

**12/18/79 [1]**

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THE WHITE HOUSE

WASHINGTON

December 17, 1979

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MEMORANDUM TO: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
SUBJECT: DEPARTMENT OF LABOR BUDGET APPEAL

You are scheduled to meet Monday afternoon with Secretary Marshall to hear his appeal on several issues related to the Department of Labor's budget. Among the issues DOL and OMB have agreed to discuss are:

- o staffing;
- o public service employment levels;
- o advanced appropriations;
- o support for national programs; and
- o extended unemployment benefits.

In addition the Secretary would like to discuss with you a proposal recently presented to the EPG for a \$50 million pilot program to test out alternative ways to deal with dislocated workers. Our findings and recommendations on youth employment will be discussed later in the week.

I want to share with you my recommendations on these issues.

Staffing

The Department is asking for an additional 1,252 full-time positions above the OMB mark for 1980 and 1981. About half of this request (573 positions) is for the Employment and Training Administration (ETA) -- the agency in DOL whose responsibilities include CETA, youth programs, unemployment insurance programs, and the Veteran's Employment Service.

I strongly believe that the Department's appeal for additional positions for ETA should be favorably considered. In the last ten years, the budget for employment and training programs has increased almost ten fold, going from \$1.3 billion in 1969 to \$11.9 billion

in 1980. Most of that growth has occurred under this administration. Since 1977, we have increased expenditures for CETA programs by more than 100 percent. This increase in dollars has been for a number of new Carter administration programs including economic stimulus, youth demonstrations, the Private Sector Initiative, Targeted Tax Credit, welfare reform, and the 1978 CETA amendments.

This expansion in resources and programs has been accompanied by declining numbers of staff. There are fewer staff now than there were 10 years ago, and OMB's mark increases that differential.

We have been criticized in the press and on the Hill for inadequate management and oversight CETA programs. The Department of Labor has taken a number of steps to correct those problems. OMB proposes to strengthen these management efforts by reallocating staff within ETA. Their recommendations include cutting 140 positions assigned to the Job Corps and other youth programs. This proposal comes at a time when we are likely to go forward with a major new youth employment initiative that will require adequate staffing if it is to be well managed and carefully implemented.

I am convinced that the proposed cuts would be detrimental both politically (Congressman Perkins is an old friend of Job Corps and he is key to the success of our youth proposals) and to further improving management of ETA's programs.

#### PSE Levels

I support the Departments request that PSE be considered separately from youth. Our youth proposals will not be publically credible if they are financed with cuts in other jobs programs, particularly as unemployment begins to rise. There must be sufficient budget authority to support 450,000 PSE jobs. Decisions on additional counter-cyclical PSE jobs can be considered as part of any economic stimulus package.

#### Advanced Appropriations

The Department is requesting advanced appropriations for a number of the CETA programs on the grounds that overall planning and management would be substantially improved if prime sponsors had some assurance of future funding levels. OMB argues that granting this request further reduces your discretion over the budget.

The issue of advanced appropriations will also be brought to you for decision in the Youth PRM. There is a particularly strong argument to be made for advanced funding for youth employment programs. Education programs have traditionally had this authority. Careful local planning between CETA sponsors and school systems would be greatly enhanced if the authority were extended to youth programs. I recommend that you consider approving advanced funding for Department of Labor youth programs when you take up our recommendations in the PRM.

#### National Programs

DOL is asking for an additional \$30 million in discretionary funds for various research, demonstration, technical assistance, and management improvement programs. As part of our efforts to improve the management of the CETA system I support the Department's request for \$10 million to fund a new management information system.

#### Extended Unemployment Benefits Trigger

Implementing the proposed administrative changes in the extended benefits trigger will produce an outcry from the AFL-CIO if they are introduced now as unemployment begins to rise. While the savings in outlays (\$435 million in 1980 & \$344 million in 1981) are significant, the ill-will that they will generate is not a price worth paying. I recommend delaying implementation of these changes until December 1980, if it is done at all.

#### Dislocation Pilot Program

I recommend that you favorably consider the \$50 million DOL is requesting to test alternatives for assisting workers adversely affected by changes in our economy. We need to find alternatives to our present dislocation policies (primarily trade adjustment assistance) which are extremely expensive and provide no real gains for workers. There is evidence that economic dislocation is likely to increase in the 1980s. But there will also be job openings in new and emerging industries. This proposal would utilize our employment training system to retrain unemployed workers for these new jobs. Similar programs have been tried in Germany and Japan with great success and account in part for the highly skilled work force these countries have developed.

8:00 AM

THE WHITE HOUSE

WASHINGTON

ADMINISTRATIVELY CONFIDENTIAL

CONGRESSIONAL LEADERSHIP BREAKFAST

December 18, 1979

8:00 a.m.  
State Dining Room

From: Frank Moore

I. PRESS PLAN

White House Photographer.

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II. PARTICIPANTS

See attached list.

III. INTRODUCTION

As you know, this is the last Leadership Breakfast before the holidays. You will need to touch briefly on a variety of items urging the Leadership to press forward on each of them.

IV. AGENDA

A. Windfall Profits Tax

Background

The Senate voted for cloture (84-14) Monday afternoon. The Senate should finish with the bill Monday night. If this occurs the conference will convene Wednesday at 2:00 p.m. It is possible they will complete their work before the Congress recesses.

Talking Points

- o I understand that there are rumors circulating and numbers being mentioned (\$205 billion, \$210 billion, \$215 billion, but do not mention the specific numbers) that some think would be acceptable. These numbers are not acceptable.

CONGRESSIONAL LEADERSHIP BREAKFAST

Tuesday, December 14, 1979

PARTICIPANTS

The President

Senator Robert C. Byrd  
Senator Alan Cranston  
Senator Daniel Inouye  
Senator Warren G. Magnuson  
Senator Russell Long

Speaker Thomas P. O'Neill, Jr.  
Congressman James Wright  
Congressman John Brademas  
Congressman Daniel Rostenkowski  
Congressman Thomas Foley  
Congresswoman Shirley Chisholm  
Congressman Al Ullman

Secretary William G. Miller  
Secretary Charles Duncan  
Deputy Secretary John Sawhill

Stu Eizenstat  
Hamilton Jordan  
Zbig Brzezinski  
Jim McIntyre  
Alonzo McDonald  
John White  
Bill Smith  
Frank Moore  
Bill Cable  
Dan Tate  
Valerie Pinson

- o Using the Senate Finance Committee assumptions, the bill I originally proposed would have brought in almost \$300 billion. The House passed bill using the Senate Finance Committee assumptions would have brought in approximately \$275 billion. The Senate bill brings in only \$175 billion. I can see no reason why, in the tradition of conference committee negotiations, the bill could not come at least half way between the House and Senate versions.
- o I want a bill as soon as possible, and by as soon as possible I mean before the end of the session. However, I do not want you to misinterpret my desires, I will not accept just any bill. I do not want you to feel that a weak bill completed before Christmas would be acceptable to me.
- o My crude oil decontrol plan was premised on Congressional passage of a strong WPT. On January 1, the decontrol schedule begins to accelerate. I deliberately designed the schedule this way in order to provide the Congress with enough time to put a strong WPT in place. This has given you nine full months to work on the Tax. It is imperative that your work on the Tax be completed so that windfalls resulting from the acceleration of the schedule not occur.
- o I have asked Secretaries Miller and Duncan to form a Task Force to present the options available to me in the event a strong Windfall Profits Tax is not passed by Congress.
- o Mr. Speaker, Mr. Chairman the single most important act that you can perform is to appoint conferees who are sympathetic to a strong windfall tax.

B. EMB/ESC

It is now clear that the most we can expect this year from the synfuels conference is conceptual agreement on the synthetic fuels Title and Defense Production Act Title. The EMB conference, on the other hand, could produce a bill for your signature, if Dingell was willing to compromise.

We recommend that you prepare to take a more active role in the EMB conference. You should solicit the advice of the Leadership about how to do this today. We, of course, have our own ideas and strategy, but it will be useful to get the thoughts of the Leadership about tactics.

You should continue to push hard for the synfuel bill, but offer to get actively involved in the EMB conference in order to help them finish in the next few days.

You should not be hesitant in asking the Leadership specifically what they plan to do to help get these bills finished.

FYI - Stu, Secretary Duncan and I will be ready to meet with you before the breakfast to discuss strategy.

C. Countercyclical/Targeted Fiscal Assistance

Since this legislation has been held over until next session you should urge the House Leadership to take it up as one of the first items in January. In fact, you should ask for a firm commitment from them that this will be done.

D. Chrysler

Background

Scheduled for House floor action today (Tuesday). Though the Whip count on the Moorhead amendment (\$400 million employee contribution) is soft -- we can count as with us about 170 Democrats -- we are moving ahead because of the urgency of the company's situation. If we get the 40-45 Republicans promised by the outside lobbying groups, the bill will pass.

Talking Points

- o I appreciate the Speaker's and the Majority Leader's commitment to finish this legislation before Christmas. Chrysler's statement last week that they can't make it beyond mid-January without aid makes passage this week imperative.
- o If questions arise about Administration leadership on the selling of the Chrysler legislation you should again say that your spokesman on this issue is Secretary Miller and that he is taking an increasingly active role. You might also mention that the Vice President has been personally involved and will continue to work for passage of the bill this week.
- o You should not comment on the various compromise proposals. (As you know the \$400 million employee contribution is as high as the UAW says it can go with any hope of ratification).

THE WHITE HOUSE  
WASHINGTON  
18 Dec 79

Jack Watson  
Stu Eizenstat

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

Rick Hutcheson

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

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

	ADMIN CONFID
	CONFIDENTIAL
	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

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THE WHITE HOUSE  
WASHINGTON

December 17, 1979

Mr. President --

The attachment to this memorandum is very long. You do not need to read it all. We would like to have your approval of the draft cover letter. The policy itself is described in the first 10 pages; the remainder includes a great deal of programmatic detail.

--Stu

*Jack, She  
of Pooker ok - Orchestrate  
Supportive statements re announcement -  
ps "New initiative" is  
redundant -*

THE WHITE HOUSE

WASHINGTON

December 17, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: JACK WATSON  
STU EIZENSTAT  
SUBJECT: Rural Policy Announcement

As you know, we have been working on an Administration rural policy for several months. Our emphasis has been on preparing a general policy statement that would complement the several rural program initiatives we have announced over the past year. We are putting the final touches on this statement and have scheduled an announcement for next Thursday, December 20th at 2:30 p.m. in Room 450 of the Old Executive Office Building. This memorandum summarizes key components of the proposed announcement and asks for your concurrence.

In preparation for this policy statement, the two of us conducted a series of meetings with interested Members of Congress, Governors, and representatives of public and private interest groups to solicit their suggestions. We explained to them that this policy would not involve large expenditures of money. Rather, we indicated that the policy would focus on improving the responsiveness of the Federal Government to rural needs and on improving the effectiveness of program delivery in rural areas. This approach has been well received, much better than one might have expected, and interest in the policy statement is high. In response to our invitation, we received a large number of constructive suggestions.

Politically, we believe this is a very important announcement. Over the years, constituency interest in rural development has grown. Although it remains a rather amorphous and highly diverse constituency, within the past 3 or 4 years it has acquired a more forceful, better coordinated, and, therefore, more effective public presence. This is reflected in the creation of several new organizations, including the Rural Coalition, Rural America, the Southern Rural Policy Congress, the National Rural Center, and the Congressional Rural Caucus. Most of the public interest groups, such as the National Governors Association and the National Association of Counties, have also formed rural committees or task forces.

While these groups are becoming more confident of their ability to organize and give voice to their needs, they continue to believe that many of our nation's major institutions (public and private) either overlook their interests or do not understand them. In a word, the rural constituency feels neglected. Their most important accomplishment to date has been the Rural Development Act of 1972, a legislative measure championed by Hubert Humphrey. This authority was pressed on a generally unsympathetic Nixon Administration. The actions of this Administration have begun to give the rural constituency hope that this long-standing neglect is about to be corrected. But they remain apprehensive. More than anything else, they are asking that we institutionalize an understanding of and concern for the problems of rural America. If that can be provided, we believe this policy will be viewed as a singularly important achievement. We also believe that you will be seen as the first President in recent times to have accorded rural development the recognition it deserves.

### The Rural Policy

Next week's announcement will be tied to two documents:

- \* A Policy Statement -- This 8 to 10 page paper will briefly describe the economic and social condition of rural areas, their special needs, the major rural development goals and principles of this Administration, and how we propose to implement this policy.
- \* An Action Agenda -- This is a list of specific actions that the Administration agrees to undertake. These actions are categorized by a combination of the goals that are set forth in the policy statement and functional topics (e.g. housing, health, education, water and sewer, etc.). To complete the record, we have also noted actions already taken by this Administration.

Copies of the most recent drafts of both documents are appended. We are also attaching a more detailed assessment of some of the major economic and demographic trends that are affecting rural America. The latter document was prepared for background purposes. We have cleared these documents with the relevant agencies and with OMB.

The most critical elements of this policy announcement are:

- o the policy principles;
- o the action agenda; and
- o the organizational and procedural changes.

### Policy Principles

These principles, which are consistent with the principles you announced earlier regarding the Urban Policy, emphasize program actions that:

- Recognize local priorities and facilitate local decision-making;
- Complement state-local development plans and priorities;
- Help leverage private sector investments in support of rural development programs;
- Target federal assistance to disadvantaged persons and distressed communities;
- Improve the accessibility and relevance of these programs to rural people; and
- Provide local people and their leaders with the assistance needed for effective community decisionmaking and development efforts.

### Action Agenda

The purpose of the action agenda is to pull together in one place the Administration's major programmatic initiatives affecting rural areas. It will also provide a useful point of reference for determining rural program priorities, making them known, and monitoring their progress. At present, it is difficult to give common direction and emphasis to these programs because so many different agencies are involved. Absent some institutionalized means of drawing them together, we fear they will continue to be operated independently and with too little attention to their possible inter-relationships. We believe that a rural action agenda can effectively serve as a point of convergence in guiding future policy. The agenda that we are proposing for inclusion in the Thursday announcement is but the first of what we hope will be many editions. It is based on the comments and suggestions we have collected from many quarters over the past two years.

### Organizational and Procedural Changes

To many of the outside interests, this is the most important part of the entire announcement. We had originally intended this to be a relatively minor part of the overall announcement. Yet, as we sought advice from various constituent groups, it became clear that they regard this as extremely important.

They want tangible evidence that we will more effectively coordinate and direct rural programs, and that the effort will be government-wide. Some preferred that this be done from the White House but we responded that this was neither feasible nor desirable. This led us to a position of reinforcing the lead role that the Department of Agriculture already has under the Rural Development Act of 1972. Unfortunately, the Department has never had the institutional muscle to make this system work. We propose to remedy that with this policy. It would do so by the following actions:

- \* Create a position of Under Secretary of Agriculture for Small Community and Rural Development.
- \* Upgrade the mission and organization of the Assistant Secretaries Working Group on Rural Development. The Group would be co-chaired by the new Under Secretary and your Assistant for Intergovernmental Affairs and Secretary to the Cabinet.
- \* Direct the Secretary of Agriculture to appoint an advisory council to monitor policy implementation and advise him on needed changes.
- \* Invite the nation's Governors to establish State Rural Development Councils through which joint federal-state development activities could be more effectively planned and executed.
- \* Create an annual reporting procedure through which the Working Group can advise you of their progress and offer recommendations.
- \* Direct the heads of relevant agencies to assign policy responsibility within their respective units for implementation of this policy.

OMB asked us to note their concern over creation of a position of Under Secretary of Agriculture for Rural Development. Although they understand the strong political arguments for creating this position, they see it adding to the general escalation of titles and positions throughout the government, and to the general depreciation of the position of assistant secretary. The Department of Agriculture and Commerce have each acquired an Under Secretary position within the past year; a legislative proposal to create an Under Secretary of Commerce for Economic Development is now pending, although passage is uncertain. OMB also questioned the operational effectiveness of the proposed position, especially if it lacks direct line authority over programs.

Although we share OMB's concern over the escalation of titles, we believe this is one of the few situations where there is a legitimate and compelling case for an elevated position. Rural development is a government-wide activity. If it is to be coordinated primarily through the Department of Agriculture (as we believe it should and the Rural Development Act of 1972 requires), a position of stature and authority is absolutely essential. Experience of the past two years has demonstrated that an assistant secretary is not able to effectively coordinate his peers. Secretary Bergland has agreed to this upgrading of the rural development portion within his Department. Without this, the rural policy announcement (already very short of new funds) will suffer greatly.

And, as noted above, the rural constituency groups have come to understand this. As a result, they have told us directly and forcefully that what they most want is an Under Secretary of Agriculture position.

If you concur with the general outlines of this policy, we will proceed to prepare it along the lines described above.

DECISION

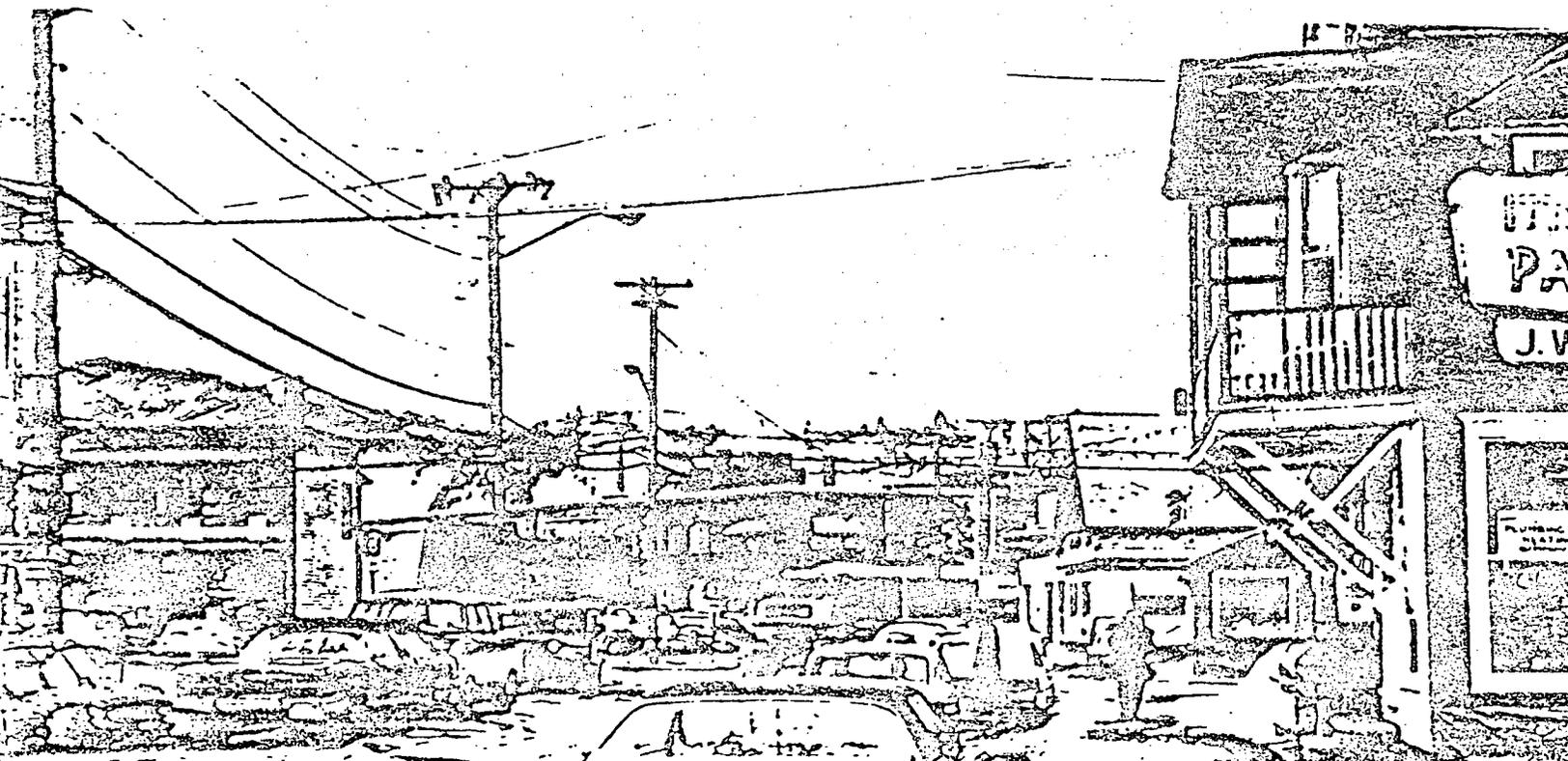
Approve  
 Disapprove

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THE CARTER ADMINISTRATION

# SMALL COMMUNITY AND RURAL DEVELOPMENT POLICY

20,  
DECEMBER, 1979

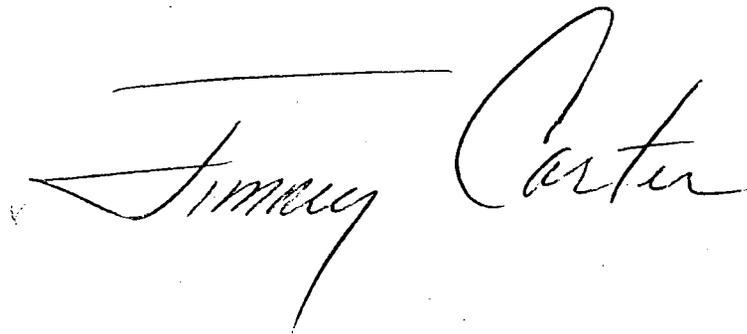


It is with great personal satisfaction that I announce today my Small Community and Rural Development Policy. I believe it reflects a change in both the programs and the attitudes of the federal government as we seek solutions for the kinds of problems I have seen all my life, growing up and living in a rural area.

We have long needed to translate generalized concerns about rural problems into a set of specific goals, principles, programs, and mechanisms for effective implementation. Building on the many rural initiatives launched during the past two-and-a-half years, this policy provides a clear purpose and a clear program of action for addressing important small community and rural needs, and for managing the profound demographic and economic changes that are taking place in rural America.

Built into this policy is the recognition that rural Americans have extraordinary creativity, dedication, and perseverance. The role of the federal government should be to encourage and support the resources and resourcefulness of rural America and to be the partner of its local leaders.

Nowhere is the sense of partnership, neighborliness, and shared responsibility more evidenced than in the communities all across rural America. That is why I am optimistic about the future of this nation and the future of rural and small town America. In many ways, working together and combining our strengths and resources, we can build a better life for all Americans, urban and rural.

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink on a white background. The first name "Jimmy" is written in a slightly larger, more prominent hand than the last name "Carter".



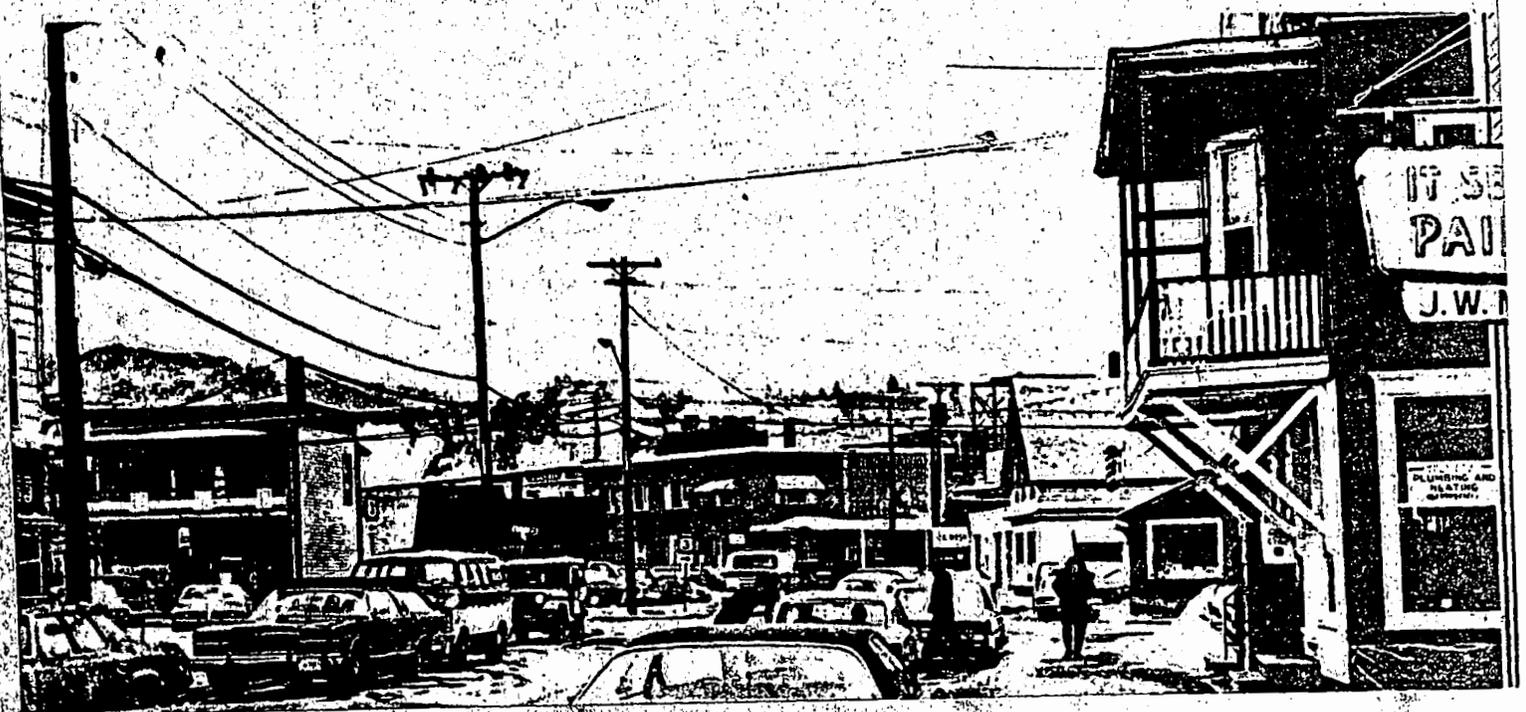
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The White House  
**RURAL DEVELOPMENT BACKGROUND PAPER**

# **SOCIAL AND ECONOMIC TRENDS IN RURAL AMERICA**

OCTOBER, 1979

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THE WHITE HOUSE

WASHINGTON

18 Dec 79

Frank Moore

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
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	IMMEDIATE TURNAROUND
	NO DEADLINE
	FOR APPROPRIATE HANDLING
	LAST DAY FOR ACTION

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	CONFIDENTIAL
	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

9:30 AM

Frank  
J

THE WHITE HOUSE  
WASHINGTON

MEETING WITH SENATOR DAVID PRYOR

Tuesday, December 18, 1979  
9:30 a.m. (30 minutes)  
The Oval Office

From: Frank Moore

*F.M.*

**Electrostatic Copy Made  
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I. PURPOSE

To discuss SALT

II. PERSONAL INFORMATION, PARTICIPANTS, PRESS ARRANGEMENTS

A. Personal Information

Wife's Name: Barbara

Children: David, Jr.  
Mark  
Scott

Home Town: Hot Springs, Arkansas

Committee Assignments:

Agriculture, Nutrition, and Forestry (9)  
Governmental Affairs (8)  
Special Committee on Aging (5)

B. Participants: Senator David H. Pryor (D-Arkansas)

C. Press Arrangements: Off the record

II. BACKGROUND

A. SALT Concerns: Although he has not taken an active interest in the details of the Treaty, Pryor has been favorably inclined. Because of his role as Chairman of the Freshmen Democrats, it would be useful to get him to come out publicly for SALT. You could take this opportunity to thank him for the support he has given.

When the Vice President met with him in July, Pryor indicated that he was L+, but that he would keep it to himself for some time. A summer trip to the Soviet Union was useful because Pryor came away somewhat hopeful and believing that the Soviets understood the need to get away from the strategy of Mutual Assured Destruction.

He voted for the 3 percent and 5 percent defense increase.

- B. Additional Issues: While the Arkansas and Capitol Hill press assume that Bumpers and Pryor always work in tandem, Pryor is somewhat resentful of Bumpers' Senior Senator arrogance, as was recently exhibited when Bumpers committed a judgeship which was rightfully Pryor's by tradition and prior agreement. While two Democratic Senators in any state vote together, Pryor has split with Bumpers to support you on some Administration issues.

Pryor, of course, has had experience as a Congressman and as a Governor and has his own base of support in Arkansas and gets along much better with the House delegation. He is totally unassuming and, if it could be said, has the least ego of any other U.S. Senator I know.

He is loyal to the Administration and to the Democratic Party and doesn't second-guess and snipe at the President in the Cloakroom as some of our "friends" want to do. He should be thanked.

As you may recall, Barbara had mental problems while David was Governor. She seems to be doing fine in Washington. She has controlled her weight and stress problems and has become very popular with Senate wives.

*Will support SAET - prefers to wait  
until debate starts - working with  
Freshmen (Dem & Rep).  
He will do what I ask him*

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

December 17, 1979

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

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From: Charlie Schultze <sup>CL</sup>

Subject: Housing Starts and Personal Income in November

Tomorrow (Tuesday, December 18), the housing starts figures for November will be released at 2:30 p.m.; the November personal income figures will be released at 9:30 a.m.

Housing Starts

Housing starts declined 14 percent in November to an annual rate of 1.518 million units. Residential building permits fell by 18 percent. The decline in starts was larger for single-family units (17 percent) than for multi-family units (8 percent). Permits declined by roughly the same amount for both single- and multi-family units.

Starts and permits declined in all major areas of the country, but were down most in the North Central region. Roughly half of the states in that region have usury ceilings that would have reduced mortgage credit availability and affected builders' construction plans. This may have accounted for the larger decline in that region, but we can't be sure.

These declines in starts and permits are large, but not quite as large as we had expected. As we reported to you earlier, a sample of permit-issuing places had suggested that permits might have declined by 20 to 25 percent last month. At this juncture, we have no basis for judging whether starts and permits will go up or down in December. The month of November may have been affected by the immediate "panic" reactions to the October Fed action; in that case, starts may rise a bit in December. Conversely, November may be only a way station to a larger decline.

Personal Income

Personal income rose 1.1 percent in November, about the same as the October rise. Since we knew from the employment figures a week ago the amount that aggregate hours worked rose

in November, an increase of this magnitude was expected, and it does not give us new information about the economy. It does confirm, however, that the economy is still moving forward, despite the shocks of skyrocketing energy prices and rising interest rates.

THE WHITE HOUSE

WASHINGTON

December 17, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: ALFRED E. KAHN

*Fred*

Electrostatic Copy Made  
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SUBJECT: The Proposed Gasoline Tax

Since, as a result of some confusion in scheduling, I missed the opportunity to participate in the discussions between you and your economic advisors on this subject, last Friday, I would like to pass on to you my evolving thoughts about the desirability of a heavy tax on gasoline at this time (whether through an import fee or legislation).

I think you know that I have myself suggested such a tax, and I am still immensely attracted by it, for reasons that are thoroughly familiar to you. Capitalizing on an opportunity presented by the Iran crisis and the increased appreciation that it has given the American people of the precariousness of our dependence upon Middle Eastern oil, and the way in which it exposes us to economic extortion and political blackmail, the tax would take us one long step in the direction of energy independence.

I cannot escape the feeling, however, that the extreme unlikelihood of Congress enacting any such tax that was reported to me by the Congressmen I talked to -- whether or not Congress would, however, accept your achieving the same result by using an import fee and entitlements -- reflects a good deal more than simple political timidity.

The price of gasoline has over the last year or so increased from 60-65 cents to 0.95-\$1.00 a gallon, and DOE estimates that the December OPEC increases will raise it another 10-11¢. I would not dare predict that it will remain at that level during the next year; certainly the greater probability is that it will go up more, and quite possibly substantially so. If you then pile a heavy tax on top of that -- and there is certainly no point in imposing a mild one of 10 cents or so -- I just wonder whether a very large number of people will not quite properly accuse us of reacting to OPEC's shooting us in one foot by shooting ourselves in the other?

After all, it does take a fair amount of time for people to adjust their ways of life to a sharply increased cost of gasoline. The

decline in our oil consumption this year and the rapid shift to fuel-efficient cars clearly demonstrates that we are making the adjustment; but it takes time. Might it not quite properly be regarded as piling it on to throw in a tax as well?

The effect of the tax on the CPI, which it is going to be extremely difficult to offset more than fractionally, is another way of making the same point. A 20 cent per gallon tax would raise the CPI one to one and a half points, directly, and more than 2 1/2 points, after the indirect effects are registered.

Still another way would be to recognize that there is something arbitrary about putting the entire burden on gasoline. I do not deny the conventional wisdom that there is more discretionary consumption in the case of gasoline than of other petroleum products. But, first, it is interesting that the demand for home heating oil has proved so far to be surprisingly elastic; you have perhaps read about large numbers of fuel oil distributors in the Northeast going out of business because of the unexpectedly sharp curtailment of consumption; and also about the striking increase in the use of wood. Moreover, I don't know of any way of confining the burden of a heavy gasoline tax to discretionary uses. The fact is that a large proportion of our national consumption is not discretionary; and there will be a very large number of people, and large regions of the country, who will feel that putting this arbitrary burden on gasoline alone is hitting them unjustly.

I wish I felt secure in trying to help you make what is ultimately a political judgment. Either calling for a sharp increase in the gasoline tax, or proceeding to impose it yourself, could clearly be interpreted as a bold and dramatic attack on the major cause of inflation and the only one that we are really in a position to do anything dramatic about in the short run.

On the other hand, rushing in with a big additional gasoline tax might be regarded as shooting ourselves in the other foot. The path of calm, firm resoluteness might be defined instead as continuing along the path you have already set out -- deregulating domestic production of crude oil and natural gas over a very short time span, obtaining a windfall profits tax with the associated plan for using the proceeds, refusing to insulate consumers from the effects of the rising OPEC prices, and giving the American people time to adjust to the sharp increases in the prices of petroleum products that they have already experienced and the ones that clearly lie ahead.

THE WHITE HOUSE

WASHINGTON

12/18/79

Jody Powell

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the President's outbox today  
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your information.

Rick Hutcheson

cc Jody  
info

12/10/79

Defense Spending

<u>Actual</u>	Total Defense Outlays (B)	As a Percent of GNP	As a Percent of Total Budget
1971	74.5	7.3	35.2
1972	75.1	6.8	32.4
1973	73.2	5.9	29.6
1974	77.6	5.7	28.8
1975	84.9	5.8	26.0
1976	87.9	5.4	24.0
1977	95.6	5.2	23.7
1978	103.0	5.0	22.9
1979	115.0	5.0	23.3
 <u>Estimated</u>			
1980	127.4	5.1	23.0
1981	142.0	5.1	23.4
1982	159.1	5.1	23.7
1983	177.8	5.1	23.6
1984	197.9	5.1	24.4
1985	218.5	5.1	24.8

Projected outlays derived as follows:

1980 - latest estimate, based on cumulative 3% real growth per year from 1978.

1981-1985 - Based on spendout of TOA of \$157.5B in 1981 and real TOA growth of 4.8% in 1982, 4.3% in 1983 and 4.2% in 1984 and 1985.

cc  
Ros  
J

## Rep. Wright issues warning on press-Congress relations

By Andrew Radolf

House Majority Leader James Wright (D-Tex) stated the press' coverage of Congress and the U.S. government has become an "unequal contest" which has "grown to unhealthy proportions" at the annual convention of the Society of Professional Journalists/Sigma Delta Chi in New York.

He was speaking as a member of a panel addressing the question, "Why don't they love us out there?"

Rep. Wright maintained the poor state of relations between the government and the press threatened "to choke off the sort of free, frank, and unguarded interplay between us that is so essential to both our functions" and blamed a "Woodward and Bernstein syndrome that has developed among some reporters" as a major cause of the situation.

"Not all but some (reporters) have concluded that their surest route to fame and fortune is to scandalize and bring down some important official of the government," he continued. "On our side, more and more public officials privately despair of ever getting fair treatment at the hands of newsmen who they feel have deliberately or unconsciously allied themselves in advance as enemies of government policy. The press does have some responsibility not to posture itself automatically as government's adversary."

Rep. Wright also asserted that "occasionally real news is missed" by reporters posing questions of "frivolous concern," adding "the news which titillates is not always the important news of the day."

To illustrate his point, he said stories on "the so-called Koreagate scandal" supplanted coverage of Congress' efforts "to pull the country out of the doldrums of recession" and exposes on Bert Lance prevented the President from getting news on energy, the economy, and foreign policy "on the front pages of the *Washington Post* and the *New York Times*."

He also criticized the press for paying "scant recognition" to legislative efforts regarding the trade bill and synthetic fuels and focusing instead on "such peripheral questions as a legislative pay raise" and aberrant voting machines.

"And yesterday (Nov. 14) with monumental developments in the Iranian situation and two major bills scheduled for action in the House," Rep. Wright concluded, "the news conference was dominated by questions about whether a certain congressman should be allowed to sleep in his office."

Rep. Wright drew applause from the

audience when he castigated the press for "portraying as a national foreign policy calamity" President Carter's reference to Montezuma's revenge in Mexico last February while "scarcely" telling the American people the President had delivered a speech for 25 minutes in Spanish to the Mexican Congress and nation.

"It was the first time an American president had dignified and honored a foreign audience by committing an entire speech in their language," he declared. "It was a sensitive speech, disclosing an understanding of Mexico's deep yearnings and aspirations . . . John F. Kennedy spoke one sentence in German in Berlin and was publicly celebrated throughout the free world."

Rep. Wright warned his audience that "if journalism insists upon creating a contest between itself and government, it feeds the very forces which would destroy us both."

Instead of continuing the contest, he called for a "spirit of mutual trust, mutual faith, mutual hope" between the government and the press in serving the public.

"No other institutions are so indispensable to a nation's freedom as a free press and a free legislature. We need each other. America needs both. For good or bad, we can never be divorced."

Appearing on the panel with Rep. Wright were Robert Schulman, news critic of the *Louisville Times*, Prof. Herbert Gans of Columbia University's department of sociology, and Reed Irvine of Media Accuracy, Inc.

Schulman noted that since the 1960's the press has "lost much of its kinship with the middle class" by developing "a hostility toward business and professional establishments."

Calling on the press "to reassess its own performance," he said the press needs to establish "a new tone. Skeptical where appropriate but not hostility. We owe businessmen and public officials the right to be considered innocent until proven guilty and a guaranteed privilege of simultaneous rebuttal when they are to be attacked."

Irvine, whose organization monitors the media's news coverage, criticized reporters for writing about only those events which support their own political views and ignoring contrary evidence.

He singled out the *Washington Post* in his speech, stating it devoted most of its space to liberal causes such as the Equal Rights Amendment, abortion, and anti-nuclear demonstrations and failed to cover fairly the opposing sides of those issues.

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cc Today  
J

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THE WHITE HOUSE  
WASHINGTON

12/18/79

Jack Watson  
Arnie Miller

The attached was returned in  
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and is forwarded to you for  
appropriate handling.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

December 17, 1979

C

MEMORANDUM FOR THE PRESIDENT

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FROM:

JACK WATSON *Jack*

ARNIE MILLER *AM*

SUBJECT: Foreign Claims Settlement Commission (PAS)

The Foreign Claims Settlement Commission is a small agency that processes and adjudicates claims of U.S. citizens who have lost property either during a war or by expropriation by a foreign government.

Earlier this year you appointed Richard Yarborough as Chairman of the three-member Commission. One term has remained vacant at the request of the President's Reorganization Project. A second vacancy recently occurred when the term of Commissioner Smith expired. With the expected passage of reorganization legislation the two vacancies will become part-time positions. We join Chairman Yarborough in recommending the nominations of Blair Lee III and Francis L. Jung.

Blair Lee III, 63, has devoted his career to public service. For the last 25 years he has held elective or appointive positions in the Maryland State Government, as a Member of the House of Delegates, State Senate, as Secretary of State, Lieutenant Governor and Acting Governor. He is widely respected as an able administrator and he possesses a judicious temperament. Governor Lee was a Carter Delegate to the 1976 Democratic National Convention and has been very supportive of your Administration. His appointment will add stature to the FCSC, and allow him the flexibility to continue his participation in family business concerns and other activities.

Francis L. Jung, 32, is an attorney engaged in private practice. He graduated cum laude from New England School of Law in 1974, and in 1975, he received an LL.M. degree from Harvard Law School. His legal background includes international law, administrative and litigation experience and corporate practice. Mr. Jung is currently associated with the Washington, D.C. office of Cladouhos & Brashares, an international law firm, and will be available to serve on the FCSC when called to duty by the Chairman. We have taken the precaution of ensuring that no conflict of interest exists or will arise between the practice of Mr. Jung's firm and his duties as a Commissioner. He is strongly recommended by Brendan Byrne.

Stu and Frank Moore concur in the following recommendation.

RECOMMENDATION

Nominate Blair Lee III, of Maryland, and Francis L. Jung, of Virginia, to be members of the Foreign Claims Settlement Commission.

      ✓       approve                                         disapprove

*J*

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BLAIR LEE III  
Silver Spring, Maryland

EXPERIENCE

1979 - Present	President, Connecticut-Aspen, Inc.
1977 - 1979	Acting Governor, State of Maryland
1971 - 1977	Lieutenant Governor, State of Maryland
1969 - 1971	Secretary of State, State of Maryland
1966 - 1969	State Senator, State of Maryland
1962	Unsuccessful campaign for U.S. Senate
1954 - 1962	Member, Maryland House of Delegates
1951 - 1953	Executive Officer, National Capitol Planning Commission
1949 - 1951	Maryland National Capitol Park and Planning Commission
1945 - 1949	Publisher and Editor, Maryland News
1941 - 1945	United States Naval Reserve

EDUCATION

1938	Princeton University, A.B.
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ACTIVITIES

Member, Board of Directors, Potomac Valley Bank  
Member, Board of Directors, University of Maryland Foundation  
Member, Board of Visitors, Maryland School for the Deaf  
Carter Delegate, 1976 Democratic National Convention  
Delegate, National Democratic Convention, 1948, 1960, 1964, 1968, 1972  
Chairman, Montgomery County John F. Kennedy for President Campaign

PERSONAL

White Male  
Age 63  
Democrat

FRANCIS L. JUNG  
Woodbridge, Virginia

EXPERIENCE

1979 - Present	Lawyer, Cladouhos & Brashares
1975 - 1979	Lawyer, Tanaka, Walders & Ritger

EDUCATION

1975	LL.M., Harvard Law School
1974	J.D., New England School of Law
1969	A.B., University of Dayton

PERSONAL

White Male  
Age 32  
Democrat

THE WHITE HOUSE  
WASHINGTON

12/18/79

Secretary Duncan  
Zbig Brzezinski/Henry Owen

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

Rick Hutcheson

cc: Stu Eizenstat  
Jim McIntyre

11

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<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND
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ACTION  
FYI

<input type="checkbox"/>	VICE PRESIDENT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	CUTLER
<input type="checkbox"/>	DONOVAN
<input checked="" type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	MCDONALD
<input type="checkbox"/>	MOORE
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<input type="checkbox"/>	WATSON
<input type="checkbox"/>	WEDDINGTON
<input type="checkbox"/>	WEXLER
<input checked="" type="checkbox"/>	BRZEZINSKI
<input checked="" type="checkbox"/>	MCINTYRE <i>Cutler</i>
<input type="checkbox"/>	SCHULTZE
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<input type="checkbox"/>	ANDRUS
<input type="checkbox"/>	ASKEW
<input type="checkbox"/>	BERGLAND
<input type="checkbox"/>	BROWN
<input type="checkbox"/>	CIVILETTI
<input checked="" type="checkbox"/>	DUNCAN
<input type="checkbox"/>	GOLDSCHMIDT
<input type="checkbox"/>	HARRIS
<input type="checkbox"/>	KREPS
<input type="checkbox"/>	LANDRIEU
<input type="checkbox"/>	MARSHALL

<input type="checkbox"/>	MILLER
<input type="checkbox"/>	VANCE
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<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CAMPBELL
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	CRUIKSHANK
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	FRANCIS
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HERTZBERG
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	KAHN
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MARTIN
<input type="checkbox"/>	MILLER
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SANDERS
<input type="checkbox"/>	SPETH
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	TORRES
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<input type="checkbox"/>	WISE



7147

Department of Energy  
Washington, D.C. 20585

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December 12, 1979

MEMORANDUM FOR

THE PRESIDENT

FROM:

Charles W. Duncan  
Henry Owen *CW*

SUBJECT: IEA Ministerial

We reached agreement with our IEA partners at Paris on the main elements that we mentioned to you last week:

- Agreement on firm 1980 import ceilings by all 20 IEA countries (paralleling the import ceilings agreed to by seven of these countries at Tokyo). ✓
- Agreement to meet again in the first quarter of 1980 to decide whether, and if so how much, to cut these ceilings in light of what we then estimate to be likely oil availability. ✓
- Agreement to meet quarterly thereafter to review and revise these ceilings in light of changing oil availabilities. ✓
- Agreement by all countries to take additional restraint measures, as needed, to avoid exceeding their ceilings. ✓
- Agreement to review each country's performance quarterly. ✓
- Agreement to convene meetings of ministers, as necessary, to confront countries that are exceeding their ceilings and shame them publicly into taking additional measures. ✓
- Agreement to undertake an urgent study of whether the IEA allocation system, which goes into effect whenever there is a 7% drop in oil availability, can be structured so as to penalize countries that violate the commitments they make at this IEA meeting. This system is embodied in agreements that have been ratified by some parliaments, but we are hopeful necessary changes can be made. ✓

What we have done, in effect, is to create a structure for continuously adapting the Tokyo Summit national import ceilings to changing circumstances -- and for monitoring national observance of these ceilings. If IEA Members carry out the commitments that they made at this meeting, oil supply and demand will be brought into continuing balance -- which should substantially mitigate pressure on oil prices.

We obtained this agreement through difficult negotiations. Many of our allies would rather have waited for bad news on oil availability to materialize next year instead of anticipating it now. The British were particularly concerned about any changes in the targets because of their fear that this would reopen the debate over the relationship of increased North Sea oil production to EC import ceilings. The Germans were more helpful than expected and the British became more supportive through the course of the meeting as they observed the emerging trend.

It will be imperative that we maintain the same level of U.S. firmness and leadership as we proceed, through a newly established working group, to the even more difficult meeting that will be held in March. We will have to press in the working group to turn the general allocation principles agreed upon in Paris into an allocation of specific cuts among countries. *I agree*

We were pressured to include in the Communique a statement endorsing the need for replacement cost energy pricing, and were able to finally secure agreement to the exact oil pricing language used in the Summit Communique. It was clear that our ability to secure further demand restraint commitments is related to our willingness to deal with U.S. oil pricing levels. In particular, the U. K. Energy Minister and others said privately that it would be much easier for them to secure firm domestic support for U.S. proposals for greater demand restraint if U.S. gasoline were selling for more than a third of European prices. Thus, any action in this area before next March could help in our forthcoming negotiations.

*It's more than 1/3 now -*

THE WHITE HOUSE  
WASHINGTON

12/18/79

Zbig Brzezinski

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

Rick Hutcheson

cc: Jim McIntyre

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LAST DAY FOR ACTION

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EYES ONLY

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	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
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	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

THE WHITE HOUSE  
WASHINGTONACTION

December 15, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI **2B.**

SUBJECT: Funding for Department of Education  
Programs in Foreign Language and Area  
Studies

I sent Mike Oksenberg to represent me at the Department of Education Budget Review today, since OMB had led us to believe that DOE funding for foreign language and area studies would be discussed before you.

Apparently, the New Secretary and OMB came to an agreement on funding in this area without giving a hearing to the foreign policy bureaucracies.

During the past week, and perhaps unknown to Secretary Hufstedler, State, DOD, CIA, ICA, and I have contacted Jim McIntyre to stress the importance we attach to adequate funding for foreign language and area studies in the Department of Education.

The current budget is \$20 million, and we recommended that this be increased to \$30 million for the following purposes:

- Increase the number of American scholars studying abroad from 450 to 1000;
- Increase the funding level of the existing 80 to 85 area and language centers from an average of \$100,000 to \$120,000, which would bring them from an insufficient funding level to a bare bones level;
- Improve training on international affairs in our business and law schools, so that American businessmen and lawyers will be trained less parochially than they are now.
- Return library acquisitions to levels of two to three years ago;

-- Improve language training in the "esoteric" languages in which there is a serious national deficiency;

-- Initiate programs to sustain the language competence of officials in and out of government whose language competence currently is eroding;

-- Strengthen research on foreign language training, for which the Department of Education is the major source of funding.

My understanding of OMB's recommendation is that it seeks to reprogram \$3 million from foreign area studies in secondary schools and increase the Department's budget in this area by \$2 million. This is inadequate. Reprogramming takes time, and the \$2 million increment simply does not respond to the urgency of the situation.

Further, without a \$10 million increment, the Department will not be able to carry on existing educational programs and meet the new and very promising programs we have developed for American students studying in China, Israel, Italy, Egypt, Kenya, and Brazil.

It seems to me particularly fitting at this time to indicate to the rest of the world that we are determined to spend the money necessary to understand foreign areas and that we are determined to restore the number of Americans studying abroad to the levels of the early 1970s.

RECOMMENDATION:

That you instruct OMB to add a total of \$10 million to DOE expenditures on foreign area and language studies for the Fulbright Program and for NDEA Title VI and that OMB not reprogram \$3 million from foreign area studies at the secondary school levels.

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

Eizenstat is sending a separate memorandum with the same recommendation.

THE WHITE HOUSE

WASHINGTON

December 17, 1979

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MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON *Jack*  
ARNIE MILLER *AM*

SUBJECT:

Director, Arms Control and Disarmament Agency

On December 11, you accepted the resignation of George M. Seignious II as Director of ACDA. We join Secretary Vance in recommending the nomination of Ambassador Ralph Earle II as the new Director.

In November 1978, you appointed Earle as Chairman of the United States Delegation to the SALT Talks. Prior to his appointment, he served as ACDA Representative to the SALT Talks and for four years he was ACDA Special Representative for Arms Control and Disarmament Negotiations. Earle was graduated cum laude from Harvard Law School in 1955, and received his A.B. degree from Harvard College in 1950.

Ambassador Earle will resign as Chairman of the U.S. Delegation to the SALT Talks when he assumes the responsibilities of ADCA Director. A recommendation regarding Earle's successor as Chairman will be made in the near future.

You discussed this appointment with Secretary Vance and Lloyd Cutler at the Foreign Affairs breakfast meeting on December 7.

Zbig, Lloyd Cutler and Landon Butler concur in the following recommendation.

RECOMMENDATION

Nominate Ambassador Ralph Earle II to be Director of the Arms Control and Disarmament Agency.

approve

disapprove *J*

Seignious tendered his resignation for reasons of health. He is unable to serve on a full-time basis, but is anxious to continue working for ratification of the SALT II Treaty and other arms control projects. We join Secretary Vance in recommending that Seignious be accorded the personal rank of Ambassador, and be appointed to serve on the General Advisory Committee on Arms Control and Disarmament.

Zbig, Lloyd Cutler and Landon Butler concur in the following recommendations.

RECOMMENDATIONS

Accord George Seignious II the personal rank of Ambassador while serving as the U. S. Delegation Member-at-Large to the Strategic Arms Limitation Talks, the Mutual and Balanced Forced Reduction negotiations, the Comprehensive Test Ban negotiations, the Committee on Disarmament and such other arms control negotiations as the Director of the Arms Control and Disarmament Agency may designate.

approve  disapprove

Nominate George Seignious II to be a Member of the General Advisory Committee on Arms Control and Disarmament.

approve  disapprove

ACTION

We recommend that an announcement of your intention to nominate Ambassador Earle as ACDA Director, to accord Mr. Seignious the personal rank of Ambassador and to nominate him to serve on the General Advisory Committee be made on the afternoon of December 18, after the necessary calls of notification have been made.

approve  disapprove

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