refuges (which were not made Monuments in December, 1978) so that final designations could be made this fall.

Water Policy: Cost-sharing proposals are receiving serious consideration in the Senate but there is much less interest in the House. Authorization and funding for the Water Resources Council are still uncertain primarily because of opposition to the water project review function we established. A new omnibus water project authorization bill is pending in both the Senate and House which poses serious problems. All of these issues are related in linkage and trade-off strategies but it is too early to tell whether acceptable legislation will pass this year. The energy and water appropriation bill (contains water projects) is acceptable except for the exemption of Tellico Dam from all applicable law -- a provision in the House bill which was reported in disagreement by the conference committee. The House re-passed the language and the Senate will have another vote after the August recess.

Environmental Message: We are working with CEQ to implement the new initiatives in the Message. Reaction to the Message focused on the differences between the Administration and the environmental community on energy policy. However, the new initiatives are supported widely and when implemented will show substantial progress in the environmental area.

Pacific Northwest Salmon Fishing/Indian Treaty Rights: The Supreme Court recently upheld Indian treaty fishing rights established in the Boldt decision in Washington state. We are working with the Washington State delegation to announce a program to enhance the fishery and to assist non-Indian fishermen who will be put out of business. Secretary Andrus will make a very popular announcement in Seattle designed to coincide with field hearings being held this month by Senator Magnuson. The Administration package is very similar to the package developed nearly a year ago when we were attempting to settle the litigation.

#### HUMAN RESOURCES

Hospital Cost Containment: We expect very close votes in the full Commerce Committee on September 5th and on the Senate floor in mid-September. Dick Moe's task force is preparing a strategy to highlight this legislation with involvement by yourself and Secretary Harris.

National Health Plan: Senator Long is considering marking up the low-income and system reform parts of national health insurance after September 15. HEW and EOP are completing work on the detailed specifications of our legislation.

Vice President's Task Force on Youth Employment: A conference on Employing Inner City Youth was held in Oakland, California, August 1-3. Additional conferences are scheduled for September in Boston (youth with special needs), Little Rock (the role of community groups) and Baltimore (work and education). Roundtables with representatives of business, education and labor have been conducted in Birmingham, Hartford, Los Angeles and Houston. Policy recommendations will be submitted by October 15th.

Welfare Reform: Ways and Means spent the last two days before recess in mark-up sessions which were abbreviated because of quorum problems. Stalling tactics by the Republicans prevented completion of the bill, but there is a unanimous consent agreement that mark-up will resume no later than September 15th and debate will be limited to amendments submitted in writing by August 15th. This assures that a bill will be reported out promptly. During the mark-up we may be forced to compromise somewhat with the Republicans who are grouped behind a "block grant" amendment offered by Gradison.

Jobs Bill: We expect September hearings in both houses.

Mexican Marihuana Spraying Program: The day before he left, Joe Califano informed Cy Vance that paraquat sprayed by the Mexicans on marihuana could potentially pose serious harm to 50-100 of the estimated 16 million marihuana users in the U.S. This triggered an existing amendment to the Foreign Assistance Act (Percy Amendment) which requires State to reduce our assistance to the Mexican program by a yet undetermined amount. Because of the possible spill-over effect to other Mexican-U.S. issues, we involved the NSC, State, HEW and Justice in an attempt to mitigate the damage of the Amendment. We will report to you on any necessary further action.

#### URBAN POLICY

General Revenue Sharing: Both the House and the Senate have approved full FY 1980 appropriation for General Revenue Sharing, including the State share. The Senate Budget Committee, in a non-binding action, voted to cut the State share by 60 percent in FY 1981.

Urban Development Action Grants: The House-Senate Conferees have completed action on both the UDAG authorization and appropriations statutes. We received the full \$675 million that we requested, an increase of \$275 million over FY 1979 levels.

Economic Development Administration: The Senate passed by a vote of 83-17 the Administration's proposals for EDA reauthorization. The bill includes the full \$1.8 billion of loan guarantees that originally were included in the National Development Bank. It also includes the more targeted eligibility criteria proposed in the Administration's original bill.

We expect action in the House after the recess. With the help of the Banking Committees, we may fight on the House floor to improve the targeting of the bill reported by the House Public Works Committee.

Counter-Cyclical Assistance: The Senate passed by a vote of 69-23 our urban fiscal assistance proposals. The bill contains \$340 million in FY 1980 for the most distressed cities and counties and a stand-by counter-cyclical program that will activate only if the national unemployment rate rises above 6.5 percent. The Senate Budget Committee provided full funding for this program in the Second Concurrent Budget Resolution.

During the recess, we will attempt to build pressure on the House, where we face opposition from Committee Chairman Jack Brooks and Subcommittee Chairman L.H. Fountain. We also will work on the House Budget Committee.

### TRANSPORTATION

Trucking Deregulation: Our continued efforts to generate interest and pressure have made progress. Jim Howard has decided to hold hearings around the country beginning August 20 in Denver. Following a substantial outpouring of constituency mail, Senator Cannon has decided to expand the scope of his September hearings to include several deregulation issues.

Duluth Grain Strike: The strike of grain millers in Duluth continues to disrupt grain movements. The central issue involves cost of living adjustments. It does not appear likely that either side will bend for several weeks. This will subject us to increasing pressure. We have limited leverage to end the strike, so we will have to simply weather the storm.

### AGING

Disability Insurance Amendments of 1979: The bill incorporating our reforms was reported without dissent by the Ways and Means Committee on April 23. Since then, there has been a rising tide of opposition. A substantial number of Ways and Means Members who voted to report have had second thoughts as indicated by a series of "Dear Colleague" letters. Vote has been postponed twice. It is now scheduled for early action on Congress' return. The outcome is close.

### GENERAL GOVERNMENT

Regulatory Reform Legislation: We have been working with OMB, the Regulatory Council, Frank's staff, Justice, and other agencies on the regulatory reform legislative task force on the regulatory process reform bill you announced and sent to the Hill on March 26. Governmental Affairs Committee Chairman Ribicoff has directed the Committee staff to prepare a working committee print for mark-up upon Congress' return, with the expectation of reporting out a bill before the end of September. The Senate Judiciary Committee, which has joint jurisdiction, may hold a simultaneous mark-up. In the House, prospects for action by the Judiciary Committee are more clouded; Subcommittee Chairman Danielson expects to hold hearings in September, but no date has yet been set.

Regulatory Council Cancer Regulatory Policy Statement: We are working with the Regulatory Council and concerned Executive Office agencies on the Council's effort to produce an administration statement on cancer regulatory policy, to unify the practices of the five agencies with pertinent regulatory responsibilities -- OSHA, USDA, FDA, CPSC, and EPA. The statement will be issued in mid-September. We are exploring how best to use this statement to demonstrate the administration's success in producing better coordinated, more reasonable regulatory policies.

Federal Compensation Reform: Hearings began in Senate Governmental Affairs Committee on August 2, and will resume in September. No movement yet in House.

Lobby Law Reform: House Judiciary Committee mark-up is almost complete, and Senate Governmental Affairs Committee hearings are scheduled for September 25 and 26. Legislation is moving well.

Judicial Reform Initiative: Federal Courts Improvement Act creating a new Federal Court of Appeals and other important judicial rulemaking and administration changes reported from full Senate Judiciary Committee on July 31.

Voter Participation Proposals: We are working with the Vice President's staff on proposals that may help increase the participation of the American public in Federal elections.

#### AGRICULTURE AND RURAL DEVELOPMENT

Farmer-Owned Grain Reserve: Grain prices have softened over the past 2 to 3 weeks, causing the movement of grain out of the reserve to slow. About 30 percent of the wheat and 10 percent of the corn has now been removed from the reserve. Corn prices fell below the release level last week. This means that corn remaining in the reserve is no longer eligible for removal, as long as market price remains below this level.

Farm Legislation: We have met with Chairman Foley and Secretary Bergland to discuss the English proposal to raise 1979 target prices by 7 percent. Since this action is academic (in the sense that market price is expected to be above the proposed target price level) and since we believe its chances of passage are less if the Administration does not contest it, there appears to be a consensus that we take a "hands-off" approach, indicating that we will judge the proposal after the Congress has completed its work.

Meat Import Legislation: Your willingness to compromise on a minimum import floor of 1.25 billion pounds appears to have broken the deadlock and we expect early passage.

Sugar Legislation: Although the House Ways and Means Committee has reported (narrowly) legislation that would be acceptable to the Administration, we believe the odds of House passage are not better than 50-50 and are probably less.

Alcohol Fuel: Some members of Congress, led by Senator Stewart and Congressman Bedell, are pressing hard for increased credit assistance for the production of alcohol from plant material. We have agreed to support a \$200 million 2-year direct loan program for the construction of small and intermediate scale plants but have made this contingent on funding through the Windfall Profits Tax. We are opposing any increased assistance for the construction of large scale alcohol plants, pending implementation of the Energy Security Corporation.

#### MISCELLANEOUS

Chrysler: Treasury issued a statement on Thursday indicating the Administration's willingness to participate in an effort to save Chrysler, provided that all other interested parties participate in the solution and the company produces a viable plan for survival. The statement suggested that loan guarantees are the most likely form of aid. The statement was worded carefully to ensure that we did not create the impression that a decision to help Chrysler had already been finalized.

Cultural Policy: Final decision memo will be to you by early September.

Industrial Innovation PRM: Final decision memo will be to you by the end of August.

Territories: The interagency study of territories policy will be completed by late August. The area of greatest difficulty is economic development. The most discussed issue in the territories is political status.

NASA: Development of the Space Shuttle, NASA's major program, is behind schedule and substantial cost overruns are projected.