

10/25/79 [2]

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THE WHITE HOUSE

WASHINGTON

25 Oct 79

Stu Eizenstat

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

Rick Hutcheson

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

ADMIN CONFID
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SECRET
EYES ONLY

ACTION
FYI

	VICE PRESIDENT
	JORDAN
	CUTLER
	DONOVAN
✓	EIZENSTAT
	MCDONALD
	MOORE
	POWELL
	WATSON
	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
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

THE WHITE HOUSE
WASHINGTON

10-25-75

Stu

Answer Tony Lewis's
column today in
NY TIMES

J.C.

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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

25 Oct 79

Jody Powell

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the President's outbox today
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Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

10-25-79

Joly.

Check on what TK
has done re Kampuchean
relief - letters to me,
initiatives in his
Committee, etc. -- in
preparation for press?

J

p.s. CBS coverage was
very bad.

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THE WHITE HOUSE
WASHINGTON

25 Oct 79

FOR THE RECORD

HAMILTON JORDAN AND PHIL
WISE HAVE COPIES OF THE
ATTACHED.

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<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
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<input type="checkbox"/>	IMMEDIATE TURNAROUND
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send Phil
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<input type="checkbox"/>	ADMIN CONFID
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ACTION
FYI

<input type="checkbox"/>	VICE PRESIDENT
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THE WHITE HOUSE
WASHINGTON

10-25-79

Hamm

Prepare to invite
John V. to W.H.
immediately after Ky
election -
Check with me

J

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rick --

this is campaign-related, and therefore
i'm keeping the log containing such
items in my office and will follow up,
or will contact you directly re
follow-up.

thanks -- susan

ch. 2. # & votes

KRAMER, DILLOF, TESSEL, DUFFY & MOORE

COUNSELORS AT LAW

233 BROADWAY

NEW YORK, N. Y. 10007

CHARLES KRAMER

(212) 287-4177

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THE WHITE HOUSE
WASHINGTON

10-24

Ham

Mr Kramer wants
to help with money
& influence. Have
Ed or someone
call him - soon.

J

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THE WHITE HOUSE
WASHINGTON

10/25/79

Jack Watson

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

Rick Hutcheson

9705 Carryback Lane
Knoxville, TN 37919

October 23, 1979

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*To Jack Watson -
He's a good &
important person -
Please make a
proper inquiry for
me - J*

President Jimmy Carter
1600 Pennsylvania Avenue
White House
Washington, D.C.

Dear Mr. President:

Mrs. Mull and I would like to take this opportunity to express to you our sincere appreciation for your thoughtfulness in the past several years in inviting us into your home for different occasions. It goes without saying that our home is your home anytime you are in the East Tennessee area and I hope that you and Rosalyn will take advantage of our invitation to come and "break bread" with us at your earliest convenience.

I am looking forward to working with you and Mr. O'Neil in the coming months on the re-election of Jimmy Carter as our President. We have a good Democratic Party in Tennessee, it being one of the strongholds of the Democratic Party in the country. I intend to keep it that way and will work in every way possible to do so.

As you are perhaps aware, Mrs. Mull and I have been on radio stations all over the United States for the past thirty years promoting the Party as well as other charitable and religious activities with which we are associated. During that period my secret desire has always been to have an inspirational FM station in the Knoxville, Tennessee, area which we do not have at this time. As a matter of fact, for a community of more than 500,000 according to the 1970 population, we have only three commercial FM broadcast stations there.

Earlier this year the FCC under Chairman Ferris in Docket 21211 had a chance to add an additional station to the Knoxville area so that anyone could apply, including us. However, they chose to add that channel to La Follette, Tennessee, which is a small community approximately forty miles north of Knoxville instead of Knoxville. The idea being that if another channel was added to Knoxville, La Follette would be forever precluded from having an FM channel. With this close proximity to

October 23, 1979

Knoxville, La Follette is already served by multiple FM stations as well as a locally owned AM broadcast station with another AM broadcast station pending. There has been no interest shown whatsoever in the La Follette FM allocation and the channel will probably lie fallow and be a waste of our scarce spectrum.

With that in mind, the only request that Mrs. Mull and I will ask of you is that you contact Mr. Ferris at the FCC and request they reconsider Docket 21211 and add the channel to Knoxville, Tennessee, as opposed to La Follette, Tennessee, and further review their file and the letters they have received during the past several months from members of the public asking that such a channel be allocated. Please don't get me and Mrs. Mull wrong in that we are not asking you to intervene on our behalf. We will take our own chances with any other applicants as far as that goes because we feel we have a strong chance. All that we are asking you to do is to ask Chairman Ferris to add the channel to Knoxville as originally proposed for anyone to apply.

If you would do this for me and Mrs. Mull I will be forever indebted.

Looking forward to working with you and Mr. O'Neil in re-electing you as President in the forthcoming year, I remain,

Sincerely yours,

Rev. J. Bazzel Mull
Rev. J. Bazzel Mull

THE WHITE HOUSE
WASHINGTON

Phil has
seen

THE WHITE HOUSE
WASHINGTON

October 24, 1979

Mr. President:

1:10 pm
Thursday

During your lunch today with the Vice President, did you agree to see Senator Simpson's father briefly this week?

Approve Disapprove

Phil

2 min.

J

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THE WHITE HOUSE
WASHINGTON
10/25/79

Zbig Brzezinski

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

Rick Hutcheson

cc: Frank Moore/Ev Small

JOHN M. MURPHY, N.Y., CHAIRMAN

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BRIAN DONNELLY, MASS.	

U.S. House of Representatives
Committee on
Merchant Marine and Fisheries
 Room 1334, Longworth House Office Building
 Washington, D.C. 20515

CHIEF OF STAFF
 CARL L. PERIAN
 CHIEF COUNSEL
 LAWRENCE J. O'BRIEN, JR.
 CHIEF CLERK
 FRANCES STILL
 MINORITY COUNSEL
 JACK E. SANDS

October 24, 1979

*3619
 advise
 J*

The Honorable Jimmy Carter
 President of the United States
 The White House
 Washington, D.C.

Dear Mr. President:

Congressional consideration of deep seabed mining legislation has reached a critical juncture. As co-sponsors of the House bill, H.R. 2759, who have long relied upon strong Administration support for prompt enactment of this important measure, we are requesting your assistance in achieving House passage this year.

Consideration by the Congress of deep seabed mining legislation dates back to the early years of this decade. It was not, however, until your Administration reversed the long-standing policy of the Executive Branch from opposition to support for enactment that the legislation gathered substantial momentum. Your decision received overwhelming approval in the 95th Congress, as reflected by passage of a House bill by a very wide margin (312-80). Although the companion measure in the Senate was favorably reported by all Committees of jurisdiction, the bill did not reach the Floor for a vote. We and many of our colleagues shared the very serious disappointment felt by your Administration that the legislation was not enacted and had to be re-initiated in the 96th Congress.

We believe that, with continued strong Administration support, the legislation can pass the Congress this year. The Senate bill is expected to reach the Floor and pass without difficulty in the next few days. The House bill awaits action by one Committee which last year favorably reported the measure; the three other Committees of jurisdiction, Merchant Marine and Fisheries, Interior and Insular Affairs, and Ways and Means have already favorably reported the measure.

We cannot overstate the importance that we attach to prompt enactment of this legislation. The United States stands to gain much from ocean mining in the way of jobs, reduction of our balance of payments deficit, decreased dependence on foreign sources of supply of strategic minerals, and reduction of inflationary pressures through expansion of minerals availability. The ocean mining industry is prepared to move forward to commercial development under the sound domestic legal framework that the enactment of legislation will provide. Unfortunately, our fledgling ocean mining industry is in extremis, as a result of repeated delays in the establishment, through legislation, of a stable investment climate.

We are aware that there is some concern that the enactment of legislation may have a deleterious effect on negotiations at the Third U.N. Law of the Sea Conference. However, this argument was raised in the last Congress and did not persuade us, nor the Administration, to abandon the effort to achieve prompt enactment. Indeed, co-sponsors of the legislation, including Chairmen of the House Committees on Foreign Affairs (then, International Relations), Merchant Marine and Fisheries, Interior and Insular Affairs and Ways and Means and of the Senate Committees on Foreign Relations, Commerce, Science and Transportation, Energy and Natural Resources and Finance, all relied upon unequivocal, public statements, on the record, by the U.S. Law of the Sea Delegation's chief negotiator, Elliot Richardson, that enactment was entirely compatible with the Law of the Sea negotiations.

In the present Congress, we have again strongly relied upon Ambassador Richardson's assurances that the legislation should be advanced to enactment without delay. Before the House Oceanography Subcommittee on February 27, 1979, he stated, "I do support the enactment of such legislation and its signature by the President . . . my colleagues and I in the executive branch stand ready to be of any possible help in expediting the passage of the legislation . . . The fact of the matter is, of course, that nobody is willing to invest any money in the development of seabed mining technology other than the companies now belonging to the several seabed mining consortia. They have already spent a lot of money and they are prepared to spend a lot more money, but they need some form of relatively secure and favorable legal framework under which to act . . . So if the long lead-time decisions necessary to large-scale testing of technology and the procurement of deep seabed mining vessels, and so on, are to be made, they will need to be made within some legal framework, and the only one that can readily soon be supplied is one established by domestic legislation. I think that is a persuasive and sufficient reason for going ahead now . . . It should not be regarded as a threat to the (LOS) Conference . . . the Conference should be aware that seabed mining will occur in due course with or without a treaty."

In a prepared statement before the House Subcommittee on Mines and Mining on May 1 of this year he stated, "The Administration still believes that the early enactment of well thought out domestic legislation establishing an interim statutory framework . . . is in the interest both of the United States and of the world community."

On May 22, again before the Oceanography Subcommittee and in response to criticisms of its Chairman, Congressman Studts, that the Administration had been slow in forwarding its amendments, Ambassador Richardson stated, "We don't wish to leave any sort of mistaken impression on your part . . . We believe there is real urgency in moving forward with the legislation, and we welcome your willingness to hold an early date for mark-up . . . we need to press forward with the legislation and trust that in the event it will be understood for what it is, not a threat to the conduct of negotiations in the Conference but indeed a means of helping to assure that when a treaty comes into force, there will have been developed in the interim the capacity to convert the common heritage into an economic reality . . . The issue comes down to whether or not the United States, or companies domiciled in the United States, should be deterred simply because others disagree with our legal position."

On June 13, 1979, he stated to a Senate Foreign Relations Subcommittee, "There has been further slippage in the development schedule of mining technology due to the continued depressed state of the metals market and the legal uncertainties regarding the position of seabed miners pending the conclusion of an acceptable LOS treaty. Thus, there are clear reasons to act now . . . the bill before you today, S. 493, will provide this necessary statutory framework."

Apprehensions expressed in the last few days concerning the effect of enactment on the Law of the Sea Conference are impossible to accept in light of these repeated unequivocal, authoritative statements providing a contrary view. We and others in the Congress have expended great energies on this legislation in good faith reliance on the assurances that have been provided to us by Ambassador Richardson, your Special Representative on the Law of the Sea.

One of us, John Breaux, has just returned today from New York, where there was a meeting with leading members of the Group of 77 at the instance of Ambassador Richardson. The purpose of the meeting was to hear again first hand the position of the developing countries on our pending ocean mining legislation. Contrary to some reports we have received second hand, there are no new arguments to indicate that prompt enactment would jeopardize the negotiations at the Law of the Sea Conference. The discussion was simply a repetition of previously ex-

pressed unpersuasive arguments. As a matter of fact, one developing country representative indicated that enactment might just cause a delay in the Conference process.

We believe that the Administration should clearly and immediately reaffirm its commitment to prompt enactment. We believe that we can expect no less, in light of merits of the issue as expressed by Ambassador Richardson and the reliance we have placed on the Administration in our commitment to move forward to enactment without delay.

We call upon you, Mr. President, for a clear reaffirmation of your previous decision to direct the Congress to move ahead without delay with this legislation. Any indecision or ambivalence on your part now would affect not only the credibility of your representatives with the Congress, but also of this nation with our industrialized allies, the Soviet Bloc, and the Third World.

With best personal regards,

Sincerely,


JOHN M. MURPHY
Chairman
Committee on Merchant
Marine and Fisheries


JOHN B. BREAUX
Chairman
Subcommittee on Fisheries
and Wildlife Conservation
and the Environment


JIM SANTINI
Chairman
Subcommittee on Mines
and Mining

THE WHITE HOUSE

WASHINGTON

October 25, 1979

Dear Mr. Chairman:

Thank you for your letter to the President of October 24, along with Chairman Murphy and Chairman Santini, regarding H.R. 2759, the Deep Seabed Hard Mineral Resources Act. I have passed your letter to the President, who has noted your concerns.

We appreciate your comments and will get back to you with a detailed response shortly.

Sincerely,

Frank Moore
Assistant to the President
for Congressional Liaison

The Honorable John B. Breaux
Chairman
Subcommittee on Fisheries and
Wildlife Conservation and
the Environment
Committee on Merchant Marine and
Fisheries
U.S. House of Representatives
Washington, D.C. 20515

1:10 pm

THE WHITE HOUSE

WASHINGTON

October 25, 1979

MEETING WITH SENATOR ALAN SIMPSON AND HIS PARENTS

Thursday, October 25, 1979
1:10 p.m. (1 minutes)
The Oval Office

From: Frank Moore *Fm/p d*

I. PURPOSE

To greet and be photographed with the Senator's parents.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Senator Simpson's parents are in Washington visiting with him. The Senator wanted very much for them to meet you. Senator Simpson's father is the former Governor of Wyoming (1955-59) and former U.S. Senator from Wyoming (1961-66).

B. Participants: Senator Alan Simpson (R-Wyoming)
Senator Milward Simpson
Lorna Simpson
Geoffrey McCullough (personal attendant to
the Senator's father)
Frank Moore

C. Press Plan: White House Photo only.

III. TALKING POINTS

Routine courtesies.

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THE WHITE HOUSE
WASHINGTON

25 Oct 79

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	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

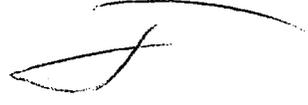
THE WHITE HOUSE
WASHINGTON

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October 24, 1979

*Stu - Reluctantly
agrees - You all seem
to want to run an
experiment instead of
find a waste
disposal site(s) &
use it (them) =*

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
KITTY SCHIRMER
SUBJECT: NUCLEAR WASTE



When you reviewed the nuclear waste decision memorandum you asked why a compromise of 3-4 sites could not be reached as a target for site review prior to determining where the first waste repository should be built (see Nuclear Waste Decision memorandum, P. 12 attached). As you will recall, two options were presented, one which advocated 2-3 sites, and one which would expand that number to 4-5.

The attached explanation, prepared by Gus Speth (CEQ), and Phil Smith from Frank Press' staff, more clearly outlines the differences between the two options and the reason why a compromise along the lines you suggested is not as relevant to the issue as it might have appeared from the original of the memo.

It is my understanding that all members of the IRG continue to advocate their original choices for resolving this issue.

As you may remember, I discussed with you the nuclear waste management memorandum originally sent to you on September 5, and you were going to have it resubmitted to you. I believe this is the only issue left unresolved from the original decision memorandum. The agencies are anxious to move forward with this as soon as you check off on this last issue, unless you have other questions which, from the comments on the original memorandum, it appears you do not.

With the Kemeny Commission report forthcoming, early movement on the nuclear waste issue would come at a propitious time.

The fundamental difference between Option 1 and Option 2 is not the number of qualified sites per se which are to be compared before the choice is made of the first repository site. The question is whether we are committing to an expanded program of geologic investigation prior to the selection of the first repository site.

It was the majority view of the IRG that an expanded program, which as a consequence would result in the availability of 4-5 qualified sites, was an essential prerequisite to the selection of the site for the first repository. The compromise option (3-4 sites) would fail to provide a clear signal about the importance of the expanded program, since three sites is arguably consistent with DOE's current program, and also may not yield any significant time savings because of the uncertainties with current schedules.

Under both options DOE's Site Qualification Program will be broadened to include sites in different geologic environments and relying on diverse geological media. This was one of the most important recommendations of the IRG. The unresolved issue is whether the site for the first repository should be chosen from a narrower range of sites resulting from DOE's existing program or whether the selection should be made from a greater range of sites that would be available from the expanded program.

Under Option 1, supported by DOE, State, and ACDA, the choice of the first repository would be made from among qualified sites, estimated to be 2-3, and including at least one non-salt site, emerging out of DOE's current program. Under Option 2, supported by all other members of the IRG, this choice would await the availability of an expanded DOE program. Supporters of Option 2 believe that providing the larger number of sites (estimated to be 4-5) prior to the first selection would more completely fulfill the IRG's recommendation for geologic diversity. Because the existing program is expected to produce sites in at most three different geologic environments and an expanded program would be expected to produce sites in at least two other geologic environments making a total of 4-5 geologic environments, a policy based on 3-4 sites in different environments would not clearly indicate which of the two quite different programmatic approaches would be followed.

As pointed out in the Decision Memorandum, Option 1 would represent some change from past waste management program. Option 2 would represent a commitment to a program of even greater geologic diversity and would be viewed as a major break from the past. Optimistic program schedules indicate that 2-3 additional years

would be needed to achieve this greater diversity. However, greater diversity would produce a stronger program both from a technical perspective and for building public confidence in the government's ability to resolve the waste disposal issue.

Opponents of this option point out that the process to develop the comprehensive site qualification and R&D plan with State participation will go forward under any of the options, that adjustments can be made later and that most members of the public would probably like evidence not only that the Government's decision-making processes has improved but also that a plan and schedule, albeit tentative and subject to revision, exists today. In addition, they point out that none of the options would lead to commitments or promises now that a repository would be open at any specific time. All agree that making such commitments would be a mistake.

Decision

Issue #1: When should the new waste management program plan for a decision on site selection for the first high level waste (HLW) repository?

Option #1: Site selection after at least 2-3 sites qualified. (Recom. by DOE, ACDA, DOS)

Option #2: Site selection after 4-5 sites qualified. (Recom. by OMB, OSTP, CEQ,**EPA, DOC, DPS*)**

Option #3: Let the answer to site selection emerge out of the process that will determine the comprehensive waste management plan. (Recom. by DOI)

* DPS favors Option #2. It establishes a clear timetable but will indicate that the government has done a thorough job of exploring reasonable candidate sites and thereby reduce the inevitable frictions which will surround the decision on when to build at the first site.

** While NRC cannot make a formal recommendation on the above issue, NRC staff have expressed a preference for option #2. (This preference does not necessarily represent the views of the Commission). DOT, NSC and NASA did not wish to make a recommendation on this issue.

Why not
3-4?

8:00 Am

THE WHITE HOUSE
WASHINGTON

October 24, 1979

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Chrysler } *Charlie + Jim*
Board
incompetent
what 200 m wage + 200 m price
} *WPT on finished product?*
Foreign tax credit
reimpose controls

MEMORANDUM FOR THE PRESIDENT

FROM: ALFRED E. KAHN

Fred

C

SUBJECT: Agenda for the Inflation Breakfast, 8 a.m.,
October 25, 1979, Cabinet Room

I suggest we discuss whatever aspects of the attached memorandum on the first and second years of the wage/price standards interest you. If you do not have time to peruse it, I will summarize the parts that may be unfamiliar to you.

It does raise some specific problems and topics:

1. How to define the role of the Price Advisory Committee.
2. Whether to use discretionary grants in the same way as (we threaten to use) the procurement sanction against noncompliers with the price standard.
3. How to combat the general suspicion in the business community that the accord with labor and the pay advisory committee represent an abandonment of the standards, and are a prelude to mandatory controls.
4. A series of possible public actions by you in support of the program.
5. Ways of enlisting the Cabinet and other agencies more concertedly and overtly in the anti-inflation effort.

You may wish in addition to discuss the status of EPG's efforts to develop and articulate a long-run anti-inflation strategy that you can take to the public in one forum or another. I remind you of your earlier expression of interest -- perhaps six months ago -- in a White Paper on the subject.

THE WHITE HOUSE

WASHINGTON

October 24, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: ALFRED E. KAHN

Fred

SUBJECT: The Wage and Price Standards, First and Second Years

As we move into the second year of the wage and price standards, I think it would be useful to summarize the results of the first year, describe where we stand, and consider the problems and prospects for the second year. I will try to pass lightly over the parts of the record that are familiar to you, and underscore the newly compiled facts and outstanding issues.

Price Developments in the First Program Year

- o The Consumer Price Index rose almost 12 percent during the first program year -- far above the 6½ percent increase we anticipated if we were to have full compliance and no exogenous shocks.
- o The acceleration from the 8.3 percent increase during FY 1978 was almost entirely attributable to increases in problem sectors that are not susceptible to guideline regulation.
 - Energy expenditures account for only 8½ percent of the average consumer's budget, yet increased energy prices accounted directly -- i.e., apart from their effect on the costs of supplying all the other components of the CPI -- for over 25 percent of the total CPI increase for the year, 38 percent over the last six months.
 - Food price increases were a problem in the first months of the program: from November 1978 to April 1979 food rose at an annual rate of 15.4 percent; it is important to recognize however that the food component of the CPI then turned around and began to help us, rising at an annual rate of only 3.0% from April to August, and

9.6% for the full eleven months since last September.

- Strong home-purchase demand and high mortgage interest rates have fueled an acceleration in housing costs, which account for 20 percent of the overall CPI increase.
- o The underlying rate of inflation (the CPI less food, energy, housing and used cars) has accelerated only from 6 percent to 7½ percent. We believe that the standards have helped to prevent the explosion of food and energy prices from spreading throughout the economy.
- o Crude food and energy materials are excluded from the standards. Processing margins, however, are covered, and margin increases for these products have outpaced crude-material price increases.
 - Over the past six months, farm prices have fallen at an annual rate of 12½ percent. Farm-retail margins, however, continued to expand until August, when they began to decline as well.
 - Petroleum product prices have gone up much more than can be explained by increases in crude petroleum prices. We are intensively investigating these alarming increases in the light of the first-year financial information we are now receiving from the companies.

Pay Developments in the First Program Year

- o In the face of these unanticipatedly high rates of inflation, wage increases have been surprisingly moderate.
 - The Hourly Earnings Index rose 7.9 percent during the program year, a slight deceleration from the increase of 8.3 percent in the previous year.
 - Private hourly compensation -- wages, salaries, and private fringe benefits -- has also increased slightly less than during the previous year.
 - These aggregate figures are consistent with the Council's monitoring experience; pay information filed by the Fortune 500 companies shows almost universal compliance with the 7 percent standard.
- o The effect of these moderate wage increases on unit labor costs was negated by the dismal productivity performance; output per hour worked fell 2.0 percent, driving unit labor costs up and putting additional pressure on prices.

- o Real spendable earnings of nonfarm workers have declined by 4 percent over the past year -- the result of the productivity collapse, increased employment taxes, and the redistribution of income from Americans to oil-producing countries. These losses cannot be recouped.

First-Year Collective Bargaining Agreements

Although less than 10 percent of the labor force is covered by collective-bargaining agreements signed during the first year, these agreements receive disproportionate publicity.

- o Contrary to media reports, a majority of major collective-bargaining agreements signed during the year were in compliance with the first-year pay standard.
 - The Council has monitored contracts involving a total of about 3.2 million workers:
 - . 1.4 million are in compliance (including, however, 400,000 Teamsters, whose agreement was shoehorned into compliance);
 - . 200,000 workers are in noncomplying units (mostly in rubber); and
 - . 1.6 million are under contracts currently under review (half of these are under the auto contract, which appears to be out of compliance).
 - On the other hand, because of what proved to be an unrealistic 6% evaluation of cost of living adjustment clauses in new contracts and, to a lesser extent, the more lenient evaluation of certain other fringe benefits, many of the complying contracts will almost certainly cost more than 7% per year (or 22½% over three years).
- o Still, wage and benefit increases obtained in major settlements this year were significantly lower than those obtained in the last round of negotiations (1976).

A COMPARISON OF COLLECTIVE-BARGAINING SETTLEMENTS IN FOUR
MAJOR INDUSTRIES

Percentage Increases in Wages Over Three Years

1979 (under various assumed inflation rates)

	<u>1976</u>	<u>6%*</u>	<u>8%*</u>	<u>9%*</u>	
Trucking....	30.5	24.0	27.4	29.1	<i>Chrysler</i>
Rubber.....	45.5	27.6	33.4	36.4	
Electrical..	32.9	20.0	24.5	26.7	
Autos.....	29.4	24.1	27.9	30.0	<i>28</i>

* Average annual inflation rate over term of contract; results would differ slightly if variable rates were used for individual years.

- The 1976-contract increases are actual (the inflation rate averaged approximately 8 percent over the lives of the contracts).
- The 6-percent column reflects the first-year standard's assumed inflation rate for evaluating COLAs.
- The 8-percent column is relevant for comparisons of the contracts at roughly the same inflation rates as were experienced under the 1976 contracts.
- The 9-percent column reflects a reasonable -- perhaps unduly pessimistic -- assumption about inflation over the lives of the contracts (10 percent, 9 percent, and 8 percent over the three successive years).

Second-Year Prospects

The challenges faced by the program today are much greater than last year because of intense pressures on labor's part to catch up with last year's rise in the CPI (which, I must emphasize, exaggerates the increase in the cost of living).

Collective bargaining will be as heavy next year as it was this.

- o The Oil, Chemical and Atomic Workers agreement will be the first test. The reopener in the current contract allows whatever the standards will permit.

- o The largest agreements up for renegotiation are basic steel and telephone communications, jointly covering nearly a million workers. Bargaining will also be heavy in construction, which has recently experienced a rash of outrageous settlements.

The Pay Advisory Committee's first meeting was largely ceremonial. The next scheduled meeting is not until October 29, by which time several quite specific issue papers to be prepared by CWPS will be available for discussion. The labor people have however made it clear they want first to raise more fundamental questions of whether we should have numerical standards at all. And Dunlop urged the Committee to proceed deliberately. Notwithstanding the October 31 deadline for receipt of the Committee's recommendations, therefore, it is unlikely that a new pay standard (if there is one) will be carrying forward the first year's standard and proceeding to handle adjustments for inequities, CWPS has in effect formulated an 8% standard for contracts lacking COLA clauses that did not exceed 7 percent last year.

We have begun to assemble names of possible members of the Price Advisory Committee, which we ought to put together as quickly as possible. There is a problem, however, while the responsibilities of the Pay Committee are pretty clearly defined, and important, that is not the case with the Price group. You will recall the latter is supposed to be purely advisory, and is not to look at individual cases -- requests for exceptions, alleged hardships, findings of non-compliance. Moreover, the second year's price standards have now been promulgated, and it is not clear a committee could do much more than propose rather fine adjustments; the Pay Committee, in contrast, is practically in a position to wipe out the present pay standards, or to rewrite them from scratch.

The EPG feels that the Price Committee must be as prestigious as the Pay. The question is, however, whether we can get any outstanding people to serve on a group with so limited a mission. The only solution I can think of is to broaden the mission: for example, by tackling in-depth problems of inflation in the most troublesome sectors -- energy, food, medical care, housing; or asking them to feel free to advise us on any aspects of anti-inflation policy that they consider fruitful. This is after all not illogical: what aspect of anti-inflation policy does not involve prices and our price standards?

Sanctions

During the first program year, the two most effective tools for inducing compliance were the threat and use of publicity, and the threat of procurement sanctions.

- o No company was barred from a Federal contract, but the possibility was still a credible deterrent.
- o The threat of publicity produced several rollbacks and deferred price increases.

One of the most important parts of the accord was the informal understanding about sanctions.

- Although we would not and have not disavowed our authority to use the procurement sanction, and all procurement regulations remain in place, we agreed not to use the procurement sanction against violators of the pay standard so long as the program worked. We think that this translates to "so long as the AFL/CIO stays on the Pay Advisory Committee."
- We continue to feel free to use the procurement sanction against price noncompliers, and we retain the undisputed right to jawbone and use publicity in all cases.
- We must decide whether to use the denial of discretionary grants in the same way; the several Departments have supplied us with an impressive list of possibilities.

Presidential Involvement in the Context of Our Strategy for the Second Year

During the first year of the wage-price program we necessarily devoted a large part of our efforts to getting the standards out and informing business and labor about them. Our emphasis was on trying to get cooperation from major labor unions and big business.

As I see it, our major tasks in the months ahead all have to do with improving the credibility of the program in the face of eight months of a CPI rising at a 13% annual rate, a general public view that the anti-inflation program is in disarray, and, specifically, deep suspicion on the part of much of the business community about the accord with labor.

The press reports about a secret deal with labor on sanctions, and the accord itself, have been perceived by many business people as a sign that the Administration is backing away from the program. Others profess to see in the constitution of the Pay Advisory Committee and the accord the first steps toward

mandatory controls. I believe we must all devote a good deal of personal attention to combatting these attitudes, by intensifying our efforts to secure voluntary compliance with the standards, while emphasizing our continued determination to practice monetary and fiscal restraint, to carry out our promises of regulatory reform, and as promptly as possible to mount a concerted attack on the productivity problem.

Bob Russell and I agree, second, that we must concentrate our limited price monitoring resources more -- and more visibly -- on problem sectors -- most obviously, energy, housing, medical care, and food. As part of this concentration, I intend to devote more of my time to meeting with representatives of these industries; and to arranging occasional meetings for you to attend.

The specific suggestions that I am developing for your personal involvement are guided by the conception of our most pressing needs. I am actively discussing with other people in the White House the following possibilities:

1. Periodic meetings with business leaders at the White House to reassure them about the program and your commitment to it, and to receive their advice.

2. Meetings on some of your scheduled trips outside of Washington with local business and labor leaders and other prominent citizens. It seems to me very important that you get your anti-inflation message conveyed to people at the local level, to use these occasions, among other things, to urge compliance with your wage and price standards; to counsel patience; to explain your regulatory reform efforts and accomplishments; to encourage local cooperative efforts to attack the problem of productivity; and also to hear from these people about the problems that they have. Specifically, I have found it fruitful to give business people an opportunity to complain about the burden of specific regulations that they consider unreasonable, and then to look into specific cases. Where you think it would be helpful, I would be glad to accompany you at some of these meetings.

3. A meeting with landlords and rental management associations. By far the largest number of complaints that CWPS receives are about rents; and while the rent component of the CPI has not risen anywhere nearly as much as the 13 percent average, there have been very large increases in some areas, and the complaints seem to come disproportionately from there. Moreover, many landlords are simply refusing to respond to

CWPS' inquiries or to cooperate in any way. While it is difficult to argue that such a meeting would produce concrete results, rent is so large an element in the cost of living that it seems to me highly desirable for you to express your concern and to do what you can by way of applying pressure.

4. A similar meeting with operators of hotels and motels. Prices in this sector have increased far more rapidly than seems consistent with compliance with the standards, and there is at least a possibility that some major chains may be out of compliance. This is one the Vice President might handle.

5. As soon as we have completed our analysis of oil refinery margins, it may be highly desirable for us (in collaboration with Secretary Duncan) to call together people from the industry. Using information from the Department of Energy, we are intensively attempting to reconcile the apparent sharp increases in refinery and marketing margins that we see in the published statistics of the industry as a whole with the claims of the major companies, supported by their data submission to us, that they are complying with our gross margin and profit margin standards. We will try to produce some results just as soon as possible and see what should be done next.

6. In cooperation with Al McDonald, we are trying to develop some means of enlisting the various Cabinet departments and other agencies of the Administration more directly, actively and overtly in the fight against inflation. It has seemed to me that the several departments are not giving sufficient prominence to the efforts needed to put us in the position to present an integrated picture of an entire Administration devoting its major energies to combatting inflation in all the sectors of the economy to which the several agencies reach. We will try to present you with specific suggestions to accomplish this.

Table 1

PRICES DURING THE FIRST PROGRAM YEAR
(seasonally adjusted, annual percentage rates of change)

	Dec. 1978 Relative Importance (%)	Fiscal Year 1978	Program Year				
			Overall	3 months ending			June to Aug.
				Dec.	Mar.	June	
CONSUMER PRICE INDEX							
All items	(100.0)	8.3	11.8	8.5	13.0	13.4	12.8
Food	(18.2)	10.8	9.6	10.2	17.7	7.5	0.8
Energy <u>1/</u>	(8.5)	7.0	35.0	5.8	24.6	70.0	55.1
Home Purchase	(10.2)	10.1	14.2	14.3	10.8	15.5	17.5
Fin. Ins. & Taxes	(9.7)	15.6	19.8	7.0	25.8	23.1	26.4
Other <u>2/</u>	(50.3)	6.1	7.4	7.2	7.5	7.4	7.7

1/ Not seasonally adjusted.

2/ Used cars are also excluded.

Table 2

RECENT TRENDS IN PRICE AND MARGINS IN THE FOOD AND ENERGY SECTORS
(percentage rates of change)

	3 months ended in			
	Dec.	March	June	Sept. ^{e/}
<u>DOMESTICALLY PRODUCED FOODS</u>				
Retail Value	1.9	6.3	1.9	-1.0
Farm Value	1.9	10.5	-4.5	-4.0
Farm/Retail Spread	1.8	3.6	6.4	0.5
<u>ENERGY</u>				
Gasoline				
Retail Price	2.4	7.0	21.1	12.2
Wholesale-Retail Margin	6.1	14.3	72.5	1.4
Home Heating Oil				
Retail Price	6.2	11.0	17.2	20.2
Wholesale-Retail Margin	3.6	4.9	0.0	19.5
Refined Petroleum Products				
Refiners Price	3.7 ^{q/}	7.4 ^{q/}	18.9	19.0
Gross Margin	6.9 ^{q/}	10.2 ^{q/}	15.7	37.4

^{e/} Preliminary estimates.

^{q/} Based on quarterly data.

TABLE 3

HOURLY WAGES AND COMPENSATION DURING THE FIRST PROGRAM YEAR
(seasonally adjusted, annual percentage rates of change)

	Fiscal Year 1978	Program Year ^{1/}				
		Overall	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
HOURLY EARNINGS INDEX	8.3	7.9	8.6	8.7	6.7	8.5
TOTAL COMPENSATION	9.2	9.2	9.3	10.5	7.7	NA
Private Compensation ^{3/}	9.0	8.8	9.4	9.1	7.9	NA
Employer Contributions to Social Insurance	12.3	15.1	8.2	34.1	5.2	NA
LABOR PRODUCTIVITY	0.9	-2.0	1.7	-3.4	-4.4	NA
REAL SPENDABLE EARNINGS	-2.9	-4.2 ^{3/}	0.5	-1.6	-8.9	-7.0 ^{3/}

^{1/} Compensation and productivity series measure quarterly changes from 1978:3 to 1978:4. The earnings indices measure monthly changes from September, 1978, to September, 1979.

^{2/} Wages, salaries, and private fringe benefits.

^{3/} Estimate based on changes through August.

THE WHITE HOUSE
WASHINGTON

Phil
has
seen

THE WHITE HOUSE
WASHINGTON

October 25, 1979

Mr. President:

Frank would like you to see Senators Baucus, Danforth and Sasser when they return tomorrow from Thailand.

Approve _____ Disapprove _____

Phil



OFFICE OF THE VICE PRESIDENT

WASHINGTON

October 25, 1979

C
/

MEMORANDUM FOR THE PRESIDENT

Electrostatic Copy Made
for Preservation Purposes

FROM:

RICHARD MOE *RM*

SUBJECT:

U.S. SERVICEMEN KILLED UNDER 20th CENTURY
PRESIDENTS

Because we are all starting to talk publicly about your record of maintaining the peace, I asked the Library of Congress to research the records of your predecessors and thought you would be interested in the results:

- You are one of only three presidents in this century who did not commit U.S. troops to combat.
- Yours is the first administration in 56 years (since Harding) during which not a single American serviceman has lost his life in combat.

Here are the specific foreign involvements by administration:

Ford -- Mayaguez
Kennedy/Johnson/Nixon -- Vietnam
Truman/Eisenhower -- Korea
Franklin D. Roosevelt -- World War II
Coolidge/Hoover (January, 1927-January 1933) --
136 Marines killed in Nicaragua
Harding -- No troops killed in combat
Wilson -- World War I
Taft -- 7 Marines killed in Nicaragua
Theodore Roosevelt -- No troops killed in combat.

Because of our recent history and because of the many pressures and temptations facing any president, your record in this area deserves to be emphasized in the coming months.

cc: Hamilton Jordan
Jody Powell
Stu Eizenstat

Zbigniew Brzezinski
Rick Hertzberg

10/25/79

THE WHITE HOUSE
WASHINGTON

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HCC

Meeting with House Group/
Hospital Cost Containment 10/29/79

Pressure.

Important to me - 2 years
Aid bill Sunset / one house
veto

8 states now ^{x15}
Only anti-inflation 13²/9%

Non-competitive industry
~ \$10 billion/yr (22 for fed)

Vol 15¹, or state
Pass thru all costs + 15%

< 4000/yr exempt
Bill's defeat, prices
Catastrophic, only after HCC

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THE WHITE HOUSE

WASHINGTON

October 25, 1979

Jack

"Eyes Only"

*Hugh: "will meet Sec in
Providence Mon. = Assumed
change to "proportional rep"
most imp. Regs insist as
trade for March date. OK
if Pres or Cuomo or both
can induce them to change*

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON

SUBJECT:

Your Telephone Call to Governor Carey

to 4/30 date

J.C.

I have had conversations this morning with Mario Cuomo and Ed Koch about how you should handle your telephone call with Carey regarding the date for the New York primary. Here is the essence of their advice.

Cuomo:

- Mario does not think that Carey has made any decisions regarding Kennedy, despite repeated calls to Carey from Kennedy himself.
- Mario thinks we should continue to court (stroke) Carey and keep all possible lines of communication open.
- Mario suggests that you invite Carey down for a private discussion with you as soon as possible, and that you might make that invitation during this telephone call.
- Mario said that Carey will attempt to engage you in a discussion about all the complicated reasons for having the primary on March 25 rather than later. You should refuse to become engaged in such a discussion by simply saying to Carey at the outset:
 - That having the primary in late April is very important to you;
 - That you are confident that Carey can make whatever arrangements are necessary to have it in April, notwithstanding complications, etc.;
 - That you need his help in getting it done.

Koch:

- Koch is much less confident than Cuomo about our ability to get Carey's endorsement, but he basically agrees with the tone of the conversation on this subject suggested by Mario. Ed would put it this way:

- Hugh, you know that I want your support for my renomination, but that is not the reason I'm calling;
- I'm not pressing you on that subject now, but I do need your help on another matter that is very important to me;
- I want the New York State primary to be in late April and I want you to see that its scheduled for then;
- I'm sure that there is a long list of complicated reasons why a March date might be preferable in some respects, but the simple fact is that I want it to be in late April, and I know you can get it done;
- As President and Head of the Party, I specifically ask for your help on this.

These two approaches are basically the same, with only a slight difference in tone. I think your call to Carey should be friendly, but clear and firm. You should leave absolutely no room for doubt that this issue is important to you, and that you are counting on him.

There is a wide range of transit, New York City financing and other issues on which our cooperation with Carey is extremely important to him. He knows this, and you need not make any mention of it.

Staff

NCC - South had
Import quota authority
EMB Wall/Dingell
Cambodia

Econ Breakfast 10-25-79

Chrysler. move. protect govt
Force UAW Concessions
\$ 750 m → \$ 1500 m ?
Board incompetent

(written on back of
the President's daily
schedule for that day)

Dit = excessive profits
- excessive prices

WPT on finished product
Foreign tax credit

Housing. Status of \$ for housing

Nat Cit Coalition for WPT

Brian Byrne

51 labor unions joined
Bus & govt & Ed & consumers

HOUSE - SENATE FIN Com.

Unless adequate, other steps

CPI - out energy = 1978

Poor 16 → 24

CONSERVE = HAMES, PUB EXPORT

OTHER ENERGY = SYN FUELS
TAX CREDITS

+ SOLAR (BANK) = SUN, WIND,

WOOD STOVES, GASOLINOL

COAL A

ESC = EMB

NJ - \$500 Receipt.

Gov BYRNE - SEN BRADLEY

CONG RODINO -

CHMN COFFEE

SEN MERLINO, SPKR JACKMAN

New Jersey trip 10/25/79

COMPETENCE

EFFECT - BUDGET -

FED/ST/LOC

COMPASSION

JOBS - OLDER - MH -

CONFIDENCE

IN N.J.

COOPERATION

IMMIGRANTS - REFUGEES

GREAT US

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THE WHITE HOUSE
WASHINGTON

10/25/79

Hamilton Jordan

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

Rick Hutcheson

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

24 October 1979

TO: THE PRESIDENT

FROM: HAMILTON JORDAN *HJ*

SUBJECT: U.S. Attorney; Eastern District
of Virginia

Some time ago you approved Judge Bell's candidate for U.S. Attorney in the Eastern District of Virginia, Justin Williams. News of a possible appointment for Williams drew a sharp negative reaction from Virginia Democrats. Tim Kraft discussed this problem with the Attorney General. Judge Bell responded: "My strong preference is for the career man we have selected - Justin Williams - unless you can show us that he is or has been partisan as a Republican..."

Congressional Liaison checked with Congressman Joe Fisher, who confirms that Williams is perceived as a Republican by Virginia Democrats. Fisher says his appointment would be "foolish" and "embarrassing" to Virginia Democrats.

Williams has been in the U.S. Attorney's office since the early 1970's and obviously has not been active in a partisan sense for the last several years. Nonetheless, Virginia Democrats clearly perceive him as an arch-conservative Republican. He was talked about several years ago as a possible Republican nominee for Commonwealth attorney. Currently, a member of his staff is running against the Democratic incumbent Commonwealth Attorney in Fairfax County.

An abundance of qualified Democrats exists. We simply do not need to do ourselves the political damage of appointing a Republican to this sensitive post at this time.

I recommend that we hold off on appointing Williams, and seek a Democrat of equal or superior qualifications for this position.

✓ approve; seek alternative candidate

 disapprove; send Williams' nomination forward

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