

3/26/80 [2]

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 3/26/80 [2]; Container 156

To See Complete Finding Aid:

http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf

6:30 PM

THE WHITE HOUSE

WASHINGTON

March 25, 1980

DINNER AND ECONOMIC BRIEFING FOR HOUSE MEMBERS

Tuesday, March 25, 1980
6:30 p.m.
The State Floor

From: Frank Moore

I. PURPOSE

To brief a bipartisan group of Members of the House on the anti-inflation program.

II. SCENARIO, PARTICIPANTS & PRESS PLAN

Scenario: The Members will arrive at 6:30 p.m. for a buffet dinner in the State Dining Room. You should arrive at the State Dining Room around 6:45 p.m. and eat dinner at a table of your choice.

After dinner, the Members will proceed from the State Dining Room to the East Room for the briefing.

You will make introductory comments. Secretary Miller, Chairman Paul Volcker, Charles Schultze, Alfred Kahn, Secretary Duncan, Jim McIntyre and Stu Eizenstat will be available to take questions as you direct.

Participants: See attached list.

Press Plan: Brief full press corps.

III. TALKING POINTS

You should briefly describe the inflation situation and then summarize the anti-inflation program. You might conclude with comments on the situation in the House.

Inflation Situation

We have just come out of a decade of economic turmoil; a decade which saw

- a tenfold increase in the price of oil,
- a twenty-fold increase in the U. S. oil import bill,
- the deepest recession in 40 years,
- inflation which averaged eight percent over the decade, and
- a sharp slowdown in productivity growth.

In recent weeks inflation has increased at a frightening rate. There are real causes of concern.

- In the first two months of this year we have seen another explosion in energy prices and the pass through of increased energy costs in other goods. The wholesale price index is rising at an annual rate of 20 percent.
- Interest rates have skyrocketed.
- Until last week the bond market was in virtual disarray.

Strong decisive action was necessary to turn the tide around.

A little more than a week ago I laid out the elements of an intensive program that I believe will permit us to win the fight against inflation.

ANTI-INFLATION PROGRAM

I recommend that you discuss briefly the five principal parts of the program in the following way:

1. Budget

- o I am determined to balance the FY 1981 budget. That act will have an enormous psychological and symbolic effect; the value of balancing the budget to our economy easily transcends the small reductions in the CPI that are attributed to it by our economic models.

- o My main concern about the budget effort is whether the Congress can sustain the current momentum toward a balanced budget. It will be very difficult to withstand the lobbying pressures that all of you are already feeling; unless that is done, though, we can forget balancing the budget. I am prepared to take more than my share of the political heat for the spending cuts, but I cannot do it alone; your willingness to make the tough votes is what the country needs.

- o Let me mention one key part of my budget proposals -- a transitional program for urban areas heavily impacted by the cut in the State share of revenue sharing. This is essential if we are to avoid bankruptcies in our major cities; it is needed to get them through the time of adjustment to fewer Federal revenues.

2. Credit

- o I decided to exercise my authority under the Credit Control Act of 1969 because it has become increasingly apparent that credit was too easily extended in non-essential areas and that this was helping to fuel inflation.
- o The actions taken by the Federal Reserve Board under the authority I exercised are fair, sensitive to the important areas of housing, automobiles, and small business, and are likely to have an effect on the CPI in the short-term.
- o Paul Volcker is here to answer specific questions you may have about the credit actions taken. He was very helpful as we put together this anti-inflation package. I am certain he will be imposing the credit restraints in a way that is firm, yet also equitable and sensitive.

3. Wage and Price Standards

- o As part of the program, we have established a new pay standard. This is the standard which was recommended by the Pay Advisory Committee, and it therefore has the support of labor and business. That fact will be important as we seek to obtain compliance with the pay standard.
- o We have also adopted a price standard which is tough but reasonable; it eliminates some of the uncertainties which have existed previously. In this area, we will also be seeking greater reporting information from those firms covered by the price standard, and we will also be seeking pre-notification of price increases.
- o To make certain that we can adequately monitor the compliance with our standards, I will be seeking to expand significantly the staff of the Council on Wage and Price Stability. Presently, we only have about 60 people monitoring the entire economy, and that is simply insufficient. As the reauthorization of COWPS goes through the Congress, I hope all of you will be supportive of its efforts to increase its staff, and will also resist the political temptation to attach riders to the COWPS authorization with respect to various changes in our program.

- o Let me add that I am as convinced now as I have ever been that wage and price controls will not work, and will therefore not seek standby authority, and I do not want it. The experience we have had with peacetime controls is simply too clear: they are inequitable and ineffective, and they inevitably lead to higher inflation.

4. Energy

- o The most important thing Congress can do immediately to help in the inflation fight is to pass the three major energy bills that I proposed last year -- windfall profits tax, Energy Mobilization Board and Energy Security Corporation. I am hopeful that the windfall tax will soon be on my desk, but I am increasingly concerned about the delay on the other two bills. There is no excuse for further delay.
- o I took the action of imposing a gasoline conservation fee because I am convinced it will help reduce our dependence on foreign oil -- by 100,000 barrels per day by the end of this year, and by about 250,000 - 300,000 barrels per day within two to three years. The fee will be implemented in a way that increases the price only of gasoline by 10¢ a gallon beginning around mid-May. There will be no increases in petroleum products or increase in oil company profits because of the fee.
- o My authority to impose a fee which affects only gasoline prices will elapse next year. Therefore, in order to continue this increase in gasoline prices, it is important that Congress pass the gasoline tax, which would replace the fee. The tax I have proposed, and will be sending to Congress shortly, would do that, and would be adjusted periodically for inflation. Even with the tax, our gasoline prices will still be less than half of what they are in Europe (we have had the same 4¢ Federal excise tax on gasoline for 20 years).
- o I recognize that voting for gasoline tax in an election year is not easy. I can assure you, though, that it is no easier to impose a gasoline fee. By doing so, I have helped somewhat ameliorate the difficulty of voting for a tax. But I do not want to minimize how hard it will be to get the tax enacted. And the help of everyone here is essential.

5. Structural Changes

- o My anti-inflation announcement recognized what all of us have come to realize over the last several years -- that our economy has been allowed to decline below the production capacity, that our technical genius is not being fully used, that the foundations of our economic greatness are weakening. Rectifying all of those problems overnight is not possible. But I believe steps must be taken very soon if we are to emerge from this decade as the worldwide economic leader we are capable of being.
- o We need greater incentives to spur productivity (which actually decreased last year); we need incentives to increase savings (which are at their 30-year lows); we need to increase research and development; we need to improve capital formation possibilities.
- o I am prepared to take steps to accomplish all of these important objectives, and in fact have already taken some steps in each area.
- o To make a major step forward, though, I appreciate the importance of tax incentives. For that reason, I have indicated that I will ^{propose} ~~propose~~ tax incentives ~~next year~~ ^{only} if we actually balance the budget this year. ~~That is a firm pledge.~~
- o I think it would be a mistake, however, to move forward with those tax cuts now before we have made clear to the American people that we will balance the budget. That is a major concern of mine with the direction in which the budget process appears to be moving in the House.

Sta -
Too positive

Situation In The House

Background

mm
The House Budget Committee will meet tomorrow to refine its previous recommendations. They will consider whether to treat an extra \$3.5B of revenue increases as part of the contingency fund (with the oil import fee) or else as part of the revenue base. If the latter option is chosen, some liberals on the Committee would argue that \$3.5B is available for further spending items.

House floor action on the resolution has now been postponed until after the recess. We expect some type of Solarz amendment to add money for cities, which the Speaker may be willing to support. We suggest you not commit to support any addbacks to the resolution at this time. The Solarz package could far exceed our new urban program. We will need to develop an overall floor strategy for the resolution.

Talking Points

- o The House Budget Committee has performed an historic act. They have recommended a balanced budget in the first resolution. Although there will be some disagreements I am generally happy with the Committee's recommendations. The outlay estimates are close to those I've been aiming toward.
- o I sense an uneasiness about the bipartisan nature of this effort. I hope that this will soon pass. I say this because I believe that we must move forward. We must do all that we are able to minimize our differences and continue the good work started in the House Budget Committee.
- o For those of you who have not yet begun to anguish over places and programs where we should cut I am confident that you will come to conclusions similar to those we've reached. Balancing the fiscal year 1981 budget is essential to our political future. The American people are demanding that their government put its house in order. We have no choice.
- o We must continue this effort through the summer -- in the authorizing committees, in the Appropriations Committee and on the House floor. I and members of my Administration will work with you to assist enacting these tough reductions into law.

Note: In response to a question on the timing of the Administration's cut proposals, you might say the following or refer the question to Jim McIntyre.

- o There has been some concern about our not publicly providing the full list of budget cuts. This was due to the need to recompute approximately 14,000 budget items and the need to pin down all of the cuts in each of the Cabinet Departments and agencies. That could not be done in a few days. We are just about at the point where we will soon be able to announce the major budget cuts we will be proposing, and on Monday the full revised list will be sent to Congress.

REQUEST FOR APPOINTMENTS

To: Officer-in-charge
Appointments Center
Room 060, OEOB

Please admit the following appointments on Tuesday, March 25, 19 80

for The President of _____
(NAME OF PERSON TO BE VISITED) (AGENCY)

The following are all Members of Congress:

- | | |
|---------------------|----------------------|
| AMBRO, Jerome | ECKHARDT, Bob |
| ANDERSON, Glenn | EVANS, David |
| ARCHER, William | FARY, John |
| ASHBROOK, John | FERRARO, Geraldine < |
| ASPIN, Les | FORD, William |
| AUCOIN, Les | FOUNTAIN, L. H. |
| BEARD, Edward | FOWLER, Wyche |
| BOGGS, Lindy | FUQUA, Don |
| BONIOR, David < | GEPHARDT, Richard |
| BROYHILL, James | GRAMM, Phil |
| BURLISON, Bill | GRASSLEY, Charles |
| BYRON, Beverly | GRAY, William |
| CAVANAUGH, John | HAMILTON, Lee |
| CHAPPELL, Bill | HANLEY, James |
| CHISHOLM, Shirley < | HEFTEL, Cecil |
| CLAUSEN, Don | HOLT, Marjorie |
| CLEVELAND, James | HOWARD, James |
| COLLINS, Cardiss < | ICHORD, Richard |
| CONABLE, Barber | JONES, Ed |
| CONYERS, John < | KEMP, Jack < |
| COUGHLIN, Lawrence | KOGOVSEK, Ray |
| CRANE, Philip | LATTA, Delbert |
| DANIEL, Dan | LELAND, Mickey |
| DEVINE, Samuel | LEDERER, Raymond |
| DODD, Christopher < | LEVITAS, Elliott |
| DONNELLY, Brian | LONG, Clarence |
| DRINAN, Robert < | LONG, Gillis |

MEETING LOCATION

Building State Floor Requested by Sallie Phillips
Room No. East Room Room No. 106 Telephone x7010
Time of Meeting 6:30 P.M. Date of request March 25, 1980

Additions and/or changes made by telephone should be limited to three (3) names or less.

APPOINTMENTS CENTER: SIG/OEOB - 395-6045 or WHITE HOUSE - 456-6742

REQUEST FOR APPOINTMENTS

To: Officer-in-charge
 Appointments Center
 Room 060, OEOB

Please admit the following appointments on Tuesday, March 25, 19 80

for The President of _____
(NAME OF PERSON TO BE VISITED) (AGENCY)

LOTT, Trent
 MARTIN, James
 MATSUI, Robert
 MAVROULES, Nicholas
 MAZZOLI, Romano
 McCLORY, Robert
 McDADE, Joseph
 McEWEN, Robert
 MILLER, Clarence
 MOAKLEY, Joe <
 MONTGOMERY, Sonny
 MOORE, W. Henson
 MOORHEAD, William
 MOTTL, Ronald
 MYERS, John
 MYERS, Michael
 O'BRIEN, George
 PEASE, Donald
 PEYSER, Peter
 PREYER, Richardson
 QUILLEN, James
 RAHALL, Nick Joe
 RAILSBACK, Tom
 RANGEL, Charles
 RATCHFORD, William <
 REGULA, Ralph
 RHODES, John
 RICHMOND, Fred
 ROBERTS, Ray

ROBINSON, J. Kenneth
 ROE, Robert
 ROUSSELOT, John <
 RUDD, Eldon
 SABO, Martin
 SCHEUER, James
 SCHROEDER, Patricia <
 SCHULZE, Richard
 SEIBERLING, John
 SIMON, Paul <
 SKELTON, Ike
 SMITH, Virginia
 SPENCE, Floyd
 ST GERMAIN, Fernand
 STACK, Edward
 STANTON, William
 STEWART, Bennett
 STUDDS, Gerry <
 STUMP, Bob
 UDALL, Morris
 ULLMAN, Al
 VAN DEERLIN, Lionel
 WALGREN, Doug
 WATKINS, Wesley
 WAXMAN, Henry
 WEISS, Ted <
 WHITE, Richard
 WIRTH, Timothy
 WOLFF, Lester
 WRIGHT, Jim <
 WYATT, Joe
 YOUNG, C. W. Bill

MEETING LOCATION

Building State Floor

Room No. East Room

Time of Meeting 6:30 P.M.

Requested by Sallie Phillips

Room No. 106 Telephone x7010

Date of request March 25, 1980

Additions and/or changes made by telephone should be limited to three (3) names or less.

APPOINTMENTS CENTER: SIG/OEOB - 395-6015 or WHITE HOUSE - 456-6742

THE WHITE HOUSE
WASHINGTON

26 Mar 80

Frank Moore

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

Rick Hutcheson

150

THE WHITE HOUSE
WASHINGTON

Frank
info
J

Electrostatic Copy Made
for Preservation Purposes

Atlanta Constitution 3-24-80

Sumter Protests Highway Route

APR 25 1980

Constitution State News Service

AMERICUS — Citizens in President Jimmy Carter's home county are sharply protesting a proposed four-lane highway route between Columbus and Albany that would completely bypass Sumter County.

More than 150 persons from this area attended an informal hearing conducted in Americus last week by three state Department of Transportation representatives.

A final decision on the route is expected about June 1, officials said.

Meetings similar to the one held here were conducted earlier in Columbus, Dawson and Albany to determine which route would be most beneficial.

Sumter citizens support a route fol-

lowing U.S. 280 from Columbus to Americus and U.S. 19 to Albany; the route excluding Sumter, called "Corridor Z," follows Georgia 55 from Columbus to Dawson in Terrell County and thence along U.S. 82 to Albany.

At least five routes are being considered in all, but the one through Terrell County is the only one excluding Sumter.

DOT Engineer Fred Wilson said that filled-in questionnaires were obtained from persons attending all recent public hearings and that the information obtained by this means will help in the final deliberations concerning the route.

Selection of the route is to be based on through travel demand, benefits versus costs, route mileage, population served,

major or principal city connections, developmental impact, right-of-way requirements, major traffic areas served, employment centers served, and accident history, Wilson pointed out.

"We want to make sure DOT's decision is based solely on these evaluation factors because there is no question about which route," said Ben Easterlin IV, president of the Americus-Sumter County Chamber of Commerce and a local attorney.

"We can show studies conducted by six area planning and development commissions which support the route through

See ROUTE, Page 4-C

Route

Continued From Page 1-C

Sumter County rather than Terrell County. The route through Sumter should be the recommended one," Easterlin said.

State Rep. Bill Murray, D-Americus, said, "Any time a community is faced with a decision which will affect the area for many years to come, officials have an obligation to give the people an ample opportunity to be heard, and in this instance, Sumter County cannot afford to be forgotten.

"Every effort is being made to assure fair treatment for our people here, and Congressman Jack Brinkley has joined us repeatedly in making these assurances," Murray said.

Sumter leaders say that after studies in the area, they feel that if Corridor Z passes through Terrell rather than Sumter, the local economy will suffer adverse impact, with damage to private businesses, government service and citizens.

"The turnout of interested citizens should show the transportation department the inherent sincerity and depth of our commitment to see that we are treated fairly and that we will exhaust all resources at our disposal in a fight for what we know is right," said Easterlin.

Electrostatic Copy Made
for Preservation Purposes

8:00 AM

THE WHITE HOUSE

WASHINGTON

ADMINISTRATIVELY CONFIDENTIAL

CONGRESSIONAL LEADERSHIP BREAKFAST

Wednesday, March 26, 1980

8:00 a.m.

Family Dining Room

From: Frank Moore

I. PRESS PLAN

White House Photographer.

II. PARTICIPANTS

See attached list.

III. INTRODUCTION

The focus of this Leadership Breakfast will again be energy. The following general talking points are provided, along with more specific information on pertinent legislation.

General Talking Points

- o Over the past six months I have repeatedly talked to you about the urgency of enacting the elements of our national energy program. I cannot stress enough the fact that time is running out.
- o There are approximately 40 legislative days remaining before the July 4 recess and the Republican convention.
- o I don't think any of us relishes the thought of facing the American people this spring with nothing concrete to show toward adoption of a comprehensive energy plan. Passing this legislation is the most important thing Congress can do to help in the inflation fight.

IV. AGENDA

A. ENERGY

WPT

- o I hope to have the WPT bill on my desk soon. I urge the Senate to complete consideration this week so that the bill can be signed before Easter.

ESC

- o When Title I was completed, we thought the conferees would be able to finish action on the ESC conference quickly. I had hoped to have this package on my desk before Easter. However, I understand that progress continues to be slow. (A meeting of the conference committee scheduled for yesterday - Tuesday - was cancelled.)
- o You must not delay work on this vital legislation. Then we can turn our attention to the EMB.

Gasoline Conservation Fee

- o I took the action of imposing a gasoline conservation fee because I am convinced it will help reduce our dependence on foreign oil.
- o In doing so I have tried to deflect some of the political heat from the Congress. I hope this has lessened somewhat the difficulty of dealing with such a tax in an election year.
- o My authority to impose a fee which affects only gasoline prices will elapse next year. Therefore, in order to continue this increase in gasoline prices, it is important that Congress pass the gasoline tax, which would replace the fee. The tax I have proposed, and will be sending to Congress shortly, would do that.
- o I strongly oppose efforts to attach amendments limiting my flexibility in imposing a fee to the DOE authorization bill. (The Dingell subcommittee plans to markup the DOE bill Thursday. Congressman Stockman (R-Mich.) will offer such an amendment.)
- o I will resist any attempt to use the fee to balance the budget this year. Instead these revenues should be set aside in a reserve or contingency fund.

Utility Oil Backout

It is possible that Senator Byrd may bring this up. He is involved closely with the day-to-day progress of this legislation. The bill has been introduced in the Senate and your letter has been received. The Committee plans to hold hearings as soon as possible.

B. THE BUDGET

Following is a capsulization of talking points you received from me for last night's dinner, with a few additions.

Background

The House Budget Committee will meet today to refine its previous recommendations. They will consider whether to treat an extra \$3.5B of revenue increases as part of the contingency fund (with the oil import fee).

House floor action on the resolution has now been postponed until after the recess. We expect some type of Solarz amendment to add money for cities, which the Speaker may be willing to support. We suggest you not commit to support any addbacks to the resolution at this time. The Solarz package could far exceed our new urban program. We will need to develop an overall floor strategy for the resolution.

Talking Points

- o The House Budget Committee has performed an historic act. They have recommended a balanced budget in the first resolution. Although there will be some disagreements I am generally happy with the Committee's recommendations. The outlay estimates are close to those I've been aiming toward.
- o I sense an uneasiness about the bipartisan nature of this effort. I hope that this will soon pass. I say this because I believe that we must move forward. I will continue to work with you to minimize differences and continue the good work started in the House Budget Committee.
- o My main concern about the budget effort is whether the Congress can sustain the current momentum toward a balanced budget. It will be very difficult to withstand the lobbying pressures that you and your colleagues are already feeling; unless that is done, though, we can forget balancing the budget. I am prepared to take more than my share of the political heat for the spending cuts, but I cannot do it alone; your willingness to make the tough votes is what the country needs.
- o Let me mention one key part of my budget proposals -- a transitional program for urban areas heavily impacted by the cut in the State share of revenue sharing. This is essential if we are to avoid bankruptcies in our major cities; it is needed to get them through the time of adjustment to fewer Federal revenues.

- o There has been some concern about our not publicly providing the full list of budget cuts. This was due to the need to recompute approximately 14,000 budget items and the need to pin down all of the cuts in each of the Cabinet Departments and agencies. That could not be done in a few days. We are just about at the point where we will soon be able to announce the major budget cuts we will be proposing, and on Monday the full revised list will be sent to Congress.

C. SELECTIVE SERVICE

Despite Senator Byrd's personal assurances about the Senate schedule on Selective Service registration, we have been unable to get Chairman Whitten to introduce a request for supplemental funds in the House and to schedule a full committee markup on the bill. Whitten wants to delay consideration until after the Easter recess -- claiming that his support for registration before then may induce an opponent to file against him in Mississippi. Whitten's argument in this regard is not wholly persuasive since he supported registration last year. The Mississippi filing deadline is April 3.

We are concerned that further delay in the schedule not only may jeopardize passage of the bill (particularly in the Senate), but may make it impossible to commence registration before August or September even if we do ultimately succeed in getting the necessary funds. While the Speaker and Jim Wright have been very helpful, they need guidance from you. Our headcounts continue to show that we have the votes in committee and on the floor to pass the bill.

Therefore, you should ask the Speaker and Jim Wright to do everything they can to get the bill through the Appropriations Committee and the full House before the recess.

We will be asking you to make calls to the Republican Leadership.

D. FTC AUTHORIZATION

The conference committee is scheduled to meet today. The House appears ready to compromise, but Senator Ford has been unwilling to move. The continuing resolution will be on the House floor today. Senator Magnuson has agreed to take a House passed bill immediately to the Senate floor.

Talking Points

- o It is essential that the FTC authorizing bill reach my desk this week so that paychecks to workers are not delayed. Senator Magnuson, your help in the Senate will be essential.
- o I would like to reassure the conferees that I will not sign a bill that damages the FTC's ability to protect the American consumer.

E. TRUCKING DEREGULATION

The trucking bill will be on the Senate floor next week. They have adopted a time agreement and have limited the amendments allowed to four. We have the opportunity to get a strong bill from the Senate.

You should reiterate your support for a strong trucking bill and for the agricultural exemption and antitrust provisions.

F. RAIL DEREGULATION BILL, S. 1946

- o I understand there will be a vote this week in the Senate on the railroad deregulation bill, S. 1946. The railroads are in bad financial shape. The industry average rate of return is 2.5% versus 10.6% for comparable manufacturing industries and 11% for utilities. We have seen major bankruptcies in recent days, and there will be more unless something is done. The railroads' bad financial condition is due largely to the fact that they are one of the most over-regulated industries in America.
- o I know that Senator Long is concerned that deregulation may cause higher coal rates which would lead to higher electricity bills and deter utilities from converting to coal. I share Senator Long's concerns. However I believe that the amendment would be counterproductive, and leave the industry with more regulation than now exists. The ICC would be forced to investigate every single railroad rate that passed a threshold described in the Long amendment.
- o I am supporting Chairman Cannon's compromise which was offered as a substitute for the Long amendment. It will provide adequate protection for shippers and prevent any excessive rate increases. At the same time, it will give the railroads some of the freedom from regulation they need. I hope you can work for passage of the rail deregulation bill as amended by the Cannon substitute.

G. MORTGAGE BONDS

The House is scheduled to complete consideration on this bill today. You should ask the House Leadership for their assistance. The bill would save \$600 million in FY'81.

H. FEDERAL RESERVE AND REG Q

Authority for some financial institutions to offer Negotiable Order of Withdrawal (N.O.W.) accounts expires on April 1. You should ask the Leadership of both Houses to get the conference report passed this week.

I. REGIONAL DEVELOPMENT BANKS, S. 662

- o It is important that we get approval of the conference report to authorize funds for U.S. participation in the Inter-American Development Bank, the Asian Development Fund, and the African Development Fund.
- o The House vote earlier this month to reject further U.S. contributions was, I am sure, based on a misconception that our participation is costly to the Federal budget. In fact, the conference bill is fully compatible with budgetary restraints. More than \$2.5 billion of the \$4.0 billion total is for callable capital subscriptions, and virtually certain never to result in any budgetary outlay at all. Budgetary outlays for the remaining \$1.5 billion will be spread out over 8-10 years; no budgetary outlays from this authorization will take place in FY 1980 and outlays in FY'81 and FY'82 will be \$7 million and \$33 million, respectively.
- o Our participation in the multilateral development banks has already served our economic self-interest; for example, benefitting the U.S. balance of payments by \$11 billion and contributing \$3.00 in increased GNP for each dollar we have paid in. We cannot walk out on development cooperation with the countries of Asia, Africa and Latin America and expect their cooperation on matters important to our security and foreign policy. Anything less than the full amount of the internationally negotiated U.S. contributions would cause other countries to demand renegotiation of the entire agreement. This would stop these banks' lending and outrage all our friends -- both developing and developed countries.

CONGRESSIONAL LEADERSHIP BREAKFAST

Wednesday, March 26, 1980

PARTICIPANTS

The President
The Vice President

Senator Robert C. Byrd
Senator Alan Cranston
Senator Warren G. Magnuson

Speaker Thomas P. O'Neill, Jr.
Congressman Jim Wright
Congressman John Brademas
Congressman Daniel Rostenkowski

Stu Eizenstat
Zbig Brzezinski
Jim McIntyre
Frank Moore
John White
Bill Smith
Bill Cable
Dan Tate
Bob Maher
Bob Schule
Bob Thomson

9:15 AM

THE WHITE HOUSE

WASHINGTON

March 25, 1980

MEETING WITH SUBCOMMITTEE CHAIRMEN

SENATE APPROPRIATIONS COMMITTEE

Wednesday, March 26, 1980

9:15 a.m.

The Cabinet Room

From: Frank Moore

I. PURPOSE

To discuss your anti-inflation program with the Subcommittee Chairmen of the Senate Appropriations Committee.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Because entitlement programs and tax expenditures go relatively unchecked by the Congress, members of the Appropriations Subcommittees tend to feel they are bearing the brunt of the budget-cutting pressures. Half of this group participated in the intensive sessions with the Economic Policy Group.

B. Participants: See attached list.

C. Press Plan: Brief full press corps.

III. TALKING POINTS

1. The Majority Leader and Chairman Magnuson have been especially helpful to members of my Administration over the past few weeks. Many others of you worked long hours and helped us reach the difficult decisions necessary to balance the budget. Thank you.
2. The group assembled here has a better understanding of what it takes to put together a budget than any other Congressional group. As Chairman Magnuson has said, you do the "kitchen work" involved in passing the budget.
3. The Appropriations Subcommittees have the roughest job in considering the budget. You must act on all the detailed decisions that deeply affect the lives of every constituent and interest group.

4. I need your support to make prudent cuts below my January budget. I especially need your help in moving the 1980 rescission package, which I'll be transmitting as soon as we can pull it all together.
5. And I will support you by pushing the authorization committees to enact legislative savings so all the reductions from the '80 budget won't have to come from discretionary programs. I will seek expedited enactment of hospital cost containment, pay reform, and other pending legislative reforms.

In addition, I'll veto budget-busting authorization bills to ease the pressures in the Appropriations Committee. We must nip pressures to spend at the source.

6. I'm counting on you to help again this year. In the past the Appropriations Committee has been restraint-oriented. Your restraint will be vital to our success in the coming months.

ADDENDUM

Tomorrow, the Senate Budget Committee begins markup of the First Budget Resolution. We will have difficulty getting the Committee to approve the \$500 million cities package.

The Vice President spoke with Senator Chiles yesterday (Tuesday) about offering our program in Committee. Chiles was mildly receptive and said he would think about it. If Chiles were to help, we would stand a much better chance of succeeding in the Budget Committee.

If you get the chance, you should mention privately to Chiles that you know the Vice President talked to him and that you hope he can help. He is widely respected in the Budget Committee and could help save this important money.

THE WHITE HOUSE

WASHINGTON

March 25, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

SUBJECT: Child Welfare Budget Cut

I have reviewed Jim McIntyre's memo to you on the proposed child welfare budget cut, and want only to make the following point to you:

We are a long way from balancing the budget, as the initial sparring over the House Budget Committee resolution proves. To balance the budget, we obviously need a good many things going in our favor; one of them is clearly the support of House liberals. My belief, therefore, is that we should take advantage of the few opportunities we have in this process to accommodate those liberals -- especially those who have been very supportive of us and are looking for ways to continue to do so in the budget process. To the extent that we can minimize the public and private criticism from that corner, we can not only balance the budget, but can do so in a way that keeps the basic Democratic constituency together.

You now have an opportunity to do that with the decision on the child welfare budget. As I indicated in our last meeting on the budget, Congressman Corman accepted our deferral on welfare reform, but stressed very strongly that we make no cuts in the child welfare program below the level promised in the January budget. He stressed that the Conference Committee stayed within our ceilings. I believe that this is a very small price to pay to keep one of our strongest supporters and one of the most well-respected liberals on board our budget. I therefore strongly recommend that you not approve a cut in the child welfare budget.

I recognize that Secretary Harris might have a different preference on this issue, and it is late to reopen the budget with her. I might suggest that, given that the new legislation will not be enacted in time to have an impact in FY 1980, you reduce the FY 1980 budget by \$63 million, and maintain the FY 1981 budget at \$164 million as we proposed in January. Congressman Corman has indicated that he would concur with this proposal. The HEW budget otherwise would remain in tact.

Electrostatic Copy Made
for Preservation Purposes

As you may know, the budget cuts that we may release on Thursday are considerably more than you announced on Friday a week ago. I have not seen the final figures, but I believe that the program cuts amount to over \$15 billion. In my view, we can afford this \$45 million item.

26 Mar 80

Jack Watson

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

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON
March 25, 1980

*JACK
I was against
Weisner
J*

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*
SUBJECT: Chairman of the Nuclear Safety Oversight Committee

Yesterday you signed off on the membership and the chairman of this new committee being established as a follow-up to the Kemeny Commission Report. (See attached.)

You chose John Deutch as Chairman per the recommendation of Stu, Charles Duncan and Frank Press.

I recommend that you reconsider this appointment, despite the fact that Deutch has been told by Frank Press that you have approved his nomination. I do so for the following reasons (despite my high regard for John, both professionally and personally):

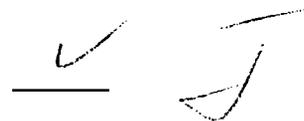
- Kitty Schirmir met today with a cross-section of environmental group leaders on a variety of matters, one of which was the Chairmanship of the Committee. It was made clear to Kitty that John's appointment would be opposed because he is perceived as being too pro-nuclear.
- Gary Hart's staff had earlier advised that Gary believes "it would send the wrong signals" to appoint John to this sensitive position at this time;
- The clean-up at Three Mile Island is causing severe citizen reactions within central Pennsylvania. Feelings are intense that the Government and utility are sanctioning a process which will expose citizens to public health risks. I am writing you about this problem separately, but want you to know that I am concerned about its impact on the April 22 Pennsylvania Primary. John's being named chairman will be used to further community anxiety and political opposition to you.

I suggest that you offer John a position on the Committee and name Bruce Babbitt (already approved for Committee membership) as Chairman. I will meet with John and explain why your interests would be better served by this arrangement, if you approve. Because John is a loyal supporter of yours, I believe he would gracefully accept this change.

If either John or Bruce do not accept, we will have to decide whether to leave matters where they stand or pursue additional options. I would like your authority to take this first step.

Stu joins in this recommendation which I have not shared with Frank Press or Charles because the political consideration here should not be widely discussed.

Approve Bruce Babbitt as Chairman and
John Deutch as Member

A handwritten checkmark is positioned above a horizontal line. To the right of this line is a handwritten signature that appears to be 'J'.

Disapprove change; stay with
earlier decision

Attachment

THE WHITE HOUSE

WASHINGTON

March ²⁴ 13, 1980

C

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON
ARNIE MILLER

SUBJECT: Nuclear Safety Oversight Committee

In your response to the Kemeny Commission report, you agreed to establish a small committee of experts to advise you on the progress of Federal and State authorities and the nuclear power industry in improving the safety of nuclear power and in implementing other approved Commission recommendations.

In developing the following recommendations, we worked closely with Frank Press, Gus Speth, Harrison Wellford and John White, and we were able to agree on four individuals to recommend as members.

Members:

- 1) Bruce Babbitt - Governor of Arizona - Member of the Kemeny Commission.
- 2) Patrick Haggerty - former President and Chief Executive Officer, Texas Instruments Inc. - Member of the Kemeny Commission.
- 3) Harold Lewis - Nuclear Engineer, University of California - Member of Advisory Committee on Reactor Safety.
- 4) Marvin Goldberger - President, California Institute of Technology.

RECOMMENDATION:

Appoint Bruce Babbitt, Patrick Haggerty, Harold Lewis and Marvin Goldberger as Members of the Nuclear Safety Oversight Committee.

✓ APPROVE _____ DISAPPROVE

Chairman:

We were not able to agree on a single recommendation for chairman.

Our debate centered around two candidates -- John Deutch, Undersecretary of DOE, who has resigned effective April, 1980, and Jerome Weisner, President of M.I.T. Both have strong scientific backgrounds and records that indicate an ability to deal effectively with complicated issues.

For this committee to succeed, its chairman must be perceived as being independent of the Administration and not identified as a proponent of either side of the nuclear debate. Deutch is perceived as being strongly pro-nuclear and we believe his appointment as chairman would pose a serious political problem. Weisner is not identified with either side.

Stu, Frank Press, and Charles Duncan recommend that you appoint Deutch. Frank Moore and Gus Speth join us in recommending that you appoint Weisner.

_____ Weisner

_____ ✓ Deutch

✓

✓

THE WHITE HOUSE

WASHINGTON

March 25, 1980

C
/

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
KITTY SCHIRMER

SUBJECT: Response to your question on Sawhill's Memo

You asked for a brief comparison of the forecasts contained in John Sawhill's memo to you with earlier Administration projections. These are listed below.

OIL PRICES

The average price for imported oil is now far higher than our projections, either in April or July of 1979. (The range we talked about in April was \$16 to \$18 per barrel.) The current price is, however, consistent with the projection which the Congress and the Administration used, beginning last fall, to calculate windfall profits tax receipts.

This more rapid than expected increase in foreign oil prices may accelerate meeting our 1990 targets for cutting oil imports to 4-5 million barrels per day. We are already seeing more dramatic reductions in gasoline use, for example, than had been expected. Meeting our goal, even in 1990, will still depend on enactment of all of our July, 1979 legislative proposals.

These price changes won't have much impact (except in the conservation area) on 1985 consumption since much of the savings to be realized in your program comes after 1985. Synthetics, shale, and reduction of oil use by utilities are all relatively long lead time activities and make their major contribution after 1985.

IMPORTS IN 1985

Sawhill's projection of 1985 imports of 8.2 million barrels per day (MMB/D) is about .3 MMB/D lower than earlier estimates.

DOMESTIC OIL PRODUCTION IN 1985

The new estimate that domestic oil production will decline by 1 MMB/D in 1985 is lower than our earlier forecast, which assumed oil production would stay constant through that year. Some industry and other forecasts still hold to a constant production estimate for 1985.

**Electrostatic Copy Made
for Preservation Purposes**

NATURAL GAS PRODUCTION IN 1985

The current estimate of 20 TCF natural gas production in the U.S. is 2-3 TCF higher than earlier forecasts.

COAL AND NUCLEAR CONTRIBUTION IN 1985

These new forecasts are about the same as our previous projections.

THE WHITE HOUSE
WASHINGTON

27 Feb 80

Stu Eizenstat

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

Rick Hutcheson

1226

FOR STAFFING
FOR INFORMATION
<input checked="" type="checkbox"/> FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
FOR APPROPRIATE HANDLING
LAST DAY FOR ACTION

handcarry

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

ACTION
FYI

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

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



THE SECRETARY OF ENERGY
WASHINGTON, D.C.

Sta.
a) Give encircled
data to Today, speech.
Writers, others
b) Does this paper
match our
stated
projections?
(be brief) J

FEB 26 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: John C. Sawhill
SUBJECT: Summary of Testimony Before the Senate Foreign Relations Committee

The Department of Energy recently completed studies of U.S. and other free world energy demand and supply balances over the next five years. At the request of Senator Frank Church, this analysis was presented to the Senate Foreign Relations Committee as part of their study of the role of the Persian Gulf in meeting free world oil demand in the first half of the 1980's. The conclusion of this analysis was that world oil markets will remain volatile and that the OECD countries cannot reduce their dependence on the Persian Gulf between now and 1985. The principal findings presented were:

- In 1980, there should be a 2 million barrel per day reduction in required OPEC production as a result of a 1 million barrel per day drop in world demand for oil and an increase of 1 million barrels per day in non-OPEC oil supplies, primarily from Mexico and the North Sea. This reduction should lead to temporary relief from the severe upward price pressures experienced in 1979 (e.g., the average price of internationally traded oil is now \$29.61 per barrel, an increase of 109 percent since last February).
- Over the next five years, European and Japanese oil demand will grow very slowly as a result of reduced economic growth and rising non-oil energy supplies. However, European and Japanese dependence on the Persian Gulf for crude imports will be little changed. Western Europe will depend on the Persian Gulf for 62 percent of its petroleum imports in 1985 in comparison with 63 percent dependence last year. The Japanese will continue to rely on the Persian Gulf for 73 percent of their petroleum imports.

- U.S. oil imports will rise slightly by 1985 to 8.2 million barrels per day and U.S. dependence on the Persian Gulf will increase marginally from 31 percent of petroleum imports in 1979 to approximately 34 percent in 1985. This increased dependence will be largely the result of (a) an expected small decline in production in the African countries which currently are our major suppliers (See Table 1) and (b) a decline in domestic production of liquid hydrocarbons (see below).
- The most probable outlook for U.S. oil production in 1985 is for a decline of about 1 million barrels per day from 1979 levels. This decline will occur in spite of the increases in crude prices resulting from price decontrol. It reflects recent, more pessimistic experience in frontier production areas and is consistent with the forecasts of CBO, GAO and the major oil companies (see Table 2).
- U.S. natural gas supplies will remain roughly stable over the next five years. The forecast of supplies -- including imports from Mexico and Canada -- is for 20 trillion cubic feet (tcf) in 1985 versus 20.2 tcf in 1979. This forecast is more optimistic than that of several of the major producers.
- U.S. demand for oil will decline slightly over the next five years. Our forecast is that it will decrease from 18.4 million barrels per day in 1979 to 18.0 million barrels per day in 1985. Total energy demand will, however, grow slowly, from 37.3 million barrels per day oil equivalent in 1979 to 40.8 million barrels per day equivalent in 1985. This forecast is based on GNP growth of 2.3 percent between now and 1985 and a real price rise of 2 percent per year.
- The forecast of a small increase in U.S. petroleum imports between 1979 and 1985 is not inconsistent with your goal of halving imports by 1990. Little can be done to increase U.S. domestic petroleum supplies by 1985 because of the long lead times to get new sources of liquid hydrocarbons on stream, such as synthetic fuel plants or offshore oil fields. Our actions over the next several years will primarily have an impact on petroleum supplies in the late 1980's.
- The forecast does assume an increase in coal production from 774 million tons in 1979 to 1 billion tons in 1985, and an increase in nuclear capacity from 50 gigawatts to 95 gigawatts in the same time period. Achieving both of these increases will be difficult and require such actions as early passage of utility oil backout legislation and licensing of 42 new nuclear plants.

Attachments

TABLE 1

U.S. OIL IMPORT^{1/} DEPENDENCE*

<u>Source</u>	<u>1979</u>	<u>1985</u>	<u>Comments</u>
Persian Gulf	2.4	2.8	Increase likely to come mainly from Saudi Arabia and Iraq
Mexico	0.4	1.2	Mexico assumed to export 2 mmb/d with U.S. getting 60% of exports which is stated Mexican policy
Nigeria	1.1	0.9	Stable or small decline in output; rising domestic consumption; stated policy to diversify export sources
Libya	0.8	0.7	Stable output, declining exports
Algeria	0.6	0.5	Declining production coupled with increased refining capacity and product exports; U.S. likely to get less as the crude/product export mix changes
Venezuela	0.9	0.7	Declining production, rising domestic consumption and less exports
Indonesia	0.4	0.3	Stable production but declining exports due to rising domestic consumption
Canada	0.5	0.2	Canada phasing out exports to U.S.
North Sea	0.3	0.3	Almost all North Sea increase likely to be consumed in Western Europe
Others	<u>0.4</u>	<u>0.6</u>	Increase from Non-OPEC LDCs
Total Oil Imports	7.8	8.2	

^{1/} Includes direct and indirect imports with products traced to source of crude.

* 8.2 mmb/d excludes U.S. Territories. Including U.S. Territories, imports will rise to 8.6 mmb/d with 3.2 mmb/d or 37 percent from Persian Gulf.

TABLE 2

U.S. OIL PRODUCTION IN 1985
(MMb/d)

Category	1979 Actual	1985 Projections						
		DOE ^{1/}	CBO ^{2/}	Exxon ^{3/}	Shell ^{4/}	Chevron ^{5/}	Gulf ^{6/}	GAO ^{7/}
Lower-48 ^{8/}	7.2	5.4-6.0	6.0-6.2	5.2	5.0		6.2	5.7
EOR ^{9/}	-	0.3-0.7	0.3-0.4			7.9		
North Alaska	<u>1.3</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.7</u>		<u>1.6</u>	<u>1.6</u>
Total Crude	8.5	7.3-8.3	7.9-8.2	6.8	6.7	7.9	7.8	7.3
NGL	<u>1.7</u>	<u>1.3-1.5</u>	<u>1.4</u>	<u>1.1</u>	<u>1.3</u>	<u>1.4</u>	<u>1.5</u>	<u>1.6</u>
Total Oil Production	10.2	8.6-9.8	9.3-9.6	7.9	8.0	9.3	9.3	8.9
Refinery Gain	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Total Oil Supply	10.7	9.1-10.3	9.8-10.1	8.4	8.5	9.8	9.8	9.4

1/ February, 1980 forecasts from the Office of Analytical Services, Policy and Evaluation. World oil prices are assumed to be \$30/barrel in 1980, increasing to \$35/barrel by 1985. Projections include phased decontrol and the windfall profits tax. Range of projections represents both geologic and market uncertainties.

2/ CBO projections as of November 1979. World oil prices are assumed to be \$30/barrel, escalating at 2 percent per year in real terms. Range represents the differences in production from versions of the windfall profits tax bill.

3/ Exxon projections as of January 1979. Assumes \$24/barrel world oil prices and low recoverable oil resources.

4/ Shell Oil Company, The National Energy Outlook 1980-1990, February 1979.

5/ Chevron Planning Department, July 1979 projections.

6/ Gulf Oil Company, January 1980 projections.

7/ General Accounting Office, December 1979 Projections.

8/ Onshore and offshore oil production, and production from South Alaska.

9/ Incremental production from Enhanced Oil Recovery (EOR) projects.

THE WHITE HOUSE
WASHINGTON

26 Mar 80

Jim McIntyre

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

Rick Hutcheson

cc: Bo Cutter
Stu Eizenstat

STAH



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

Jim
J

March 25, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre *Jim*
SUBJECT: Child Welfare Legislation

When we discussed final budget decisions with you the other day, one issue remained unresolved: Child Welfare reforms (H.R. 3434).

OMB's budget reduction list included a proposal to reduce funding for the Child Welfare legislation by \$63 million in 1980 and \$44 million in 1981. This reduction consisted entirely of a delay of the funding pattern adopted in the January budget by one fiscal year. The reasons for this delay were two: (1) the Child Welfare legislation has not been finally adopted by the House or Senate (although it is in conference), and (2) it was our information that spending could not in any case proceed until States met certain administrative requirements.

It is now our understanding that the conference process has reduced the impact of these administrative requirements and States could in fact spend funds as soon as we make them available.

In the discussion with you, Stu's position was that we should not make this reduction. Stu said that in his conversation with Congressman Corman about our deferral of Welfare Reform, Congressman Corman had indicated a willingness to go along with the deferral but expected to be accommodated on Child Welfare funding in return. You were generally sympathetic with Congressman Corman.

The issue is complicated by HEW's view that restoration of these particular funds to fund a new program in FY 1980 that has not yet been enacted by the Congress should not be entertained ahead of restoration of other funds such as Community Health Centers, or Health Planning.

Upon consideration of the entire issue, I feel two things strongly: (1) I believe it is ill advised to fund a program which is not even in law when we are reducing many other programs throughout the budget, and (2) that we simply do not have time to meet HEW's objections by opening up the budget again. Accordingly, I would recommend that we stay with the original OMB proposal to reduce \$63 million of 1980 budget authority from the Child Welfare funding.

OPTIONS

1. ____ Go forward with the reduction (OMB).
2. ____ Restore funding for Child Welfare legislation (Eizenstat).
3. ____ See me.

Comm (Gianno) re '81
Go same as House
Cut '80

THE WHITE HOUSE

WASHINGTON

March 26, 1980

Mr. President:

The first seven pages of this are humorous material. Chris and I have purposely given you a lot of this so you would have plenty to choose from.

The last seven pages are along the lines of our conversation yesterday and your remarks at the meeting last night.

Maybe I won't move back to New York after all.

Rick

Rick Hertzberg

Matthews/Hertzberg
Draft A-1, 3/25/80

Scheduled Delivery:
Wed, 3/26/80, Evening

Democratic congressional dinner

Mr. Speaker, Senator Byrd, Congressman Jim Corman,
Senator Wendell Ford, Senator Muriel Humphrey, Bob Nedlerlander,
Bob Georgine, Bill Wynn, Pat O'Conner, Maurice Sonnenberg,
John White, friends.

I know a lot of you are wondering what I think will be
the long-term effect of yesterday's primaries in New York
and Connecticut.

Well, suddenly I feel like Harry Truman again.

So let me answer that in the same words he liked to use --

"There's going to be a Democrat in the White House next
year -- and you're lookin' at him."

Some things about yesterday's vote were no surprise.

I knew full well, for example, that there were not going to be any prizes handed out for budget-cutting -- not in the short run, at any rate.

But there is at least one old preconception that has fallen by the wayside --

When I first became President and started to build up our involvement in the United Nations, some of the experts said, "Mr. President, don't waste your time. Nobody pays any attention to what happens in the UN."

How wrong they were!

Nevertheless, I think I have made some progress in New York. Back in 1976, I finished fourth in the New York primary -- right behind "uncommitted."

Between then and now, we saved the city from bankruptcy, fashioned the first comprehensive urban policy in our Nation's history, and fought for welfare reform -- and this year I moved up to second place.

Who says New Yorkers aren't capable of growth?

But I guess the results prove the truth of that old political adage: "As New York goes, so goes Connecticut."

* * *

It's good to see so many friends from Capitol Hill here tonight. As all of you know, there were intensive meetings between Congressional leaders and members of my Administration during the first two weeks of this month, as we worked to hammer out a common approach to the difficult problem of inflation.

I got some excellent reports on those preliminary meetings.

I learned a lot about the leaders of the House and Senate.

First of all, it is an extremely moral crowd.

It seems when they first sat down and looked for ways to balance the budget, one of the first things they thought of was the idea of putting increased taxes on sin. [That's right, sin.]

That brought trouble right off the bat.

Someone suggested increasing the taxes on tobacco, and the group started estimating how much could be raised. There were "X" many hundreds of millions to be raised from a tax on cigarettes, another "X" many to be raised from pipe tobacco and chewing tobacco. Everything was going fine until someone mentioned the potential new revenues from cigars. I understand that suddenly, from behind a giant cloud of blue smoke, came the voice of Senator Warren Magnuson. "Let's leave cigars out of this. A cigar isn't a sin -- it's a basic necessity."

The same thing happened when someone suggested putting higher taxes on alcohol.

Here again there were calls for exceptions.

*Fal bud's
budget cuts*

One member said he stuck to certain rules about drinking.

He said, "I never drink to excess. I never drink alone. I never drink before five. I never drink when I am depressed. I don't count beer and wine. And if I don't count them, I don't think the I.R.S. should either."

But the argument was clinched when someone pointed out that a tax on booze would be inflationary. It would raise the cost of lobbying.

It was a little rough in the early going. I am told that when the subject turned to budget-cutting, members showed great resourcefulness in protecting their favorite programs.

It was very interesting to watch how each member went about this.

Everybody knew that veterans programs were going to be all right when Alan Cranston showed up one morning wearing his American Legion cap.

And agriculture programs looked pretty safe when Tom Foley came in wearing a plaid shirt and carrying a pitchfork.

One of the meetings was on a Sunday. The Congressional cafeteria was closed, so everyone had to bring their own food.

People knew that Lud Ashley was not going to be any pushover when he showed up carrying his Superman lunch pail.

Secretary Miller showed his class, on the other hand, by bringing his lunch in a shopping bag from Garfinkel's.

And one member who forgot to bring his lunch offered to trade a \$50-million line item for a ham and cheese sandwich.

I gather it got a little heated during the course of the discussion. I understand that at one point, Dave Obey was so worked up that he had to be calmed down by -- of all people -- Ed Muskie. You know you have a hot meeting on your hands when Ed Muskie is the one saying "Temper, temper."

As people looked around the room, everyone had a look of anguish in his face. Everyone was facing up to the grim realities of budget cutting.

There was only one exception. Throughout the long days and nights, one Member of Congress kept his cool all the way. No one could figure how he could face up to the challenge with so much ease. It was almost as if he didn't have anything to worry about.

Now we know why Bob Giaimo was so relaxed.

* * *

What I have just done, of course, is give you a rather light-hearted glimpse of a very serious business.

Fighting inflation is seldom easy. Cutting budgets is never easy. It is easy to say that you want to see a \$13 billion spending cut. It is is easy to say you want the budget balanced. But when you get down to what is really involved in those numbers -- when you appreciate the program cuts for what they are -- it stops being easy very fast.

Budget-cutting is particularly rough when you know the need that is met by the program, when you know some of the people who are affected as friends and constituents, when you have worked hard to make a particular program a reality and helped to make it grow.

And that is exactly why I am so proud, as a Democrat, that our party is moving to face this absolutely crucial and imperative responsibility.

As I speak to you tonight, our Nation faces serious challenges -- both abroad and here at home. We confront continued turmoil, and continued terrorism, in Iran. We face a new and brutal aggression in Afghanistan. And beyond these specific problems, we see a whole range of challenges that are global in nature.

In the last ten years, we have had profound economic shocks, shocks that have been felt around the world. Prices of energy have increased 1000 percent. Our own imports of oil have multiplied 20 times over. In the past year alone, the price of energy has increased 120 per cent -- a greater increase in just one year than in the entire time since oil was first discovered.

The impact has been worldwide. France, Israel, Japan, and many other nations have more severe rates of inflation than our own. But the sheer breadth and depth of the economic challenge only makes the need for action more urgent.

Inflation, fueled by energy dependence, is a worldwide challenge -- but the responsibility for dealing with it is quite specific. It lies with you and it lies with me. It is a challenge that we must meet together.

Twelve days ago, after the most intensive process of consultation in memory, I put forward a major program to battle inflation.

Several key elements of my program can and have been accomplished unilaterally, by me and through cooperation with the Federal Reserve Board. None of these steps is either pleasant or easy.

I have taken the difficult step of imposing a conservation

fee on imported oil. I have used my authority under the 1969 Credit Control Act of 1969 to put restraints on credit. I have taken responsibility for the wage-price program.

But there are several key elements that will require Congressional action.

The most important step is balancing the budget. No matter what other steps we take, none will count for much in the public eye unless we make good on a balanced budget. If we fail to balance the budget, having come so close, we would send a signal that the Federal government cannot succeed in disciplining itself. That would be devastating not only for our economy but also for the future of democracy itself.

The second area concerns energy. Congress must take final action on the Windfall Profits Tax, the Energy Security Corporation, and the Energy Mobilization Board.

I will also ask the Congress to enact a tax on gasoline sufficient to replace the 10-cent-a-gallon conservation fee I have imposed.

I believe our nation deserves quick action on these programs. I believe we have a particular interest in these steps as Democrats.

For generations, the Democratic party has stood for economic opportunity, for social justice.

I believe in the historic commitment of the Democratic party. I grew up with REA and TVA. I know what the great social programs such as Head Start have done to improve the lives of millions of people in our country.

But I also believe that at this time in our country's history the number one economic problem is also the number one social problem -- and that problem is inflation.

Inflation is the worst of all taxes. It is the worst because it shrinks the value of our incomes, of our savings. It penalizes most those with the least power in the markets of this country. It penalizes those who rely on fixed incomes. It penalizes those who rely on savings.

The best economic program, the best social program we can enact this year is one that fights inflation.

So when someone says to me that I am hard-hearted for fighting inflation, I say nothing is more hard-hearted than to let it continue.

I am determined that we deal with inflation -- now. I am determined that we balance the budget -- now. And I am determined that we balance the budget with the kind of caution and sensitivity that will do the job right. It is tough for people who care about programs to be the ones helping to trim them back. But I for one am grateful that it is we who

believe in social progress who are working the scalpel -- rather than leaving it to someone else to wield the meataxe.

The real choice our country faces in 1980 is a choice between those of us who believe in social responsibility and social justice, and want those goals to be achieved in the most productive and cost-effective way possible -- and those who derive joy out of seeing government programs fail.

I am determined to see the Democratic party win the electoral competition in 1980. But I am even more determined that we demonstrate to the country that we deserve to win.

I am determined to see the American people support the Democratic party because they know that we, once again, are the party that is responsive to the needs of the times, that is most in step with the people's best judgment, best values, and best hopes for the future.

#

Jokes

There are two big political tests in New York this year.
One was yesterday. The other is in August.

I'll settle for a split.

* * *

In fact, I'm thinking of renaming it the Madison Square
Rose Garden.

* * *

A show can bomb in New Haven ... get bad reviews on
Broadway ... and still be a smash on the road. Judging from
the nationwide box-office figures, Fritz and I have a hit on
our hands.

* * *

Actually the opposition hit a new low in television
campaign advertising. Think of it -- they put Archie Bunker
on the air to say that I'm too conservative.

That's a little like Bob Strauss telling me I'm too
partisan.

* * *

It's great to be together with a group that shares a common goal with me.

You and I are both determined to keep every Democrat in the House and Senate right there where they belong -- and I mean every last one of them.

#

THE WHITE HOUSE
WASHINGTON

March 25, 1980

*ok -
provided Scotty
& Jim have
approved
J*

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD N. CUTLER

LNC

SUBJECT: FBI Whistleblower Regulations

Section 2303 of the Civil Service Reform Act of 1978 protects Federal Bureau of Investigation employees who disclose information of misconduct by other government employees. That section directs the Attorney General to prescribe regulations protecting the FBI "whistleblowers" from reprisals. It also requires that you "shall provide for the enforcement" of that section in a manner consistent with the procedural protections afforded other government employees by Section 1206 of the Civil Service Reform Act. Your review and concurrence in these regulations will satisfy your statutory responsibilities to provide such enforcement.

We have reviewed these regulations and are satisfied that they comply with the statute. We, therefore, recommend that you indicate your concurrence by so noting on the Attorney General's memorandum to you.

Attachment



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

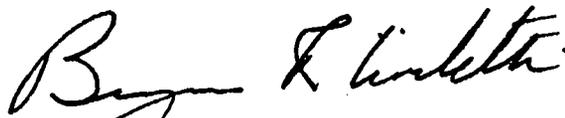
16 JAN 1980

MEMORANDUM FOR THE PRESIDENT

RE: Protection of Whistleblowers pursuant to
the Civil Service Reform Act of 1978

I am herewith transmitting regulations approved by the Department of Justice pursuant to Section 2303 of Title 5, United States Code, as added by Section 101(a) of the Civil Service Reform Act of 1978, Public Law 95-454. The final regulations incorporate additions suggested by your Counsel's Office and the Special Counsel to the Merit Systems Protection Board.

Section 2303 provides protection for employees of the Federal Bureau of Investigation who disclose information which evidences a violation of law, mismanagement, gross waste of funds or other misconduct by Bureau employees. Subsection (c) of section 2303 provides that the President shall enforce the section's prohibitions against reprisals for the disclosure of such information. The enclosed regulations seek to fulfill that statutory mandate and are submitted for your concurrence.


Benjamin R. Civiletti
Attorney General

I concur _____

I do not concur/see me _____

J
*if Scatty & OMB
approve*

TITLE 28 --JUDICIAL ADMINISTRATION

CHAPTER I -- DEPARTMENT OF JUSTICE

PART 0--ORGANIZATION OF THE DEPARTMENT OF JUSTICE

SUBPART G-2 --OFFICE OF PROFESSIONAL RESPONSIBILITY

ORDER NO. 833-79

PROTECTION OF DEPARTMENT OF JUSTICE WHISTLEBLOWERS

AGENCY: Department of Justice

ACTION: Final rule.

SUMMARY: This order establishes procedures for the disclosure of information evidencing misconduct by Department employees and provides protection for persons making such disclosures. The purpose of the order is to implement section 2303 of title 5, United States Code, as added by section 101(a) of the Civil Service Reform Act of 1978, Public Law 95-454.

EFFECTIVE DATE: Upon issuance.

FOR FURTHER INFORMATION CONTACT: Michael E. Shaheen, Jr. Counsel, Office of Professional Responsibility, Department of Justice, Washington, D.C. 20530 (202-633-3365).

By virtue of the authority vested in me by 5 U.S.C. 2303, and 28 U.S.C. 509 and 510, Subpart G-2 of Part 0 of Chapter I of Title 28, Code of Federal Regulations, is revised to read as follows:

§0.39 Organization.

The Office of Professional Responsibility shall be headed by a Counsel, appointed by the Attorney General. The Counsel shall be subject to the general supervision and direction of the Attorney General or, whenever appropriate, of the Deputy Attorney General or the Associate Attorney General or the Solicitor General.

§0.39a Functions.

The Counsel on Professional Responsibility shall:

(a) Receive and review any information or allegation concerning conduct by a Department employee that may be in violation of law, regulations or orders, or of applicable standards of conduct or may constitute mismanagement, gross waste of funds, abuse of authority, or a substantial and specific danger to public health or safety. However, this provision does not preempt the primary responsibility of internal inspection units of the Department to receive such information or allegations and to conduct investigations.

(b) Receive and review any allegation of reprisal against an employee or applicant who discloses information pursuant to subsection (a). Any disclosure by an employee or applicant to the appropriate internal inspection unit of the Department under this subsection shall constitute disclosure to the Attorney General or the Counsel.

(c) Make such preliminary inquiry as may be necessary to determine whether the matter should be referred to another official within the Department or the Solicitor General.

(d) Refer any matter that appears to warrant examination in the following manner:

(1) If the matter appears to involve a violation of law, to the head of the investigative agency having jurisdiction to investigate such violations;

(2) If the matter appears not to involve a violation of law, to the head of the office, division, bureau or board to which the employee is assigned, or to the head of its internal inspection unit;

(3) If referral to the official indicated in subsection (d) (1) or (2) of this section would be inappropriate, to the Attorney General and the Deputy Attorney General or, if referral to both

(i) Submit to the Attorney General and the Deputy Attorney General or, if submission to both would be inappropriate, to whichever of them would be proper or to the Associate Attorney General or the Solicitor General:

(1) An immediate report concerning any matter referred under subsection (d)(1) or (d)(2) of this section that should be brought to the attention of a higher official;

(2) An immediate report concerning the adequacy of any investigation of a matter referred under subsection (d) of this section, if the Counsel believes that a significant question exists as to the adequacy of such investigation; and

(3) An annual report, or a semi-annual report if the Counsel determines this to be necessary, reviewing and evaluating the activities of internal inspection units, or where there are no such units, the discharge of comparable duties within the Department.

(j) Submit recommendations to the Attorney General and the Deputy Attorney General on the need for changes in policies or procedures that become evident during the course of the Counsel's inquiries.

(k) Undertake any other responsibilities assigned by the Attorney General, including duties relating to the improvement of the performance of the Department.

§0.39b Confidentiality of Information.

Whenever any employee of or applicant to the Department provides information pursuant to §0.39a(a) or (b), the Counsel and the internal inspection unit shall maintain the confidentiality of the employee or applicant unless the employee or applicant consents to the release of his or her identity or the Counsel determines that the disclosure of the identity is necessary to

resolve the allegation.

§0.39c Stays of Certain Personnel Actions in the Federal Bureau of Investigation.

(a) The Counsel may, with respect to employees of the Federal Bureau of Investigation, request the Attorney General to stay any personnel action for any period which the Attorney General considers appropriate if the Counsel determines that there are reasonable grounds to believe that the personnel action was taken, or is to be taken, as a reprisal for a disclosure of information by the employee to the Attorney General (or the Department official designated by the Attorney General for such purpose) which the employee reasonably believes evidences:

- (1) a violation of any law, rule or regulation; or
- (2) mismanagement, a gross waste of funds, abuse of authority or a substantial and specific danger to public health or safety.

(b) The Attorney General, when requested to stay a personnel action under paragraph (a) of this subsection, may stay such action when the Attorney General determines that under the facts and circumstances involved such stay would be appropriate.

§0.39d Relationship to other departmental units.

(a) Primary responsibility for assuring the maintenance of the highest standards of professional responsibility by Department employees shall continue to rest with the heads of the offices, divisions, bureaus and boards of the Department.

(b) Primary responsibility for investigating an allegation of unprofessional conduct that is lodged against an employee of the Department normally shall continue to rest with the head of the office, division, bureau, or board to which the employee is assigned, or with the head of its internal inspection unit, or,

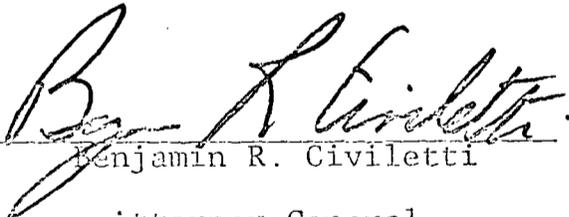
if the conduct appears to constitute a violation of law, with the head of the agency having jurisdiction over the subject matter involved.

(c) The heads of the offices, divisions, bureaus, and boards shall provide information and assistance requested by the Counsel in connection with reviews or investigations conducted by the Counsel or by any other person assigned to conduct reviews or investigations and shall keep the Counsel informed of major investigations that they are conducting.

(d) Employees of the Department may be assigned to the Office of Professional Responsibility on a case-by-case basis to conduct such inquiries as may be warranted. However, no investigative personnel shall be assigned except under the specific direction of the Attorney General or the Deputy Attorney General and, in normal course, with the agreement of the head of the unit to which the investigative personnel are regularly assigned. Personnel assigned to the Office shall work under the direction of the Counsel.

§0.39e Committee on Professional Responsibility

The Committee on Professional Responsibility shall consist of Department officials designated by the Attorney General and shall serve as an advisory body to the Counsel.


Benjamin R. Civiletti
Attorney General

Date: January 16, 1980