

9/7/79

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memo w/ att	From McIntyre to The President (3 pp.) re: MX costs	9/6/79	A
memo w/att	From Brzezinski to The President (9pp.) re: MX decision enclosed in Hutcheson to Brzezinski 9/7/79	9/7/79	A

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THE WHITE HOUSE
WASHINGTON

9/7/79

Charlie Schultze

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

Rick Hutcheson

3683

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

ADMIN CONFID
CONFIDENTIAL
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ACTION
FYI

	VICE PRESIDENT
	JORDAN
	CUTLER
	DONOVAN
	EIZENSTAT
	MCDONALD
	MOORE
	POWELL
	WATSON
	WEDDINGTON
	WEXLER
	BRZEZINSKI
	MCINTYRE
X	SCHULTZE
	ANDRUS
	ASKEW
	BERGLAND
	BROWN
	CIVILETTI
	DUNCAN
	GOLDSCHMIDT
	HARRIS
	KREPS
	LANDRIEU
	MARSHALL

	MILLER
	VANCE
	BUTLER
	CAMPBELL
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	FRANCIS
	HARDEN
	HERTZBERG
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

*Charlie -
It's good to have
you back!
@*

EYES ONLY

September 6, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

Charlie Schultze *CLS*

Subject: Employment, Unemployment and Producer Prices
in August

Tomorrow (Friday, September 7) at 9:00 a. m., the Bureau of Labor Statistics will release both the producer (wholesale) price index and the employment and unemployment data for August. Labor demand weakened further, while prices continued to rise sharply.

Employment and Unemployment

The unemployment rate increased to 6.0 percent last month, from 5.7 percent in July. The labor force, which has been growing relatively slowly since March, did not increase at all in August. But employment (as measured by the household sample survey) declined by 310,000, and so unemployment rose significantly.

The rise in unemployment occurred mainly among white adult females; the unemployment rate for white adult males rose a little, as did the rate for blacks. Almost two-thirds of the rise in unemployment occurred among persons who lost their last job (as opposed to people entering the labor force for the first time and unable to find jobs).

The separate survey of employees on the payrolls of all nonfarm establishments reported employment as unchanged between July and August. But employment at manufacturing firms declined 123,000, and construction employment fell 51,000. The drop in manufacturing, moreover, may be understated by 100,000 or more because of problems of seasonally adjusting the employment figure for auto producers during the model changeover period.

These employment and unemployment figures are discouraging, but they are not surprising. Given the weakness in the economy since the spring, downward adjustments by firms in their work forces had to be expected. Further increases in unemployment are highly likely in the months ahead. Indeed, relatively sharp increases may occur during the next few months if a faster pace of labor force growth resumes.

Producers Prices

The August report on producers prices is most disconcerting. The overall index for finished goods rose 1.2 percent -- an annual rate of 14.9 percent -- compared with 1.1 percent in July. Consumer food prices increased 1.2 percent last month, and prices of finished energy items rose 6.4 percent. The rise in the average of all other prices continued to be moderate -- 0.5 percent, or a 7.0 percent annual rate.

The rise in food prices stemmed from huge, and we believe, temporary increases in vegetables and fruits (the lettuce crop in Colorado was hit by bad weather), further large increases in bakery products and flour (reflecting the earlier runup of grain prices), and a continued rise in dairy products. Prices of beef and veal declined, but pork and poultry prices turned up again after large declines in preceding months.

The energy price rise as yet shows no sign of abatement. Prices of gasoline and fuel oil both increased 6 percent in August; jet fuel was up 12 percent; diesel fuel, 8 percent; and residual fuel, 12 percent. Moreover, large price increases occurred again for commodities with heavy energy inputs -- such as synthetic rubber, plastics, and industrial chemicals.

Outside of food and energy, prices of finished goods rose less in August (at a 7.0 percent annual rate) than in July (a 9.7 percent annual rate). Some slowdown was expected because firms complying with the price standard tend to concentrate price markups in the first month of the quarter. Weakness in markets also helped to hold down price increases in August -- prices fell 0.4 percent for passenger cars and 1.7 percent for trucks.

We have told you for some time that we expected inflation to moderate in the latter half of the year. We continue to believe that this expectation is justified. Energy prices cannot continue to rise at the pace they have in the past five months -- roughly a 90 percent annual rate. Clearly, however, moderation is much slower in coming than we had hoped for.

Cuba

minutes

I want to take a few ~~moments~~ ^{minutes} to speak to you about ~~the issue posed by~~ the presence of ^{the} a Soviet combat brigade in Cuba. The facts relating to this matter have been fully laid out by Secretary Vance, both in his public statement and in his testimony before the Congress. ¶ The facts, in brief, are as follows: We have concluded -- as a consequence of ~~the~~ intensified intelligence efforts ~~that I ordered~~ -- that a Soviet combat unit is currently stationed in Cuba. We have some evidence to indicate that such a unit has been in Cuba for some time, ~~and~~ perhaps even for quite a few years.

(A)

However, The Secretary of State spoke for me and for our nation on Wednesday when he said that we consider the presence of a Soviet combat brigade in Cuba to be a very serious matter ^{and that the status quo is not acceptable}

¶ We are confident about our ability to defend ^{our} this country, or any of our friends, against external aggression. The issue posed is of a different nature: it involves the stationing of Soviet combat forces ^{here} in the Western Hemisphere,

¶ In a country which acts as a Soviet proxy in military adventures in areas ^{other ? of the world such} ~~even as distant~~ as Africa ^{do}.*

We ^{do} have the right to insist that the Soviet Union ~~be as respectful of our interests and concerns as~~ ^{if} the Soviet Union ^{expects us to respect} ~~hopes that we will be of~~ ^{their} Soviet sensibilities and concerns. ^{Otherwise, the relations between our two countries will be adversely affected.}

* ~~The Vice President and Secretary of State favor omission.~~

We are seriously pursuing ^{this} ~~the~~ issue with the Soviet Union.

And we are consulting closely with the Congress, as ~~we do so~~.

Let me emphasize that this is ^{a sensitive} an issue that faces our nation -- all of us. And our nation as a whole must respond not only with firmness and strength, but also with calm and a sense of proportion. This is a time for firm diplomacy, not ^{panic or exaggeration} ~~rhetorical exchanges~~.

As Secretary Vance discusses this issue with Soviet representatives in the coming days, the Congress and ^{the American} ~~Administration~~ ^{public} can help ^{to insure} ~~preserve~~ a successful outcome by ^{preserving} ~~seeking to preserve~~ an atmosphere in which our diplomacy can work. I know I speak for the leadership of the Congress as well as ^{my} ~~the~~ Administration when I express my confidence that our nation ^{continue to} can ~~show itself~~ ^{calm and} ~~as it has~~ ^{to be} ~~so often before~~ steady as well as strong.

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1962 - 20,000 - offensive nuclear weapons
a real & direct threat to U.S.

Soviet troops present in Cuba for several years
perhaps since the early 1960's

Now evidence that several hundred have
been organized into a brigade training
for combat

Not an assault force, having
no air or sea going capability, no types of
weapons and inadequate in size to com-
prise a threat to the security of U.S.

*This is
a
good.* Nevertheless, a combat force of Soviet
troops in Cuba is a matter of serious
concern to the U.S. which will adversely
affect the relations between the U.S. & SU

Understandings ~~with~~ were reached with the Soviet
Union as a result of the 1962 withdrawal
of offensive nuclear weapons concerning the
placement of offensive Soviet weapons in Cuba
and the establishment of Soviet naval bases
in Cuba. We have no evidence that
these understandings have been violated.

The purpose of the Soviet troops is not
yet clear. It appears to be a combat
unit

We are conducting discussions with the Soviet
govt

We will, of course, continue to monitor all

THE WHITE HOUSE
WASHINGTON

9/7/79

Mr. President:

Tim Kraft will be announcing Joel McCleary's appointment as New York Campaign Manager for Carter/Mondale next Monday.

Tim is concerned that Joel's leaving the White House not be perceived as being related to the "shake-up."

Instead, Tim's sending his former deputy to run New York should be seen as a measure of the importance we place on the state.

Rick

11:30 AM

September 7, 1979

**Electrostatic Copy Made
for Preservation Purposes**

MEMORANDUM

TO: President Carter

FROM: Joel McCleary, New York Campaign Manager *J.W.M.*

SUBJECT: Meeting with Lt. Gov. Mario Cuomo

1. Details:

Participants: Mario Cuomo and Joel McCleary

Date: September 7, 1979

Time: 11:30 a.m. - 11:40 a.m.

Photo: Yes

2. Purpose:

To thank Mario for accepting the leadership role in the New York Carter-Mondale Campaign

3. Mario Cuomo:

Born in the Queens, where he still lives. Practiced public interest law and handled the delicate negotiations for New York City in the famous Forest Hills low income housing controversy. The skill he displayed in those negotiations brought him instant statewide recognition for being a compassionate and intelligent public servant. Cuomo's success in politics came not from working within any traditional political organization, but rather through his hard-won and justified reputation as a highly qualified citizen who had worked in the public interest.

In 1977, as part of a power struggle between Carey and Beame, Carey encouraged Cuomo to run against Beame for mayor. Rafshoon managed Cuomo's campaign and has kept him closely involved with the Carter Administration. During the mayoral race, Carey withdrew his support of Cuomo. Despite ill feeling between the two men after this point, Cuomo agreed to join Carey's ticket in 1978 and worked hard to promote their successful campaign.

Since winning the Lt. Governor's race, Cuomo has diligently set out to build a solid state-wide political organization which some think he might use in a bid for the Governor's seat in 1982. (It is essential to note that Speaker Stanley Fink and New York City Council President Carol Bellamy might also run for the same seat.)

Last spring it became obvious that neither Senator Moynihan nor Governor Carey was going to help the Carter effort. An important state-wide figure was needed to head the Carter-Mondale campaign. Rafshoon suggested Cuomo, and when Cuomo was offered the role, he enthusiastically accepted. Cuomo's appointment was acceptable to both Moynihan and Carey, and, given the reluctance of the latter two to assume the role, as well as the diversity of political interests in New York, the appointment should serve to provide the campaign with a solid structure.

4. Talking Points:

- Thank Cuomo for accepting a major role in the Campaign.
- Tell him you are aware of how aggressively he is working for us.
- Assure him that the two of you will work closely together after you announce your candidacy.
- Tell him that you hope he will make a major effort in the next two months so that we can put together a strong steering committee and get the campaign structure set.
- Insist that he work closely with your best friends in New York (Fink, Manes, Rangel, Corning, De Bello, Beame) and that he build as diverse an organization as possible.
- Seek his ideas on how to handle Carey and Moynihan.

Cuomo stumps for Carter,

By NEIL DRISCOLL

Lt. Gov. Mario Cuomo was in Syracuse today campaigning for a state office of Indian Affairs and for President Jimmy Carter's re-election.

Most Superb Record

"Carter deserves to be re-elected. His record on international policy is the most superb record in modern history. He got Sadat and Begin to sit down in one room to discuss peace, normalized relations with Red China, got the Panama Canal Treaty through the Senate and the present SALT II negotiations," Cuomo said.

"Who would have thought two years ago that a peanut farmer from Georgia would get all this done in his first two years of office," he added.

Carter also has a "tremendous record on the domestic scene," Cuomo said. He cited Carter's reduction of the national deficit by \$2½ billion, increasing employ-

ment by 8 million jobs and "the small miracle of Civil Service Reform."

According to the Democratic lieutenant governor, "Carter's problem is not in performance but in projection. He is a poor politician and people don't know his record. Ask any of them on the Carter record and they will respond with the energy/inflation problem."

Stiff Problem

Admitting that Carter faces a stiff problem in handling the inflation/energy dilemma, Cuomo said ask any of the other candidates what they would do and "you'll find that they have no answers.

"People and politicians complain about Carter's lack of leadership. But who do they want as a new leader, Kennedy, Connally or Benito Mussolini. You have to look at the Carter record before making a judgment. I think his record, both internationally and domestically is excellent."

Cuomo compared Carter's problems at the polls with Gov. Hugh Carey's problems last year in getting re-elected.

"Carey did a good job as governor but nobody knew about it so we had to travel around the state and spend \$7 million to get the Carey record across to the people."

Attitude Will Change

Paraphrasing a slogan he used last year in reference to the Carey campaign, Cuomo said "Carter is running against Carter and Carter is losing." He said presently people will vote against Carter because they are mad about inflation but once they look at the record their attitude will change.

Praising Carter's recent appointments to his cabinet, Cuomo predicted that Carter would beat "a Reagan or a Connally" because "Reagan and Connally have no issues and play the game that this country lacks leadership and they are the only ones to fill the gap. People will be smart enough to see through that trick."

As for his boss Gov. Carey running for president or vice president as a favorite son from New York, Cuomo said "the best person to ask that question to is Gov. Carey." The lieutenant governor said he expects Carey "to go all the way" is supporting Carter.

Alexander Joins

Mayor Lee Alexander also jumped on the Carter re-election bandwagon following a meeting the mayor attended yesterday with the president in Atlanta.

Alexander, attending the executive committee meeting of the National Conference of Democratic Mayors, praised the president's urban policies, especially the proposed windfall profits tax on oil which could mean millions of dollars for Syracuse.

Alexander said Carter plans to distribute \$24 billion of the money raised over the next 10 years through the excess profits tax to help urban low-income families with their fuel bills. Another \$16 billion in the tax pool would be sent to cities to aid mass transit.

THE WHITE HOUSE
WASHINGTON
9/7/79

Zbig Brzezinski

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

Rick Hutcheson

3681

Until the Matches Begin . . .

THE WESTON RACQUET CLUB INVITES YOU TO . . .

This - I would say "3.5", or "4.0, needing practice" J.C.

Rate Yourself as a Tennis Player Using the Exciting New NTA/USPTA/USTA National Tennis Rating Program (NTRP).

Participation in NTRP is your passport to Skill Level Improvement and greater enjoyment of Tennis.

For Complimentary On-Court Verification of your NTRP Self-Rating with helpful hints on how to improve your game by the Weston Racquet Club Professional Staff, please call 890-5683 or mail coupon on reverse side.

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GUIDELINES

The National Tennis Rating Program provides a simple, initial self-placement method of grouping individuals of similar ability levels for league play, tournaments, group lessons, social competition and club or community programs.

The rating categories are generalizations about skill levels. You may find that you actually play above or below the category which best describes your skill level, depending on your competitive ability. The category you choose is not meant to be static, but may be adjusted as your skills change or as your match play demonstrates the need for reclassification.

To place yourself:

- Read all categories carefully and then decide which one best describes your present ability level.
- Be certain that you qualify on all points of all preceding categories as well as those in the classification you choose.
- If you are uncertain between two categories, place yourself in the lower one.
- Your self-rating may be verified by a teaching professional, coach, league coordinator or other qualified expert.
- The person in charge of your tennis program has the right to reclassify you if your self-placement is thought to be inappropriate.

SELF-RATING

NTRP RATING CATEGORIES

- 1.0** This player is just starting to play tennis.
- 1.5** This player has played a limited amount but is still working primarily on getting the ball over the net; has some knowledge of scoring but is not familiar with basic positions and procedures for singles and doubles play.
- 2.0** This player may have had some lessons but needs on-court experience; has obvious stroke weaknesses but is beginning to feel comfortable with singles and doubles play.
- 2.5** This player has more dependable strokes but is still unable to judge where the ball is going; has weak court coverage; is still working just to keep the ball in play with others of the same ability level.
- 3.0** This player can place shots with moderate success; can sustain a rally of slow pace but is not comfortable with all strokes; lacks consistency in serving.

3.5 This player still lacks stroke dependability, depth and variety but has improved ability to direct shots away from opponent; rarely double faults but does not usually force errors on the serve; hits forehand and backhand volleys with consistency if the ball is within reach.

4.0 This player has dependable strokes on both forehand and backhand sides; has the ability to use a variety of shots including lobs, overheads, approach shots and volleys; can position in a doubles game.

4.5 This player has begun to master the use of power and spins; has sound footwork; can control depth of shots and is able to move opponent up and back; can hit first serves with above average power and accuracy and place the second serve; is able to rush net with some success on serve against players of similar ability.

5.0 This player has good shot anticipation; is able to overcome some stroke deficiencies with outstanding shots or exceptional consistency; will approach net at opportune times and is often able to force an error or make a winning placement; can execute lobs, drop shots, half-volleys and overhead smashes with above average success; is able to vary the spin on the serve.

5.5 This player is able to execute all strokes offensively and defensively; can hit first serves for winners and second serves to set up an offensive situation; maintains a winning level of play in social tennis and can reach at least the quarter-finals or semi-finals of the highest level club or park championship.

6.0 This player has mastered all of the above skills; is able to hit both slice and topspin serves; can vary strategies and styles of play in a competitive situation; is capable of being ranked in a major city or USTA district.

6.5 This player has developed power and/or consistency as a major weapon; has all of the above skills as well as the concentration necessary for successful tournament play; is capable of earning a USTA sectional ranking;

7.0 This player is highly skilled in all of the above categories; is a polished tournament player who has travelled extensively for sanctioned competitions; has been ranked nationally by the USTA.

My NTRP Rating is _____

THE WHITE HOUSE
WASHINGTON

9/7/79

Jody Powell

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

Rick Hutcheson

3682

I agree
J

THE WHITE HOUSE
WASHINGTON

Mr. President,

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for Preservation Purposes

Lloyd Cutler and
I thought you should
see the transcript of
your 9/27/78 comments on
your meeting w/ Hansen and
your most recent comments.
As you can see a case
could be made by a
reporter that the two versions
are not consistent. Rex

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THE WHITE HOUSE
WASHINGTON

Did a good job of
telling them out of
this approach in Plains.

The lesson here is
that you should avoid
comment on this
matter. It is being
looked into by the DOT
and you can definitely
refer press queries on
it. JEF

	FOR STAFFING
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		DUNCAN
		GOLDSCHMIDT
		HARRIS
		KREPS
		LANDRIEU
		MARSHALL

		MILLER
		VANCE
		BUTLER
		CAMPBELL
		H. CARTER
		CLOUGH
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		FIRST LADY
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		HARDEN
		HERTZBERG
		HUTCHESON
		KAHN
		LINDER
		MARTIN
		MILLER
		MOE
		PETERSON
		PRESS
		SANDERS
		SPETH
		STRAUSS
		TORRES
		VOORDE
		WISE

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

August 31, 1979

MEMORANDUM FOR REX GRANUM

FROM: CHARLES GOODWIN

Here are those quotes from the President.

Also, the portions of the briefing transcripts that are pertinent.

Finally, also some clips that do quote you during that period of time.

Hope it all helps.

Let me know if you need/want more.

Attachments

THE PRESIDENT: I don't object to answering it. I don't remember anything about it. It was not in our files, and my belief, based on Jody's report of a conversation with Harden was that he came in and told me that a week or two before that, Spencer Lee had come to Washington with the intention of talking to Hamilton Jordan about the Vesco case. After discussing it with Harden, Lee decided not to even talk to Jordan and went home.

As I said, a week or two after that occurred, Harden said he came to see me, described the fact that Lee had withdrawn completely from any involvement in the Vesco case and that I told Harden it was best not brought up in the White House but if Lee had anything else to say about it, he should take it up with the Justice Department, that I thought Lee had acted properly in withdrawing the case and that I had written a note to hand to Richard Harden, didn't go through our files, that if Lee wanted to tell the Attorney General what occurred, that he should see him and then describe his involvement. That is all I know.

THE PRESIDENT: You have already said all I know. I don't recall the conference with Richard Harden, but what he has said I think has already been revealed, after Jody talked to Richard. I noticed in the news yesterday that the documents on which Jack Anderson based his story had proven to be fraudulent. I think Mr. Anderson said "reconstructed." And I really don't know anything about the case except what has been in the news. I don't have any recollection of that meeting. But I don't dispute what Harden said occurred there. I just don't recall it. It happened I think three or four weeks after I took office. Jody can give you a transcript of his statement that was derived directly from Harden.

9/21/78

Q But did the President of Sudan tell President Carter that he liked the accord and will support it?

MR. POWELL: As I say, I really cannot speak for him. You will have to pursue that.

Q Is Congressional approval needed for the air bases or road, or any other construction?

MR. POWELL: I don't want to be too technical about it, but if it involved expenditure of American funds, as a general rule, the Congress would be involved in that.

Q To change the subject, if I may, has the Federal Bureau of Investigation requested an appointment to interview the President about his letter to Judge Bell asking for an appointment for Mr. Lee?

MR. POWELL: I haven't checked on that in the past few hours, but let me just say about that generally that our posture has been, since the beginning of the Administration, that every citizen, whatever his or her station might be, has a responsibility to make available information that might prove relevant to a matter such as this.

We have acted on that basic principle on several occasions in the past. If there is a request from the FBI, it would routinely go to the President's counsel, and it will be handled routinely and appropriately.

Q I understand that.

MR. POWELL: All I am saying is I don't know --

Q I'm asking if, in the past tense, such a request has come in.

MR. POWELL: I don't know, but I haven't checked in the past few hours.

Q The President will submit to an investigation?

MR. POWELL: I think the statement speaks for itself. I don't want to be talking about something that hasn't taken place. But I referred you to our general view of these matters. As you know, the President even agreed to submit testimony and submit to cross-examination in a court case because of that view that every person, every citizen has -- I wish I could quote the particular phrase there about from chimney sweeps to kings, but I don't remember it.

Q In shorthand, you are saying the President would submit to an FBI inquiry?

MR. POWELL: I'm saying what I just said there.

Q To try to confirm what has been stated, for instance, in the morning paper, when the President wrote the note to Judge Bell, did he know Mr. Lee wanted to talk to Judge Bell about Mr. Vesco and his problems and efforts to get back into the United States?

MR. POWELL: My understanding of it -- and it is based on Richard Harden's recollection of the conversation -- is that Richard went to see the President, not to warn him that something was about to happen, or that something had happened, but to let him know that something that was about to happen had not happened, and that the thing had been resolved; that Richard did not interpret the President's response to him as directing him to tell Spencer Lee to go to the Justice Department, but rather than if there were any further discussion, either about that particular incident, or anything that either Richard or the President was aware of at the time, that ought to be conducted with the Justice Department, rather than at the White House.

So I don't know if that completely answers your question. If not --

Q I'm a little confused. You say Harden told the President that although this thing was talked about, it wasn't going to happen. If that is the case, why did the President write to Judge Bell, saying, "Let the man have an appointment if he requests one"?

MR. POWELL: Let me go back to what I said before, that if there were any further discussion of the matter, either because Spencer felt like he wished to discuss it further, or because something else came up, or something that he hadn't told Richard, that it ought to be conducted -- and I think appropriately so -- through the Justice Department, without going through the White House. It was an attempt, certainly, to move this away from the White House -- where, obviously, as we have seen, questions can be raised about discussing even briefly and innocently in the White House -- to the appropriate agency, which would be the Department of Justice.

Q I want to correct myself on how I described the note to Judge Bell. It didn't say, "If Spencer Lee requested an appointment." It said, "When Spencer Lee requests an appointment." If he was told the whole matter was ended and wasn't going to happen, why did the President say, "When Spencer Lee requests an appointment, please see him"?

MR. POWELL: I can't quibble with you over a particular choice of words here. I can only describe to you Richard's understanding of what the President was saying, and it was not that Spencer be directed or asked to contact the Attorney General. I rather doubt, when the President wrote the note, if he was thinking about it being examined as if it were an international agreement. I can

just simply give you the understanding that Richard had of what the President's reaction to it was and what he said to him.

Q Why did Harden wait a week to go to the President?

MR. POWELL: I don't -- I really can't answer.

Q And what prompted him to go.

MR. POWELL: I think, frankly, that would tend to indicate he did not consider it to be an urgent matter; as I say, that he was not going to the President with some sort of warning of impending problems, but rather simply that these events had taken place, that Spencer had realized that it would be improper for him to approach Hamilton even to ask him to talk with somebody on this matter; and that I think the fact he didn't rush in to see him sort of the next morning tends to substantiate that. But beyond that --

Q Why didn't the President order an investigation?

MR. POWELL: Of what?

Q Of this approach.

MR. POWELL: Well, as you remember, the word was that there had not been an approach, that it had not taken place. I don't think this --

Q If there had not been an approach, why did the President write a note saying, when the man requests an appointment, give him one?

MR. POWELL: I don't know that I can answer that any better than I did before. Number one, the President, relying on Richard's recollection of the conversation, wished Spencer to know that if there was any reason to discuss the matter further with anybody in government, that the appropriate place for that was at the Justice Department, not at the White House. It seems to me to be a very reasonable precaution for the President to take, even based on a brief conversation, that if there is something more to this, something I don't understand, something that comes up later, the place to go is the Justice Department. He took the step of making sure that if Spencer did feel that he wanted to talk with the Justice Department, something they ought to know about, that he could do that.

Q Why? Why didn't he just send word -- why didn't he tell Harden, "Look, you tell this guy if he has any business with us on this, tell him to go to the Justice Department on it, period," no note? Why not? I don't understand why he felt he should send a note to the Attorney General.

MR. POWELL: Well, for one thing, it provides at least a record of the fact that he did refer it to the Justice Department. And there is no way for me to know whether it was out of an abundance of caution or whatever. If he had

not done that, then I suppose I would be getting a different set of questions here. At least the note makes it clear he did send it to the Justice Department. I can only surmise --

Q It is a note from the President, not just Richard Harden, or anybody else. That has a special impact, doesn't it?

MR. POWELL: Obviously, from your reaction, it does, Ted. I can only repeat what I have said, that the note would make certain that if Spencer did feel the need to discuss the matter, or to talk about it with Justice, that he would have no difficulty in getting to the Attorney General to talk to him about it.

Q Why wasn't the President surprised that his friends would be used and offered large sums of money to make a deal with Justice?

MR. POWELL: I don't know if the President was surprised or not.

Q Or shocked?

MR. POWELL: Would you be shocked by the fact that people would offer money to exercise influence in this town?

Q Yes, I would be shocked if they came to the White House, old friends, and made that kind of --

MR. POWELL: In the sense of it clearly not being a proper thing to do, I don't think anybody disputes that. Now, whether that has never been heard of before, in that sense of being surprised, I will let you make your own judgment.

Q Do you know whether Harden then conveyed to Spencer Lee the information that the President had sent this note to Attorney General Bell?

MR. POWELL: It is my understanding that he did convey that message to Spencer. That is his recollection.

Q Can I go back into history, something you probably were asked when I was on vacation? I apologize for asking. It's on the same matter, however. Has the FBI either requested or actually interviewed Hamilton about this Vesco matter?

MR. POWELL: Yes, and Richard. That is on public record.

Q Prior to this coming up, does the President ever recall discussing Lee's overtures with Hamilton Jordan or having any other further conversations with Spencer Lee?

MR. POWELL: I haven't asked him that directly. I will. But it is my impression he does not. We have talked about it on a couple of occasions and, as you know, as has already been stated, he does not even recall that brief conversation with Richard back in February of 1977.

Q He doesn't remember writing the note, even today?

MR. POWELL: That is correct.

Q But subsequent to all this now, has his memory been jogged about any further dealings with Spencer Lee or discussions --

MR. POWELL: Since I didn't ask him specifically about that -- I feel sure that he does not recall any discussion of the matter with anybody up until the time this present sort of question --

Q In Harden's account, was his getting back to Lee after this conversation with the President Harden's idea or the President's request?

MR. POWELL: My understanding is that he did so because of his understanding that that is what the President wished him to do. I mean, I didn't press that point exactly, because it seemed, frankly, so logical to me that the President wrote a note to the Attorney General when Richard Harden told him about it, that he would expect that Richard would tell Spencer that there was a reason for writing the note and if he wanted to deal with it further, to go talk to the Attorney General about it.

Q Why should he have gone to the Attorney General? Was he going to tell about this approach to himself about lots of money?

MR. POWELL: I don't think the President was talking about anything specific in the sense of something that I don't think he was trying to judge what Spencer may have to tell the Attorney General. But if, for example -- you see how much trouble we have had simply because Richard went to the President to tell him that basically a near problem, at least as far as he knew, had not occurred and the President took the precautionary step of making sure that any further discussion took place at the Justice Department. And I think you can see that if there had been sort of extensive contacts over here about it, that that would have raised even more questions.

And that is basically, I think, just a prudent course of action in a situation like this. We have in the past few weeks, whenever we have come across any information that might be relevant to this matter, immediately gone to the Justice Department with it and said, "Look, this is what we hear, this is what we have found out. Here it is. You decide whether it is relevant and what to do with it." My understanding is that goes to the Criminal Division, which operates, in a matter like this, independently and they make their decisions in a very careful procedure about how that is followed.

Q What other matters have you heard about the Vesco case here at the White House that you have relayed?

MR. POWELL: I don't know of anything, any particular item other than this particular thing of the Harden visit to the President. We were the ones that found out about that and that day, when --

Q You say "Whenever we have heard about it", implying fairly clearly more than one time.

MR. POWELL: All right. Point well taken. I don't know of anything else that has come up like that. Okay? But that is the policy under which we operated, and that is what we did in that case. And if anything else does come up here, we will do likewise.

Q Why didn't Harden tell you about the letter when you went through the whole ritual of many briefings that Sunday, two Sundays ago?

MR. POWELL: I don't know. You are talking about -- Perhaps I am at fault. I never talked to Richard that Sunday and quizzed him on it. What we were dealing with then was a much more immediate sort of crisis, as you well know. Let me point out one thing. There have been some reports that we, that day or subsequently, denied that the President had any knowledge or had had any knowledge of the thing. I don't believe that is true. I reviewed the transcript of those briefings. I don't think we were asked about it.

Frankly, if I had been asked, I probably would have said that he didn't or I didn't think he did because I didn't know on Sunday. It is a minor point, but I ask you to sort of watch for that. And if we did somewhere, some time, some place, to somebody, then if you will let me know about when it happened, then I will certainly retract my -- I don't think we did, but we didn't because it didn't come up at that particular time.

Q It did Saturday at the Justice Department and we were assured over there very extensively that the first indication -- there was no more than that -- that the President was aware of this was when Brzezinski asked for the update on Vesco.

MR. POWELL: Was aware of what?

Q Of Vesco, of Vesco's problems with the Federal Government. I think Mr. Adamson said that was the only indication of Carter's knowledge of this activity.

MR. POWELL: I will have to refer that to Terry. The specific quotes that I saw were the White House had previously denied but now we said -- it is a relatively small matter. I would be inclined to compare what you remember of it with what Terry said. But in any case, on Saturday, he had no way of knowing either that the President --

Q This was after a search of their files.

MR. POWELL: That is right, based on what they had at that point. That was what they knew.

Q Do I understand this correctly, that prior to your Sunday briefing, Richard Harden had talked to either you or people in your office and he did not tell you all about his meeting with the President and the note to the Justice Department?

MR. POWELL: I don't believe I talked to him. I don't know if somebody else may have. In any case, we did not know about it at that point. But, as I say, our inquiries were directed toward specific allegations that had been made in a column that was to be published the next morning. And, you know, my questioning of other people was directed toward the questions of, well, the allegations that were raised there and trying to deal with those.

As you know, I made another error -- I did and Hamilton did, too -- that Sunday just because we were not thinking in a general sense about whether the FBI had talked to Hamilton. We realized what we had done when we reviewed the transcript and corrected it. But we weren't thinking about the broader things. We were trying to deal with specific allegations that have been made.

Let me say this, if you will indulge me for a moment. I realize the legitimacy of the questions you are asking. I think frankly it is to our best interests that the matter be pursued thoroughly by you, because I think if the actual facts of the matter about what actually was going on with regard to the relationship of various people to Mr. Vesco or alleged relationship or whatever, however I am supposed to put it, I think that is very much to our interests.

But let me also say that as you do this and you look at a specific instance or specific action, that it ought to be judged and viewed in the context of what is already on the public record previous to that. You know, it is, for example, quite clear and it is on the record that the President on at least three or four occasions subsequent to this conference with Richard Harden in writing urged action to get Mr. Vesco back to this country for trial.

I don't think there has been any information put forward by anyone that would show that the President or Hamilton or Charlie Kirbo or the Attorney General or the Secretary of State or anyone else ever took any action that would be designed to obtain favorable treatment or a special break. The evidence in the files at Justice and at the State Department is very much to the contrary there. So I simply would suggest that you try to keep that in mind.

For those of you that don't have them or haven't seen them already -- and I guess it is a couple of weeks ago now -- we sat down on Sunday to try to go over the information we knew and deal with the specific allegations that had been raised at that time. There is a transcript of those briefings. I think it was done on background. We will be glad to make it available to you. That has been a standing offer and those are available, if you want to refresh your memory or go through them or whatever.

THE PRESS: Thank you, Mr. Secretary.

END

(AT 3:20 P.M. EDT)

Sept. 27/78

Q Is it his assumption there won't be any new settlements or any settlers moved into existing settlements --

MR. POWELL: I will refer you to what the President said in his address to the joint session of Congress, and I think that accurately describes what our position is.

Q On another subject, if I may, there have been published reports that the Administration's, the White House's, anti-inflation policy will be delayed, possibly as much as two or three weeks. Do you have anything you can tell us on when we can expect that policy?

MR. POWELL: I can't predict a time for you. I am aware of that speculation. As you may know, or no doubt would assume, there are various and sundry considerations, and so forth, that are advanced here and there within the Administration about the appropriate content, as well as the timing on it. The President at this point simply has not made final decisions on all the options that face him, much less a final decision on when we would go forward with it.

Q There is some confusion over whether one of those options, without in any way implying it was an option he was going to accept at all, simply as to whether or not wage and price controls or any type of controls are among the options he is considering. In Aliquippa he said not at this time. Can you clarify whether that is one of the options, without, as I say, implying anything about it?

MR. POWELL: I will simply refer you to his previous statements about wage and price controls in which I think he has made it quite clear that that is not something he is planning and it is something he is opposed to doing.

I think he has made several statements in which he has talked about these proposals as being short of that. The specific question of wage and price controls, which is something that he has addressed himself to many times both in a general sense and specifically in regard to these programs, I will reiterate what he said, that that is not a part of that program.

Beyond that, I am not going to get into either denying or confirming other speculation about what his options may be. That is not a good posture for anybody in the Administration to be in, in that whatever its intent, it tends to limit the President's option in a matter like this.

Q What is the President doing about the spreading railroad --

MR. POWELL: My understanding is that Secretary Marshall had a press conference this morning at 11:00 o'clock. Obviously he and the President and others have conferred about the matter, I think, for the time being at least, statements about Administration acts and so forth will be coming from the Secretary of Transportation.

Q William Safire of the New York Times has called for an investigation of what he terms as a "possible bribe offer discussed with the President 18 months ago, but not reported until last week." And he also writes that there are "some lap dogs among the White House newshounds." I was wondering, what

is your reaction, as the President's news expert, to these two observations by this distinguished New York Times writer?

MR. POWELL: I am sure that Mr. Safire is much more familiar with lap dogs and bribe offers than I. (Laughter)

But as for the general subject, I think it is safe to say that as everyone already knows, both the Justice Department and several other agencies in the Government are actively pursuing that matter. And if they find evidence of wrongdoing, whoever it involves, then obviously a grand jury is one way to deal with it.

I would take this occasion to point out, since you raised the issue, one, I am sure inadvertent, error in that column, inasmuch as I believe it stated that the meeting with the President only came to the attention of anyone outside of the White House by virtue of the SEC investigation, and so forth. I think those of you who have been following this know that the fact of that meeting and that note was something that was turned up here in the White House ourselves, and that we immediately that same day referred it to the Justice Department. So it is not correct to say that we in any sense --

Q On that same question, Jody, Mr. Safire says that a Federal official who has knowledge of possible crime is guilty of misprision. And he notes that both Mitchell and Stans, who were involved in, I guess, accepting money or given money by Vesco underwent long trials. And he is asking the question, basically, aren't there officials in the White House now who had information about an attempt to obstruct justice and who did nothing about it.

MR. POWELL: Obviously, I have seen nothing that would indicate that anybody in the White House has been involved in the sorts of activities that Mr. Mitchell and Mr. Stans were alleged to have been involved in. However, if there is any evidence to that effect, I would assume that the Justice Department in its investigation, which is being conducted, as you know, under rather strict rules regarding the independence of the Criminal Division, something that did not exist at the time that Mr. Safire was familiar with the White House and Justice Department operations, that they will uncover any such evidence and that they will proceed properly in it.

And that is all I can say. I think you understand in fact what it was that Mr. Harden relayed to the President at the time. And it was that there had been an offer made, an approach to ask for a meeting and that that offer had been turned down. Now, I am not competent to judge whether that fits into the definition of the actual receipt of money or whatever took place during the Mitchell and Stans business or not. That is something that duly constituted legal authorities will have to make a decision about.

And our posture has been to cooperate fully with those investigations and make available, as I said, everything that could possibly be relevant as soon as it became known to us. I don't know of anything beyond that that could be expected of us.

Q Well, the other day you were asked and you said you would take the question and let us know as soon as the FBI requested an appointment to interview the President. Did you get anything further on that?

MR. POWELL: I didn't check on it today. I am not aware of such a thing, but it could well have taken place. I will take that question and check on it this afternoon.

Q Sometimes we forget questions to ask on a daily basis. Do you plan, whether you are asked about it or not, whenever you find out the FBI is indeed coming out on a certain day to interview the President, to announce it here or do you --

MR. POWELL: Let me check on that. I am not sure what the proper procedure on that is. We certainly would make no secret of it. I don't want to get in a position so that if I forgot to check one day and they came in, that I would be accused of a felony. We certainly have --

Q Or a misprisionment.

MR. POWELL: Or whatever. Is that a felony?

Q In this connection, as you may remember, in June of 1976, candidate Jimmy Carter told the Democratic Platform Committee, and this is a quote, "Errors or malfeasance in the Executive Branch should be immediately revealed by the President and an explanation given to the public, along with corrective action where appropriate to prevent any recurrence of such actions."

That still stands, doesn't it, I mean, as the President's ideal, or is it inoperative?

MR. POWELL: I think it is a worthy ideal which the Administration prescribes to.

Q The House Whip from Illinois, Mr. Michel --

MR. POWELL: You mean the Minority Whip?

Q Minority Whip. -- has cited this and said recent charges of widespread abuse or use of illegal drugs among the White House Staff brings the Carter statement to mind. And I point out -- and Congressman Hyde's office has written the Attorney General on July 24 asking for an investigation and on September 11, asking for investigation, and both of his letters have been ignored.

Does the White House want the Department of Justice to ignore this request?

MR. POWELL: I am not familiar with those requests.

Q If I got you two copies, would you take the question? I can get you copies of Mr. Hyde's letters.

MR. POWELL: I will be glad to take Mr. Hyde's letters and the question. Did he ask for the investigation to extend to the Legislative Branch or was it just the Executive Branch?

MR. POWELL: I will just have to stand by what I said. Okay?

Q Does he expect to be consulting with Members of Congress on the tax bill before it goes to the Floor? Or was his final word on it said yesterday?

MR. POWELL: I frankly don't know for sure whether or not -- if it is appropriate and so forth, we are obviously in very close contact with them. Whether he will personally be in contact is something I can't predict. If it is constructive, he would.

Q Did the FBI ever talk to Mr. Carter about the Vesco business?

MR. POWELL: They have not requested an interview as of yesterday.

Q Did they talk to anybody else here?

MR. POWELL: I don't know of anybody other than Richard and Hamilton, which you already know about.

Q Do you have any idea what the reason for the delay or whatever you want to call it is, the lapsing of time without the FBI requesting an appointment?

MR. POWELL: Obviously not. That is not something I can -- I would just say simply for your guidance that it occurs to me, if you were thinking about interviewing the President, you would want to have completed as much of the work as possible prior to that. You wouldn't want to come back a week later and say, "By the way, we want to talk again." I say for you, only for guidance, it occurs to me, but I have no knowledge.

Q Do you have any further explanation now of the President's note to Griffin Bell and the motivation for that?

MR. POWELL: I think to the extent possible, we have made everything that we know available to you on that question.

Q Has that note ever been located since these discussions?

MR. POWELL: Oh, sure. It was located immediately. It was located --

Q But the President can't remember writing it?

MR. POWELL: The President does not remember such a meeting, no. But he clearly doesn't dispute Richard's statement. He did come to see him about it.

Q Does he know what he meant?

MR. POWELL: You cannot very well -- it would be rather difficult for him to assess what he was thinking --

Q But if Harden helped him to refresh his memory?

MR. POWELL: He doesn't dispute Harden's recollection of the meeting, which seems to me to make it reasonably clear to anybody what took place there and the reason for it, particularly in the absence of any scintilla of justification for some other interpretation of the matter.

Q What would he mean? Harden comes in and tells him that some old friends have been approached for the White House to intercede, and the President doesn't order an investigation; instead he writes a note.

MR. POWELL: That is not quite right.

Q What is?

MR. POWELL: I understand that the approach was that -- I think one might logically assume that might be the result, but all you were dealing with was, according to Richard, was that Mr. Lee had been approached and asked to ask Hamilton if he would meet and listen to their side of the story. And when Richard, as he says, went in to talk with the President, he said that at that point, as he understood it, the approach had been made, that Spencer had decided that was not a proper sort of thing to do, and --

Q But he accepted money for it, for making these contacts; he continued to have contacts with the Vesco people, even after he saw Richard Harden.

MR. POWELL: You have to understand that neither the acceptance of the money, nor the fact of continued contacts, was known either to Richard or to the President at the time.

Q In fact, Harden was saying to the President the matter is dead in the water.

MR. POWELL: Yes. He was coming in, as Richard has

said, not that something is about to happen, but something that was about to happen will not happen.

Q Then what explains the note saying, "See this man"?

MR. POWELL: I obviously can't look into the President's mind. Richard's interpretation, which seems reasonable to me, is that if there were anything further on this matter, or any further conversations, and perhaps even based on just that, that the discussion ought to be with Justice, not with the White House.

That is, I think, a very wise precaution. I am frankly rather surprised that in a rather brief session like that -- if he hadn't written the note, then where would we be?

Q Why did Harden tell the President anyway? Why do you go to a President and say, "Hey, this is happening, but it" --

MR. POWELL: All this has been put on the record several times.

Q But the explanations are so flimsy. What else has he gone to see him about recently to tell him about something that didn't happen?

MR. POWELL: As I think you know -- I will be glad to sort of rehash this on a Friday afternoon if that is what your preference is.

Q It is not afternoon, but we are working on it.

MR. POWELL: It will be. This was, as you know, very early in the Administration, and procedures then, and access to the President and what you go to the President on and so forth, were not as attuned to the way that you operate in Washington in the White House as they are now. I cannot remember ever, prior to coming here, being in a situation, which is fairly common in the White House, of feeling like, in the governor's office, for example, well, I just ought not to talk to the governor about this, just not involve him in a matter like this.

Obviously that is a consideration in the White House and it was something that I think Richard has said that obviously if he had to do it over again, he would go to the counsel's office or someone else, not to the President.

The fact is he did go speak to the President about it. But also understand the circumstances in which he went; not, as has been reported, to tell him that there was a bribe attempt at all.

Q He didn't know there was money involved?

MR. POWELL: He was not aware at the time that Spencer had been paid any money, he accepted any money from these people. And although, frankly, the hiring of people to intercede on one's behalf is not something that I understand to be completely unusual in this town, but it may be--

Q That is not -- intercede on his behalf, with old friends in the White House who might do you a favor for old time's sake?

MR. POWELL: Let me say, the hiring of people to intercede with old friends in this town, as I understand it, is not entirely unknown. Do you think so? Maybe these are vicious rumors. (Laughter)

Q You have not explained the note to Griffin Bell at all.

MR. POWELL: I think I have. I have given the best explanation possible.

Q I know we have gone over this a million times, but it is a question of what Harden told the President. Can you shed any kind of additional light on if Harden told the President this thing was not going to happen, why the President used the word "when" instead of "if".

MR. POWELL: I obviously can't speak --

Q Why would he go anyway? If something was not going to happen, why would he tell the President this is not going to happen?

Q Why does the President go on and say, "See him when he requests and appointment"?

MR. POWELL: I obviously can't look into the President's mind. If he thought he was writing a legal document --

Q It goes to what Harden really told the President.

MR. POWELL: I have given you his best recollection of what he said.

Q Has George Meany or anyone at AFL-CIO been in touch with the President to let the White House know the AFL-CIO would be supportive of some sort of wage-price controls in stage 2?

MR. POWELL: I am not aware of any, other than the news reports that AFL-CIO now favors wage price controls.

Q Have they told him that? Has he received such communication?

Q Has the President talked to Griffin?

MR. POWELL: I am sure he hasn't. I don't know.

Q Has anyone from your echelon passed any word to Griffin?

MR. POWELL: I don't know of any, Helen. I would be inclined to think not. I will check and see.

Q If he sues the government, would he keep his job in the White House?

MR. POWELL: I don't know about that. The best guidance I have gotten from the Counsel's Office is that the question of who has access to these papers or a dispute between Mr. Griffin and his counsel and the Justice Department -- it is not appropriate for us to interfere in the matter. The Justice Department has been instructed generally by the President to proceed aggressively in this whole GSA area, as I said yesterday; that no person was immune, and to follow the trail wherever it led, and that we expect that they will do so. I know of no indication thus far that they are failing to do that. But for the White House and the President to be involved in specific questions or legal disputes that the Justice Department is already involved in is probably not --

Q I wonder where his job would stand under those circumstances if he defied the Justice Department opinion.

MR. POWELL: I can't answer that at this point. That is something that would have to be dealt with. I frankly don't know what is the propriety of using, for example, on one side, employment to in effect cause someone to do something which they feel they are not legally bound to do. That is a

AUGUST 31, 1979

Office of the White House Press Secretary
(Americus, Georgia)

INFORMAL Q and A
ON THE

OUTSKIRTS OF PLAINS, GA.

(No times,
From Tape Recording)

THE PRESIDENT: Good morning.

QUESTION: Good morning, Mr. President. If you would only let us know, we wouldn't have come out at 7 o'clock.

THE PRESIDENT: Did you wake up at 7?

QUESTION: Let me ask you a question. Does it concern us that there are the Russian troops in Cuba? What is your information?

THE PRESIDENT: Secretary Vance is going to make a statement in Washington about that today. I have discussed it with him this morning. I think I will let his statement stand.

QUESTION: Is it a very serious matter?

THE PRESIDENT: I will let Secretary Vance's statement stand today, Sam.

QUESTION: To kind of force, to stall any other questions, you are making the decisions on this, though? It is not Secretary Vance?

THE PRESIDENT: That is right.

QUESTION: That would be tomorrow's question.

THE PRESIDENT: I understand. Secretary Vance and I have discussed it and he will make a statement today for me.

QUESTION: Do you have something to say about your new United Nations Ambassador, Mr. President?

THE PRESIDENT: Have they announced it?

QUESTION: Yes, several minutes ago in Americus.

THE PRESIDENT: Yes. I will say something about him. He is a highly qualified professional, thoroughly familiar with the major issues that confront the United Nations and I have complete confidence in him. I have consulted with a lot of people before making the selection and Ambassador Don McHenry fulfills all the requirements I think for a superb appointment. He has been highly recommended to me by Ambassador Andrew Young and by Secretary Vance and

MORE

many others. His whole life has been devoted to Ambassadorial or diplomatic service and I have had a thorough discussion with him earlier this week about the major issues that confront the United Nations, North-South relationships, Southern Africa, Mideast and many others and I have got complete confidence in him.

QUESTION: Let me try the Cuban thing from a different angle.

THE PRESIDENT: I am not going to answer questions about Cuba. I will let Secretary Vance make the statement.

QUESTION: With regard to its potential impact on SALT, would you comment on that aspect of it?

THE PRESIDENT: No. Let's let the Cuban thing be handled by the State Department. I have instructed them what to say and I think it is best to let them say it.

QUESTION: What is your information about this allegation that Richard Harden may have perjured himself in the Vesco matter?

THE PRESIDENT: I don't know anything about it.

QUESTION: There are stories to the effect that Phillip Heymann apparently told some members of the grand jury that he felt that was the case, although I think he has not commented on it.

THE PRESIDENT: I don't know anything about it.

QUESTION: Mr. President, I understand you gave some serious thought to Leonard Woodcock as UN Ambassador. Is that correct?

THE PRESIDENT: We considered a lot of people. Leonard Woodcock was one of them. It is so important right now that we have a continuation of our present policy with the People's Republic of China that I think he is better qualified to stay there for the time being.

QUESTION: Did you make your decision before the Kennedy Airport confrontation this week and were you persuaded one way or the other by that?

THE PRESIDENT: I made a final decision after I met with Ambassador McHenry in Washington a couple of days ago but McHenry was recommended to me as the first choice of a lot of people and he is a man that I have known very closely since I have been President because of his work in Southern Africa in particular. He is really an expert on the Far East, including the Pacific region but he has acquired probably the best working knowledge of Southern African problems of any one we have.

QUESTION: Was he Andy Young's first choice?

THE PRESIDENT: Let me not get into that.

QUESTION: What effect will his appointment have on U.S. relations with Third World and developing countries, Africa particularly?

THE PRESIDENT: I think they would guarantee that our present relationships which I consider to be an improvement over the past will be continued.

QUESTION: I hate to replot the whole ground at the risk of a second day denunciation of ABC. Is it a possibility that the Israelis bugged Ambassador Young's apartment or some other intelligence service other than the United States intelligence service?

THE PRESIDENT: There is no way for me to certify to that kind of thing but in our key spots like the Oval Office, and the UN Ambassador's residence, there is a routine sweep of the premises designed to detect any sort of surreptitious listening devices and my guess is that if any nation should try to bug the telephone or the premises of the UN Ambassador, it would be detected quite early and there have been no detections of any such devices.

QUESTION: Did you have an account of Ambassador Young's interview with Mr. Terzi before the State Department generated through Ambassador Young an account?

THE PRESIDENT: No.

QUESTION: Did you have it?

THE PRESIDENT: No.

QUESTION: In other words, our intelligence services from whatever source had not developed to the best of your knowledge, an account of that meeting?

THE PRESIDENT: I can't answer that question because I don't know. I haven't investigated that. But I did not have an account of it.

QUESTION: In other words, if they did it had not been brought to you?

THE PRESIDENT: That is correct. And there are many ways to get a report of a conversation. It may be that one of the principals involved repeated it to many people and those reports may have been collected in some fashion. I think the problem with the ABC report was that you all assumed that if a conversation was reported that it had to come from listening devices or bugging equipment which is absolutely not the case.

QUESTION: As I understand our story we believe we had sources that told us this rather than just assuming it. The sources may have been wrong. We may have gotten it wrong. But we didn't just assume it, sir.

THE PRESIDENT: I don't think there is much doubt about that. The thing that concerned us about it was that when ABC went to the Attorney General he denied it absolutely with his word of honor at stake. ABC then checked with Jody Powell at the White House and Jody said it was a story that was not sound and should not be reported. In spite of that, before the evening broadcast ABC went with it as though it was a fact and that was the thing that concerned us.

QUESTION: I was not aware of that. I had been told by my people ---

THE PRESIDENT: I think the reporter was named O'Brien.

QUESTION: I had been told that in fact before the broadcast that the Attorney General had not spoken to Mr. Civiletti.

THE PRESIDENT: No. I believe that O'Brien met personally with Terry Adamson and Civiletti before the broadcast and a flat denial was made about the accuracy of the story before the broadcast.

QUESTION: All right. I will certainly not argue, but one of us has been misinformed about that.

THE PRESIDENT: That's fine. I can't certify that.

QUESTION: What were your political soundings yesterday in Florida in that that is an early primary State next year? How did you find your own stock?

THE PRESIDENT: I didn't make any poll or anything but I thought the reception of the crowds and the public officials and others was very good.

QUESTION: The Governor says that you are going to win that straw poll in November.

THE PRESIDENT: Oh, really?

QUESTION: He is a long time supporter of yours, if I remember right. Didn't you support him also?

THE PRESIDENT: Not in the primary. I didn't take any position in the primary. But after he was nominated of course we supported him as a Democratic nominee and he is a fine Governor.

QUESTION: Mr. President, one more question on the Vesco matter.

THE PRESIDENT: Yes, Bettina.

QUESTION: What about the charges that there has been some coverup by the foreman of the grand jury who resigned? Have you spoken to the Attorney General or anybody about that?

THE PRESIDENT: No. But you know, any allegation that the Attorney General of the United States would try to cover up a fact or a truth in the presentation to a grand jury is obviously false. There is no inclination to cover up anything. All we want in any case is to have the facts come out and to be

presented in accordance with the law. There is too much at stake for a President or an Attorney General deliberately to try to subvert the legal system in our country, no matter who is involved. That is obviously a false report.

QUESTION: You have seen those things happen in past years.

THE PRESIDENT: I know that. I understand that. But you know it would be politically suicidal for me to permit anything of that kind or for Griffin Bell to have done anything of that kind or for Ben Civiletti to do anything like that. That is something that is inconceivable.

QUESTION: I don't think a lot of people understand that, if it was reported correctly, why way back then you wrote a note to Attorney General Bell saying, "See Spencer Lee." Did you write such a note?

THE PRESIDENT: Yes.

QUESTION: I don't know why you did that. Could you tell me?

THE PRESIDENT: I have a very hazy memory of it and I have already given testimony to the law enforcement agencies about it. The report was made to me that Spencer Lee had a report concerning Vesco. We were trying to have Vesco extradited and when I found that Lee had some information about it, I wrote a note to the Attorney General to see him.

QUESTION: So if there was some improper approach, you did not know about it?

THE PRESIDENT: No. No, I didn't.

QUESTION: Harden did not come to you and say, "Mr. President, it is an improper approach here" or something?

THE PRESIDENT: No.

QUESTION: Mr. President?

THE PRESIDENT: Yes. Okay? Can I walk down the street? Thank you. I enjoyed it.

QUESTION: Oh, by the way, rabbits. Are you going fishing today, sir?

THE PRESIDENT: I might.

QUESTION: Are you going to take an oar? Same pond?

THE PRESIDENT: Same pond.

QUESTION: Can you give us your version of what happened? Would you like to clear your good name? (Laughter)

THE PRESIDENT: I gave a report yesterday I think that was transcribed. I don't know if it is available to you all or not. Did you? That is accurate.

It was just a fairly robust looking rabbit who was swimming without any difficulty and he was apparently disturbed by some predator, maybe dogs or a fox. He jumped in the far side of the pond. I didn't know what kind of animal it was at first. I thought it was probably a beaver or an otter. We have seen beaver and otter in that particular pond.

But as he got closer to me I saw that it was not either one of those kinds of animals. So I had a paddle in the boat and when the rabbit got close enough to the boat for me to recognize it and I saw that it was going to attempt to climb in the boat with me, I thought that that would be an unpleasant situation for me and the rabbit.

QUESTION: One of you would have to get out?

THE PRESIDENT: Yes. (Laughter)

QUESTION: Did you do him in?

THE PRESIDENT: I never did hit the rabbit. I just splashed water toward him and he finally veered his course and went over to the bank and climbed up on the bank.

QUESTION: We have a freedom of information act going to get that picture, by the way. We have filed a suit. (Laughter)

THE PRESIDENT: This picture is very clear. A lot of people doubted my veracity when I came back from the pond that a rabbit was swimming. But rabbits swim and that one was swimming without any difficulty at all. I could certify to that.

QUESTION: I hope you catch more fish than rabbits the next time.

THE PRESIDENT: It was exciting.

QUESTION: Being able to swim in ponds is a fine thing, don't you think?

THE PRESIDENT: I think so, yes.

QUESTION: And on that note -- we will not cross that bridge today.

END

Carter Told Of Vesco Plan In Early '77

By Fred Barbash
and Charles R. Babcock
Washington Post Staff Writers

The White House disclosed yesterday that President Carter was informed 19 months ago of a plan by a Georgia lawyer to intercede with top administration aides on behalf of fugitive financier Robert Vesco.

Presidential assistant Richard Harden, who said he believed at the time that the plan had been dropped, told Carter on Feb. 15, 1977, that Albany, Ga., attorney W. Spencer Lee IV had been "offered a large sum of money" to arrange a meeting between top presidential adviser Hamilton Jordan and Vesco representatives. Vesco was in Costa Rica at the time, struggling to avoid standing trial in the United States on five longstanding criminal charges.

Deputy press secretary Rex Granum said yesterday that the president has no independent recollection of the meeting in which Harden informed him of the matter.

The president did not order an investigation, Granum said. Carter informed Harden that any further contacts on the subject should be handled exclusively by the Justice Department.

Then, in Harden's presence, the president wrote a terse note to Attorney General Griffin B. Bell asking him to see Lee, if the Georgia lawyer should request such a meeting, Granum said.

"Please see Spencer Lee from Albany when he requests an appointment," the note said, according to Granum. It was initialed "J.C."

Granum was asked why Carter had not seen the need for a criminal investigation or for informing the Justice Department of the nature of Lee's discussion with Harden.

He said that he could only speculate that since Harden believed Lee had dropped the scheme, neither he nor the president thought anything illegal had occurred.

The Justice Department started an

See VESCO, A12, Col. 1

President Informed of Vesco Scheme 19 Months Ago

VESCO, From A1

Investigation several months ago into whether the approaches by Vesco associates to the administration were improper. Officials said last night that Carter will have to be questioned by the FBI about his note to Bell.

Bell said in a telephone interview last night that he never saw the note, though it was found in Justice Department files last week after a White House query.

The attorney general added that Lee had never asked for an appointment, and the president never asked him what happened to Lee's expected query on Vesco's behalf.

Terry Adamson, a Bell spokesman, said later that the note would have been considered as a request for a job interview.

The White House disclosure greatly complicates the Vesco matter, which was raised most recently by columnist Jack Anderson last week.

The White House had contended that the president knew nothing of the Lee approach or the Vesco matter until the story broke.

Harden, in an interview with The Washington Post on Sept. 8, made no

mention of contacting the president. "I didn't think it was germane," Harden said last night when asked why he hadn't disclosed the conversation.

Granum said Harden's Feb. 15, 1977, conversation with the president was discovered only last week, on Sept. 11, after a Post inquiry about Harden's actions. The Justice Department was immediately informed, Granum said.

But the White House made no public disclosure until yesterday, after learning that Lee had made the disclosure in an amendment to sworn testimony he gave in New York last week.

Lee has confirmed in interviews and sworn testimony that he came to Washington on Feb. 7, 1977, with the intention of contacting Jordan about the Vesco matter for a fee of \$1 million. Lee had been hired by R. L. Herring, an Albany, Ga., businessman with ties to Vesco, because of Lee's longstanding friendship with Jordan.

But both Lee and Jordan have said that the two never discussed the Vesco approach or exchanged any correspondence on the subject.

Lee did visit another old friend,

Harden, at the White House on Feb. 8, Granum said yesterday. At a private dinner that evening, Harden said Lee told him of his plan to contact Jordan about Vesco.

"During dinner, Lee told Harden that people involved with Vesco had offered him a large sum of money to arrange a meeting with Jordan," Granum said.

Harden told Granum that he cautioned Lee against the idea, saying it would be dangerous both for Lee and the administration. Lee informed Harden that he would drop it.

"Lee asked Harden to tell the president of the approach by the Vesco people," Granum said yesterday, to assure the president that Lee had rejected the plan.

Harden, who is special assistant for budget and organization, met with the president for four or five minutes on Feb. 15, 1977, Granum said. Although Carter has no recollection of the meeting, Harden did recall describing to the president his conversation with Lee about Vesco, Granum said.

"Harden says that once he explained the situation to the president, the president said that Lee had

done the right thing and that anything further should be dealt with by Justice directly, without White House involvement," Granum said.

The Carter note to Bell was discovered Sept. 11 in the files of J. Michael Kelly, the attorney general's top personal aide, spokesman Adamson said. The note also was recorded as having been received in Bell's office log of presidential correspondence.

But it had been delivered before Kelly arrived at Justice and never got to Bell, Adamson said. "He [Bell] writes on everything he gets. And there was nothing on the note."

Securities and Exchange Commission attorneys who questioned Lee under oath last Friday in New York learned of the new information the next day when Lee called to "say he had forgotten to include something he thought was important," according to SEC enforcement chief Stanley Sporkin.

Sporkin said last night that he and Gregory Glynn, the attorney handling the Vesco case, told Lee "he ought to send us an affidavit to correct his testimony."

President's Cryptic Note Is Latest Twist in Vesco Case

By Charles R. Babcock
Washington Post Staff Writer

9/21/78

White House officials tried yesterday to put the most innocent interpretation on the cryptic, handwritten note that has landed President Carter in the middle of a controversy over efforts to get the administration to settle the legal problems of fugitive financier Robert Vesco.

The Carter message to Attorney General Griffin B. Bell—"Please see Spencer Lee from Albany when he requests an appointment"—was written during a brief, Feb. 15, 1977, meeting with aide Richard Harden. During that meeting Harden told Carter that Lee was "offered a large sum of money" to arrange a meeting for Vesco associates with top White House aide Hamilton Jordan, but that Lee dropped the idea.

White House spokesman Rex Gramum acknowledged yesterday that the note "could have been construed as encouragement" for the Vesco scheme. And officials said they couldn't explain why the president didn't mention Vesco's name in the note because Carter doesn't remember the meeting or the note.

But from talking to Harden, officials said, it appeared that the president wrote Bell to steer any future discussion of the Vesco matter to proper authorities in the Justice Department. "He wanted it out of the White House," one top aide said.

But Bell said he never got the note. Lee never called for the appointment. And until recently no one investigated the possibly improper approaches.

Disclosure of Carter's early knowledge of the Vesco matter has rekindled interest in a dispute that arose 10 days ago when columnist Jack Anderson wrote about approaches that a group of Georgians, including Lee, made to the Carter administration for Vesco.

Vesco, who has been living in Costa Rica, and more recently in the Bahamas, faces federal criminal charges that he looted a publicly owned company and then tried to buy his way out of trouble by giving \$200,000 to the Nixon campaign in 1972.

Lee has said he was offered \$1 million to set up a meeting for Vesco representatives with his hometown friend Jordan. But he said he was talked out of the idea by Harden, another friend and a Jordan assistant.

White House officials noted with irony yesterday that Harden has said he "protected" Jordan by not telling him about the Lee approach, but has involved the president instead.

Carter aides also said that Harden should have told other White House advisers—not the president about



ATTORNEY GENERAL GRIFFIN BELL

... says he never received note

were informal, as they had been when Harden worked in Georgia state government.

Harden was questioned last week by the FBI in connection with the Lee approach, one official said. He added that he assumed the president would be questioned, too.

Securities and Exchange Commission attorneys who have been trying to protect the assets of Vesco's former company have expressed interest in the White House approaches. But SEC officials declined comment yesterday on whether they would seek to question Carter, Harden and other administration aides about the matter.

The White House disclosed the president's knowledge of the Vesco approach only after Lee filed an affidavit with the SEC expanding on earlier testimony to say that Harden had discussed the matter with Carter.

Lee said in a telephone interview that Harden had mentioned that he, Lee, could go to Bell if necessary. But he said he never called the attorney general because he had stopped representing Vesco associate R.L. Herring, the Albany, Ga., businessman who offered him the \$1 million fee for access to Jordan.

White House officials acknowledged yesterday that the Carter note, the latest twist in the Vesco dispute, leaves the administration in an awkward situation because it raises ques-

Vesco Evidence Not Authentic, Anderson Says

By Charles R. Babcock
and Fred Barbash

Washington Post Staff Writers

Syndicated columnist Jack Anderson said yesterday that the key evidence he used to link two top presidential advisers with fugitive financier Robert Vesco was not authentic.

In a column distributed for use today, Anderson said his sources now claim they lost, and then "reconstructed" from memory, letters implicating presidential aide Hamilton Jordan and advisor Charles Kirbo in an attempted scheme to fix Vesco's legal problems.

Meanwhile, Kirbo offered reporters the results of his own intensive investigation which he said shows the documents to be false. Kirbo said he has hotel records, plane logs and comparisons of typewritten letters that he says rebut the Anderson allegations.

Anderson said in a phone interview that his new findings "weaken badly" the authenticity of the critical documentation on which he based his original columns.

But the columnist refused to say that the key evidence may have been totally manufactured by R.L. Herring, an Albany, Ga., businessman who dealt with Vesco. "My sources insist that they [the documents] were not fabrications, but reconstructions," Anderson said.

See VESCO, A3, Col. 3

Anderson: Vesco Evidence Not Authentic

VESCO, From A1

The letters were re-created about Aug. 1 in Panama City, Fla., by Herring, his brother and brother-in-law and their wives, Anderson said. He did not say in his latest column that this was one week after Herring was indicted on federal fraud and racketeering charges.

Anderson revised his original column linking Jordan and Kirbo to an attempted Vesco "political fix." But even the softer version was greeted by heated denials by Jordan, President Carter's closest White House aide, and Kirbo, the Atlanta attorney who is another confidant.

Kirbo even started his own investigation into the matter and said his research showed Herring and his associates were not even in Georgia on the dates the damaging letters allegedly were written.

Kirbo suggested yesterday in a phone interview that Anderson's own reexamination of the documents was spurred because "he probably found out what we've done in our own investigation."

Anderson said he discovered the "reconstructed" documents last week when he received more material from his Georgia sources and became suspicious about one of the papers.

"We went back to our sources and subjected them to sharp cross-examination," he said. "One of the wives finally broke down. She said they [the documents] were all authentic, but were reconstructed because some of the originals were missing."

Anderson said that his sources told him phone messages that mention calls from Jordan were "copied over" from originals that were too dim to read. The originals were then thrown away, the columnist reported, his sources said.

Authenticated them," Anderson said. "We talked to her for a month. . . . And she claims she took part in no reconstruction."

He quoted Hobbs in his new column as saying the letters "are similar to the ones I typed."

"I did the best I could to authenticate those documents," Anderson said. In his first column, he said that "independent sources" including Hobbs "have attested to their authenticity."

Meanwhile yesterday, Kirbo disclosed details of his own investigation into the documents. It showed "clear as a bell," he said, that many of them were false.

After checking plane logs and hotel records, Kirbo found that Herring and his associates were not in Albany, Ga., at the time Anderson contended they sat in Herring's Albany office writing the incriminating letters.

They were either in Costa Rica or airborne on the way to or from Costa Rica at the time, Kirbo said.

Kirbo also found gross discrepancies between the letters in question and other, unrelated letters typed by the same secretary in the same office. Formats were different, signatures were different and the typing was different, Kirbo said.

For example, on the unrelated, routine business letters, Herring's secretary put her initials after her boss's initials, as is the standard form. On the incriminating letters to Jordan and Kirbo, her initials appear first.

"Any number of things were different," said Chet Tisdale, a Kirbo associate. The same secretary who typed the routine letters in a "competent and efficient" manner violated all the rules of business letter-writing in the Kirbo-Jordan letters, he said.

"It wasn't even a gray area," said Kirbo. The discrepancies "were clear

testified that Herring told him he was making a case to discredit the Carter administration.

The Justice Department has been conducting an investigation into the allegations that Herring and Lee tried to influence administration treatment of Vesco's legal problems.

Vesco fled to Costa Rica and more recently to the Bahamas to escape U.S. charges that he looted a large conglomerate and then tried to buy his way out of trouble with a \$200,000 gift to the Nixon campaign in 1972.

Anderson said yesterday that his sources have agreed to talk with the FBI about the "reconstructed" documents.

Clearing up the authenticity of the alleged letters and messages about Jordan and Kirbo, however, still will not explain the note the White House said President Carter sent Attorney General Griffin B. Bell last year after being told by an aide about the Vesco plan.

Lee has acknowledged he came to Washington last February to approach Jordan on Vesco's behalf. But he has

testified he backed out of the deal on the advice of another Georgia friend and White House aide, Richard Harden.

The White House disclosed last week that Harden told President Carter that Lee would get "a large sum of money" to arrange a meeting with Jordan for Vesco representatives.

But the only action Carter took was to send a cryptic hand-written note to Bell saying: "Please see Spencer Lee from Albany when he requests an appointment."

That was the first announcement that Carter had been informed about the Georgia group's efforts. The White House had not given any indication in early briefings on the controversy that Carter was aware of the Vesco case.

Press secretary Jody Powell said the administration had not been asked that specific question. But he added the answer then would have been "no" because Harden didn't mention his meeting with the president until after Anderson's first column appeared.

A Vesco Connection?

Hamilton Jordan and William Spencer Lee IV go way back together. They were boyhood buddies in Albany, Ga., and Lee—now a lawyer in Georgia—has often visited Jordan in his White House office. But last week, columnist Jack Anderson wrote a syndicated story repeating earlier press reports that Lee was one of a group of Georgians who tried to influence the Carter Administration on behalf of fugitive financier Robert Vesco. The charge so outraged Jordan, President Carter's top political aide, that he stormed out of the Camp David summit to tell reporters that Anderson's allegations were "malicious and unsubstantiated lies." Then he hired Washington super-lawyer Edward Bennett Williams with an eye toward suing Anderson for libel.

Even before Anderson's column appeared, the Securities and Exchange Commission was investigating Vesco's Georgia connection. According to SEC investigators, the key dealmaker was an Albany, Ga., businessman named R.L. Herring, who told Vesco that he would try to persuade the Carter Administration to call off its efforts to extradite Vesco from Costa Rica. In return, Herring and three associates received nearly \$10 million worth of stocks from Vesco. In sworn testimony to the SEC earlier this month, Lee said he received a \$10,000 retainer from Herring and a promise of \$1 million more to carry Vesco's case to his old friend Jordan and other Administration hands. Lee and Herring have said that they also approached Atlanta attorney Charles Kirbo, Carter's close friend and unofficial adviser, but that they were rebuffed by Kirbo.

Manila Envelope: Last week, as the SEC pursued the Vesco affair in Federal court in New York, Herring's former secretary provided the most damaging piece of evidence against Carter's men. The secretary, Gerolyn Hobbs, 22, testified that she typed and mailed several letters from Lee to Jordan and Kirbo in early 1977. A "Dear Charlie" letter to Kirbo dated Jan. 14, 1977, discussed "how the Costa Rican gentleman wishes to have this matter resolved." Hobbs said that the letter included a seven-point plan to settle Vesco's legal problems, dictated to her over the telephone by a man in Costa Rica she believed to be Vesco himself. Hobbs also testified that after she mailed the letter to Jordan she received a manila envelope from him. And she said that she had taken a

telephone message from Lee in Washington to Herring: "He talked to Hamilton and everything is fine."

Lee, who claims that he never signed the letters Hobbs typed, denies writing to Jordan and Kirbo—and insists that he never discussed Vesco's problems with Jordan at all. In his deposition, Lee said that he went to Washington to carry out his mission but was talked out of it at a dinner meeting with another old Georgia friend, Richard Harden, who is a special assistant to the President for budget and organization. "We bounced it back and forth and he advised me not to contact

knowledge that he had an appointment with Lee in January 1977, but says he doesn't remember the conversation. "I don't remember anybody talking to me about Vesco," he said last week. "Nobody has ever propositioned me or tried to get me to do anything wrong with respect to the government about an subject."

SEC and Justice Department officials say that they have seen no evidence of any attempt to fix Vesco's problems. He is charged with stealing millions of dollars from a company he ran, Investor Overseas Services, then trying to buy his way out of the indictments by giving \$200,000 to the Nixon campaign in 1972. The SEC still has proceedings pending



Jordan: 'Malicious lies'



Vesco (top), Herring



Kirbo: 'Dear Charlie'

against him in the IO case, and Justice is pursuing efforts to extradite him from the Bahamas, where he now lives. Considering the lack of conclusive evidence that the Georgians ever got anywhere with the President's men

Hamilton Jordan," Lee recalled. "The next morning, I got up and called Herring and told him I could not help him anymore, that I could not contact Hamilton, that he was too close a friend." Harden has verified the meeting—but he did not report it to anybody. Jordan played tennis and went partying with Lee several times during the following months, but he denies that he got any letter from Lee and insists that at no time did they discuss Vesco. "Spencer Lee is my friend," Jordan told NEWSWEEK's Thomas M. DeFrank, "and I believe that he never wrote those letters."

No Evidence: Kirbo, too, says he never received the letter allegedly written by Lee. "It's obvious to me looking at it that it's a fraud," he told NEWSWEEK after studying a copy. "I don't know of any lawyer in Georgia in his 30s or 40s that calls me 'Charlie.'" Kirbo has ac-

Kirbo believes that Herring and his cronies may have received payments from Vesco by pretending to have influence with the Carter Administration.

—DENNIS A. WILLIAMS with JOHN WALCOTT in Washington and HOLLY MORRIS in Atlanta

INTRIGUE: The Martin File

Three days before Christmas in 1977, a little red Fiat stood parked in the driveway of a home on Stratford Road in Winston-Salem, N.C. The key was in the ignition. Suddenly, out of the darkness, thieves padded up, got in the car and drove off. Next day, the theft was reported to the police by the owner of the house, who turned out to be Graham A. Martin, the last U.S. ambassador to South Vietnam. Martin told investigators that

Vesco's Latest Caper

How the financier tried to buy influence at the White House

PLEASE SEE SPENCER LEE FROM ALBANY WHEN HE REQUESTS AN APPOINTMENT. This terse handwritten note from Jimmy Carter to Attorney General Griffin Bell lay forgotten for 19 months in a filing cabinet at the Justice Department. Last week it emerged at the center of a mystery that threatened to embarrass Carter and some of his closest associates.

At first, the flap seemed to have some of the ingredients of a first-class scandal. The evidence seemed to suggest that Financier Robert Lee Vesco had masterminded a well-funded campaign to buy influence from some of the President's advisers. Vesco's purpose: to get them to call off the Justice Department's attempt to extradite him from Costa Rica, where he had lived in exile for six years to escape prosecution for fraud. But as more details emerged last week, one critical thing was missing: any evidence that the President or his aides had done anything for Vesco or even listened to his proposals.

The origin of the caper dates back to 1972, when Vesco fled the U.S. after being indicted on charges of looting \$224 million from Investors' Overseas Services, a mutual fund based in Geneva. Almost immediately, he began trying to persuade the Department of Justice to drop the case. He even contributed \$200,000 to Richard Nixon's 1972 re-election committee, but to no avail.

Vesco tried again in late 1976, soon after Carter's election. According to court depositions, the financier met in Costa Rica with a trio of Georgians, Attorney Fred E. Bartlett and Businessmen Jerry Dorminey and R. L. Herring. Dorminey and Herring are now awaiting trial in Georgia on charges of fraudulently obtaining \$277,000 in loans. At a farmhouse in the mountains, Vesco outlined a preposterous plan. If the Carter Administration would promise him leniency, he would order six Latin American countries under his "control" to support the Panama Canal treaty. Back in the U.S., Bartlett and his law partner, Harry Wingate, conveyed the offer to Secretary of State-designate Cyrus Vance, who rejected it.

Vesco's emissaries tenaciously tried a new approach. Herring went to Attorney W. Spencer Lee IV of Albany, Ga., and offered him a \$10,000 retainer—in addition to a fee of \$1 million—if he would set up a meeting with top White House Aide Hamilton Jordan, a school chum and tennis companion of Lee's. Vesco meanwhile told Herring and Dorminey that he would arrange for them to acquire \$10 million worth of stock in a Panamanian company for \$42,000, if they could get to somebody at the White House on his behalf.



Vesco relaxing on his ranch in Costa Rica
He wanted to return home a free man.

din, a special assistant at the White House. Lee told Hardin about the "large sum of money" he had been offered to set up the meeting with Jordan. But Hardin, as he recalls it, told Lee that the advance would be improper. In fact, Lee now says that Hardin persuaded him not to pursue the matter further.

A week later Hardin decided that he should tell Carter about the offer. During a five-minute meeting, Carter urged Hardin to report any future contacts with Vesco's emissaries to the Justice Department and scrawled a message to Attorney General Bell—the same note that surfaced last week. Then, so the White House says, the President pushed the matter from his mind. What happened to the note next is unclear. Bell says he never received it. Neither Lee nor any other Vesco representative ever called on Bell.

In the spring of 1977, the Justice Department stepped up its efforts to return

Vesco to the U.S. The department withdrew its request for his extradition and urged Costa Rica instead to expel him, hoping to nab him as he crossed the border. The strategy misfired. When Costa Rican President-elect Rodrigo Carazo threatened to cut off the financier's residence privileges, Vesco escaped to the Bahamas, where he now resides, safe from extradition to the U.S.

There the Vesco case rested until earlier this year, when the Securities and Exchange Commission began delving into more of his complicated stock schemes. The probe led to Dorminey and Herring. The SEC also obtained unsigned copies of letters and telephone logs of purported contacts in early 1977 between Lee, Jordan and Carter Adviser Charles Kirbo.

Early in September, Syndicated Columnist Jack Anderson published a story hinting that the Justice Department's decision to stop trying to extradite Vesco was proof that his influence-buying scheme had succeeded. Anderson also obtained sworn statements from Herring's secretary, GERALYNE HOBBS, that she had typed and mailed to Jordan and Kirbo several letters about Vesco's proposals.

Jordan angrily denounced Anderson's story as a "fabrication and a despicable lie" and said he had never discussed Vesco with anybody. Kirbo branded Anderson's report "an absolute lie by an irresponsible reporter." He insisted that the letters typed by Hobbs were forgeries. At an unusual Sunday press briefing, Jordan disclosed that Hardin had talked Lee out of pursuing the Vesco advance 19 months ago.

But the question remained of whether Hardin, who declined comment, had ever informed law-enforcement agencies about his talk with Lee. On further checking, White House aides said they found that the only person Hardin had reported the offer to was the President. A search of Justice Department files then turned up the message from Carter to Bell. If nothing else, the lost note and the persistent friends of Mr. Vesco were causing the kind of contretemps the White House could do without.



At Work in Vesco Case

By Charles R. Babcock
Washington Post Staff Writer

Attorney General Griffin B. Bell said yesterday that "the White House is under attack by con artists" in the case of alleged influence-peddling by associates of fugitive businessman Robert Vesco.

Bell made the comments to reporters after a Senate hearing, when he said he was inclined to make a public report on the current Justice Department investigation of the apparent attempt to gain White House help for Vesco's legal problems.

"When the White House is under attack by con artists I think something ought to be said," Bell said. He declined to say who he feels the "con artists" are. "Make your own list," he said.

Aides insisted later that Bell's comments were not intended to prejudge the case. "He doesn't know where the investigation is," spokesman Terry Adamson said.

Bell has, however, been in almost daily communication with Charles Kirbo, a former law partner in Atlanta, who was contacted by the associates of Vesco.

Adamson said that the attorney general has passed on information from Kirbo—who is conducting his own investigation of Anderson's documentation—to the Criminal Division.

Philip B. Heymann, chief of the Criminal Division and head of the Justice investigation, said in a brief interview yesterday that he has not briefed Bell at all on the conduct of the investigation. "It was at his [Bell's] request.

9/27/78
He asked to be kept out of it," Heymann said.

Asked about Bell's passing on information from Kirbo, Heymann said, "I don't see anything wrong with a one-way flow like that. It's a two-way flow [back to Bell] I'd be worried about. And we don't have that."

The department investigation is checking reports that R.L. Herring, an Albany, Ga., businessman, hired attorney W. Spencer Lee IV to approach his hometown friend, top White House aide Hamilton Jordan, on Vesco's behalf.

Lee has acknowledged talking about the Vesco plan with Richard Harden, another Albany friend and White House aide. But Lee said he then backed out of the deal.

Harden has said he then told President Carter about the proposed scheme. And the White House disclosed last week that the president then sent Bell a cryptic note, telling him to see Lee, but not mentioning Vesco.

Herring is on trial on unrelated federal fraud and racketeering charges. And columnist Jack Anderson said in a column yesterday that a group of Herring associates had "reconstructed" from memory "lost" documents that implicate Jordan and Kirbo in the scheme.

Kirbo has told reporters—and apparently Bell too—that he can show that Anderson's key evidence is fraudulent.

Vesco has been a fugitive in Costa Rica, and more recently in the Bahamas, from federal charges that he stole millions of dollars from a corpo



ROBERT VESCO
... fugitive from federal charges

ration and then tried to buy his way out of trouble by giving a \$200,000 contribution to the Nixon campaign in 1972.

The latest allegations center on his alleged effort to use the Herring-Lee group in Georgia to intervene with the Carter administration to fix his legal problems.

THE WHITE HOUSE
WASHINGTON

September 7, 1979

MR. PRESIDENT:

FYI -- the editors with whom you are meeting today were present for your MX Basing announcement and for Secretary Brown's testimony.

James Minter, Atlanta Journal,
was unable to come to the meeting.

PHIL

1:15 PM

THE WHITE HOUSE
WASHINGTON

September 6, 1979

**Electrostatic Copy Made
for Preservation Purposes**

MEMORANDUM FOR THE PRESIDENT

FROM: Patricia Barrio *PB*

SUBJECT: Meeting with non-Washington Editors, 1:15 p.m.,
Friday, September 7, 1979

The group this time includes editors from 20 states and Puerto Rico. There are no broadcasters today because the Radio and Television News Directors Association annual convention is meeting in Las Vegas.

One paper represented is the Steubenville, Ohio, Herald-Star. Your Energy Town Meeting in Steubenville is set for next Wednesday. The large dailies included are: Minneapolis Star, Newark Star-Ledger, Syracuse (N.Y.) Post-Standard & Herald-Journal, Nashville Banner, and Atlanta Journal. The large daily paper in San Juan will be represented by their Washington bureau chief.

This is the 47th group of out-of-Washington editors who have met with you. They are being heavily briefed today on energy issues, and will visit the "Gas Savers Fair" on the Ellipse at the end of the day. (A copy of the agenda is attached).

~~As usual,~~ there will be ^{NO} photo session for the White House press corps at the beginning of the meeting. ~~I will call time on the session after 25 minutes so individual photos can be made.~~

Attachments

THE WHITE HOUSE

WASHINGTON

BRIEFING FOR EDITORS

September 7, 1979

AGENDA

8:30 - 8:45 a.m.	Coffee
8:45 - 9:00 a.m.	PATRICIA Y. BARIO Deputy Press Secretary The White House
	PATRICIA E. BAUER Editor of the News Summary The White House
9:00 - 9:30 a.m.	ZBIGNIEW BRZEZINSKI Assistant to the President for National Security Affairs The White House
9:30 - 9:45 a.m.	Break
9:45 - 10:45 a.m.	ROGER MOLANDER Staff Member National Security Council
10:45 - 11:00 a.m.	Break
11:00 - 11:45 a.m.	KATHERINE P. SCHIRMER Associate Director Domestic Policy Staff The White House
11:45 - 12:15 p.m.	JOSEPH ONEK Associate Director Domestic Policy Staff The White House
12:15 - 12:45 p.m.	Buffet Lunch

12:45 - 1:00 p.m. En Route the Cabinet Room

1:00 - 1:15 p.m. JODY POWELL
Press Secretary to the President
The White House

1:15 - 1:45 p.m. Q & A WITH PRESIDENT CARTER*

1:45 - 2:15 p.m. En Route 160 Old Executive Office
Building and Filing Time

2:15 - 3:00 p.m. DONALD C. LUBICK
Assistant Secretary for Tax Policy
Department of the Treasury

3:00 - 3:15 p.m. JOSEPH L. BARROW, JR.
Director
Office of Commercialization
Department of Energy

3:15 - 3:30 p.m. En Route the Ellipse**

3:30 - 4:30 p.m. TOUR - "GAS SAVERS FAIR"
Department of Energy

* A transcript of the session with the President will be available at about 4:00 p.m. You may return to room 160 of the Old Executive Office Building following the tour of the "Gas Savers Fair" to pick one up. Please use the 17th Street entrance to the Building.

** You may leave briefcases, coats, notes, etc. in room 160 of the Old Executive Office Building and return for them following the tour. Please use the 17th Street entrance to the Building

ARKANSAS: George Anderson, editor and publisher, weekly Pine Bluff News. Quiet paper, mostly concerned with local news. The local school board is currently involved in a controversy with HEW over a discrimination case of five years ago.

GEORGIA: *cancelled* Jim Minter, managing editor, Atlanta Journal (Cox). Formerly managing editor of the Constitution.

ILLINOIS: Clyde C. Jordan, editor, East St. Louis Monitor. A black weekly in the "poor" half of St. Louis, major concerns are inner city unemployment and Andy Young's resignation with the subsequent black/Jewish division.

INDIANA: Jim Barbieri, editor, Bluffton News-Banner. Small daily, generally supportive. Especially interested in energy issues. Led a crusade last winter over a local coal mine stock fraud scheme. Recently wrote a strong editorial suggesting that the public needs to spend less time criticizing and complaining and do a better job of supporting your leadership efforts.

Bill Pace, publisher, North Side Topics, Indianapolis. This is the flagship paper of a chain of five suburban weeklies with a combined circulation of 67,000.

IOWA: Lloyd Jones, publisher, Manson Journal. Small weekly in western part of the state, concerns primarily agricultural issues and gasohol initiative.

Bob Case, political columnist, Waterloo Courier. Veteran reporter who is one of the leading political columnists in the state.

KENTUCKY: Bill Matthews, editor and general manager, Campbell County News, Alexandria (Scripps-Howard). Weekly in the third largest county in the state, across the Ohio River from Cincinnati. Main issue is energy, especially coal.

MARYLAND: Edward Casey, executive editor, Annapolis Capital-Gazette. Democratic, middle-of-the road, concerned about Chesapeake Bay pollution, state politics, and recent gasoline shortages.

MINNESOTA: Bettie Engebretson, editorial writer, Minneapolis Star. This large evening paper endorsed you in 1976, and has been generally supportive.

MISSISSIPPI: R. S. Hederman, executive editor, Jackson Clarion-Ledger. Largest daily paper in the state. Energy is of primary concern, Gov. Finch is driving an alcohol powered car to Washington to demonstrate his concern. He should arrive this weekend. Mississippi is also in the middle of a gubernatorial campaign.

NEBRASKA: Emil Reutzel, Norfolk Daily News. Located in the northeastern part of the state, agricultural issues predominate.

NEW HAMPSHIRE: Steve Mease, news editor, Salem Observer. Weekly in the southeast corner of the state. Conservative, supporting Meldrim Thomson and Gordon Humphrey. A fast-growing area, main issues for the paper are OSHA, government regulation, and home-heating oil supplies. Opposed recent sale of kerosene to Iran.

NEW JERSEY: Mort Pye, editor, Newark Star-Ledger (Newhouse). Largest paper in the state, but pretty middle-of-the road editorially. Pye attended one of these briefings in 1977. Unemployment, inner city revitalization and the impact of energy costs on the poor are major issues.

NEW YORK: Stephen Rogers, editorial director, Syracuse Post-Standard & Herald Journal (Newhouse). Home heating-oil supplies for this winter are of major concern. Other issues include Oneida Indian land claims controversy and use of LEAA funds in a political corruption probe in Onondaga County.

NORTH CAROLINA: Sam Ragan, editor and publisher, The Pilot, Southern Pines. Weekly in city bordering Ft. Bragg. Very supportive of you in this conservative, military area. Recently wrote: "The American people can be thankful that President Carter is making an effort to get something done (on energy). But he and the people are not getting much help from the Congress."

Tom Jervay, editor and publisher, Wilmington Journal. Black weekly, Jervay is a good friend of Louis Martin. In the news business all his life, Jervay has won numerous awards for his courageous support of equal opportunity (the paper was bombed in 1973), and his civic activities. He was the first black to get into a run-off election for the Wilmington City Council in this century.

NORTH DAKOTA: Lloyd Sveen, executive editor, Fargo Forum. Main issue right now is the Duluth Grain Terminal strike. The paper favors the Garrison Diversion Project, is worried about the federal judgeship appointment process, and is concerned about new wilderness area designations of cattle grazing lands.

OHIO: Tom Waller, managing editor, Steubenville Herald-Star (Thomson). Medium-size evening daily in the eastern coal region of the state. You will hold an Energy Town Meeting there next week.

PENNSYLVANIA: Joseph Sukle, associate editor, weekly Middletown Press and Journal. Middletown is "in the shadow of Three Mile Island", and nuclear power development is of primary interest and concern.

Gene Paluzzi, news director, Sayre Evening Times. Small daily on the New York border. Issues: energy, inflation, and their effect on tourism.

PUERTO RICO: John Skelly, Washington bureau chief, El Nuevo Dia, San Juan. The editor of this Spanish language tabloid with the largest morning circulation in San Juan could not come to this session because of Hurricane David. Issues: disaster relief, Soviet troops in Cuba, unemployment.

TENNESSEE: *Cancelled* Charles Smith, editor, Nashville Banner. Conservative paper, Smith is a new editor of this paper which recently was sold by the Gannett chain in exchange for the Nashville Tennessean. Issues: TVA, coal and synfuels development, defense spending.

VIRGINIA: Kerry Sipe, managing editor, The Daily Progress, Charlottesville. Paper has generally been supportive of your administration. Following your July 15 address to the nation, the paper announced an essay contest on the subject: "What's Good About America?" The first essay was printed on page one, and they will continue to appear each day on the editorial page as long as the public sends them in.

WISCONSIN: Dean Conklin, editor, Racine Journal-Times. Daily paper in Rep. Les Aspin's district. The Duluth Grain Terminal strike is of great concern.

The Puerto Rican Prisoners -- Non-Aligned Movement

Q: Is the President's decision to commute the sentences of the Puerto Rican prisoners related to the Non-Aligned Summit?

A: No. The timing is coincidental. The Attorney General accepted the application to review the case of the four Puerto Rican prisoners in April and sent a recommendation to the President on August 24, 1979. The President acted on the recommendation promptly upon his return from his August trips.

We recognize that Premier Castro may try to exploit the release of the four Puerto Rican nationalists for his own purposes, but the President made his decision on the merits of the case and with a belief that justice was no longer being served by the continued incarceration of the prisoners.

Q: We understand that President Castro has said that he would release six US citizens in Cuban prisons if the President released the four Puerto Rican nationalists. Was this release part of a prisoner exchange, and do you expect Castro to fulfill his promise?

A: No. The President's decision to commute the sentences of the Puerto Ricans to time served was made for reasons described; it is not part of a prisoner exchange. We did not contemplate an exchange because it could suggest an equivalence of crimes, which we do not accept.

President Castro has said that he intends to release the US citizens in Cuban prisons if the four Puerto Rican nationalist prisoners were released. We have been urging the release of the US citizens since the beginning of the Carter Administration, and we would welcome Castro's

PUERTO RICAN PRISONERS - 9/7/79

The Four Puerto Rican Nationalists

- Q. Does the President's decision to release the four nationalists from prison amount to a "pardon" of their past crimes?
- A. No. Although the President can "pardon" individuals for past convictions, he has not done so in these cases. The President's recent action (commuting their prison sentences to time served) means only that he has reduced the length of their judicially imposed prison terms to the time they have already served, thus allowing them to leave prison immediately. Unlike a pardon, the President's decision does not imply an absolution or forgiveness of their past crimes.

THE WHITE HOUSE
WASHINGTON
07 Sep 79

Frank Moore

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

Rick Hutcheson



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CONFIDENTIAL
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ACTION
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	WEDDINGTON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ANDRUS
	ASKEW
	BERGLAND
	BROWN
	CIVILETTI
	DUNCAN
	GOLDSCHMIDT
	HARRIS
	KREPS
	LANDRIEU
	MARSHALL

	MILLER
	VANCE
	BUTLER
	CAMPBELL
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	FRANCIS
	HARDEN
	HERTZBERG
	HUTCHESON
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	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

THE WHITE HOUSE
WASHINGTON

September 7, 1979

*Stennis, Mann,
Cagleton, Bellman*

*done
J*

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE
SUBJECT: Call from Senator David Boren

Senator Boren called for you this morning at 9:40. He wants to discuss elevating Jim Woolsey, currently Undersecretary of the Navy, to the Secretaryship. Dan Tate of my staff talked briefly with the Senator who felt he needed to speak directly with you.

Senator Boren and Jim Woolsey were at Yale together so there is a personal relationship between the two which probably causes David's unusually strong interest.

You may recall that DoD, particularly Graham Clayter, had recommended that we nominate Woolsey. Governor Askew has asked us to consider Jack Daniel of Florida and Secretary Brown is doing so.

*Misc
i Long
2 Two*
You may want to take this opportunity to talk energy with Senator Boren who is a member of the Finance Committee. He supports exempting newly discovered oil from the tax but has problems with the so-called small producer exemption (exempting the first 2,000 or 3,000 barrels of daily production) which is being pushed by Senator Bentsen.

Also, hospital cost containment is coming to the Floor probably some time this month. He voted with us and against tabling the Nelson Amendment in Committee. We need his continued help on the Floor.

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07 Sep 79

Rick Hertzberg/Gordon Stewart

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BERGLAND
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CIVILETTI
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HARRIS
KREPS
LANDRIEU
MARSHALL

MILLER
VANCE
BUTLER
CAMPBELL
H. CARTER
CLOUGH
CRUIKSHANK
FIRST LADY
FRANCIS
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✓ HERTZBERG / <i>Golden State</i>
HUTCHESON
KAHN
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MARTIN
MILLER
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PETERSON
PRESS
SANDERS
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STRAUSS
TORRES
VOORDE
WISE

THE WHITE HOUSE
WASHINGTON

*ok
J*

September 7, 1979

MEMORANDUM FOR THE PRESIDENT

From: Jerry Rafshoon *JR*
Gordon Stewart *GS*

SUBJECT: Remarks for Emmy Awards

These are your suggested remarks in commemoration of the slain newsmen for live broadcast during the Emmy Awards this Sunday evening, at 9:00.

They are carefully timed at under two minutes. They will be set up by the President of the Academy of Television Arts and Sciences.

We would appreciate your being available at 8:30 for make up and a test for timing.

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G. Stewart
Draft #2
9/7/79

REMARKS AT EMMY AWARDS -- September 9, 1979

Every citizen who carries into the world the standard
of truth ^{and freedom banner} carries the flag for which this country stands.

For those who bring us the facts on which we make our
judgments as a nation, pursuit of the truth is especially
dangerous. Finding the center of the news was not only the
profession of Don Harris, Robert Brown and Bill Stewart --
it was their passion. Their gift to us was knowledge.

They were killed by some who would suppress the truth,
and by others who were merely ignorant. But when all the
dictators and fanatics have come and gone, it is always the
truth which remains.

It is no accident that the root meaning of the word

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"martyr" is: to witness. In Guyana and Nicaragua, these three men were our witnesses. And they were our martyrs.

For as they died in the service of a free press, they died in the service of us all.

In this moment of remembrance, even as we are repelled by the horror of their deaths, let us recall the service of their lives.

Whatever the differences, ^{might exist} ~~that we have~~ within our country, let us join together tonight in honor of Don Harris, Robert Brown, Bill Stewart, and their families, by renewing our pledge to the standard which they upheld -- our common faith as Americans that it is the truth which sets all people free.

#

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WASHINGTON

07 Sep 79

Landon Butler

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the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

Hamilton Jordan



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	WEDDINGTON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ANDRUS
	ASKEW
	BERGLAND
	BROWN
	CIVILETTI
	DUNCAN
	GOLDSCHMIDT
	HARRIS
	KREPS
	LANDRIEU
	MARSHALL

	MILLER
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	H. CARTER
	CLOUGH
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	FIRST LADY
	FRANCIS
	HARDEN
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	MARTIN
	MILLER
	MOE
	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

EYES ONLY

To: - President
F4I

good
C
/

MEMORANDUM TO: HAMILTON JORDAN
FROM: LONDON BUTLER *See N.Y.*
SUBJECT: NATIONAL HEALTH INSURANCE
DATE: SEPTEMBER 6, 1979

I am continuing to work on bringing the UAW and the AFL-CIO (and, as a result, Senator Kennedy) into position behind the Administration's "first-phase only" national health insurance strategy.

I have had extensive conversations on this subject with Kirkland and Fraser on the labor side; and with Stu, Bert Carp, and Bill Welsh on our side. I will, of course, make no representations on behalf of the Administration without explicit approval from Stu and Pat Harris.

It is my judgment that this effort has a better than even chance of succeeding. It is also my judgment that, without such an effort, President Carter will have virtually no chance of obtaining political support from the UAW until such time as it is a foregone conclusion that he will be the Democratic nominee in 1980.

If we continue the effort toward a joint position on NHI, and if we are successful, then the President will almost certainly be required to escalate NHI to a higher priority on his agenda. It is my opinion that NHI would be an excellent domestic issue to run on in 1980, one which would unify Democrats everywhere; nevertheless, if you have any reservations about the thrust of this effort, please let me know so I can shape the outcome accordingly.

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meeting with editors

9/7/79

THE WHITE HOUSE
WASHINGTON

P.R. prisoner

Crisis in movement of grain
debate

WPT - delay?

ND - Lignite → gas Andrews
FERC

SALT 22 leakage

Refuse posthumous Sudan US

Andy Young

? 5 pm Editors
9-7-79

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foreign affairs breakfast

9/7/79

THE WHITE HOUSE
WASHINGTON

For Aff

9-7-79

> SU/Cuba - Ann -> SU? = U2

> MX

> Haifa

NAM

> Kissinger

> For Aid

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> Intel comm

> Afghanistan

> Yemen

> PRC/VP - Mon

> Is settlements

> Wolfe - Lerner

Congressional Briefing 9/7/79
(re Soviet troops in Cuba)

THE WHITE HOUSE
WASHINGTON

1962 - 20,000. Off 11 weapons

→ Present

New evidence

Not assault

Combat force, serious concern, adverse

Understandings > '62

Purpose

Discussions

We will monitor

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Barry - test Pres

Bob - no crisis

Keep option open

SALT > SU troops

Treaty not hostage

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

C
/

SEP 7 1979

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *Jim*
SUBJECT: Year-end Buying and Personnel Controls

On August 16, you asked me to stop the end-of-year buying rush by the agencies, and their circumvention of personnel ceilings -- both described in recent newspaper articles (Tab A). I have recently taken several steps to end abuses in both areas.

Year-end buying. On August 7, I sent a memorandum to the agency heads, asking them to issue instructions preventing unnecessary year-end buying (Tab B). We gave the agencies detailed guidance, and plan to watch their progress closely and follow-up, if necessary, in the 1981 budget process. We will cover this subject in our budget presentation to you this fall.

Personnel controls. As you have asked, we are beginning now to put the new reporting systems in place to move to a full-time equivalent (FTE) personnel ceiling system. There is already a five-agency experiment in progress. Next October, we will bring HEW, HUD, Treasury, and one or two others under the system. We will apply it government-wide in October, 1981.

Until the five-agency experiment is completed, I would prefer not to make any public announcement about extending it government-wide. Early next year we will direct the remaining agencies to plan to convert to FTE counting. For the rest of this year, we will take every step we can to curb abuses and keep employment levels as low as possible.

I will send you an update on the 1980 and 1981 Federal employment outlook as part of our first 1981 budget presentation.

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THE WHITE HOUSE
WASHINGTON

8-16-79

To Jim Mc Intyre

a) Do what you can
to stop this.

b) Same. Both short
range and move to
a full time equivalent
standard

J.C.

Mcomber (action)
White
Cutter
Harris

U.S. Agencies Rush to Spend Before Cutoff

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Aug. 15 — "We were looking around madly to spend \$30,000," said the middle-level Federal bureaucrat. "We did it in a lot of questionable ways, and then, apparently because we were so successful, we were asked to spend another \$80,000 more."

The bureaucrat, who asked not to be identified, was describing what he called the "worm's eye view" of his agency as the bureaucracy rushes to pump out funds before Oct. 1, the end of the fiscal year.

At a higher level, former Treasury Secretary W. Michael Blumenthal recalled in an interview today that in the last month or two of the fiscal year "you are literally pushing money out the door with a wheelbarrow."

For if an agency fails to spend all of its appropriation, the leftover money is returned to the Treasury, and the agency fears that Congress will figure that it had

Continued on Page A16, Column 1

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DELIVERY OF THE NEW YORK TIMES—800-631-2500. IN
NEW JERSEY—800-932-0300—A.P.T.

Numbers Game in the Bureaucracy

b) Thousands of Employees Hidden to Avoid Manpower Ceiling

By Kathy Sawyer

Washington Post Staff Writer

Donna Jackson of Eugene, Ore., works for the nation's largest employer as one of 2 million toilers in the federal government's permanent civilian work force.

Well, almost.

In each of the last five years, she has typed up contractors' pay vouchers at Willamette National Forest on every work day of the year but one.

That day—the day the government officially counts its workers—she is taken off the rolls along with unknown thousands of other bureaucrats to enable the federal work force to avoid breaking its White House-set manpower ceilings.

In an era of increasing public concern about the size of the federal government, one way the government keeps growing is by hiring full-time part-timers such as Jackson.

They amount to a virtual shadow work force, whose exact dimensions are unknown, but the obviously increasing numbers are both acknowledged and effectively ignored by those charged with containing governmental growth.

"Whenever we find out about it, we do everything we can to stop it," said one official with the Office of Management and Budget, the arm of the presidency empowered to enforce limits on federal growth.

But he added, the most his small

agency can do, is "issue instructions not to do it."

Inquiries to the White House about full-time part-timers are referred to OMB.

Nearly one out of every 20 workers in the civilian federal work force, excluding the Postal Service, holds a temporary, part-time or special assignment job that is not counted when the full-time government payroll is measured.

While many of those are legitimate part-time or seasonal workers, a growing number, OMB officials say, work virtually full-time. Those who deal with such workers refer to them as

See FEDERAL, A6, Col. 1

Prime Interest Rate Hits 12%

Chase Manhattan, the nation's third largest bank, raised its prime interest rate to 12 percent yesterday, and other banks are expected to follow.

This key interest rate has reached 12 percent only once previously—in September 1974, during

the last recession. The prime rate is the interest banks charge their best corporate customers.

The increase came amid signs that the Federal Reserve Board is tightening further its monetary policy to fight inflation and shore up the dollar.

Details on Page C1



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

August 7, 1979

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Controlling Year-End Buying

As we enter the last quarter of fiscal year 1979, I ask you to make sure that we continue to use public funds wisely by avoiding unnecessary year-end buying. I cannot overemphasize that prevention of unneeded or unwise Federal Government spending is an essential part of our efforts to control inflation. Public funds should be used only for necessary program purposes, and should not be obligated solely to commit funds before they lapse.

Please issue instructions to your contract and program offices assuring that:

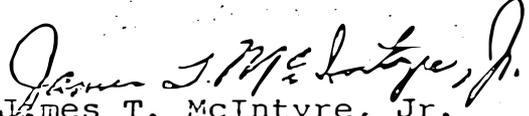
- Obligations for the fourth quarter of the fiscal year are no higher than for the third quarter, except where seasonal requirements, essential program objectives, or procurement lead-times justify a higher level, or where more money is needed to restore program slippages to approved levels;
- Purchases are not made to avoid what otherwise would be an outlay shortfall;
- Grants are subjected to rigorous review and are not made just to keep funds from lapsing; and
- Orders for services, supplies, materials, and equipment are no more than are needed to meet approved program objectives.

(1) The need for the following should be closely controlled and reevaluated:

- ° Procurement of additional hours of service, or items of supply or equipment that were not in the original procurement request with funds that would otherwise lapse.
 - ° Purchase of additional items not contained in the original procurement request or contractor proposal with funds negotiated out of contractors' proposals or those available because estimated needs were in excess of the funds actually required.
 - ° Exercise of options, orders against basic ordering agreements or requirements-type contracts, or the funding of the latter years of a multi-year contract.
- (2) Funds obligated to cover unpriced items, such as spare parts, should not be in excess of the current best estimate of need for those items. In addition, those in excess of the original procurement request should be clearly justified.
 - (3) Letter contracts should be closely monitored and funds should not be obligated in excess of that allowed by regulations, nor should letter contracts be used as a vehicle to obligate funds that would otherwise lapse.
 - (4) When contracts are modified or change orders issued to increase level of effort or procure additional items or services, the additional requirements must be validated.
 - (5) The procurement of consultant services and modifications of current consultant contracts should be reviewed for compliance with OMB Bulletin 78-11, May 5, 1978.
 - (6) Purchases or orders for administrative supplies or services, such as office furniture, supplies, or renovation, should not be approved unless planned in advance or needed to meet an emergency.
 - (7) Purchases by or orders from central procurement offices, such as the General Services Administration and the Defense Logistics Agency, should not be in excess of current utilization factors and optimal inventory levels.

Those responsible for review of procurement and grant actions (e.g., contracting officers, program officers, legal counsel, auditors and Inspector General personnel) should consider noncompliance with this memorandum as an indication of waste.

I count on your full cooperation and personal attention to save the taxpayers as much money as possible in support of the President's fiscal objectives.


James T. McIntyre, Jr.
Director