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# WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

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Memo	Hubert L. Harris to Phil Wise, 1p. RE: personal matter re M. Davis	9/20/79	C

**FILE LOCATION** Carter Presidential Papers-Staff Offices Office of Staff Secretary-Presidential Handwriting File  
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THE WHITE HOUSE  
WASHINGTON

9/26/79

stripping desk--

original for filing in  
president's handwriting file

copies are enclosed for  
mailing to belluomini and  
sprague

--susan clough

THE WHITE HOUSE  
WASHINGTON

9/26/79

George Belluomini --

President Carter asked me to send the enclosed copy of the letter from you and Mr. Sprague which reflects the President's comments -- with his best regards.

-- Susan Clough  


Mr. George Belluomini  
Suite A  
1300 17th Street  
Bakersfield, California 93301

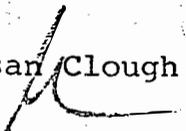
Mr. Ronald Sprague  
Suite A  
1300 17th Street  
Bakersfield, California 93301

THE WHITE HOUSE  
WASHINGTON

9/26/79

Ronald Sprague --

President Carter asked me to send the enclosed copy of the letter from you and Mr. Belloumini which reflects the President's comments -- with his best regards.

-- Susan Clough  


1300 17TH STREET  
SUITE A  
BAKERSFIELD, CALIFORNIA 93301

(805) 327-9383

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September 4, 1979

TO THE HONORABLE JIMMY CARTER  
PRESIDENT OF THE UNITED STATES  
WASHINGTON, D. C.

RE: Acquisition of natural gas from Mexico

Mr. President:

This is a brief memo regarding the acquisition and use of natural gas for the United States and the mending of our strained relations with Mexico.

We will outline facts below, in order to keep this brief, short and to the point.

George and myself are very close to Lopez Portillo and his staff of ministers, and have been for some years. We are updated weekly and sometimes daily on events in Mexico which effect our relationship with the government.

We are very strongly associated with Jorge Diaz Serrano, Director General of Pemex, and we have discussed the proposed natural gas contracts which have been presented with Portillo and staff.

We believe a conflict exists between the two committees set up to negotiate the purchase price, terms and amount of natural gas to be sold and shipped to the United States.

We have offered the idea of utilizing the new pipeline between the state of Chiapas and the state of Tamaulipas, which is 74 miles from the Texas border. The line is capable of delivering two (2) billion cubic feet of gas per day to the United States.

In utilizing this pipeline for delivery of natural gas, we can accomplish two goals:

- (1) Import natural gas to the United States, to balance the shortages and:

Cont:

*cc: Mr. Belluomini &  
Mr. Sprague*

*Thank you for offering to help. We are satisfied with our negotiated frame-work under which U.S. firms can buy Mexican gas.*

*J.C.*

To Honorable Jimmy Carter  
President of the United States

- (2) We have discussed a plan to convert the natural gas to electricity through the construction of steam generation plants, to be located in northern Mexico, close to the United States borders. If this plan were put into effect, we could purchase the excess electricity from Mexico at a more inexpensive rate than we in the United States could produce. Mexico would have the projected increase of 15% electrical current needed in the next two years, due to increased development within Mexico and we could still purchase surplus natural gas as increased production becomes available through development of Mexico's northern gas fields.

We feel that we can successfully mediate and negotiate the purchase price, terms and conditions between the two committees, and both countries, the United States and Mexico and use down to earth common sense tactics to convince the Mexican government that we want to work with them, as friends and neighbors, to help build the social standing of Mexico, as well as help the people of both nations.

The Government of Mexico feels we are trying to take advantage of them and we need to assure them, without being forceful, that we can be brothers and work together for a common goal.

Your team of Christopher, Krueger, Lucey and Katz are not tuned into the feelings of the Mexican government and therefore we are at a stand-off, wherein Mexico is holding out for what it can get!

We feel strong in our discussions with Mexico that we can set the price between \$3.40 and \$3.50 per 1000 cubic feet of natural gas delivered to the United States.

We also feel we can curb future increases in price and keep them low on a sliding scale.

Much more important is to create a feeling of goodwill and understanding between our two countries.

We feel that this type of relationship will benefit America and Mexico and help you politically as well.

We are offering our help to you if needed, to help our country and our Mexican brothers. Time is of the essence, due to your meeting with Portillo, Sept. 28, 1979. If you would like our assistance, please feel free to contact us.

Sincerely,

  
George L. Belluomini

  
Ronald C. Sprague

8:00 AM  
C

THE WHITE HOUSE

WASHINGTON

September 25, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: ALFRED E. KAHN *Fred*

SUBJECT: Agenda for the Inflation Breakfast,  
September 26, 1979, 8:00 a.m.,  
Cabinet Room

By far the most important item we should discuss this week is the status of the advisory board proposals. Bill Miller will report on our discussions with labor and business. We must address the outstanding issues of what, if any, limits should be placed on a pay board and of how the price standard might be modified in light of our discussions.

*Gentry +  
Schultze -  
Kahn +  
VP +  
Bill +  
Jim +  
John +  
Russell -  
Coville -  
Lander +  
S. Au +*

*Pub & Roundtable  
Meeting*

*Schultze - mistake  
1/2 hr more honeymoon*

*Jim Labor expectations high  
1) 790  
2) Trade adjustment pay  
3) MTR + tax policy  
4) Pub safety standards*

*Forced to ask once  
to home  
with  
NATO  
Ed vs bal. budget  
Socialism  
Jew/Black  
Not. ex. in honor  
Xformation  
Dereg.  
Profits  
Farmers*

Draft #5  
9/26/79

Remarks for Annual DNC Fundraising Dinner -- 9/26/79

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Thank you, Jim Hunt, for that kind introduction, and  
Thank you friends, for the warm reception you have given  
me and Rosalynn.

*Governor Grasso, Father Healy,  
and all of you*

~~Thank you for coming.~~ Thank you, for this tremendous  
show of support to the greatest political organization in  
the world -- the Democratic Party. ~~Thank you Jim Hunt~~  
for being chairman of this very successful event. Thank-  
~~you Governor Grasso, Father Healy, and so many others who~~  
~~have worked day and night to make this possible.~~ Thank  
you the many unsung young men and women who volunteered  
~~to help with the event tonight.~~

*dedicated?*  
<sup>Let's</sup>  
[~~I think we need to~~] give a solid round of applause  
for the [~~dedicated~~] Congressional leaders, <sup>the</sup> members of the  
Cabinet -- and especially for the great Democratic  
Governors we [~~especially~~] honor tonight.

<sup>We</sup>  
[~~All of us~~] are here [~~tonight~~] because we know, as Harry  
Truman [~~said~~] said at a Democratic rally [~~on a September day~~] <sup>almost exactly</sup>  
26 years ago: "The principles and programs of the Democratic  
Party are what's best for the United States."

Our Members of Congress recently returned from a  
recess that gave them time to meet with their constituents  
and hear their concerns and fears and hopes.

*The same people -- who are also*  
I too have been visiting with <sup>my</sup> constituents --  
from one end of this country to the other. I have listened,  
debated, talked and learned.

All of us [~~and I know this true of the Congress as~~

well ~~]~~ returned to Washington in some ways, <sup>refreshed and</sup> ~~recharged,~~ <sup>inspired</sup>  
and in other ways more, <sup>concerned and</sup> reflective. The people <sup>tell</sup> told me --  
and they are telling the Congress -- that this is a  
crucial time for our ~~[great]~~ country -- and that means it

is a crucial time for our country's majority party. *Our lives*  
*are being transformed. Unpredictable changes confront us.*  
*Many Americans are doubtful and troubled, and filled with doubt.*

It is not the first such period in our history.

Time and again, <sup>we Democrats have</sup> ~~[our party -- the Democratic party -- has]~~

been called upon to lead the American people through

times like these. *We Democrats are not crippled*  
*by doubt!*

We brought the Nation through the Great Depression --

as a united Democratic party. We fought World War II and

forged the peace that followed -- as a united Democratic

party. We got the country moving again in the 1960's

and made an enduring commitment to the poor, to minorities

and to people struggling for human rights -- as a united

Democratic party.

In 1976 America turned to us again, and now we must  
~~And that is how we will~~ meet the challenges of the 1980's

-- as a united Democratic party.

Eight years of Republican rule could<sup>not</sup> ~~not~~ erase what  
we had <sup>begun to</sup> build. But eight years of Republicanism could --

and did -- damage the faith of the American people in

their government and in the institutions of democracy. *We inherited  
illegalities and embarrassments, confusion, deprivation and  
joblessness.*

[The headlines remind us every day of what it used to  
be like -- of the times when the FBI ran untrammelled  
over the lives and rights of private American citizens.  
It was a Democratic administration that put a stop to  
those activities -- and let's not forget that. We adopted  
the ethics in government act. We set up inspectors general  
in all the government agencies. We gave real protection  
to Federal employees who blow the whistle on waste and  
fraud and mismanagement.] [NOTE: Anne W. would omit

these two ¶s; John White and others would keep them.]

*needs  
transition. Don't  
flow from above*

We have never faced any tough issue <sup>we inherited</sup> and flinched  
from our duty. Our federal, state and local officials

are working as a team.

Our party, <sup>is putting</sup> ~~put~~ America back to work. <sup>have</sup> We created 8 million new jobs. We increased ~~[the funding for]~~ jobs programs for the poor and minorities to a level nearly ten times greater than that of the Ford Administration budget. We knocked the unemployment rate down by 25

percent, increased federal aid to education by 60%, added massive improvements <sup>to</sup> in housing, agriculture, public transportation, ~~health -- and at the same time slash~~ <sup>the same time</sup> cut government regulation and at ~~the same time~~ <sup>the slash</sup> the federal ~~deficit more than~~ <sup>half!</sup> ~~for more than ten years now~~ <sup>has faced</sup> Right now, our country faces a serious problem of

boosted  
business  
profits

inflation -- a problem that wracks our economy, frightens our people and tops our national agenda. But we have refused to take the road that some would suggest -- to lick inflation by sacrificing jobs and employment opportunities. The Democratic Party never has -- and will not now -- turn its back on the working men and women of America.

^ We have not solved all the problems.

<sup>have</sup> We listened to those Americans ~~[who are]~~ concerned about the way the government works -- who <sup>were</sup> ~~are~~ worried

about the growth of impersonal bureaucracy.

We didn't just listen -- we acted. We put through  
the first reform of our antiquated civil service system  
in 100 years. It is paying off, <sup>help all Americans...</sup> and it will ~~keep on~~  
~~in and out of government --~~  
~~paying off~~ for the next 100 years.

We ~~also~~ have begun to reorganize ~~the structure of~~  
the Federal government. Let me <sup>give</sup> ~~tell~~ you <sup>just one recent example of</sup> what that means  
to the American people. Last week, three governors ~~got~~  
<sup>called</sup> ~~on the phone with~~ me about the damage <sup>being</sup> done by Hurricane  
Frederick. Because we had reorganized our emergency  
programs, we were able to provide <sup>effective</sup> assistance for their  
states in minutes. <sup>In previous years this could</sup>  
<sup>have taken weeks -- or longer.</sup>

<sup>matter?</sup>  
We faced up to the problem of a social security system  
that was on the track to bankruptcy. We put it on a  
sound financial footing -- and kept faith with millions

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of hardworking Americans.

We are delivering on another promise, too ... the  
 promise that we would maintain an America that is strong  
*NATO is revitalized, our alliances are strengthened, and*  
 and an America at peace. Under this Democratic Administration  
 and this Democratic Congress, not one American *life has been* serviceman  
 has ~~died~~ *lost in combat,* ~~as a result of hostile action.~~ And I thank God  
 for it. ~~A strong America is the best guarantee of an~~  
~~America and a world at peace.~~

We have maintained peace without retreating from  
 responsibility. Indeed, we have sought out our opportunities  
 and aggressively pursued them -- not with saber-rattling  
 rhetoric, but with calm, reasoned, persistence.

We have made historic progress toward peace in the  
*It is imperative that all of us -- especially and especially <sup>American</sup> Jews*  
*and blacks -- unite in securing peace and justice in that historically*  
 Middle East. We have created a new and beneficial relationship  
 with ~~the~~ *all* one-quarter of ~~the~~ *beings on earth,* human ~~race living~~ in China.

<sup>PP</sup> We have taken the lead and *we* continued the Democratic

party's tradition of seeking to prevent the <sup>proliferation</sup> spread of  
nuclear weapons. ~~We must not fail the American~~  
~~people. We must ratify SALT II.~~

We have dared to put the issue of human rights on  
the <sup>permanent</sup> agenda of international diplomacy. Only the history  
books will record how many jail cells were opened as a  
result of our private and public pressure, and -- even  
more important -- how many oppressed people <sup>can</sup> ~~could~~ again  
raise their heads in hope; *and even begin to experience  
the blessings of human freedom and Democracy.*

Our concern with human rights -- the foundation of  
the Democratic Party -- begins here at home. We have  
chipped away at decades of neglect -- and sometimes  
blatant prejudice. We have placed minorities in  
decision-making jobs in the Federal government -- wiped  
away subtle forms of discrimination -- improved the  
enforcement mechanisms of Federal equal opportunity laws.  
We have brought more minorities and women into our judicial

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system than in all the rest of American history put  
*and we are not through yet!*  
together, And we have waged an intensive, state-by-state  
battle for the adoption of the Equal Rights Amendment --  
*and we are not through yet!*

The record of achievement by this Democratic  
Administration and this Democratic Congress goes on. It  
is a record of courage and dedication and leadership.

*the*  
But, truth is that despite our record of accomplishment,  
much of what we do here in Washington too often seems  
*Confusing and*  
irrelevant to millions of Americans.

*who are*  
You, in the Congress share that problem. You know  
that your constituents may love you as a person, but think  
poorly of the institution you represent. You know that  
*easy to reap the benefits of the Democratic Party and of incumbency in high office, and at the same time to attack*  
it is, ~~easiest to flay "the system" while pointing out~~  
*or the government for transient political advantage,*  
~~your correct votes for this issue or another~~ --- and  
*It is for us a or some narrow constituency*  
simplest, to tend to your home base, while giving national

issues less attention. And because of this <sup>temptation, party</sup> phenomenon,  
<sup>unity goes lacking while</sup>  
important national priorities ~~like energy, or major treaties~~  
<sup>sometimes not</sup>  
~~are~~ <sup>being</sup> met at a snail's pace.

Look, for example, at the energy problem. Is it real?  
It certainly is. Is it understood? My mail says it is, and  
that the American people are crying out for action.

Americans will not long permit -- and not long suffer  
those who do permit -- the drain of billions of dollars  
going overseas to pay for oil; fueling inflation, <sup>increasing unemployment,</sup> weakening  
the dollar and playing havoc with our economy.

<sup>am convinced</sup>  
I, also [believe] that Americans want, the SALT ~~II~~ <sup>nuclear arsenals</sup> ~~II~~ <sup>was</sup> ~~treaty~~ <sup>controlled and</sup>  
<sup>We must not betray these Americans!</sup>  
ratified. I know they want a strong defense ~~and you~~  
<sup>nation at peace.</sup>  
~~and I are providing that with real growth in our defense budget.~~

~~I believe that Americans understand the peril of a "nuclear  
club" filled with dozens of other nations -- a situation  
A strong America is the best guarantor of an America  
and a world at peace. I tell you quite frankly:  
I believe in a strong defense!  
a united nation and I believe in~~

*Continued  
with many.*

It is not easy to be a President -- or a Governor -- or a member of Congress -- but through unity we can share the responsibilities and enjoy the honor and pleasures of <sup>effective</sup> public service. ~~that will surely prevail if we and the Soviet Union cannot~~

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~~come to terms on SALT.]~~

*for us Democrats*  
It is time <sup>to</sup> come to grips with the <sup>difficult</sup> national

*This is a time of testing.*  
priorities that face us. It is time to leave the parochial, divisive debates of the past.

*the American people understand and support the work of their governments.*  
It's time to make ~~what we in Washington do relevant~~

~~to the American people.~~

How? ~~[By unifying our voices.]~~ By beginning to speak <sup>more closely</sup> and work and reason <sup>together.</sup> By spelling out a common

vision of and for America -- a vision that our party has <sup>had</sup> always ~~[stood for]~~, and a vision we <sup>are bringing</sup> ~~[have done more than~~ ~~anyone else in this country to bring]~~ into reality.

Our party has always represented the best in American thought and <sup>ideals</sup> ~~[vision]~~ and values. Our party has <sup>had</sup> ~~[always~~ ~~represented]~~ the ability to deal with change -- without timidity or fear.

~~[We are different from most of our colleagues in the  
Republican Party. Sometimes they remind me of a class  
reunion. There's a lot of talk about the "good old  
days" --- and all those "might have beens." They] long for  
the past, <sup>who</sup> resent the present, and <sup>who</sup> fear the future.]~~

~~[That's not the story of the Democratic Party.]~~

~~[NOTE: Again, Anne would omit; John White would keep.]~~

*need  
preservation*  
Our <sup>party theme</sup> song isn't "Auld Lang Syne" <sup>or a funeral dirge.</sup> It's "Happy Days  
Are Here Again."

It's time -- now -- to shape the Democratic Party of  
the 1980's.

We -- the Democratic party -- have the biggest stake  
of all in making government work, <sup>because we <sup>intend to</sup> ~~will~~ be</sup> ~~Because we believe that~~  
~~the majority party --- permanently!~~  
the government is the protector of the defenseless --  
~~the provider of something for those who have nothing.]~~

*The people give us their confidence, and with it a great responsibility.*

We must understand that unless the government works well, it may not work at all. We must <sup>recognize & understand</sup> ~~comprehend~~ the frustration and impatience with government that is so common in the Nation today. We must fight the splintered, special interest and single issue politics that ~~have~~ <sup>tend</sup> ~~come~~ to dominate our National debates.

The challenge we face is to build a party for the rest of this ~~twentieth~~ century that is strong enough to be effective and broad enough to be representative -- a party that speaks with meaning to the people of this Nation.

The forthcoming year will be filled with campaigns and caucuses; conventions and debates. There will be disagreements -- as there must be. We will argue out the issues -- and we should.

<sup>we can make</sup>  
But, the system ~~can~~ work. We can sharpen our focus

on the common agenda that unites us. [We must join  
together in the fight for SALT II -- for hospital cost  
containment -- <sup>for a better environment</sup> for healthy cities in America -- for a  
national health <sup>plan</sup> ~~insurance~~ -- for welfare reform --  
for a windfall profits tax on the oil companies to finance  
energy security for our Nation.] [NOTE: ~~Anne suggests this~~  
~~addition.~~] We have a lot to do. Let us do it together.

In my July 15th speech to the Nation, I spoke of  
a crisis of confidence <sup>and a lack of unity</sup> ~~abroad~~ in America. The outpouring  
of mail and telephone calls to the White House after  
that speech was overwhelming. Tens of thousands of  
people -- from all over the country -- wrote similar  
letters. "You're right," they said. "Tell us how we  
can help."

I say tonight what I've said to them. The answer to  
the crisis of confidence is action.

The answer to fragmentation and doubt is unity.

We believe that by working together as a great party, we can shape the direction of history.

It is this belief that holds us together here tonight -- the faith that as a free people we can join together to improve our <sup>own</sup> lives; that as a <sup>strong</sup> Nation, we can build a community of ~~nations~~ <sup>at peace</sup>. These are not <sup>just</sup> dreams. They are the long-term agenda that gives purpose to the Democratic party.

We believe with [~~that great American writer~~] William Faulkner that mankind will not merely endure -- but will surely prevail.

So let us rededicate ourselves tonight, to the simple truth of that conviction. We shall prevail! *Together!*

*Together!*  
# # #

THE WHITE HOUSE  
WASHINGTON

No further delay - Sun Note  
SALT ← C/Boomyko

Strong Cuban actions

Bilateral advisors

Cuba - public

SU - private

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THE WHITE HOUSE  
WASHINGTON

Mr. President:

<sup>MANES</sup>  
Don ~~Mann~~ called

to say you were great  
monday night.

Phil

Q  
/

12:30 PM

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

September 25, 1979

@  
-----  
sent 9/25

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze <sup>CLS</sup>  
Subject: Quadriad Meeting with Fed Chairman Volcker

For the meeting tomorrow (Wednesday) I attach:

1. An agenda (which has been sent to all participants).
2. A background report on the economy which concludes with some material on monetary policy (which has not been sent to the participants).
3. Some supplementary charts, tables, and notes that you may find useful, but not essential to the background paper.

Attachments

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- o Fiscal drag, measured by the increase in Federal taxes relative to spending (in a "stable" economy with 6 percent unemployment) will amount to \$12 billion between 4Q 1978 and 4Q 1979, and will grow to \$20 billion by the end of 1980.

The combined effect of the oil "tax" and fiscal drag -- 2-1/2 percent of GNP by the end of 1980 -- is likely to lead, not so much to a deep recession, but to a recession followed by a weak recovery and a long period of slow growth and high unemployment.

### Prices and Wages

The consumer and producer price indexes both have yet to show clear signs of moderation of inflation. The August consumer price index, released today, showed a 1.1 percent rate of increase. August producer prices for finished goods rose by 1.2 percent, after increasing 1.1 percent in July.

- o Energy prices remain the principal source of the price bulge. Producer prices of finished energy items, seasonally adjusted, were up 5.8 percent in August; during 1979 they have risen at a 63.5 percent annual rate. At the consumer level, prices of energy-related items rose 3.3 percent in August; in the first eight months of the year they were up 46.2 percent at an annual rate.
- o Wage rates show no sign of acceleration yet. The index of average hourly earnings increased at an annual rate of 6.5 percent in the three months ending in August.
- o Productivity remains miserable. It declined by 2.8 percent at an annual rate in the first quarter and by 1.8 percent in the second. Third quarter data indicate a rebound, but it is likely to be temporary. As a consequence, unit labor costs have risen over 10 percent from a year ago -- despite the lack of wage acceleration.

The rate of increase of energy prices should moderate in coming months, and food price increases should be modest as well. A weak economy will provide further assistance in bringing the rate of inflation down. Efforts by workers to catch up with inflation will be strong, however, since they are uncertain how much of the food and energy price bulge is

temporary. But even if we are able to avoid a substantial spillover of food and energy price increases to wages, our poor productivity growth will tend to keep the underlying inflation rate at least at 8-1/2 percent.

### International Developments

The United States is absorbing the huge increase in oil payments without any major deterioration of the trade balance.

- o Export volume increased at a 6 percent annual rate during the first half of 1979. Non-agricultural export growth began to slow in the third quarter, but a surge in agricultural exports more than made up the difference.
- o The slowdown in domestic economic activity has curbed non-oil import growth and imports are likely to decline in volume terms over the balance of this year.

U.S. earnings on foreign investment have also grown very sharply this year and, as a result, our current account deficit has all but disappeared and a fairly strong surplus is expected next year. The improvement in the trade and current account balances has not eliminated periodic downward pressure on the dollar -- particularly vis-a-vis the mark -- but on a weighted-average basis the value of the dollar has shown little net change since the beginning of the year. The optimists point to these developments. The pessimists stress our poor price performance compared to the Germans, and fear that weakness of the dollar against the mark may generally depress the dollar.

### Monetary Policy

The months immediately prior to Volcker's taking over at the Fed had witnessed a plateau in short-term interest rates. Long-term rates were creeping up.

Since mid-August, the Fed has tightened the monetary screws considerably. The target for the Federal funds rate has been pushed up from 10-5/8 percent to 11-1/2 percent. Short-term market rates have risen considerably, by 1-1/2 percentage points or more.

Growth in the monetary aggregates -- after surprising sluggishness from November 1978 to early April of this year -- has been quite large since then. (See attached charts.) The growth of short-term business loans has also remained high, despite sharp interest rate increases.

The dilemma facing economic policy generally, and monetary policy in particular is a difficult one.

- Despite forecasts of recession, the actual degree of recession to date is quite modest and inflation remains in double-digit figures.
- With the monetary aggregates and business loans still growing sharply, any easing of pressure by Volcker would be interpreted by the financial community and the foreign exchange markets as premature, and could generate problems for the dollar.
- Rising interest rates, however, have a delayed impact on the economy. Continuing to push up short-term rates in the face of growing evidence of a recession poses a major risk of worsening the unemployment rate in 1980. While the effects of higher interest rates on housing have been moderated by recent financial developments, they have not been eliminated.
- Volcker is aware of the dangers, but clearly leans toward continuous, if not intensified, monetary tightness.
- We should try to probe him on what he thinks would be the circumstances under which:
  - (a) He could stop tightening monetary policy, and
  - (b) He could begin easing a bit.
- Do we have to wait for a substantial further jump in unemployment? For a marked slowing down in the growth of the money supply and business credit? For inflation to drop to single digits?
- Obviously, no one can give precise or quantitative answers. But it would be very useful to get a sense of Volcker's views.

AGENDA

Meeting of the President with Economic Advisers  
and Federal Reserve Board Chairman (Quadriad)

September 26, 1979

- I. Outlook for Inflation and Unemployment
  1. Summary: Mr. Schultze
  2. Fiscal policy stance of Administration:  
Mr. Miller
  3. Role of monetary policy: Mr. Volcker
  4. Discussion
  
- II. Developments with Regard to the Dollar
  1. Summary: Mr. Miller
  2. Discussion

Supplementary Material

## Annex 1: Domestic Financial Developments

Interest rates have risen sharply since early August (see attached table):

- o The Fed Funds target, which was 10-5/8 on August 6 when Chairman Volcker was sworn in, has moved up steadily reaching 11-1/2 last week.
- o Short-term rates have risen sharply. From the week ended August 4 to last week, the prime rate rose 150 basis points to 13.25% and the 4-6 month commercial paper rate jumped 176 basis points to 11.74%.
- o The increase in long-term rates has not been steep and has only offset the declines of early June.

Strong growth in the monetary aggregates probably has been an important factor underlying the recent Fed stance:

- o After recording little or no growth in the six months through March, all monetary aggregates rose sharply in the five months April through August. M1 is now above the 4-1/2% upper limit of the target growth range for 1979, while M2 is approaching its upper limit of 8% (see attached charts).
- o However, after reaching an annual rate of almost 16% in June, the compound growth rate for M1 dropped to 11% in July and to 7% in August. Growth in bank time and savings deposits remained at about 15% during this period.
- o Thrift deposits also have held up fairly well, increasing at an annual rate of about 8% over the past three months, but lower growth can be expected if current high interest rates continue.
- o September monetary data are expected to show higher growth rates than in August, but this partly reflects the timing of Social Security payments.

Bank credit growth has remained strong, and may have played a role in Fed decision-making. Total bank loans increased by 13% in August, and commercial and industrial loans rose by 18%.

Stock prices held up well during the current period of monetary tightening. After increasing steadily from mid-July, stock prices fell off during the first two weeks of September, but last week all of the major indices rebounded to their end-August levels.

While recent Fed actions should not have a strongly negative impact on real economic activity in the near term, further increases in rates would be worrisome and would be unlikely to have a significant effect on the inflation rate.

- o The recent tightening will tend to reduce housing starts further, hasten inventory correction, and curtail business spending plans moderately.
- o The current level of rates, if not reversed, could shave up to 1/2 percent off the growth rate for 1980.

You may wish to draw Chairman Volcker out on what developments he would see as indicating a need for further tightening or for loosening the monetary screws. Fed watchers are now uncertain as to the importance attached to monetary aggregate growth, bank credit growth, the real level of interest rates, the performance of the dollar, and indicators of real economic activity.

Monetary and Financial Overview

	<u>Jan</u>	<u>Feb</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug</u>
<u>Money and credit</u> <sup>1/</sup>								
(Seasonally adjusted annual growth rates)								
M1	-4.9	-3.6	1.3	19.2	0.7	15.9	10.6	7.3
M2	-1.1	2.4	3.9	15.0	5.5	15.2	13.7	11.6
M3	2.9	4.9	6.4	11.0	5.0	12.6	11.9	10.2
Thrift Deposits	10.1	9.9	9.4	5.7	4.0	8.5	8.2	6.9
Commercial & Industrial Loans	30.5	22.8	13.2	18.3	18.0	18.3	25.4	18.2
<u>Interest rates</u>								
(daily average)								
Federal Funds <sup>2/</sup>	10.07	10.06	10.09	10.01	10.24	10.29	10.47	10.94
Prime Rate <sup>3/</sup>	11.75	11.75	11.75	11.75	11.75	11.50	11.75	12.25
Treasury Bill (3-Mos., new issues)	9.35	9.27	9.46	9.49	9.58	9.05	9.26	9.45
Commercial Paper (4-6 Mos.)	10.32	10.01	9.96	9.87	9.98	9.71	9.82	10.39
Aaa Corporate Bonds	9.25	9.26	9.37	9.38	9.50	9.29	9.20	9.23
Mortgages (FHLBB)	10.18	10.20	10.30	10.36	10.47	10.66	10.78	11.02

Week Ended

	<u>Aug 4</u>	<u>Aug 11</u>	<u>Aug 18</u>	<u>Aug 25</u>	<u>Sept 1</u>	<u>Sept 8</u>	<u>Sept 15</u>	<u>Sept 22</u>
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Interest rates  
(daily average)

Federal Funds <sup>2/</sup>	10.75	10.67	10.80	11.04	11.16	11.02	11.30	11.37
Prime Rate <sup>3/</sup>	11.75	11.75	12.00	12.00	12.25	12.75	13.00	13.25
Treasury Bills (3-Mos., new issues)	9.15	9.32	9.50	9.60	9.68	9.86	10.53	10.35
Commercial Paper (4-6 Mos.)	9.98	10.07	10.32	10.56	10.87	11.24	11.70	11.74
Aaa Corporate Bonds	9.24	9.20	9.20	9.23	9.30	9.34	9.42	9.49

<sup>1/</sup> Based on average level during month.

<sup>2/</sup> Week ending Wednesday.

<sup>3/</sup> End of period.

# M<sub>1</sub> VERSUS TARGET RANGES

—Weekly Averages - Seasonally Adjusted—

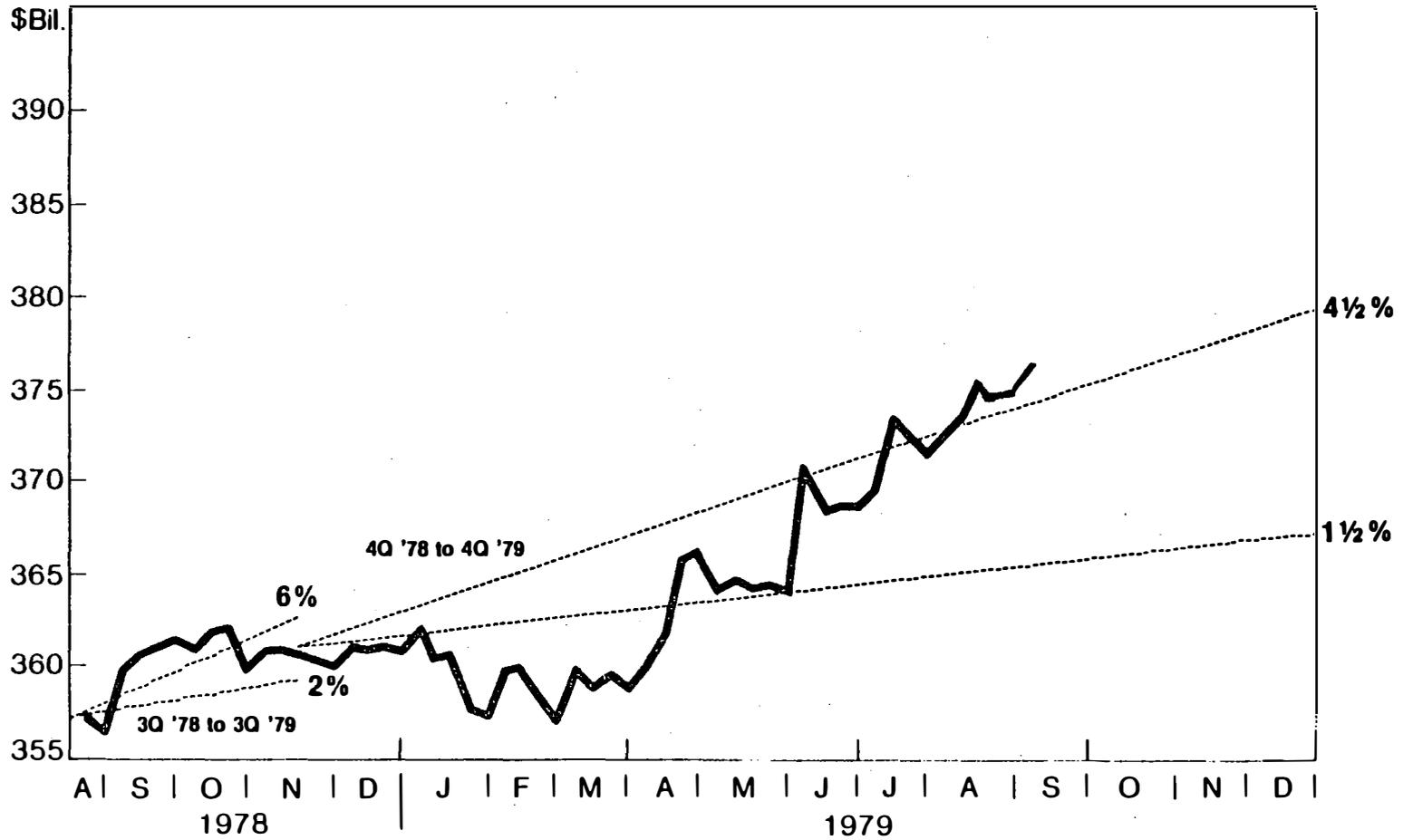
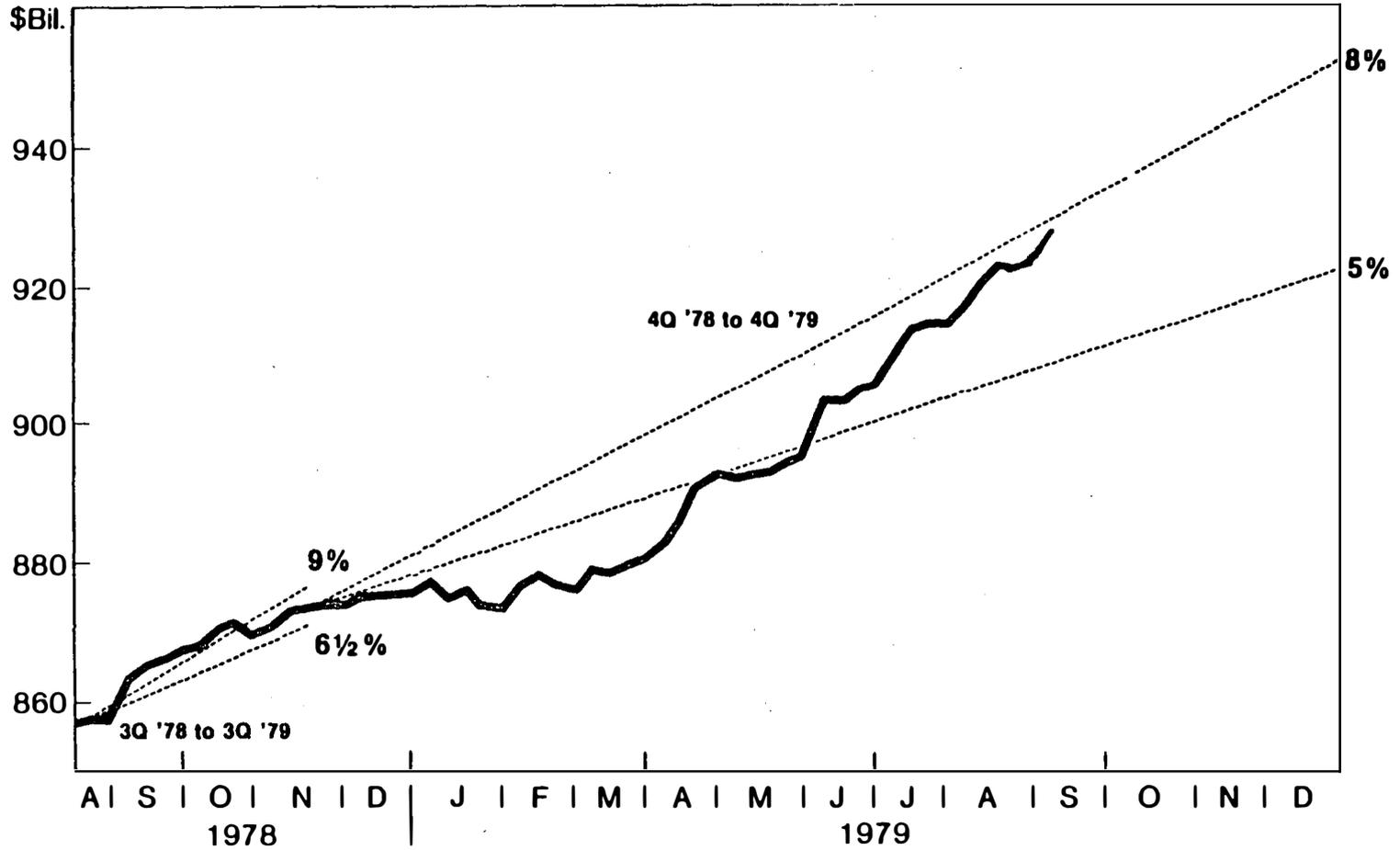


Chart 1

# M<sub>2</sub> VERSUS TARGET RANGES

—Weekly Averages - Seasonally Adjusted—



## Annex 2: Exchange Market Developments

Exchange Market tensions have increased somewhat in recent weeks:

- o The German mark has been under upward pressure both against the dollar and against other currencies of the European Monetary System. The U.S. has had to intervene quite heavily, buying dollars for marks, to resist a fall in the dollar mark rate. Other central banks, however, were fairly heavy sellers of dollars so that total official purchases of dollars approximately netted to zero.
- o Last Thursday, when the dollar again came under selling pressure, the U.S. decided to limit intervention and let the dollar fall. The dollar depreciated about 3% against the mark and 1.5% on a weighted-average basis. Since then the dollar has been stable.
- o On Sunday a realignment of central rates within the European Monetary System was announced: the mark was revalued by 2%, and the Danish krone devalued by 3%. There are some indications that exchange markets are viewing these changes as insufficient, so that tensions within the EMS may persist.

PRESIDENT JIMMY CARTER  
DNC FUNDRAISING DINNER  
WEDNESDAY, SEPTEMBER 26, 1979

ICE CREAM  
FAMOUS THE  
\$1000. LUNCH & CONNALLY - FRIEND OF A FEW - ONE OF THE FEW  
SIRANSS, BEGIN - SADAT - SINAI - POL CAREER FOR PEACE. TABLE. NEVER INVOLVE IN US POLITICS  
BOB BIRD - FIDDLE - SUPPORT - L'SHIP BREAST - \$25 RECORDS  
WHEN IN TROUBLE

THANK YOU, <sup>God</sup> JIM HUNT, FOR THAT KIND INTRODUCTION, AND  
FOR BEING CHAIRMAN OF THIS VERY SUCCESSFUL EVENT.

~~AND THANK YOU, FRIENDS, FOR THE WARM RECEPTION YOU HAVE  
GIVEN ME AND ROSALYNN.~~

~~THANK YOU, GOVERNOR GRASSO, FATHER HEALY, AND ALL OF  
YOU FOR THIS TREMENDOUS SHOW OF SUPPORT TO THE GREATEST POLITICAL  
ORGANIZATION IN THE WORLD -- THE DEMOCRATIC PARTY.~~

AVERELL  
HARRIMAN

~~LET'S GIVE A SOLID ROUND OF APPLAUSE FOR THE CONGRESSIONAL  
LEADERS, THE MEMBERS OF THE CABINET -- AND ESPECIALLY FOR THE  
GREAT DEMOCRATIC GOVERNORS WE HONOR TONIGHT.~~

WE ARE HERE BECAUSE WE KNOW, AS HARRY TRUMAN SAID AT A  
DEMOCRATIC RALLY ALMOST EXACTLY 26 YEARS AGO: "THE PRINCIPLES  
AND PROGRAMS OF THE DEMOCRATIC PARTY ARE WHAT'S BEST FOR THE  
UNITED STATES."

-- OUR MEMBERS OF CONGRESS.....

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OUR MEMBERS OF CONGRESS RECENTLY RETURNED FROM A  
~~HOMEWORK PERIOD AT HOME~~  
~~RECESS THAT GAVE THEM TIME TO MEET~~ WITH THEIR CONSTITUENTS TO  
~~AND~~ HEAR THEIR CONCERNS AND FEARS AND HOPES.

I TOO HAVE BEEN VISITING WITH THE SAME PEOPLE -- WHO ARE  
ALSO MY CONSTITUENTS -- FROM ONE END OF THIS COUNTRY TO THE  
OTHER. I HAVE LISTENED, DEBATED, TALKED, AND LEARNED.

ALL OF US RETURNED TO WASHINGTON IN SOME WAYS REFRESHED AND  
INSPIRED, AND IN OTHER WAYS MORE CONCERNED AND REFLECTIVE.

THE PEOPLE TELL ME -- AND THEY ARE TELLING THE CONGRESS --  
THAT THIS IS A CRUCIAL TIME FOR OUR COUNTRY -- AND THAT MEANS IT  
IS A CRUCIAL TIME FOR OUR ~~COUNTRY'S MAJORITY~~ PARTY.

~~OUR LIVES ARE~~ <sup>WAY OF LIFE IS</sup> BEING TRANSFORMED. UNPREDICTABLE CHANGES  
CONFRONT US. MANY AMERICANS ARE TROUBLED AND FILLED WITH DOUBT.

IT IS NOT THE FIRST SUCH PERIOD IN OUR HISTORY. TIME AND  
AGAIN, WE DEMOCRATS HAVE BEEN CALLED UPON TO LEAD THE AMERICAN  
PEOPLE THROUGH TIMES LIKE THESE. WE DEMOCRATS ARE NOT CRIPPLED  
BY DOUBT!

WE BROUGHT THE NATION THROUGH THE GREAT DEPRESSION --  
AS A UNITED DEMOCRATIC PARTY.

WE FOUGHT <sup>and won</sup> WORLD WAR II AND FORGED THE PEACE THAT FOLLOWED --  
AS A UNITED DEMOCRATIC PARTY.

WE GOT THE COUNTRY MOVING AGAIN IN THE 1960'S AND MADE AN ENDURING COMMITMENT TO THE POOR [~~TO MINORITIES~~] AND TO PEOPLE STRUGGLING FOR HUMAN RIGHTS -- AS A UNITED DEMOCRATIC PARTY.

IN 1976, AMERICA TURNED TO US AGAIN, AND NOW WE MUST MEET THE CHALLENGES OF THE 1980'S -- AS A UNITED DEMOCRATIC PARTY.

<sup>THOSE</sup>  
^ EIGHT YEARS OF REPUBLICAN RULE COULD NOT ERASE WHAT WE HAD BEGUN TO BUILD.

BUT EIGHT YEARS OF REPUBLICANISM COULD -- AND DID -- DAMAGE THE FAITH OF THE AMERICAN PEOPLE IN <sup>our</sup> ~~THEIR~~ GOVERNMENT AND IN THE INSTITUTIONS OF DEMOCRACY.

WE INHERITED ILLEGALITIES AND EMBARRASSMENTS, CONFUSION, DEPRIVATION, AND JOBLESSNESS.

<sup>But</sup>  
^ WE HAVE NEVER <sup>CONFRONTED</sup> FACED ANY TOUGH ISSUE WE INHERITED AND FLINCHED FROM OUR DUTY; <sup>our</sup> FEDERAL, STATE, AND LOCAL OFFICIALS ARE <sup>now</sup> WORKING AS A TEAM.

OUR PARTY IS PUTTING AMERICA BACK TO WORK.

WE HAVE CREATED 8 MILLION NEW JOBS.

WE INCREASED JOB PROGRAMS FOR THE POOR AND MINORITIES TO A LEVEL NEARLY TEN TIMES GREATER THAN THAT OF THE FORD ADMINISTRATION BUDGET.

-- WE KNOCKED THE.....

*AS TIP SAID*  
WE <sup>HAVE</sup> KNOCKED THE UNEMPLOYMENT RATE DOWN BY 25 PERCENT;...  
INCREASED FEDERAL AID TO EDUCATION BY 60 PERCENT;...ADDED  
MASSIVE IMPROVEMENTS IN HOUSING, AGRICULTURE, PUBLIC TRANSPORTATION;  
...CUT GOVERNMENT REGULATIONS;...BOOSTED BUSINESS PROFITS;...  
AND AT THE SAME TIME SLASHED THE FEDERAL DEFICIT MORE THAN HALF!

*WE KNOW*  
WE HAVE NOT SOLVED ALL THE PROBLEMS.

FOR MORE THAN TEN YEARS NOW, OUR COUNTRY HAS FACED A  
SERIOUS PROBLEM OF INFLATION -- A PROBLEM THAT WRACKS OUR ECONOMY,  
FRIGHTENS OUR PEOPLE, AND TOPS OUR NATIONAL AGENDA.

BUT WE HAVE REFUSED TO TAKE THE ROAD THAT SOME WOULD  
SUGGEST -- TO LICK INFLATION BY SACRIFICING JOBS AND EMPLOYMENT  
OPPORTUNITIES.

THE DEMOCRATIC PARTY NEVER HAS -- AND WILL NOT NOW --  
TURN ITS BACK ON THE WORKING MEN AND WOMEN OF AMERICA.

WE HAVE LISTENED TO THOSE AMERICANS CONCERNED ABOUT THE  
WAY THE GOVERNMENT WORKS -- WHO WERE WORRIED ABOUT THE GROWTH OF  
IMPERSONAL BUREAUCRACY.

WE DIDN'T JUST LISTEN -- WE ACTED. WE PUT THROUGH THE  
FIRST REFORM OF OUR ANTIQUATED CIVIL SERVICE SYSTEM IN 100 YEARS.

IT IS PAYING OFF, AND IT WILL HELP ALL AMERICANS --  
IN AND OUT OF GOVERNMENT -- FOR THE NEXT 100 YEARS.

WE HAVE <sup>WORKED</sup> ~~BEGUN~~ TO REORGANIZE THE FEDERAL GOVERNMENT.  
LET ME GIVE YOU JUST ONE RECENT EXAMPLE OF WHAT THAT MEANS  
TO THE AMERICAN PEOPLE.

<sup>EARLIER THIS MONTH</sup>  
~~LAST WEEK~~, THREE GOVERNORS CALLED ME ABOUT THE DAMAGE  
BEING DONE BY HURRICANE FREDERIC. BECAUSE WE HAD REORGANIZED  
OUR EMERGENCY PROGRAMS, WE WERE ABLE TO PROVIDE EFFECTIVE  
ASSISTANCE FOR THEIR STATES IN MINUTES.

IN PREVIOUS YEARS THIS COULD HAVE TAKEN WEEKS -- OR LONGER.

WE FACED UP TO THE PROBLEM OF A SOCIAL SECURITY SYSTEM  
THAT WAS ON THE ~~TEAR~~ <sup>ROAD</sup> TO BANKRUPTCY. WE PUT IT ON A SOUND  
FINANCIAL FOOTING -- AND KEPT FAITH WITH MILLIONS OF HARDWORKING  
AMERICANS.

WE ARE DELIVERING ON ANOTHER PROMISE, TOO -- THE PROMISE  
THAT WE WOULD MAINTAIN AN AMERICA THAT IS STRONG, AND AN AMERICA  
AT PEACE.

NATO IS REVITALIZED, OUR ALLIANCES ARE STRENGTHENED, AND  
UNDER THIS DEMOCRATIC ADMINISTRATION AND THIS DEMOCRATIC CONGRESS,  
NOT ONE AMERICAN LIFE HAS BEEN LOST IN COMBAT. AND I THANK  
GOD FOR IT.

-- WE HAVE MAINTAINED.....

WE HAVE MAINTAINED PEACE WITHOUT RETREATING FROM RESPONSIBILITY. ~~[INDEED, WE HAVE SOUGHT OUT OUR OPPORTUNITIES AND AGGRESSIVELY PURSUED THEM]~~ -- NOT WITH SABER-RATTLING RHETORIC; BUT WITH CALM, REASONED, PERSISTENCE.

WE HAVE MADE HISTORIC PROGRESS TOWARD PEACE IN THE MIDDLE EAST.

IT IS IMPERATIVE THAT ALL OF US -- AND, <sup>THESE DAYS</sup> ESPECIALLY AMERICAN JEWS AND BLACKS -- UNITE IN SECURING PEACE AND JUSTICE IN THAT HISTORICALLY TROUBLED LAND.

WE HAVE CREATED A NEW AND BENEFICIAL RELATIONSHIP WITH ONE-QUARTER OF ALL HUMAN BEINGS ON EARTH -- IN CHINA.

WE HAVE TAKEN THE LEAD AND WE CONTINUE THE DEMOCRATIC PARTY'S TRADITION OF SEEKING TO PREVENT THE PROLIFERATION OF NUCLEAR WEAPONS.

WE HAVE DARED TO PUT THE ISSUE OF HUMAN RIGHTS ON THE PERMANENT AGENDA OF INTERNATIONAL DIPLOMACY.

ONLY THE HISTORY BOOKS WILL RECORD HOW MANY JAIL CELLS WERE OPENED ~~[AS A RESULT OF OUR PRIVATE AND PUBLIC PRESSURE], ...~~ AND, EVEN MORE IMPORTANT, <sup>AND</sup> ~~[HOW MANY OPPRESSED PEOPLE CAN AGAIN RAISE THEIR HEADS IN HOPE, AND EVEN]~~ BEGIN TO EXPERIENCE THE BLESSINGS OF HUMAN FREEDOM AND DEMOCRACY.

OUR CONCERN WITH HUMAN RIGHTS -- THE FOUNDATION OF THE DEMOCRATIC PARTY -- BEGINS HERE AT HOME.

WE HAVE CHIPPED AWAY AT DECADES OF NEGLECT -- AND SOMETIMES BLATANT PREJUDICE.

WE HAVE PLACED MINORITIES IN <sup>MANY</sup> DECISION-MAKING JOBS IN THE FEDERAL GOVERNMENT, ... WIPED AWAY SUBTLE FORMS OF DISCRIMINATION, ... IMPROVED THE ENFORCEMENT MECHANISMS OF FEDERAL EQUAL OPPORTUNITY LAWS.

WE HAVE BROUGHT MORE MINORITIES AND WOMEN INTO OUR JUDICIAL SYSTEM THAN IN ALL THE REST OF AMERICAN HISTORY PUT TOGETHER -- AND WE ARE NOT THROUGH YET!

AND WE HAVE WAGED AN INTENSIVE, STATE-BY-STATE BATTLE FOR THE ADOPTION OF THE EQUAL RIGHTS AMENDMENT -- AND WE ARE NOT THROUGH YET!

THE RECORD OF ACHIEVEMENT BY THIS DEMOCRATIC ADMINISTRATION AND THIS DEMOCRATIC CONGRESS GOES ON.

IT IS A RECORD OF COURAGE, AND DEDICATION, AND LEADERSHIP.

BUT THE TRUTH IS THAT DESPITE OUR RECORD OF ACCOMPLISHMENT, MUCH OF WHAT WE DO HERE IN WASHINGTON TOO OFTEN SEEMS CONFUSING AND IRRELEVANT TO MILLIONS OF AMERICANS.

-- YOU WHO ARE IN THE CONGRESS.....

YOU WHO ARE IN THE CONGRESS SHARE THAT PROBLEM.

YOU KNOW THAT YOUR CONSTITUENTS MAY LOVE YOU AS A PERSON, BUT THINK POORLY OF THE INSTITUTION YOU REPRESENT.

YOU KNOW THAT IT IS EASY TO REAP THE BENEFITS OF THE DEMOCRATIC PARTY AND OF INCUMBENCY IN HIGH OFFICE, ...AND AT THE SAME TIME TO ATTACK "THE SYSTEM" OR THE GOVERNMENT FOR TRANSIENT POLITICAL ADVANTAGE.

IT IS SIMPLEST FOR US TO TEND TO A HOME BASE OR SOME NARROW CONSTITUENCY, WHILE GIVING NATIONAL ISSUES LESS ATTENTION.

AND BECAUSE OF THIS TEMPTATION, PARTY UNITY GOES LACKING WHILE IMPORTANT NATIONAL PRIORITIES ARE SOMETIMES MET AT A SNAIL'S PACE.

LOOK, FOR EXAMPLE, AT THE ENERGY PROBLEM.

IS IT REAL? IT CERTAINLY IS.

IS IT UNDERSTOOD? MY MAIL SAYS IT IS, AND THAT THE AMERICAN PEOPLE ARE CRYING OUT FOR ACTION.

AMERICANS WILL NOT LONG PERMIT -- AND NOT LONG SUFFER THOSE WHO DO PERMIT -- THE DRAIN OF BILLIONS OF DOLLARS GOING OVERSEAS TO PAY FOR OIL, ...FUELING INFLATION, INCREASING UNEMPLOYMENT, WEAKENING THE DOLLAR, AND PLAYING HAVOC WITH OUR ECONOMY.

*UNITED DEMOCRATS CAN NOW - AT LAST - GIVE  
OUR NATION AN ENERGY PROGRAM WHICH WILL  
RESTORE AMERICA'S SECURITY.*

*Proud of Progress*

I AM ALSO CONVINCED THAT AMERICANS WANT NUCLEAR ARSENALS CONTROLLED, ~~AND~~ THE SALT TREATY <sup>MUST BE</sup> RATIFIED!

WE MUST NOT BETRAY THESE AMERICANS! I KNOW THEY WANT A NATION AT PEACE.

A STRONG AMERICA IS THE BEST GUARANTOR OF AN AMERICA AND A WORLD AT PEACE.

I TELL YOU QUITE FRANKLY: I BELIEVE IN A UNITED NATION AND I BELIEVE IN A STRONG DEFENSE!

*THESE DAYS*  
IT IS NOT EASY TO BE A PRESIDENT -- OR A MAYOR -- OR A GOVERNOR -- OR A MEMBER OF CONGRESS. BUT THROUGH UNITY WE CAN SHARE RESPONSIBILITIES AND ENJOY THE HONOR AND PLEASURES OF EFFECTIVE PUBLIC SERVICE.

THIS IS A TIME OF TESTING. ~~IT IS A TIME FOR US DEMOCRATS TO COME TO GRIPS WITH THE DIFFICULT PRIORITIES THAT FACE US. IT IS TIME TO LEAVE THE PAROCHIAL, DIVISIVE DEBATES OF THE PAST.~~

IT'S TIME TO MAKE THE AMERICAN PEOPLE UNDERSTAND AND SUPPORT THE WORK OF THEIR GOVERNMENTS.

HOW? BY BEGINNING TO SPEAK AND WORK AND REASON MORE CLOSELY TOGETHER. BY SPELLING OUT A COMMON VISION OF AND FOR AMERICA -- A VISION THAT OUR PARTY HAS ALWAYS HAD, AND A VISION WE ARE BRINGING INTO REALITY.

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-- OUR PARTY HAS ALWAYS.....

OUR PARTY HAS ALWAYS REPRESENTED THE BEST IN AMERICAN  
THOUGHT AND IDEALS AND VALUES.

OUR PARTY HAS HAD THE ABILITY TO DEAL WITH CHANGE --  
WITHOUT TIMIDITY OR FEAR.

THERE ARE OTHERS WHO LONG FOR THE PAST, WHO RESENT THE  
PRESENT, AND WHO FEAR THE FUTURE.

THAT'S NOT THE STORY OF THE DEMOCRATIC PARTY.

OUR PARTY THEME SONG ISN'T "AULD LANG SYNE" OR A  
FUNERAL DIRGE. IT'S "HAPPY DAYS ARE HERE AGAIN."

IT'S TIME -- NOW -- TO SHAPE THE DEMOCRATIC PARTY  
OF THE 1980'S.

WE -- THE DEMOCRATIC PARTY -- HAVE THE BIGGEST STAKE  
OF ALL IN MAKING GOVERNMENT WORK, BECAUSE WE INTEND TO BE  
THE MAJORITY PARTY -- PERMANENTLY!

THE PEOPLE GIVE US THEIR CONFIDENCE, AND WITH IT A  
GREAT RESPONSIBILITY.

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<sup>SOME DAY</sup> WE MUST UNDERSTAND THAT <sup>WE MAKE</sup> UNLESS THE GOVERNMENT WORKS WELL,  
IT MAY NOT WORK AT ALL.

WE MUST RECOGNIZE AND UNDERSTAND THE FRUSTRATION AND  
IMPATIENCE WITH GOVERNMENT THAT IS SO COMMON IN THE NATION TODAY.

WE MUST FIGHT THE SPLINTERED, SPECIAL INTEREST, AND  
SINGLE ISSUE POLITICS THAT TEND TO DOMINATE OUR NATIONAL DEBATES.

THE CHALLENGE WE FACE IS TO BUILD A PARTY FOR THE REST  
OF THIS CENTURY THAT IS STRONG ENOUGH TO BE EFFECTIVE, AND  
BROAD ENOUGH TO BE REPRESENTATIVE -- A PARTY THAT SPEAKS WITH  
MEANING TO THE PEOPLE OF THIS NATION.

THE FORTHCOMING YEAR WILL BE FILLED WITH CAMPAIGNS  
AND CAUCUSES, ... CONVENTIONS AND DEBATES. WE LOOK FORWARD TO IT.

THERE WILL BE DISAGREEMENTS -- AS THERE MUST BE.  
WE WILL ARGUE OUT THE ISSUES -- AND WE SHOULD.

BUT WE CAN MAKE THE SYSTEM WORK. WE CAN SHARPEN OUR  
FOCUS ON THE COMMON AGENDA THAT UNITES US.

WE MUST JOIN TOGETHER IN THE FIGHT FOR SALT II, ...  
FOR HOSPITAL COST CONTAINMENT, ... FOR A BETTER ENVIRONMENT, ...  
FOR HEALTHY CITIES IN AMERICA, ... FOR A NATIONAL HEALTH PLAN, ...  
FOR WELFARE REFORM, ... FOR A WINDFALL PROFITS TAX ON THE OIL  
COMPANIES TO FINANCE ENERGY SECURITY FOR OUR NATION.

WE HAVE A LOT TO DO. LET US DO IT TOGETHER.

-- IN MY JULY 15TH SPEECH, ...

IN MY JULY 15TH SPEECH TO THE NATION, I SPOKE OF A  
CRISIS OF CONFIDENCE AND A LACK OF UNITY IN AMERICA.

THE OUTPOURING OF MAIL AND TELEPHONE CALLS TO THE  
WHITE HOUSE AFTER THAT SPEECH WAS OVERWHELMING.

TENS OF THOUSANDS OF PEOPLE -- FROM ALL OVER THE  
COUNTRY -- WROTE SIMILAR LETTERS: "YOU'RE RIGHT," THEY SAID.  
"TELL US HOW WE CAN HELP."

I SAY TONIGHT WHAT I'VE SAID TO THEM.

THE ANSWER TO THE CRISIS OF CONFIDENCE IS ACTION.

THE ANSWER TO FRAGMENTATION AND DOUBT IS UNITY.

WE BELIEVE THAT BY WORKING TOGETHER AS A GREAT PARTY,  
WE CAN SHAPE THE DIRECTION OF HISTORY.

IT IS THIS BELIEF THAT HOLDS US TOGETHER HERE TONIGHT --  
THE FAITH THAT AS A FREE PEOPLE WE CAN JOIN TOGETHER TO IMPROVE  
OUR OWN LIVES; ... THAT AS A STRONG NATION, WE CAN BUILD A  
COMMUNITY OF NATIONS AT PEACE.

THESE ARE NOT JUST DREAMS. THEY ARE THE LONG-TERM AGENDA  
THAT GIVES PURPOSE TO THE DEMOCRATIC PARTY.

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WE BELIVE WITH WILLIAM FAULKNER THAT MANKIND  
WILL NOT MERELY ENDURE -- BUT WILL SURELY PREVAIL.

SO LET US REDEDICATE OURSELVES TONIGHT, TO THE SIMPLE  
TRUTH OF THAT CONVICTION.

WE SHALL PREVAIL! *WE SHALL OVERCOME!*  
TOGETHER!

# # #

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EO Fed Cons Programs 9/26/79

ESTHER PETERSON

EACH PERSON IMP. IN GOVT

EO - VOICES HEARD

CONSUMER ADVOCATES → POSTS

INFL SPEC INT ↑

LEGIS IND CONSUMER OFFICE

defeat → ESTHER

WH NOT ENOUGH

CONSULT = AGENCIES, OTHERS

EO RESULT - OMB

GOVT WIDE STANDARDS

LEADER IN EA AGENCY

NO SUBSTITUTE

RECENT TRENDS - FTC,

ONE-HOUSE VETO, COURT

HCC - CIV SERV - COOP BANK

FIGHT TOGETHER

ESTHER PETERSON

Coordination of  
Consumer Programs  
Federal  
signing/Ex

ROSENTHAL  
SCHEUER  
DANIELSON

THE WHITE HOUSE  
WASHINGTON

1:30 pm  
9/28

September 26, 1979  
11:30 a.m.

MR. PRESIDENT:

Sec. Miller and Sec. Duncan  
have requested a Friday meeting  
to discuss windfall profits tax  
legislation. Frank Moore  
recommends the meeting be  
scheduled.

✓

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

J

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THE WHITE HOUSE  
WASHINGTON

9/26/79

Rick --

I think attached may have come to the President via the First Lady.

Copies have been sent to the gentlemen, original to archives/handwriting file, cc to Madeline in the event RSC is interested.

Do you think there is anyone on the staff who should receive a copy, NSC, State, or Energy?

Thanks -- Susan

1300 17TH STREET  
SUITE A  
BAKERSFIELD, CALIFORNIA 93301

(805) 327-9383

*cc: Mr. Belluomini &  
Mr. Sprague*

September 4, 1979

TO THE HONORABLE JIMMY CARTER  
PRESIDENT OF THE UNITED STATES  
WASHINGTON, D. C.

RE: Acquisition of natural gas from Mexico

Mr. President:

This is a brief memo regarding the acquisition and use of natural gas for the United States and the mending of our strained relations with Mexico.

We will outline facts below, in order to keep this brief, short and to the point.

George and myself are very close to Lopez Portillo and his staff of ministers, and have been for some years. We are updated weekly and sometimes daily on events in Mexico which effect our relationship with the government.

We are very strongly associated with Jorge Diaz Serrano, Director General of Pemex, and we have discussed the proposed natural gas contracts which have been presented with Portillo and staff.

We believe a conflict exists between the two committees set up to negotiate the purchase price, terms and amount of natural gas to be sold and shipped to the United States.

We have offered the idea of utilizing the new pipeline between the state of Chiapas and the state of Tamaulipas, which is 74 miles from the Texas border. The line is capable of delivering two (2) billion cubic feet of gas per day to the United States.

In utilizing this pipeline for delivery of natural gas, we can accomplish two goals:

- (1) Import natural gas to the United States, to balance the shortages and:

Cont:

*Thank you for offering to help. We are satisfied with our negotiated future work under which U.S. firms can buy Mexican gas.*

*J.C.*

COMMERCIAL ACQUISITIONS

To Honorable Jimmy Carter  
President of the United States

- (2) We have discussed a plan to convert the natural gas to electricity through the construction of steam generation plants, to be located in northern Mexico, close to the United States borders. If this plan were put into effect, we could purchase the excess electricity from Mexico at a more inexpensive rate than we in the United States could produce. Mexico would have the projected increase of 15% electrical current needed in the next two years, due to increased development within Mexico and we could still purchase surplus natural gas as increased production becomes available through development of Mexico's northern gas fields.

We feel that we can successfully mediate and negotiate the purchase price, terms and conditions between the two committees, and both countries, the United States and Mexico and use down to earth common sense tactics to convince the Mexican government that we want to work with them, as friends and neighbors, to help build the social standing of Mexico, as well as help the people of both nations.

The Government of Mexico feels we are trying to take advantage of them and we need to assure them, without being forceful, that we can be brothers and work together for a common goal.

Your team of Christopher, Krueger, Lucey and Katz are not tuned into the feelings of the Mexican government and therefore we are at a stand-off, wherein Mexico is holding out for what it can get!

We feel strong in our discussions with Mexico that we can set the price between \$3.40 and \$3.50 per 1000 cubic feet of natural gas delivered to the United States.

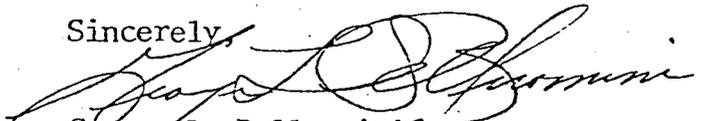
We also feel we can curb future increases in price and keep them low on a sliding scale.

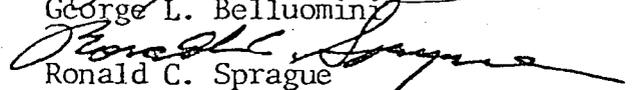
Much more important is to create a feeling of goodwill and understanding between our two countries.

We feel that this type of relationship will benefit America and Mexico and help you politically as well.

We are offering our help to you if needed, to help our country and our Mexican brothers. Time is of the essence, due to your meeting with Portillo, Sept. 28, 1979. If you would like our assistance, please feel free to contact us.

Sincerely,

  
George L. Belluomini

  
Ronald C. Sprague

THE WHITE HOUSE  
WASHINGTON

9/26/79

George Belluomini --

President Carter asked me to send the enclosed copy of the letter from you and Mr. Sprague which reflects the President's comments -- with his best regards.

-- Susan Clough

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