11/6/79 [1]

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	From McIntyre to The President (one page) re: Defense Budget Expectations	11/2/79	A

FILE LOCATION

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THE WHITE HOUSE
WASHINGTON

11/6/79 C

Mr. President:

Eizenstat comments: "I strongly concur with (Fred and Charlie's) statement that a thorough discussion -- and additional analysis -- would be required before submitting any of these options to you for final decision. As I understand it, these are options raised only in the context of possible Presidential actions in the event that a satisfactory windfall profits tax fails to emerge from Conference. I see potential problems with almost all of them and hope that these contingency plans will not be needed. There may be additional options beyond those listed..."

Jim McIntyre makes the same point as Stu. His memo, pointing out specific problems with each of the possible punitive actions listed by Schultze and Kahn, is attached, should you care to read it.

Rick

Confidential
Held for possible later use
J

THE WHITE HOUSE

WASHINGTON

November 1, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: CHARLES L. SCHULTZE CLS
ALFRED E. KAHN Fred

SUBJECT: President's Authority to Reduce Profits in the Petroleum Industry

At your request, we have prepared a list of punitive actions that you might take against petroleum companies. All are administrative actions that require no additional legislative authorization. Some conflict with previously enunciated Administration positions, some with sound economic or energy policy. We have listed two categories of actions: (1) Industry-wide actions that might be threatened in the context of either trying to secure a tough windfall profits tax or penalizing the companies in the context of industry-wide excessive pricing, and (2) Actions that might be taken against specific companies who refuse to comply with the voluntary price standards.

We do not necessarily recommend that you take any of these actions, and would, of course, like to discuss them thoroughly before you did so.

INDUSTRY-WIDE ACTIONS

1. Eliminate remaining foreign tax credits on oil and gas income. In your April 5 energy message, you announced that you would propose legislation to limit the U.S. tax credit for foreign income taxes to the income on which those taxes are imposed, and that Treasury would modify the tax credit administratively. Treasury has already proposed regulations that would restrict the availability of this credit and substantially reduce the benefits it confers. They intend to publish regulations in final form some time this year. You could threaten to issue final Revenue Rulings in very tough form immediately. This action would immediately affect the overseas profits of the major oil companies. It is also possible that the Treasury proposal might be modified to capture additional revenues.

2. Alter the schedule for crude oil decontrol. While retaining your announced commitment to full decontrol by October 1981, you could alter its path between now and then. Specifically, you could direct the Department of Energy to load more of the price increase on 1981 and less on 1980. This would reduce 1980 oil company production revenues by billions of dollars, and probably have a beneficial effect on the consumer price index during 1980, and a correspondingly adverse one in 1981. (We say "probably" because it is at least arguable that product prices are determined preponderantly by the balance of world demand and supply, rather than by where the crude oil price happens to be set.)

   The oil companies might take such a threat very seriously, not just because of the dollars they would lose in 1980, but because the bigger the remaining gap between domestic and world prices in 1981, when controls are due to expire, the greater will be the pressure on Congress to extend controls, regardless of any official Administration position.

   Such a threat would of course call into question, both at home and abroad, your commitment to achieve full decontrol by 1981.

3. Reimpose mandatory controls over petroleum product prices. Currently, DOE controls the price of gasoline, but no other products. You could reimpose controls on other products: under present law, you have the authority to do so at any and all parts of the petroleum distribution chain from the refiner to the point of final sale.

   Your discretionary authority here is quite broad. You could, for example, reimpose controls on large companies, but not small ones; or over only the products with the most direct and painful effect on consumers: an obvious candidate would be home heating oils. We have no evidence however, that small companies have been more cooperative with the price standards than large ones. Before even considering this, we would have to think long and hard about its possible adverse effect on supply.

4. Prohibit petroleum companies from importing oil. Under current law, you have broad authority to engage in direct government-to-government transactions or foreign market purchases of crude oil and petroleum products. You could make the U.S. government the exclusive purchasing agent for the U.S., and prohibit all petroleum companies from importing oil into the United States.

This is a step that some have long been urging as a means of reducing OPEC's market power. We doubt that it would do so. In any event, since oil comes in many different qualities from many different sources to many different ports, buying and selling all the nation's imports would require us to establish in a hurry a highly complex new apparatus within DOE.

COMPANY-SPECIFIC ACTIONS

Because the Federal Government continues to regulate significant elements of the oil industry, there are in theory a number of punitive actions we could take, administratively, against individual oil companies who violate the price standards. The range of possible administrative actions includes mandating particular refinery yields; reallocating crude or product sales; changing inventory requirements; altering entitlements benefits; denying import licenses or altering fees; eliminating companies from participation in production from Federal lands. While each of these approaches is at least arguably legal, we have very strong misgivings about resorting to any of them to penalize particular companies.

We believe that the best policy against recalcitrants in the wage-price program is to name, and excoriate, specific companies who refuse to cooperate.

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

C

November 3, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. McINTYRE, JR.

SUBJECT: President's Authority to Reduce Profits in the Petroleum Industry

I have reviewed the Schultze/Kahn memorandum on your options to reduce oil company profits through punitive action.

First of all, I support their plea that the options should be fully discussed before any of them are adopted. Moreover, I urge that before selecting a course of action, we gain a better understanding of why the oil company profits increased so much.

Of all the alternatives mentioned, strengthening Treasury-proposed regulations on tax credits would appear to involve the least number of problems. But Bill Miller, of course, ought to have a close look at it.

With respect to all the other options, my initial reaction is to oppose them either as inconsistent with your energy policy, or as questionable action on their own merits. For example, slowing down the crude oil decontrol schedule or reimposing controls on petroleum products not only would begin to undermine a keystone of your courageously established energy plan, but also would adversely affect relations with our international partners. Indeed, an acceleration of decontrol -- if a "radical" departure from current policy is preferred -- might make the most sense, since the temporary inflationary shock might be positively offset by reduced hoarding and buildups in commercial crude oil stocks by the oil companies. As an excellent article in Friday's Wall Street Journal pointed out ~~(copy attached)~~, this apparent hoarding may be inducing an artificial shortage and driving up prices beyond reason.

Exclusive Government purchase of foreign oil, in my view, would require more and more complicated Federal bureaucracy, contrary to your policies of simplifying and cutting back the Federal role. It would also likely be a disaster, as the Government has no special expertise to assume this intricate task now performed by the oil companies. In this respect, I am reminded of the management problems we have had in implementing the Strategic Petroleum Reserve. Finally, specific actions against individual oil companies may be questionable from an equity standpoint and might well

be challenged on legal grounds. In any case, such actions would just add to the burdens of an already complex regulatory regime which you are trying to simplify and improve.

For all these reasons, I favor continuing your current strategy of publicly saying the high oil company profits are further justification for passing a strict windfall profits tax. In the meantime, Fred Kahn should use the COWPS process to thoroughly investigate the oil companies' profits and hold them within the guidelines.

Attachment

ID 794857

THE WHITE HOUSE

WASHINGTON

DATE: 01 NOV 79

FOR ACTION: STU EIZENSTAT JACK WATSON

INFO ONLY: THE VICE PRESIDENT FRANK MOORE

JODY POWELL JIM MCINTYRE attached

SUBJECT: SCHULTZE KAHN MEMO RE PRESIDENT'S AUTHORITY TO REDUCE PROFITS IN THE PETROLEUM INDUSTRY

++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM SATURDAY 03 NOV 79 +

++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

November 6, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu
KITTY SCHIRMER

SUBJECT: COMMENTS ON THE SCHULTZE/KAHN MEMO ON OIL INDUSTRY PROFITS

I have the following concerns about the list of Administrative actions on oil industry profits which Fred and Charlie have drawn up:

1. I strongly concur with their statement that a thorough discussion -- and additional analysis -- would be required before submitting any of these options to you for final decision. As I understand it, these are options raised only in the context of possible Presidential actions in the event that a satisfactory windfall profits tax fails to emerge from Conference. I see potential problems with almost all of them and hope that these contingency plans will not be needed.

2. There may be additional options beyond those listed -- for example setting a ceiling price for decontrolled crude oil rather than altering the actual decontrol rate -- which warrant further scrutiny on a contingency basis.

3. You should instruct Rick Hutcheson to make sure that this memo is very tightly held. Some of the suggestions have legal questions associated with them; others have obvious serious international or domestic political ramifications.

THE WHITE HOUSE

WASHINGTON

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KITTY SCHIRMER KS

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2. There may be additional options beyond those listed -- for example, setting a ceiling price for decontrolled crude oil rather than altering the actual decontrol rate -- which warrant further scrutiny on a contingency basis.

EXCERPT FROM WALL STREET JOURNAL, November 2, 1979

Petroleum Puzzle

Why the Price of Oil Continues to Increase Despite Ample Supply

Companies Store the Excess In Fear of 1980 Cutbacks; Shortage Is Psychological

'Knife's Edge' or Mini-Glut?

By JAMES TANNER
And RICH JAROSLOVSKY
Staff Reporters of THE WALL STREET JOURNAL

The global oil supply is plentiful, and in the U.S., the world's biggest oil customer, consumption continues to decline. Therefore, by any economic gauge, the price of oil should be going down. But instead it continues to rise.

So, what's going on?

This is the most recent puzzle to emerge from this year's erratic oil story in which supply and demand have been wrestling for position as price has continued its upward march.

By some estimates the current excess production over consumption is one million barrels a day. And yet oil buyers, both the large oil companies and their customers, are scrambling for supplies as a hedge against the shortages they feel certain will come. They are stockpiling oil as fast as it can be produced and soaking up the excess supply. "You just can't buy enough crude oil," says Robert Baldwin, president of the marketing and refining arm of Gulf Oil Corp.

Thus, what has developed, say petroleum-industry people, is a psychological "shortage" that is pushing prices up even though there is a plentiful supply.

This shortage psychology results mainly from the fear by many in the industry that the Organization of Petroleum Exporting Countries, or OPEC, which accounts for about half of the world's oil output, will start cutting back on production next year. Some OPEC officials do expect cuts of as much as three million barrels a day, but they insist that this won't create shortages; that's because of a predicted decline in global oil consumption next year. And some industry analysts agree with this view.

Fear Over Iran

Another fear in the industry is that Iran will erupt again. "All you need is a resumption of the Iranian revolution and you've got a shortage," says Charles DiBona, president of the American Petroleum Institute, the industry trade organization. The oil-supply situation is on "a knife's edge," says Gulf's Mr. Baldwin.

What Energy Secretary Charles Duncan calls "a tenuous supply-demand balance" is being reflected in the price of petroleum. In the first half of this year prices surged by 60%, but then there was a brief lull. Now, prices are pushing their way up again. Last month, five of OPEC's 13 member states increased their crude-oil prices by 10% to 12%. Libya and Algeria even broke the $23.50-a-barrel price ceiling set by the cartel in June. A new round of price increases—possibly between 10% and 15%—is being predicted for the OPEC meeting in Caracas next month.

Prices on the uncontrolled spot market are even more spectacular. The OPEC producers are selling more oil directly, bypassing the major oil companies that have normally distributed the bulk of the cartel's oil. Now that the major companies are getting less crude oil than before, they are dropping many of their customers. These former customers—oil-consuming nations and smaller oil companies—are willing to pay a "security premium" in the scramble to find oil, according to one oil trader. This is pushing spot prices to $40 a barrel and above.

"I Abhor" 1980

"In any other time this would be called a glut," says the trader. "But people are buying oil and putting it away in inventory. That is what is sustaining the high spot-market prices today." Prices, he says, are actually rising by $1 a barrel a day.

These prices reflect the very real fears of shortages that are haunting the oil companies and many governments. Gulf's Mr. Baldwin declares that "I abhor the thought of living through 1980"—and this despite Gulf's recently announced 97% increase in third quarter profits.

Some industry people are even gloomier about when the crunch will come. The Lundberg Letter, an oil-industry newsletter, for a while was forecasting that gasoline lines would return before the end of last month. A federal energy official says shortages may occur "a little later than Mr. Lundberg says, but a little sooner than Mr. Gulf says."

But while the industry is talking shortages, the OPEC nations are insisting that there will be plenty of oil available next year. OPEC countries' oil ministers believe that a world-wide recessionary trend next year will reduce the demand for their oil by as much as 15%. This, they say, will result in a temporary crude-oil glut unless they trim their production. Kuwait's oil minister, Ali Khalifah Al-Sabah, says his country is being forced to consider cutting back because of "the surplus expected to materialize in the world market next year."

In fact, some oil-industry people say there already is a "mini-glut" of oil. More oil is being produced world-wide than is being consumed, and if the oil companies and other buyers weren't hoarding the excess production of one million barrels a day, there would be a surplus.

Oil production is up substantially from a year ago in most OPEC and non-OPEC producing areas. Most notably, Saudi Arabia, OPEC's leading producer, has increased its oil output this year by an average of 15%.

But many energy officials regard the world's current oil supply as extremely fragile. Supply and demand are so closely balanced that loss of production by "only a moderate-sized producer" would be enough to upset the balance, says Ulf Lantze, executive director of the Paris-based International Energy Agency. "We should not be complacent about the way oil stocks have been building up," he says.

For one thing, OPEC has learned some hard lessons in recent years. Until a year ago a stubborn surplus of oil had been gradually eroding the pricing gains that OPEC had won in 1973-74. But then came the 10-week cutoff of Iranian oil that resulted in a world oil shortage and soaring prices. This showed the cartel that revenues can go up even though production goes down.

Iran not only taught a lesson but learned one as well. Its current reported production is less than four million barrels a day; but Iran now is earning more than it did last year when its output was nearly six million barrels a day.

Thus, OPEC nations believe they now can safely cut production without seeing any erosion of revenues. "This sharp rise in oil prices this year provides us with an opportunity to lower our production," says the Kuwaiti oil minister. Rumors have it that Kuwait is proposing to reduce its production next year by 25%, or 500,000 barrels a day.

Nigeria already has trimmed its production by 10%, or 200,000 barrels a day, because some of its fields were being overworked. Venezuelan officials say that their production will be cut by 150,000 barrels a day next year for reasons of conservation. Libya and Algeria have been causing alarm in the industry because of rumored production cuts; but, in fact, these two producers have only reduced their supplies to the major oil companies and are processing the oil themselves or are selling it directly to customers.

Saudi Arabia is sending out mixed signals on whether it will continue to produce the extra one million barrels a day that it has allowed this year to restrain runaway prices. But the biggest unknown in OPEC continues to be Iran. It could continue its present production levels, or its oil supply could dry up if there is another political crisis.

There is, however, a more optimistic view held by some in the oil industry who believe the nervousness that has led to the stockpiling and higher prices is unjustified. These experts believe that Saudi Arabia and Kuwait won't act hastily in reducing output if they see signs of scarce supplies. Production should rise in Nigeria as some new oil finds are developed, and production in non-OPEC areas such as Mexico and Alaska's North Slope is certain to climb next year.

Some observers note that even if OPEC does reduce its current production of 32 million barrels a day to 29 million, that could still be enough if world-wide demand is as stagnant next year as many forecasters expect. Some analysts believe there could even be a drop in prices by the spring as storage tanks reach capacity. With more oil reaching the market, rising OPEC prices "should abate," say oil analysts at Merrill Lynch, Pierce, Fenner & Smith. "The amount of oil available next year will be more than adequate to satisfy demand," the analysts say.

But the major oil companies and their customers remain gloomy about 1980. The oil consumers who are no longer being supplied with all their oil needs by the major companies are particularly anxious. OPEC producers increasingly are taking over the marketing of their oil from the "majors" because of the higher price they can command.

The majors pay OPEC's long-term contract prices in the range of $18 to $26 a barrel. But by selling directly to customers and cutting out the majors as suppliers, the OPEC producers can ask the much higher spot price for their oil. For example, last year Japan was getting 70% of its oil from the majors. By the end of this year it will be getting only 50%. The balance is being bought directly from Iran and other OPEC producers at prices that are reported to be as high as $42 a barrel.

Even at this price, Japan is buying as much oil as it can get, and it has acquired 20 oceangoing tankers in which to store its surplus oil. This has led to feverish activity in the spot market, and prices are being bid up to as much as $50 a barrel, by some reports. "The spot prices reflect uncertainty, not shortage," says a U.S. Energy Department analyst.

But no one is saying that there won't be a world-wide oil shortage beyond 1980. Some oil-industry people are convinced that OPEC's production has gone as high as the producers' governments are willing to allow. That suggests, they say, that OPEC will neither be willing nor able to supply additional oil as demand rebounds from next year's expected decline in consumption.

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

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MEMORANDUM FOR: THE PRESIDENT

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SUBJECT: President's Authority to Reduce Profits in the Petroleum Industry

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First of all, I support their plea that the options should be fully discussed before any of them are adopted. Moreover, I urge that before selecting a course of action, we gain a better understanding of why the oil company profits increased so much.

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With respect to all the other options, my initial reaction is to oppose them either as inconsistent with your energy policy, or as questionable action on their own merits. For example, slowing down the crude oil decontrol schedule or reimposing controls on petroleum products not only would begin to undermine a keystone of your courageously established energy plan, but also would adversely affect relations with our international partners. Indeed, an acceleration of decontrol -- if a "radical" departure from current policy is preferred -- might make the most sense, since the temporary inflationary shock might be positively offset by reduced hoarding and buildups in commercial crude oil stocks by the oil companies. As an excellent article in Friday's Wall Street Journal pointed out (copy attached), this apparent hoarding may be inducing an artificial shortage and driving up prices beyond reason.

Exclusive Government purchase of foreign oil, in my view, would require more and more complicated Federal bureaucracy, contrary to your policies of simplifying and cutting back the Federal role. It would also likely be a disaster, as the Government has no special expertise to assume this intricate task now performed by the oil companies. In this respect, I am reminded of the management problems we have had in implementing the Strategic Petroleum Reserve. Finally, specific actions against individual oil companies may be questionable from an equity standpoint and might well

be challenged on legal grounds. In any case, such actions would just add to the burdens of an already complex regulatory regime which you are trying to simplify and improve.

For all these reasons, I favor continuing your current strategy of publicly saying the high oil company profits are further justification for passing a strict windfall profits tax. In the meantime, Fred Kahn should use the COWPS process to thoroughly investigate the oil companies' profits and hold them within the guidelines.

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

November 3, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. McINTYRE, JR.

SUBJECT: President's Authority to Reduce Profits in the Petroleum Industry

I have reviewed the Schultze/Kahn memorandum on your options to reduce oil company profits through punitive action.

First of all, I support their plea that the options should be fully discussed before any of them are adopted. Moreover, I urge that before selecting a course of action, we gain a better understanding of why the oil company profits increased so much.

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THE WHITE HOUSE
WASHINGTON

06 NOv 79

Jack Watson
ARnie Miller

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

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

November 5, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON Jack
ARNIE MILLER

SUBJECT: California Debris Commission

A vacancy has occurred on the California Debris Commission for the representative from the Corps of Engineers. The Secretary of Defense has recommended Colonel Paul Frederick Kavanaugh, District Engineer for the Sacramento District, Corps of Engineers. This is a part-time Commission with members confirmed by the Senate.

RECOMMENDATION:

Nominate Colonel Paul Frederick Kavanaugh as a Member of the California Debris Commission.

✓ approve ______ disapprove

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

11 OCT 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Nomination for Membership, California Debris Commission

I recommend the nomination of Colonel Paul Frederick Kavanaugh, Corps of Engineers, to be a member of the California Debris Commission. This appointment will be in addition to Colonel Kavanaugh's primary assignment as District Engineer, United States Army Engineer District, Sacramento. Colonel Kavanaugh will succeed Colonel Donald M. O'Shei, formerly District Engineer, United States Army Engineer District, Sacramento, who has been reassigned. Colonel Kavanaugh is 45 years of age.

The Secretary of the Army and the Chief of Staff are in agreement with this appointment.

DEPUTY

Enclosure

RESUME OF SERVICE CAREER   As of 6 August 1979

of

PAUL FREDERICK KAVANAUGH, Colonel, 003-26-7792

DATE AND PLACE OF BIRTH: 19 August 1934, Boston, Massachusetts

YEARS OF ACTIVE COMMISSIONED SERVICE: Over 21

PRESENT ASSIGNMENT: District Engineer, United States Army Engineer District, Sacramento, since July 1979

MILITARY SCHOOLS ATTENDED
The Engineer School, Basic Course and Post Engineer Management Course
Marine Amphibious Warfare School
Armed Forces Staff College
Air War College

EDUCATIONAL DEGREES
Norwich University - BS Degree - Civil Engineering
Oklahoma State University - MS Degree - Civil Engineering

MAJOR PERMANENT DUTY ASSIGNMENTS (Last 10 years)	From	To
Assistant Division Engineer, 1st Cavalry Division, Vietnam	Jul 69	Apr 70
Nuclear Weapons Officer, Defense Intelligence Agency, Washington, DC	Apr 70	Aug 73
Commander, 84th Engineer Battalion (Construction), Schofield Barracks, Hawaii	Aug 73	Mar 75
Engineer Staff Officer, US Army Pacific Support Office, Defense Nuclear Agency, Honolulu, Hawaii	Mar 75	Jun 76
Chief, Concepts and Organization Branch, Combat Development and Force Modernization Division, Deputy Chief of Staff, Operations, USA Forces Command, Ft McPherson, GA	Jun 76	Jul 79

	DATES OF APPOINTMENT	
PROMOTIONS	Temporary	Permanent
2LT		21 Feb 58
1LT	21 Aug 59	21 Feb 61
CPT	21 Aug 62	21 Feb 65
MAJ	18 Nov 66	21 Feb 72
LTC	8 Nov 71	21 Feb 79
COL	12 Apr 79	

US DECORATIONS/BADGES
Bronze Star Medal (with 2 Oak Leaf Clusters)
Meritorious Service Medal
Air Medal (with 1 "V" device and the numeral 7)
Army Commendation Medal (with Oak Leaf Cluster)
Parachutist Badge

SOURCE OF COMMISSION: ROTC

REGISTERED ENGINEER: Oklahoma 65

... 3 to Incl 1 to MBP

THE WHITE HOUSE

WASHINGTON

November 5, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON Jack
ARNIE MILLER AM

SUBJ: National Council on the Arts

A vacancy exists on the National Council on the Arts for a term ending September 1980. Any member of the National Council is ineligible by law for reappointment.

Leonard L. Farber of Fort Lauderdale, Florida, has expressed interest in serving for this short term. He is a successful real estate developer who has specialized in shopping centers. He has been active in community affairs and is a member of the Fort Lauderdale Symphony Society and Vice Chairman of the Board of the Fort Lauderdale Art Museum. He is supported by Mrs. Mondale and Phil Wise.

RECOMMENDATION:

Nominate Leonard L. Farber as a Member of the National Council on the Arts.

✓ approve ____ disapprove

October 30, 1979

LEONARD L. FARBER

(Business Biography)

Leonard L. Farber, President of Leonard L. Farber Incorporated, is one of the most successful and most respected national figures in the real estate field. Although he is particularly well known for his activities in shopping center development and operations, since the early 1940's his business interests have incluced all phases of real estate.

During that period, in addition to other real estate activity, Mr. Farber has conceived and developed more than 33 shopping centers throughout the United States, each of which has attracted many national chain store tenants.

His residential projects include apartment developments, private home development and a motel.

ASSOCIATIONS AND ADDRESSES

As a result of his wide experience and in recognition of his professional capability, Mr. Farber has been elected to positions of leadership in some of the most prominent associations in the real estate field.

From 1957 to 1960, for example, he served as founding president of the International Council of Shopping Centers, and he continues as the only life member of its world-wide Board of Trustees. The membership of this organization exceeds 8,000, including virtually all the leading shopping center developers, chain store executives and mortgage lenders in the United States, and U.S. territories and Canada. Representing most of the shopping centers in North America, it is the acknowledged spokesman for the shopping center industry.

Mr. Farber was a member of the Board of Governors of The Real Estate Board of New York and was chairman of both its Shopping Center Committee and Sales Brokers Committee.

He also served on the Board of Directors of the Realty Foundation of New York and is a member of the New York State Association of Real Estate Boards and the National Association of Real Estate Boards.

LEONARD L.
FARBER
INCORPORATED
One Pompano Fashion Square, Pompano Beach, Florida 33062

Mr. Farber's prominence as a realtor has led him to leadership positions in community as well as professional organizations. In 1969 he was elected "Realty Man Of The Year" by the Real Estate Square Club of New York. In addition, he is a past chairman of the Greater New York Fund (Real Estate Division) and Boy Scouts of America Fund Drive (Real Estate Division), he also served as commander of the American Legion's Peter Minuit Post -- the real estate and banking post.

In addition, he has lent his leadership abilities to various charitable and cultural fund raising drives. In the early days of Brandeis University, Mr. Farber was honored and elected to the President's Council, and has recently been honored as a Brandeis Fellow. He has also served on various community funds. While in New York, Mr. Farber was the director of the Hartsdale Community Fund and the Carver Community Center, White Plains, New York. More recently he has served as a member of the Board of Directors of the Broward County Boys' Club, the Fort Lauderdale Symphony Society, Holy Cross Hospital. He is also the Vice President and on the Board of the Fort Lauderdale Art Museum, served as Board Member of the Broward County American Red Cross, fund raiser for the American Humane Society, and a number of other charitable and cultural organizations.

Mr. Farber is frequently invited to speak on the subjects of shopping centers, shopping center investment and urban renewal. He has, as a result, delivered major addresses on these subjects to governmental agencies and professional organizations throughout the nation.

He has lectured on shopping center development and investment at such educational institutions as the University of Georgia, University of Connecticut, City College of New York, University of Michigan, University of Arizona, New York University and Pratt Institute.

PROFESSIONAL BACKGROUND

Mr. Farber's real estate career--which spans almost 40 years--began at virtually the on-site management level.

In 1942, together with Frank Wittman, he opened a real estate brokerage and management firm under the name of Farber-Wittman, Inc. As a principal of that firm, he placed special emphasis on the development and expansion of its successful development department--with particular regard to shopping center development.

His corporate administration and areas of direct responsibility within the firm covered property management, brokerage, mortgage placement, commercial leasing and consultation, as well as various types of real estate development.

In 1958, with his existing staff of trained experts, he formed Leonard L. Farber Company, and proceeded with the expansion of his development program.

Since 1958, the company has developed shopping centers in California, New York, New Jersey, Connecticut, Virginia, Florida and in Mayaquez, Puerto Rico.

Mr. Farber's most recently developed major regional shopping centers are Pompano Fashion Square, Pompano Beach, Florida; Orlando Fashion Square, Orlando, Florida; Regency Square and Cloverleaf Mall in Richmond, Virginia and Valley Plaza Mall, Bakersfield, California.

The Farber Company presently has under redevelopment the GALLERIA at Fort Lauderdale (formerly Sunrise Shopping Center), which upon completion will include a major hotel, 1,400,000 square feet of retail area, including Saks Fifth Avenue, Neiman-Marcus, Jordan Marsh and Burdine's Department Stores. Also nearing completion is Charlottesville Fashion Square, a four department store center in Charlottesville, Virginia.

Mr. Farber was born and raised in New York City. He moved to Florida in 1970 and now resides in Fort Lauderdale with his wife Antje. Mr. Farber has four children -- Melinda, Robert, Peggy and Felicia.

During World War II, he served with the U.S. Army in the European Campaign and was awarded the Purple Heart as well as two Bronze Stars for bravery in action.

LEONARD L. FARBER INCORPORATED

One Pompano Fashion Square, Pompano Beach, Florida 33062

NATIONAL COUNCIL ON THE ARTS

National Foundation on the Arts and the Humanities
(National Endowment for the Arts)

AUTHORITY: P. L. 88-579, September 3, 1964
P. L. 89-209, September 29, 1965, Sec. 6
P. L. 91-346, July 20, 1970
P. L. 94-462, Sec. 103, 10/8/76

METHOD: Ex-officio & ~~appointed~~ nominated by the President

MEMBERS: Chairman of the National Endowment for the Arts
and
TWENTY-SIX members appointed by the President who shall be selected:

(1) from among private citizens of the United States who are widely recognized for their broad knowledge of, or expertise in, or for their profound interest in, the arts;
(2) so as to include practicing artists, civic cultural leaders, members of the museum profession, and others who are professionally engaged in the arts; and
(3) so as collectively to provide an appropriate distribution of membership among the major art fields.

CHAIRMAN: Chairman of the National Endowment for the Arts

TERM: SIX YEARS - terms of office shall be staggered. No member shall be eligible for reappointment during the two-year period following the expiration of his term. Any member appointed to fill a vacancy shall serve for the remainder of the term for which his predecessor was appointed. (NOT HOLDOVERS)

Continued - page 2

NATIONAL COUNCIL ON THE ARTS

National Foundation on the Arts and the Humanities
(National Endowment for the Arts)

SALARY: Fixed by the Chairman but not to exceed the per diem equivalent of the rate authorized for grade GS-18. Members shall be allowed travel expenses including per diem in lieu of subsistence.

PURPOSE: Advise the Chairman with respect to policies, programs, and procedures for carrying out his functions, duties, or responsibilities and review applications for financial assistance and make recommendations thereon to the Chairman. May submit an annual report to the President for transmittal to the Congress on or before the 15th day of January of each year.

THE WHITE HOUSE

WASHINGTON

06 Nov 79

The Vice President
Hamilton Jordan
Al McDonald
Jody Powell
Lloyd Cutler
Anne Wexler
Sarah Weddington
Hedley Donovan
Frank Moore
Jack Watson
Jim McINtyre
Alfred Kahn
Stu Eizenstat
Charlie Schultze

RE: CABINET SUMMARIES

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

Rick Hutcheson

EYES ONLY

ADMINISTRATIVELY CONFIDENTIAL

4946

Office of the Attorney General
Washington, D.C. 20530

Electrostatic Copy Made for Preservation Purposes

November 2, 1979

Principal Activities of the Department of Justice for the Week of October 27 through November 2

1. Meetings and Events

On October 31, 1979, the Attorney General met with the Attorney General's Advisory Committee of United States Attorneys.

2. Personnel

Lupe Salinas, a former Assistant United States Attorney for the Southern District of Texas, joined the Attorney General's staff as a Special Assistant.

3. Judicial Selection

There remain 21 judicial vacancies (5 under the new law and 16 regular vacancies) that have not yet been presented to the President for tentative approval. The Senate during this Congress has confirmed 115 judicial appointments (98 under the new law and 17 regular vacancies).

4. Chicago School Desegregation Case

HEW has referred to the Department its investigation of segregation in Chicago's public schools. The Civil Rights Division is reviewing the case for violations of Title VI of the Civil Rights Act of 1964, and is expected to make a recommendation to the Attorney General within 90 days.

5. Philadelphia Police Suit

Ruling that the Department of Justice lacks standing to sue, Judge J. William Ditter of the Eastern District of Pennsylvania dismissed the Department's constitutional claims in a suit brought against the City of Philadelphia for the actions of its police department. The issue of racial discrimination in a federally-funded program is still before the court. The Department is reviewing Judge Ditter's decision to determine whether an appeal should be taken at this time.

6. Freedom of Information Act -- National Security Agency

In Hayden and Fonda v. NSA, the United States Court of Appeals ruled that the National Security Agency did not have to give a detailed public explanation for its refusal to disclose documents sought under the Freedom of Information Act (FOIA). The court ruled that the sensitivity of NSA's activity justified reliance on classified affidavits submitted in camera, without the participation of the plaintiffs' counsel. The court also held there was no need for district court inspection of the requested documents where, by their nature, they fall within FOIA's exemptions.

7. Church of Scientology

Based upon stipulated evidence, nine Church of Scientology members were convicted by Judge Charles Richey of conspiracy to plant Church spies in government agencies, and of breaking into government offices.

8. FBI Murder Case

Melvin Guyon was found guilty of first degree murder and sentenced to life imprisonment for the August 9th slaying of an FBI agent in Cleveland.

9. Salaries of Federal Judges

Judge Herbert L. Will of the Northern District of Illinois has again filed a class action suit challenging Congressional pay legislation as violative of the Constitution, contending that the joint continuing resolution of October 12, 1979 diminished the compensation of federal judges during their terms of office. The resolution prohibited the expenditure of federal funds for salaries of high-ranking officials, members of Congress, and judges at a level more than 5.5% above "existing pay," and provided that the 5.5% increase "if accepted shall be in lieu of the 12.9% due for such fiscal year."

U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
WASHINGTON, D.C.
20210

C

November 2, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR Ray

SUBJECT: Major Departmental Activities
October 29 - November 2

Update on Oil Chemical and Atomic Workers negotiations. Last week I gave you a very general description of our preparations for this upcoming contract negotiation. You asked for some more detail and I would like to use this report to provide it.

The OCAW and the major oil companies were the first parties to negotiate under last year's pay standard. They negotiated a reasonable settlement that fell within the pay guideline. However, the agreement also included a reopener provision after the first year of the contract. Therefore, the OCAW will be free to strike on January 8, 1980.

Several developments over the past year will put substantial pressure on Robert Goss, the newly elected President of OCAW. These developments include his very close election as President, high settlements in other industries, particularly those with cost-of-living clauses, oil industry profits and the addition of new members to the OCAW Wage Policy Committee, which is the bargaining arm of the OCAW.

While the oil companies can continue to operate if struck and other essentially non-union companies such as Exxon will be unaffected, production will still be affected. Oil company representatives state that in the event of an industry strike production would be 80 to 90 percent of normal. This potential short-fall in gasoline production coupled with the public's sensitivity to what it perceives as a potential impact on heating fuel could increase public and political concern.

All of this indicates that the Government should be well prepared. I have already discussed these negotiations with Wayne Horvitz and Fred Kahn. In addition, the White House staff was alerted to this potential problem almost a month ago.

I plan to meet with John Dunlop on Tuesday, November 6 and will meet with Stu Eizenstat, Charlie Schultze, Wayne Horvitz, Fred Kahn and Charles Duncan or John Sawhill on Thursday, November 8. Our two most important objectives are to develop a clear governmental structure for the parties to deal with throughout the negotiations and secondly, to prepare contingency plans for a potential strike and short-fall in refinery production.

AFL-CIO Biennial convention (November 15-21). This event will be one of the most important labor events for the Administration in the next several months. For the past several weeks, I have been working with your staff and the members of the Carter Labor Committee. I think we will be well organized but I would like to underscore the importance of your speech to the Convention. I will send, under separate cover, my recommendations for your speech.

C

Department of Energy
Washington, D.C. 20585

November 2, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR.

SUBJECT: Weekly Activity Report
October 29 - November 2, 1979

1. Gasohol: We have issued a rule providing for entitlement to producers of alcohol for gasohol which should enhance near term production.

2. Mid-West Governors: Secretary Duncan met with 14 Governors from the mid-west to discuss their energy concerns. He also visited farms in Illinois and Iowa to review developments in the use of energy efficient farming techniques and progress in small scale and large scale gasohol production facilities.

3. International Situation: In coordination with the SCC Interagency Task Force, we are developing a series of domestic initiatives to respond to a possible oil supply interruption.

4. Alaska Gas Pipeline: Deputy Secretary Sawhill met with Canadian officials to discuss pipeline financing. The pipeline sponsors, the major gas producers and the State of Alaska have been briefed on the Exxon financing proposal. Next week we will meet with Governor Hammond of Alaska, and Mr. McMillian, who represents the pipeline sponsors.

5. <u>Kemeny Commission Report</u>: The ECC has established a working group, chaired by Under Secretary of Energy John Deutch and Frank Press, Director (OSTP), to review and provide guidance on the Kemeny Commission Report.

6. <u>Utility Oil Backout</u>: Final decisions are being made on the utility oil backout legislation and we hope to have the legislation drafted within ten days to two weeks.

THE WHITE HOUSE

WASHINGTON

November 3, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM: ALFRED E. KAHN Fred

SUBJECT: Weekly Activities Summary

Wage/Price Program

The Pay Advisory Committee met Monday, and began what will clearly be a long debate over what kind of standards (if any) they will support. I do not expect any real action by them until late November at the earliest. My collective bargaining experts tell me I must be patient. In the interim, we will administer the current pay program and make exceptions as necessary.

We published the revised price guidelines on Friday. We expect little publicity except in the technical press.

I have completed reviewing a list of candidates for the Price Advisory Committee and will send names to you on Monday.

Regulatory Reform

On Monday, I appeared in Chicago at the inauguration of Midway Airlines' expanded commuter service between Chicago's Midway Airport and three midwestern cities (at fares 25% to 50% below normal coach). I told a festive crowd I was wearing my Carter-Mondale button not to make a political statement but to underscore the historical fact that they have you to thank for this new evidence of the benefits of regulatory reform. I understand we got the lead story on the local NBC news ahead of Mayor Byrne, who cancelled her appearance at the last minute to make some vulgar political pronouncement elsewhere.

We are working on several additional fronts here. My staff is exploring with the Regulatory Council the possibility of asking the public directly for nominations of government programs for "sunset" treatment.

During the past three weeks, the Council has filed comments with EPA asking them to modify their water quality standards to take into account the uses to which the water would be put, and with the National Commission on Air Quality to suggest alternative ways of implementing the Clean Air Act's program for the prevention of significant deterioration. (For other filings, see "Energy," below.)

Communications

I testified at length this week before the House Communications Subcommittee on behalf of our reform proposals. In addition, my staff has been formally given the assignment of trying to resolve some of the major remaining issues in this area before coming to you for a final decision.

Energy

I have agreed with the members of EPG to meet privately with the American Petroleum Institute to see whether it would be possible to negotiate some price restraint, using the threat of stronger measures if necessary. Meanwhile my staff's analysis of DOE's refinery margin data underscores the fact that product prices have indeed gone up much more than the increased cost of crude oil would justify, and provides part of the explanation -- but only part. For example, we have a notion about what part of the expansion in refinery margins is explained by the purchase of higher-cost non-crude-oil feed stocks; but we cannot tell as yet how much of the rest is accounted for by purchases of refined products, let alone to what extent integrated companies are shipping their foreign-produced crude oil to their refineries abroad and then importing the products at uncontrolled prices.

The fourth quarter information we requested immediately is now coming in, and we will be holding a series of meetings this week with individual companies in search of answers to our many unresolved questions. I will report to you next week on our progress, or lack of it, to help decide where to go from here.

In the past three weeks, the Council has filed a series of comments with DOE on energy matters. We urged the FERC to deregulate unconventional natural gas in tight sands formations in hope of eliciting increased supplies. We also argued that the Department should not give extra entitlements benefits to Union Oil Company simply because they were paying high prices on the spot market. And this week we filed a series of comments on the Coal Conversion Program (Fuel Use Act). We suggested modifications to reflect changing world oil prices and the other recent changes in energy policy, and urged that the program be re-evaluated after several years to see whether it still made sense in a world of decontrolled prices.

Office of the
Administrator
of Veterans Affairs

Washington, D.C. 20420

Veterans
Administration

November 2, 1979

SERVING THE VETERAN FOR FIFTY YEARS 1930-1980 VETERANS ADMINISTRATION

TO : The President

THRU : Rick Hutcheson, Staff Secretary

FROM : Administrator of Veterans Affairs

VA Presidential Update - Special Item

Cemetery Sites -- We announced Ft. Gillem, Ga., and Ft. Custer, Mich., as sites selected for 2 new national cemeteries yesterday, and the reaction was very favorable. Even proponents of other sites received the news gracefully largely because I tried hard to touch all the bases during the selection process and in making the announcement.

Three sites were in contention in the southeast - Ft. Gillem, Ft. Mitchell, Ala., and Ft. Jackson, S.C. I personally visited each site in company with concerned Congressmen to let them have their visible day in court.

News of the selections was conveyed in a carefully orchestrated game plan. I met personally with Rep. Jack Brinkley, a champion of Ft. Mitchell who was instrumental in getting the House to pass legislation in favor of Mitchell. Brinkley accepted the Gillem decision in good grace, and accompanied me in a successful meeting with Rep. William Nichols who supported Ft. Mitchell. I also conveyed the Gillem selection news in personal phone calls to Georgia's two Senators, and we were in touch with Senator Strom Thurmond, an advocate of Ft. Jackson.

There was little opposition to the Ft. Custer site, and we helped arrange an announcement press conference for Reps. Bob Traxler, Howard E. Wolpe and Donald J. Albosta and Senator Riegle. The 4 solons were high in praise of the Administration for its action.

The national veteran organizations we notified were enthused about having 2 additional cemeteries and the tremendous progress we have made in expanding the cemetery system.

Ft. Gillem will be the regional cemetery for 8 southeastern states with a 4.5 million veteran population, and Ft. Custer, near Battle Creek, Mich., will be the regional cemetery for a 6 state area with a veteran population of 6 million veterans. Both are expected to be opened in late 1983.

DOD is expected to declare the Ft. Gillem site surplus. Ft. Custer will be acquired from GSA.

THE WHITE HOUSE
WASHINGTON

11/5/79

The First Lady

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

Rick Hutcheson

cc R.O.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

November 2, 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: WEEKLY REPORT OF HEW ACTIVITIES

Aid to Cambodian Refugees in Thailand. In response to the emergency situation facing the Cambodian people and the State Department's request for HEW assistance in meeting their immediate health needs, I took action immediately to reassign to Thailand four Public Health Service physicians who are now on assignment in Southeast Asia. I have also made two public health advisors available to assist on-site in Thailand. Both the physicians and the public health advisors are working through the International Committee of the Red Cross (ICRC) and the United States Embassy in Thailand

Also, as part of a World Health Organization (WHO) initiative to assist the Cambodian refugees', a Public Health Service physician and a WHO representative are now in Thailand to assess the refugees' health and welfare needs, particularly as these needs relate to the refugees' temporary placement in Thailand.

I am prepared to respond quickly and positively to further State Department requests to assign medical and/or public health personnel to assist during this emergency.

Chicago. Based upon the refusal of the Chicago School Board to agree to any substantive remedies to the segregated conditions of Chicago schools, I referred this case to the Justice Department on October 29.

Brooklyn Jewish Hospital. Agreement on the terms of a demonstration grant between HEW and the State and City of New York and area hospitals must be reached by November 24 or Brooklyn Jewish Hospital will face another cash flow crisis. We are working dilligently to secure such an agreement.

Welfare Reform. The House yesterday voted 202-181 to consider the Administration's Welfare Reform bill under a modified closed rule. Under this rule only one amendment will be permitted on the House floor. This amendment, which may be offered by Rep. Jeffords (R. Vt.), would allow persons over 65 and living alone to receive cash. I consider this a significant victory for the Administration.

Hospital Cost Containment. The House Rules Committee is scheduled to consider a rule for HCC on Wednesday, November 7. A modified closed rule is being sought by the House leadership. At issue is whether the rule should permit a vote or a motion to recommit the bill or, instead permit a separate vote on the Broyhill-Gradison substitute (voluntary-only program). Action on the House floor is expected the week of November 12.

Low Income Energy Assistance. House and Senate conferees have begun to meet to resolve differences in their respective versions of H.R. 4930, the FY 1980 Interior Appropriations and Related Agencies bill. Included in the Senate version of this bill is a provision to provide $1.2 billion through the Community Services Administration Energy Crisis Assistance Program (a six-fold increase) for the purpose of providing assistance to low-income families this winter. We have sent a letter to conferees urging quick action on this matter and recommending that they adopt instead the structural features of the program proposed by the Administration.

National Health Plan. The Senate Finance Committee continues its mark up meetings. They are currently considering catastrophic coverage. In addition, they will explore the possibility of fairly minor expansion of Medicaid coverage, possible block grants to the States, and the Administration's approach of universal coverage of all poor below 55 percent of poverty in the Federal Health Care Plan.

Patricia Roberts Harris

Patricia Roberts Harris

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

November 3, 1979

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: CEA Weekly Report

Housing

1. Lyle Gramley is now conducting an evaluation, with other EPG deputies, of the courses of action available to us to moderate the impact of tight money on housing. As soon as that evaluation is completed, it will be considered by the EPG principals, and you will receive recommendations.

2. One of the major factors potentially depressing housing construction is the existence in many states of usury laws that set ceilings below current mortgage interest rates. The Regulation Q bill, which recently passed the Senate (but on which the House has not acted), contains an amendment that overrides state usury laws. If the main bill does not pass in this session, I believe it would be very desirable to try attaching the override to some other bill, or to pass it on its own. I will initiate discussions with Jack Watson, Treasury, HUD and other interested parties to see what kind of contingency plans we can develop, and what booby traps, if any, we have to watch out for.

Oil

We are working with Ed Fried, DOE, and other agencies to develop analyses and arguments for Secretary Miller's trip to Saudi Arabia, and contingency plans in case of oil supply cutbacks next year. I have spoken with Henry Owen about the desirability -- after checking the facts and doing the relevant analysis -- of a very high-level approach to our major allies about the apparent scramble for petroleum stocks, which is bolstering prices of crude in the spot market and product prices generally, in the face of what is probably a weakening consumption trend.

In the United States itself, stocks are being built up at a very rapid pace. (The latest API-DOE numbers show an increase in primary stocks over the four weeks ending October 26 at a 1.4 million barrel a day rate.)

Alternative Economic Policies

As one part of an EPG review of economic policy choices, CEA is heading up a group to review and update our earlier analyses of various kinds of tax-based incomes policies. This includes the evaluation of an Arthur Okun suggestion that any business-oriented tax cut be available only to firms who observe the wage and price guidelines.

Regulatory Reform

I am testifying on Wednesday before the House Judiciary Committee on your Regulation Reform Bill. The Senate committees dealing with this subject have taken a lively interest in it, and a number of bills have been introduced, some consistent with and others at odds with the Administration's approach. My impression is that in the House our problem will be to generate interest from a Committee that has a "ho-hum" attitude.

THE WHITE HOUSE

WASHINGTON

11/5/79

Jim McIntyre

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

Rick Hutcheson

cc Jim
J

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

November 2, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. McINTYRE, JR. Jim

SUBJECT: OMB ACTIVITIES REPORT

Regulatory Reform and Paperwork Reduction: We expect the Senate committees to begin markup this month on our omnibus Regulation Reform Act. In the House, Representative Danielson has promised me he will hold several days of subcommittee hearings in November. I will give the opening testimony on November 7. As part of our paperwork reduction efforts, my staff testified this week on a bill we are now preparing to endorse. It would centralize all paperwork clearance authority in OMB, currently scattered among OMB, GAO and the departments. (The IRS and bank regulatory authorities are now exempt from any control.) We will also be scheduling the signing of your Paperwork Executive Order for the week of November 12. Senators Culver, Nelson, Chiles and Ribicoff and Representatives Brooks, Horton, Steed and others will be invited to attend.

Trade Reorganization: 30-day period for amending the plan expired on October 25. We are expecting the plan to be approved by the end of this month.

Expiration of Reorganization Authority: As you will recall, your Reorganization Authority expires next April. I believe it would be helpful to extend it, at least through October 1980. If you concur, I will begin exploratory discussions on this and other possibilities with Senator Ribicoff and Representative Brooks.

ok

<u>GSA Furniture Procedures</u>: I have been working with Admiral Freeman to improve GSA's furniture procurement practices, and to end the dumping of usable furniture that was reported in the press. Attached is a copy of a memorandum I have sent to the agencies to accelerate this effort to end any abuses.

Attachment

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

NOV 2 1979

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Inventory of the Four Commodity Classes of Furniture

Recent events have demonstrated the need to improve the management of office furniture by Federal agencies. As a result, the Inspectors General of the Federal agencies have launched an audit of inventory and management practices of the four furniture commodity classes under the leadership of the General Services Administration's Inspector General, Kurt Muellenberg. The inventory required by this review should be conducted as expeditiously and accurately as possible so that the General Services Administration can proceed with necessary procurements. I urge your prompt attention to this matter to ensure that appropriate priority and emphasis have been placed on early completion of this inventory.

Jim McIntyre

James T. McIntyre, Jr.
Director

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

(l

November 2, 1979

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

FARM PRICES Decline in October. Prices received by farmers declined about 2 percent from mid-September, as lower prices for cattle, hogs, soybeans, corn, broilers and calves contributed most to the decline. Higher prices for oranges, milk, grapefruit and wheat were partially offsetting. Prices paid by farmers increased nearly 1 percent during this period.

1980 OUTLOOK CONFERENCE. The Department's Annual Outlook Conference to assess conditions in 1980 will be held next week. The major topics of interest will center on the farm income prospects and forecasts of food price increases. The Department's analysts now foresee a sharp decline in net income, perhaps as much as 15 to 25 percent from this year's $32 billion. Gross receipts from crop and livestock commodities are expected to increase about 2.5 percent. Crop commodity receipts will be generally higher, while livestock receipts will be lower, due to lower hog and poultry prices as a result of large production. The decline in income stems primarily from the rapidly increasing production costs. Costs are increasing most rapidly for energy-based inputs--fuels, up 34 percent, fertilizer, up 18 percent--for borrowed capital, up 15 percent, and for machinery, feed and feeder livestock. Overall, production expenses will be 10 to 12 percent higher for 1980.

The rate of increase for food prices will be largely determined by conditions in the general economy and weather. The forecast range is 7 to 11 percent with the "most likely" now near the low end of the range. Cost increases in the processing and marketing sectors (labor, packaging, transportation, profits) will contribute 6 percent to food price increases. Imported foods and fish will add 1-1/2 percent, and raw farm product prices will add 1/2 percent. Weather observations and continued higher inflation will add to this forecasted increase.

Jim

JIM WILLIAMS
Acting Secretary

C

United States
Environmental Protection Agency
Washington, D.C. 20460

November 2, 1979

The Administrator

REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

There have been two recent developments concerning pesticides of which you should be aware:

--During the coming week, the International Chemical Workers Union is expected to hold a Washington press conference featuring male chemical-plant workers whose children have suffered severe birth defects. The union has indicated it will assert that the workers' exposure to chemicals led their children to suffer heart damage as embryos, and that at least three youngsters have died as a result.

Since learning of the situation, EPA and OSHA have been working to get at the source of the problem. The union has suggested that the herbicide Oryzalin may be to blame. Oryzalin, however, has not been associated with health problems of this kind in the past, so it may be that other products produced in the plant involved are responsible. In any case, we will work with the union in establishing the facts of the matter and in deciding on an appropriate course of action.

--We may be on our way to finding a resolution to the problem of controlling fire ants, which has been one of the most controversial pesticide issues EPA has had to deal with. As you are probably aware, EPA has banned Mirex because it may cause cancer and has proven lethal to shrimp and crabs as well as fire ants. That action has stirred a tremendous amount of resistance in the South, however. Even now, Dawson Mathis is trying to get Mirex exempted from EPA regulation.

Good
J

Now, American Cyanamid has come up with an alternative product that appears to be effective against fire ants on cropland where other alternatives to Mirex cannot be practically applied. In addition, preliminary data suggests the new product is not harmful to human health or the environment, if used properly. We have given the company permission to try out the product--which is mixed with corncob grits to form a bait--on 110,000 acres of cropland in nine southern states. If this year-long test shows that the product can be used safely, it could put an end to the long dispute over Mirex.

Doug

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

November 2, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM: Gus Speth Gus Speth
Jane Yarn

SUBJECT: Weekly Report

Response to Kemeny Commission Report. The general reaction is that the Kemeny Commission did an excellent job and that its report is an "indictment" of the nuclear industry and its regulators, a characterization with which Kemeny has expressly agreed. Citing the report, Congressman Udall, Senator Kennedy and Governor Brown have all (with some variation) called for a temporary halt in the issuance of new NRC construction permits. One of the Commission's leading recommendations -- the proposal to reorganize the NRC into the Executive Branch under a single Administrator -- has met with some skepticism on the Hill and in editorials in the New York Times and Washington Post.

Revised DOE Energy Forecasts. DOE has just reviewed and revised its NEP-II estimates of U.S. energy needs in the year 2000. Not only is overall energy demand now estimated to be 10% lower than the estimate provided a few months ago in the original NEP-II, but the revised estimates include no reliance on nuclear power in the year 2000 beyond the amount that would be provided by those plants already operating or under construction. The DOE revision has 9 quads of nuclear in the year 2000. This is about 150 gigawatts or about 160 actual plants.

Acid Rain Conference. I will be representing the Administration this weekend at an international conference in Toronto on the acid rain problem. The acidity of precipitation in the northeastern U.S. and Canada has been increasing due primarily to the increased emission of sulfur and nitrogen oxides from fossil fuel combustion on both sides of the border. There is good evidence that acid rainfall has destroyed the fishlife in hundreds of sensitive lakes in the U.S. and Canada, and scientists are concerned that agricultural and forest productivity may be reduced. The importance of the acid rain issue was recognized in your Environmental Message of August, which launched a 10-year research program and included seeking cooperative research efforts with Canada. The acid rain issue will surely come up in your discussions with Prime Minister Clark on November 9-10.

Office of the
Administrator
of Veterans Affairs

Washington, D.C. 20420

Veterans
Administration

November 2, 1979

TO : The President

THRU : Rick Hutcheson, Staff Secretary

FROM : Administrator of Veterans Affairs

VA Presidential Update

Lou Harris Survey - Your PRM of 10/10/78 directed VA to conduct a study of public attutudes toward Vietnam era veterans. I, in turn, commissioned a survey by Lou Harris and Associates, Inc. We now have for comment a draft report on the first part of the Harris findings. The report was gleaned from a telephone survey of 1,200 representative respondents. More major field studies will be conducted later by the Harris people.

We plan a media background briefing on the advance Harris report on Nov. 8 with a Nov. 11 actual release date.

I want you to be aware of some of the major findings before we go public. The survey indicates:

Most Americans now make a marked distinction between the Vietnam war and the veterans who fought that war. By better than 3 to 1, Americans repudiate the war itself; only 20% still cling to the belief that American involvement was right. By 63-32%, the public agrees "Vietnam veterans were made suckers, having to risk their lives in the wrong war in the wrong place at the wrong time." (Only 49% held this view in a Harris survey made for VA in 1971.)

Although distaste for the war is increasing, most people (74%) report favorable attitudes toward VEVs. In fact, veterans are more favorably perceived than the entire Vietnam generation by 74-62%, and 64% feel VEVs have been treated worse than veterans of earlier wars - (only 48% held this belief in 1971).

Major problems of VEVs are perceived by the public to be emotional or mental (56%); unemployment (39%); discrimination because of military service (26%); alcohol and drug abuse (22%) and alienation from society (17%).

Only in the areas of emotional problems and substance abuse does the public believe actual combat is mainly responsible. But they also believe combat enhanced the veterans' ability to cope with tough problems later in life.

For the most part, the public is aware of VA's major programs and regards them as absolutely essential or quite valuable.

Although only 41% of the public thought VA's performance was excellent or pretty good, households that included veterans gave VA higher marks, and the Harris people noted VA's favorable rating was higher than that for the Federal establishment as a whole.

These advance findings underscore the wisdom of the readjustment counseling legislation you finally obtained from Congress; provide fertile soil to further dispel the harsh stereotype portrayal of VEVs, and, most heartening of all, show the public is separating the warriors from the stain of the war.

Community WASHINGTON, D.C. 20506
Services Administration

C

MEMORANDUM TO THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez

SUBJECT: Weekly Report of Significant Agency Activities (October 29 - November 2, 1979)

ENERGY CRISIS ASSISTANCE PROGRAM (ECAP)

CSA has approved 38 State plans for administration of the ECAP funds. State plans are prepared and submitted by the Governor. Each State sets forth a plan for administering funds allocated to that State under the program. ECAP will provide crisis intervention relief to the poor and the elderly who face life threatening situations caused by the high cost of energy. It is expected that program operators will begin distributing funds on or about November 15 in States that have approved plans.

CSA has set aside 10 million dollars to aid Migrant and Seasonal Farmworkers who can not meet their energy bills and a second 10 million for Indians. This set aside is designed to meet the special needs of these groups.

ENERGY PROBLEM INFORMATION

The Community Services Administration distributed advance copies of a report entitled "Poor and Without Heat -- National Overview of Price and Supply-related Problems with Home Heating Sources Used by Low Income People". The report identifies the price and supply problems that the poor will encounter in obtaining home heating sources this winter and offers practical solutions to these problems. The report will soon be made available to Community leaders and government policymakers. This is the third companion document provided to local Community Action Agencies designed to help them organize people and resources to avert individual and community-wide crises during the coming winter.

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

November 2, 1979

C

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE DOLLAR AND THE MARKETS

- On balance, the dollar was relatively steady this week, declining slightly against the German mark but appreciating further against the Japanese yen and British sterling.

  - The Bank of England intervened to moderate sterling's decline following removal last week of the remaining U.K. exchange controls.

  - The yen continued its decline. An increase of one percent in the Bank of Japan's discount rate (to 6-1/4 percent) and the continued Japanese intervention in the market appear to have had little stabilizing effect.

- At our gold auction yesterday we sold the full 1.25 million ounces offered at an average price of $372.30 per ounce (total yield of $465.4 million). Our flexible auction techniques have apparently resulted in a dampening of speculative pressures in the gold market. (So far!)

- Stock prices posted small net gains on balance. Short term interest rates generally remained unchanged, while long-term rates edged slightly higher. Treasury will sell 2-1/2 and 3-1/2 year German mark-denominated notes (total value of 2.0 billion marks) in West Germany on November 5 and 6.

2. CHRYSLER

- I will be testifying before the House Banking, Finance and Urban Affairs Committee on November 7 and before the Senate Banking, Housing and Urban Affairs Committee on November 14 on the Administration proposal to provide $1.5 billion in Federal loan guarantees for Chrysler.

3. MEXICAN VEGETABLES

- On Monday, October 29, Treasury made a tentative determination that fresh winter vegetables from Mexico were not being sold in the U.S. at less than fair value.

- The final determination must be rendered by March 15, 1980, (under the new Trade Act) and will be made by the Commerce Department if it takes over the import remedy functions on January 1, 1980.

- The Florida growers have indicated their desire to challenge the determination in the courts. It is unlikely that the courts will take jurisdiction at this stage of the case.

4. WINDFALL PROFITS TAX

- The Senate is tentatively scheduled to take up the windfall profits tax proposal on Tuesday, November 13. We are preparing a series of briefings for Senate staffs prior to the beginning of floor action.

- Successful Senate action will require a bipartisan effort. Recent attacks on the Senate Finance Committee have created some resentment among those Senators who supported the Administration -- particularly Republicans.

- Because the Administration has recommended some exemptions and because there is little sentiment to tax new oil and tertiary, it will be impossible to raise an amount of revenue on the Senate floor which will equal the House bill.

5. MULTILATERAL DEVELOPMENT BANKS

- The House-Senate Conference on the FY-80 Foreign Aid Appropriations Bill considered the restrictive amendments on Thursday, November 1. The House receded to the Senate on the restrictive amendments after World Bank President McNamara sent a letter to Chairman Clarence Long indicating that the Bank would make no loans to Vietnam during FY '80.

Bill

G. William Miller

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

C

November 2, 1979

MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson, Staff Secretary

FROM : Neil Goldschmidt

SUBJECT: Significant Issues for the Week of October 29

ConRail - At the November 1 USRA Board Meeting I successfully presented the Administration's view that no additional funding should be provided ConRail in the FY81 budget. Despite a predisposition by virtually all other Board members to support an additional $300-$400 million and the absence of Treasury voting representation because of the pressing Chrysler issue, the issue was tabled in a closed session. This is a significant step in aligning USRA Board actions more closely with Administration fiscal policy. The eleven-member USRA Board agreed to defer consideration of additional funding until after receipt of the fourth quarter ConRail operating results, additional study of transferring part of ConRail to other lines, and a better sense of the final form of rail deregulation.

Milwaukee Railroad - The western half of the Milwaukee Road (Montana, Idaho, Washington) system was shut down by Court order effective 12:01 a.m., November 1. By the end of today, Congress likely will have passed legislation to keep the entire Milwaukee running through at least February 15, 1980. We have been able to modify some of the most objectionable provisions.

The Brotherhood of Railway and Airline Clerks notified the Railroad's Trustee of the possibility they may strike following enactment of the embargo, but passage of the legislation will probably forestall a strike.

Rock Island - The Reorganization Court has directed the Trustee to determine by December 10, 1979, if the railroad has a viable core system and is reorganizable or to present a plan for the orderly disposition of the railroad's assets. Presently, 90 percent of the Rock Island is operating under the directed service carrier and most employees on the payroll prior to the recent strike are back to work, handling about 55 percent of the pre-strike business.

Rail Regulatory Reform - Senator Cannon has introduced his version of rail deregulation legislation. I will testify on November 7 before the Senate Commerce Committee and will take a generally positive attitude toward the Committee's willingness to move on regulatory reform. However, I will cite specific deficiencies in the Committee's bill, specifically, inadequate contract rate provisions and the failure to deal with imbalances in the division of joint rates that exist between carriers (a joint rate feature is essential to reduce the need for government funding of ConRail).

FY 80 DOT Appropriations - The Senate passed our FY 80 Appropriations bill Thursday, paving the way for a conference next week. The Senate bill, excluding loan guarantees, is $175 million - or less than one percent - above our original request of $19.1 billion. The House bill is $723 million above our request which represents a four percent increase. The major differences are lower Senate figures for highway obligations and the transit program. In the latter instance, the Senate, with our support, anticipates a supplemental appropriation for FY 80 following passage of our energy transportation authorization.

Western Airlines Crash - Federal Aviation Administration officials are in Mexico City assisting Mexican international authorities in the investigation of the Western Airline DC-10 crash on Wednesday, October 31. Preliminary indications are that the crash was the result of human error, not mechanical malfunction. Under international treaty, Mexican authorities have primary responsibility for investigating the accident, but we will continue to assist them.

Prinair - Puerto Rican International Airlines has demonstrated its ability to comply with FAA safety requirements and thus are airborne as of October 29 with full restoration of commuter air service between Puerto Rico and the Virgin Islands.

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

November 2, 1979

C

MEMORANDUM FOR: The President
Attention: Rick Hutcheson, Staff Secretary

Subject: Weekly Report of Major Departmental Activities

Year-End Review Shows Significant FY '79 Accomplishments. HUD principal staff from both central office and the field met this week to review accomplishments during FY '79 and to compare these against performance goals set at the beginning of the year. We have been greatly encouraged by the achievement of goals in many areas. Highlights of our accomplishments include: (1) an all-time record in assisted housing starts with 175,119 units started into construction in 1979; (2) reservation of 98 percent of the contract authority for assisted housing and maintenance of approximately the same number of units reserved as in 1978, despite inflation; (3) commitment of 98 percent of the funds for the Community Development Block Grant Small Cities program, as compared to only 25 percent of funds committed in FY '78; (4) an almost doubling from the previous year of fair housing compliance reviews completed; and (5) substantive response within seven working days to 85 percent of all consumer complaints received.

Rewarding Good Urban Design. Urban environmental design -- through zoning, tax policy, social programming, capital projects and other programs -- will be vying for national attention under a new awards program which I have announced today. These awards, which will be made next spring, recognize superior physical development along with the decision making processes and design administration that must preceed successful development.

HUD Report Reviews Crime In Public Housing Projects. According to a report released by the Department earlier this week, the quality of life experienced by public housing residents is reduced more by crime and the fear of crime than by any other social problem. Noting that crime rates in public housing complexes are from five to ten times higher than the national average, the report examines the factors contributing to crime in public housing and the crime reduction approaches recently undertaken in urban neighborhoods.

Key Vacancies Filled. Victor Marrero, the new Under Secretary-designate of the Department, participated in a meeting and get acquainted session with HUD principal staff this week. On Monday, I announced the appointment of Gene Russell, veteran press officer for the U.S. Conference of Mayors, as Assistant to the Secretary for Public Affairs.

Moon

Moon Landrieu

THE WHITE HOUSE
WASHINGTON

To Bill Miller

Be firm -

J. C.

Chrysler Aid Quest: Theater of Absurd?

By Robert J. Samuelson

When your company is on the brink of bankruptcy, do you give your workers a one-third wage increase over three years? You do if you're the Chrysler Corp. and your workers belong to the United Auto Workers.

Scarcely before it has begun, Chrysler's quest for federal financial assistance has become theater of the absurd. What Congress is being asked to approve is a program that raises car prices, perpetuates inflation and makes it more expensive for Americans to buy fuel-efficient cars.

No one really disagrees that a Chrysler bankruptcy would be a social and economic calamity. Somewhere between 150,000 and 500,000 workers would probably lose their jobs immediately, and only the most reckless forecaster can say how easily they could be re-employed. Nor does anyone really disagree that a federal bail-out of Chrysler would constitute a bad precedent, encouraging all sorts of other industries—each in its own way—to seek government relief.

ECONOMIC FOCUS

But the Carter Administration, by evading the basic issues raised by Chrysler's request, has not forced the company and its union to do all in their power to minimize the need for federal assistance. At the same time, this ineptness or cowardice has made it more likely that any Chrysler package will be excessively costly and face uncertain prospects of success.

The basic issues are plain enough. To preserve our mobility and limit our dependence on foreign oil, we clearly need to convert our 117-million-auto fleet to more-fuel-efficient vehicles. In the fall of 1980, Chrysler plans to introduce a new line of compact cars with significant mileage gains (seven miles per gallon) over current models. Chrysler could then produce about 800,000 cars annually with 4-cylinder engines. We need those cars; a bankruptcy would jeopardize their production.

A second basic issue involves the relationship among wages, jobs and inflation. The reason why recessions no longer reduce inflation much is that they don't reduce wage pressures much. People expect the slowdown to be short-lived. Even if the permanent level of unemployment rises slightly, most workers aren't affected. We need to re-establish the connection in people's minds between wage demands and jobs.

Chrysler joins the two issues. The severity of its cash squeeze partially reflects the slump in car sales, but if Chrysler needs to sell more cars, America needs to buy them. Even today's models almost invariably get significantly better fuel mileage than the vehicles they replace, and replacement represents two-thirds or more of car demand.

But you do not sell cars by raising their prices, which is precisely what Chrysler, Ford and General Motors are doing. Nor can you keep prices down by increasing labor costs 10 percent or more annually.

Chrysler is simply the prototype of a more general problem for the automobile industry. As the companies attempt to recoup massive retooling investments needed for fuel-efficient cars, their prices threaten to rise even further. At the same time, the conditons underlying the 1976-78 car-buying boom probably won't recur: easy credit (automakers liberalized their credit terms after the 1974-75 recession) and sharply rising "real" personal income.

Together, these factors impel people to hold on to their cars. Stagnant sales then inhibit the companies from generating more investment funds for further retooling. Small wonedr that General Motors Chairman Thomas A. Murphy or that Ford is making noises about quotas against Japanese imports. Both want more market share to neutralize these pressures.

Holding down labor expenses (about one-third of total production

See FOCUS, D8, Col. 1

Samuelson writes regularly on economic affairs for National Journal, from which this [illegible] is reprinted.

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In an ter the GM said special y share on share less
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Iran Seno Dowr

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NEW YOR Iran and the suspension of that na ion to the stock ma its lightest tra
Iranian stud cupy the U.S. e took over the and U.S. consu ies.
The Dow Jon fell 6.31 points t Declining issu by a 5-2 margi Stock Exchange, posite index of .38 point to 57.81
Volume on the tepid 20.47 million trading since ar day Jan. 2.
Nationwide tur issues, including stocks on region the over-the-coun 23.21 million sha
Oil stocks, whi leaders in recer most-active list though a tighte probably would by raising petrc
Standard Oil most active iss ¼ point

Gary Smith, Ch of Staff
Bob Grahams

THE WHITE HOUSE
WASHINGTON

12/8

November 6, 1979

Mr. President:

Lewis Lambert called for you. He said you told him to call if he needed any help and he has a request to make.

PHIL

10:45 a.m.

VP Lunch 11-6-79

Iran

Cambodia - DeHann - Hartling HC

Strauss / Linowitz

H. Hughes → Thai - Copter

Culver re SALT / DOD Budget

ok on Des Moines debate

Intel Charter move early '80

Canada - Commission

Steelworkers

UAW - Chrysler

lunch with vice presidnet 11/6/79

CONGRESSIONAL QUARTERLY

Weekly Report

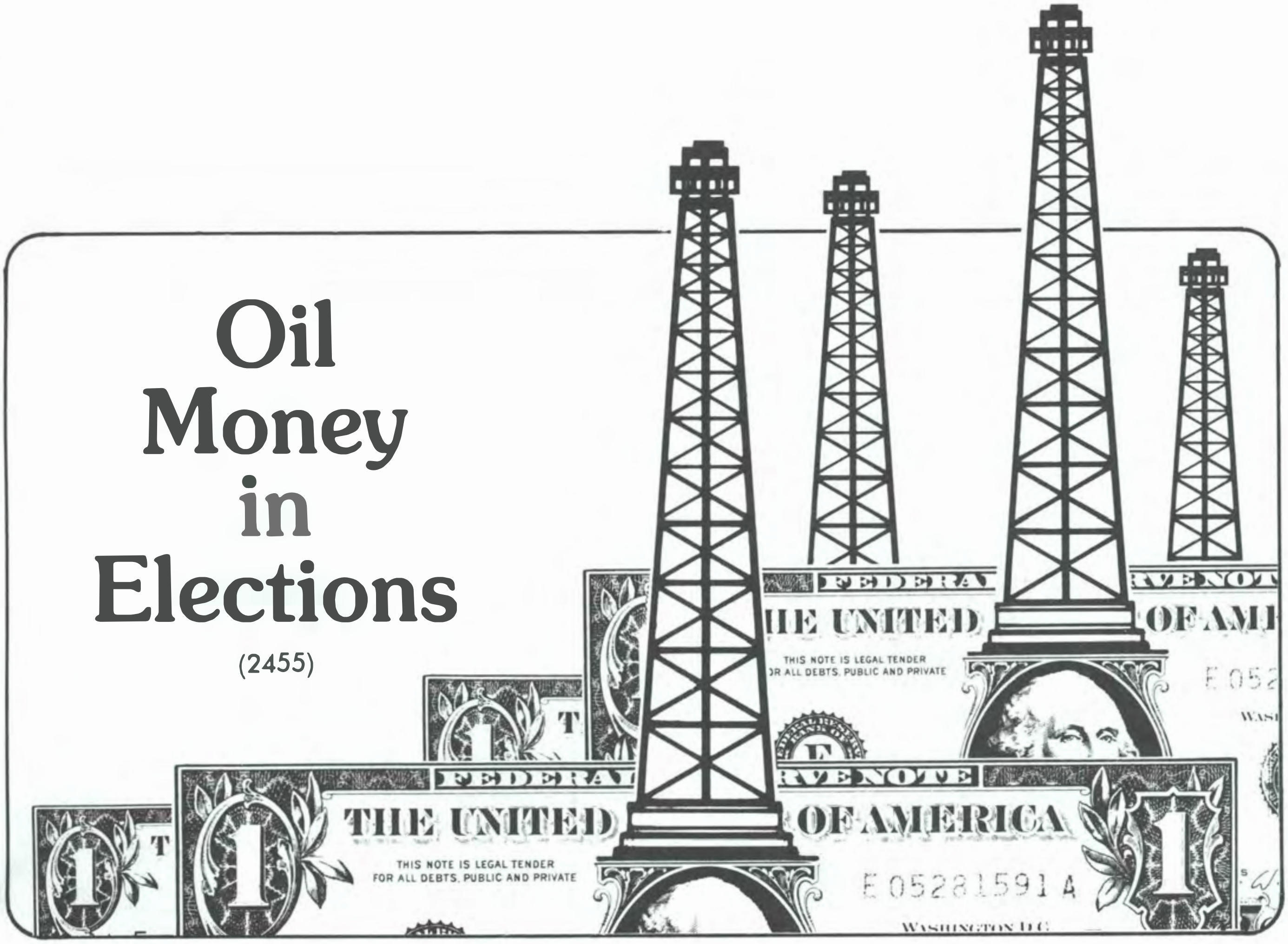
Vol. 37, No. 44 • Pages 2445-2508 • Nov. 3, 1979

Energy 'Fast Track' (2447)

Anderson Profile (2467)

Oil Money in Elections

(2455)



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Major Legislative Action