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regular foreign affairs breakfast
friday, march 28, 1980

THE WHITE HOUSE
WASHINGTON

For Aff

3-28-80

- > Sadat / Begin visit
- > Agenda - Venice - Fr/Money
- > IEEPA - Olympics
- > Iran action - (white paper)
- > Mexico trade negotiations
- > OSCE - G Bell
- > Libya Emb staff
- > El Salvador
- > Arrangements re Shah
- > Modai - Is oil
- > UN Res re PLO - veto
- > Korea re US access (Chu)
- > \$4 mil re USOC

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THE WHITE HOUSE
WASHINGTON
28 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: Secretary Vance

THE WHITE HOUSE
WASHINGTON

3/28/80

Mr. President:

Jim McIntyre's comments are
attached.

Zbig has no comments.

Rick/Bill

THE SECRETARY OF STATE
WASHINGTON

March 26, 1980

Jim -
Maintain
recommen dation
OPM/OMB
J

MEMORANDUM TO: THE PRESIDENT
FROM: Cyrus Vance *CV*
SUBJECT: Foreign Service Pay Comparability

I respectfully request that you reconsider your decision to support the \$15.2 million Foreign Service pay package rather than the \$33.8 million package which Congress has already put into the pending Foreign Service bill.

The issue at hand is not a pay raise for the Foreign Service, but rather full pay comparability with the rest of the Federal Service. The consequence of not accepting pay comparability is that Foreign Service personnel would continue to be paid salaries less than their Civil Service and military counterparts who perform jobs of comparable responsibility.

As OMB recognizes, the proposals I am advocating were based on the findings of an "internationally respected consulting firm specializing in personnel pay and benefit systems." This firm measured the critical area of job responsibilities in the two systems and then proposed the exact schedule now in the bill, as the best way to match equal job levels in the two systems with equal pay. That match-up is crucial under the merit system principle, which was reaffirmed in the Civil Service Reform Act, that the U.S. Government provides equal pay for equal work.

If the Administration now decides to adopt a pay plan which falls far short of the findings of the most recent study, it will inevitably be perceived as a refusal to pay Foreign Service personnel salaries equivalent to those of their Civil Service colleagues. There is a strong likelihood of court action by a Foreign Service union, challenging the Administration position as inconsistent with the legal requirement of pay comparability.

The battle you are waging to hold down the Federal budget is an objective which I wholeheartedly support. But in all honesty, the difference between the two options is not too much

to pay to achieve (1) fairness to employees; (2) the union's enthusiastic support of the entire Foreign Service bill; and (3) Administration consensus with Congress on a bill where the Congress has been strongly supportive so far of the Administration.

OMB raised various questions about recruitment and retention of employees in the Foreign Service. Some OMB data are inaccurate, such as the suggestion that senior officer compensation is so attractive it has led to "an excess of older officers." This is simply not the case; there is no such excess and, furthermore, the pay package involves only the junior and middle ranks. In addition, the recruitment, retention and retirement figures put forth by OMB fail to indicate the unfavorable trends we face in all these categories.

The issue is not whether more pay is needed to attract or retain officers in the Foreign Service. The issue is whether the Government is willing to offer Foreign Service employees the same salaries provided the rest of the Federal Service, for work of equal responsibility.

The OMB paper mentions two options involving expenditures of \$29 and \$22 million. The Department supported the \$29 million package in the Task Force discussions, as did the other foreign affairs agencies. I think we could persuade Congress to modify the current package and substitute that option. The union has already indicated it would agree to that compromise. Even OMB and OPM thought that the \$22 million option had "merit," although I do not believe this would meet the requirements of the Congressionally-mandated pay study and might be subject to court challenge. But the \$15.2 million option would be the hardest of all to defend. If you firmly believe that full comparability cannot be granted this year, then I urge you to adopt the \$29 million option.

Once again, I ask you to reconsider your decision and support full pay comparability for our Foreign Service personnel.

cc: The Honorable
James T. McIntyre, Jr.



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

March 28, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: JIM MCINTYRE *J. McIntyre*

SUBJECT: State's Appeal of Your Decision on Foreign Service Pay

In their appeal of your decision on Foreign Service Pay, the State Department identifies the critical issue as: "whether the Government is willing to offer Foreign Service employees the same salaries provided the rest of the Federal Service, for work of equal responsibility." I believe that the decision you made in response to my memorandum of March 20, 1980 (attached) reflects a fair resolution of this issue for the following reasons:

- ° Two independent studies were made of this issue, one by Hay Associates referred to in State's letter, and one by the Office of Personnel Management.
- ° In the judgment of OMB and OPM officials, both studies were expertly performed, but the studies differ on certain of their recommendations. This is to be expected where judgments are made about work of equal value, especially for positions at professional levels. The State memorandum, however, concludes that full comparability is defined correctly only by the Hay Study. OMB and OPM disagree; the Option which they recommended and you selected was designed to reflect the strong points of both studies.

State's letter suggests that for the additional amount of \$18.6 million, the added cost of States proposal over the option you chose, the Administration would reap highly desirable results. In response we would point out:

- ° \$18.6 million is only the first year cost, since we are talking about a permanent elevation of the Foreign Service schedule, the five year cost is over \$100 million.

- ° While all Foreign Service employees and their union may not agree, OMB and OPM believe your decision treats Foreign Service employees fairly vis a vis their Federal and private sector counterparts.
- ° Our initial review of the bill as reported by subcommittee revealed the addition of numerous objectionable features which may call for a veto recommendation. Accordingly, we do not now have the consensus with the Congress on this bill that State alludes to.

Secretary Vance's letter stated that OMB data are inaccurate, particularly a reference to "an excess of older officers." Due in part to a large exodus at the end of February, historical excesses seem to have been eliminated, at least for now. However, in Congressional testimony last June and again in December, Under Secretary Read discussed Administration-sponsored changes in the Foreign Service Act which would increase attrition in the senior ranks. He called attention to "the impacted situation at senior levels which has caused pervasive problems at all levels." He noted that the situation had been alleviated in the preceding weeks, but added that it "could recur at any time under slightly different circumstances." Obviously, State's effort to secure the management techniques provided in that bill to compel retirements of senior officers shows that few are leaving because of inadequate compensation.

In conclusion, I believe your decision was the correct one and am not persuaded by the arguments presented in State's memorandum. I would not under any circumstances choose the State option, and would suggest the decision of "somewhere between Option II and IV" if you do change your original choice (see page 7 of the attached). However, State is not likely to be fully satisfied with anything less than Option II.



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

Jim J

MAR 20 1980

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM MCINTYRE *Jim*

SUBJECT: Foreign Service Salary Schedule

Last year, the State Department proposed to the Congress a comprehensive revision of the Foreign Service Act which would make significant changes in the Foreign Service personnel system. One of the proposed changes consolidates the two existing Foreign Service salary schedules (officer and staff) into one. At the time the schedules are consolidated, certain long standing link points between the Foreign Service schedules and the General Schedule need to be changed. We have not been able to reach agreement with the State Department, which also speaks for AID and ICA, on the grade levels for the new linkages.

BACKGROUND

Current law requires the President to "interrelate" the Foreign Service salary schedules with the General Schedule. Historically this has been effected by selecting a few grade levels in both schedules where duties and responsibilities are reasonably equal. The same pay rate that appears in the General Schedule is then assigned to the appropriate point in the Foreign Service, or the linked, schedule. The remaining pay rates necessary to fill out the linked schedule are determined by using relationships, such as between-grade differences and rate ranges, that are best suited to the population being served by the linked schedule.

Linkage of the Foreign Service schedules to the General Schedule became a matter of concern to the Department of State and the President's Pay Agent in the early 1970's. Under the auspices of the Pay Agent, OPM conducted a study designed to evaluate existing linkages. The OPM study found that generally mid-level Foreign Service jobs were linked low, and at the lower levels, linkages were too high. That is, mid-level Foreign Service Officers were underpaid while support level Foreign Service staff--principally secretaries and communicators--were overpaid.

State began holding down promotion rates to overcome the overgrading of support levels and the Pay Agent considered revising Foreign Service schedule linkages. These developments reinforced the dissatisfaction of foreign service people with their pay. In response, Congress mandated that the State Department conduct a study of the Foreign Service personnel and salary systems, particularly the linkage issue. State contracted with Hay Associates, an internationally respected consulting firm specializing in personnel pay and benefit systems, to conduct this study.

The Hay Study confirmed the OPM finding that the support levels were overpaid, and that the mid-levels were somewhat underpaid. However, the Hay study also found that the upper-level officer classes were underpaid, which the OPM study had not indicated. The chart at Tab A compares current Foreign Service pay and current link points with the recommendations of the OPM and Hay studies.

When the proposed Foreign Service Act revision was forwarded to OMB for clearance last year, State proposed a schedule based on the Hay study. The Hay linkages would result in large pay raises for almost all Foreign Service Officers. OMB questioned these increases and argued that Hay conclusions about upper level linkages were not necessarily more valid than the more conservative OPM study conclusions. OMB cleared the Foreign Service bill with the understanding that the linkage issue would be resolved later. Subsequently, an interdepartmental task force was appointed to examine the issue. The task force reviewed the two studies and analyzed the issues and options, but could not reach agreement. OMB and OPM task force members recommended an option which they believed accommodated the findings of both the OPM and Hay studies--in essence a compromise--while State, AID and ICA members favored the option patterned on the Hay Study. Tab B shows critical features of relevant options.

Since mid-November we have made unsuccessful attempts to reach agreement with State. State originally favored Option I, but has fallen back to Option II. Both of these options are patterned on the Hay Study linkages with the principal difference that one has 9 grades and the other 10. Option II would give annual increases averaging \$2,721 or 10.2% per employee at a cost of \$29 million per year. OMB and OPM favor Option IV which would give annual increases averaging \$1,422 or 5.33% per employee at a cost of \$15.2 million per year. The critical difference between the options is where they link one Foreign Service grade, FS-2, to the General Schedule. Options I and II both link FS-2 with GS-14, whereas Option IV links it at GS-13.38.

It is important to remember that the increases that result from these linkage changes are separate from, and over and above the annual comparability pay increase. Accordingly, they constitute a permanent elevation of a major portion of the Foreign Service salary system relative to all other Federal employees, and a permanent reduction of another portion of the Foreign Service salary system--the overpaid support levels.

DISCUSSION

Several considerations account for the firm adherence to Option II by all three Foreign Service agencies. State was intimately involved in the Hay study and is convinced that Hay's recommended linkages place foreign service personnel at appropriate pay levels in comparison with their General Schedule counterparts. In contrast, State believes that the OPM study linkage does not fully reflect the overseas dimension of foreign service duty.

Foreign Service employees and their unions are fully informed on the Hay study and have closely followed deliberations of the task force. Although the primary Foreign Service union, The American Foreign Service Association, originally preferred Task Force Option I (average annual increase of 11.9 percent or \$3,172 per employee), they have since indicated some willingness to join State in support of Option II with its slightly lower increases.

For several years, Foreign Service morale has been lower than the Secretary would like. There are several reasons to which this relatively low morale is usually attributed. First, overseas life has become less attractive due to increasingly unfriendly environments and the inability of spouses to pursue working careers abroad. Second, dissatisfaction with financial remuneration has grown because of rapid inflation overseas as well as the dollar's depreciation. In many countries, foreign nationals without the educational background, loyalty to the United States or willingness to serve long hours must be paid more salary, because of local wage conditions, than we are able to pay our Foreign Service Officers and Staff. Third, there is a perception that Foreign Service promotions are slower than civil service promotions. Finally, there has been keen disappointment that important historic Foreign Service responsibilities for the promotion of commerce and trade, have been transferred to other agencies.

For all the above reasons, I understand that Secretary Vance strongly supports the Hay findings and feels that he cannot compromise on a plan which offers any less than Option II.

OMB and OPM favor Option IV for a number of reasons. They believe the OPM study was conducted with the same degree of technical expertise and sensitivity as the Hay study and that its findings are just as valid. They conclude that any decision on the matter should not discard the findings of one study in favor of the other.

OMB/OPM believe that the strong and weak points of each study essentially balance out. Thus, Option IV does not fully reflect the OPM study findings, and does accept certain Hay study linkages. Accordingly, Option IV is in the middle ground between the findings of the two studies. OMB and OPM believe that an acceptable solution lies in this middle ground and in an option that reflects the strong points of each of the studies. It is important to note here that OPM and OMB, in an effort to compromise, have accepted in Option IV a substantially richer arrangement than that dictated by what OPM's study (Option V) would have indicated.

Since receiving the task force report, OMB and OPM have examined the adequacy of Foreign Service compensation from the viewpoint of attracting and retaining Foreign Service personnel. They also examined how Foreign Service benefits and allowances compare with those in the private sector and with those of other Federal employees.

- o Foreign Service statistics indicate to us that there are no serious recruitment and retention problems. For example, State has about 12,000 to 14,000 applicants for its annual officer entrance test from which some 180 will be accepted in the service. In terms of retention, while somewhat higher losses have been experienced recently, over the past 4 year period State has lost through resignation less than 1 percent per year of its mid-level officers. We do not see this as a loss rate to cause major concern. Without question then, the foreign service is attracting and retaining the numbers of people of the quality they need to perform their mission. Indeed, at senior levels, the attractiveness of present compensation has led to a growing problem of the opposite type--an excess of older officers and a resulting slowdown in promotion opportunity.

- o Foreign Service benefits and overseas allowances, as measured by private sector practices and those of other Federal employees, are generous. For example, in comparison with large multinational firms, which are known to have above average compensation practices, the Hay study concluded, "In summary...the Foreign Service's Total Overseas Remuneration Practice is reasonably competitive with large multinational companies except where the cap on salaries takes effect." Total Overseas Remuneration is Hay's all inclusive term which includes base salaries, bonuses, overseas allowances and benefits. The exception in Hay's statement for capped salaries relates to Foreign Service individuals equivalent to officials in the Senior Executive Service and not to those in the salary schedule we are concerned with here.

In summary, OMB and OPM have concluded that Option IV is a reasonable compromise between the findings of the two studies, and that other considerations such as attraction and retention problems do not suggest or justify a more generous solution.

In addition to the State, OMB and OPM views above, there are three other factors you should consider in reaching a decision. First, we have checked with the Council on Wage and Price Stability concerning these increases. We found that because linkage changes are structural changes, they are exempt from CWPS guidelines. Moreover, the Foreign Service constitutes such a small portion of the Federal employee unit that any option you choose will not violate the guidelines.

Second, the hostage situation in Iran has made this issue even more salient and emotional for the Foreign Service, and a decision against the study recommendation that the service favors could have high public visibility. On the other hand, as Tab C shows, large numbers of Foreign Service people would get very substantial raises under any of the options. So, settling the issue and getting more money into Foreign Service pay checks may prove more satisfying to Foreign Service people than whether or not the precise recommendations of one study or another are followed.

Third, the Foreign Service community has influential supporters in the Congress. Probably most important are Senator Pell and Congressman Leach. On February 7, at a concurrent hearing of the two House subcommittees, chaired by Ms. Schroeder and Mr. Fascell, which are marking up the

bill, the provision continuing the President's traditional responsibility to establish linkage and adjust the Foreign Service schedule was deleted. In its place there was substituted a provision proposed by Mr. Leach which sets in law a Foreign Service schedule based on the Option I linkages and number of grades.

CONCLUSION

There are no scientific methods that produce absolutely correct answers to questions such as the one we are addressing here. We do have two very good studies that agree in substantial measure. In fact, the basic issue at this point is whether the grade FS-2 should link at GS-13 as recommended by the OPM study or GS-14 as recommended by the Hay Study. So, we believe an option that comes out somewhere between the two might be the fairest solution, especially since factors such as recruitment, retention and morale problems are not of sufficient magnitude to influence a resolution of the issue more favorable to one study's recommendation than the other.

OMB and OPM have examined other options as possible compromises. While still believing that Option IV is a good solution, we recognize that other options such as the task force proposal for a compromise (Option III) or the OPM-developed Option IVa have merit and could be acceptable solutions. These options differ from II and IV principally on the FS-2 linkage. Both would link higher than IV but lower than II. (See Tab B.)

However, we have been unable to reach a compromise with State, so we must ask you to decide it.

We had planned to install whatever Option you select concurrently with the October 1980 increase, provided of course, the proposed Foreign Service Act becomes law. In view of the current budget problems, you may want to defer installing the new system until after fiscal 1981. However, because of the actions in Congress to remove your authority and establish Foreign Service linkage in law, we urge you to decide on one of the options now so that we are not preempted by Congressional action. Later, in conjunction with your decision on the fiscal 1981 comparability pay increase for Federal employees, we can address the issue of whether or not to defer installing the new Foreign Service system.

DECISION

<u>OPTION</u>	Annual recurring budget increase (in millions)	Average annual Pay Increase** \$ %
Option II (State)	\$29.0	\$2,721 10.2%
Option IV (OMB/OPM) <i>J</i>	\$15.16	\$1,422 5.33%
Somewhere between Options II and IV	\$22.0*	\$2,100* 7.7%*
Other		

* Approximate

** Over and above the relevant comparability pay increase which is estimated at 6.2 percent for fiscal 1981.

Link Point Comparison
Current Versus OPM and Hay Study Recommendations
In Terms of GS Grade

	<u>Grade</u>	<u>Current Average Pay</u>	<u>Current Link Points</u>	<u>OPM Study</u>	<u>Hay Study</u>	
Current Officer Schedule	FSO-3	GS-14.40			GS-15	
	4	GS-13.00	GS-13	GS-13	GS-14	
	5	GS-11.76		GS-12 <u>2/</u>		
	6	GS-10.38		GS-11 <u>2/</u>	GS-11	
	7	GS- 8.54		GS-9	GS-7 <u>3/</u>	
	8	GS- 7.00	GS-7			
	Current Staff Schedule	FSS-1	GS-14.40	(FSO-3) <u>1/</u>		
		2	GS-13	(FSO-4) <u>1/</u>		
3		GS-11.76	(FSO-5) <u>1/</u>			
4		GS-10.38	(FSO-6) <u>1/</u>		GS-9 or 11 ^{4/}	
5		GS- 9.22		GS-8		
6		GS- 8.10				
7		GS- 7.02			GS-5 or 6	
8		GS- 5.98		GS-5	GS-4	
9		GS- 4.97				
10		GS- 4.00	GS-4			

- 1/ These link points are termed internal linkages. They link between the officer and staff schedules.
- 2/ Not recommended as formal link points but pay could be linked at these points if required.
- 3/ The Hay Study did not analyze FSO-7 individuals but studied FSRU-7 individuals who are paid FSO-7 salaries. They determined that the duties of the FSRU-7 individuals most nearly matched GS-7 duties.
- 4/ Per the Hay Study, GS-9 was a more defensible linkage.

SUMMARY
Foreign Service Salary System Options

<u>Option</u>	<u>Total Annual Cost (in millions)</u>	<u>FS-2 ^{4/} Linkage</u>	<u>Average Annual \$ Increase</u>	<u>Average % Increase</u>
V (OPM Study)	\$ 5.0	13	\$ 465	1.75%
IV (OPM/OMB recommendation)	15.16	13.38	1,422	5.33
III ^{1/}	21.71	13.6	2,037.	7.64
IVa ^{2/}	22.05	13.54	2,271	7.76
II (Hay Study) (State recommendation)	29.0	14	2,721	10.20
I (Hay Study) ^{3/}	33.8	14	3,172	11.89

^{1/} This is a possible compromise option developed by the task force.

^{2/} This is a possible compromise option submitted by OPM.

^{3/} Option I was originally favored by the unions and the Department of State. The Department agreed to move to support of Option II as a compromise gesture and because the transition from the present system to a 9-class system would be somewhat easier than to a 10-class system. When the Department moved to support Option II, it was able to secure union agreement on the same option.

^{4/} FS-2 linkage is shown because it is considered critical by proponents of both points of view.

FOREIGN SERVICE SALARY SYSTEM
Numbers and Percentage of People and the Increases They
Receive Under Each of the Options*

		O P T I O N											
		I		II		III		IV		IVa		V	
<u>ANNUAL SALARY INCREASE</u>		#	%	#	%	#	%	#	%	#	%	#	%
<u>Dollar Increase Range</u>													
\$7,000	- \$7,999	12	--	--	--	--	--	--	--	--	--	--	--
6,000	- 6,999	1,773	16.6%	733	6.9%	--	--	--	--	--	--	--	--
5,000	- 5,999	2,129	20.0	1,375	12.9	--	--	--	--	--	--	--	--
4,000	- 4,999	939	8.8	951	8.9	939	8.8%	939	8.8%	939	8.8%	--	--
3,000	- 3,999	862	8.2	2,656	24.9	2,970	27.9	862	8.1	1,847	17.3	--	--
2,000	- 2,999	--	--	--	--	1,806	17.0	985	9.2	2,948	27.7	--	--
1,000	- 1,999	1,645	15.5	1,645	15.5	1,645	15.4	2,034	19.1	2,490	23.4	3	0.1%
Less Than	\$1,000	3,297	30.9	3,297	30.9	3,297	30.9	5,837	54.8	2,433	22.8	10,654	99.9
<u>Percent Increase Range</u>													
20.00%	- 24.99%	1,806	17.0%	--	--	--	--	--	--	--	--	--	--
15.00	- 19.99	2,108	19.8	2,108	19.8%	--	--	--	--	--	--	--	--
10.00	- 14.99	146	1.3	3,597	33.8	1,512	14.2%	146	1.4%	146	1.4%	--	--
5.00	- 9.99	3,300	31.0	1,655	15.5	5,848	54.9	3,763	35.3	8,198	76.9	--	--
Less Than	5.00%	3,297	30.9	3,297	30.9	3,297	30.9	6,748	63.3	2,313	21.7	10,657	100.0%

* The analysis assumes relative positioning and immediate conversion. Population of 10,657 includes all those from State, AID and ICA anticipated to be included in the new Foreign Service schedule.

MEMORANDUM

*Too late*THE WHITE HOUSE
WASHINGTONINFORMATION

March 27, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB.*
SUBJECT: State Department Comparability

Cy Vance is appealing your decision about comparability. I am not expert on this, but I do have a view on one relevant factor: Morale in State is low and declining. If this trend continues, our effectiveness in managing foreign policy will suffer and the effect will be hard to reverse. There are several reasons for this problem; pay comparability is one of them. This should be taken into account in reviewing Cy's appeal.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

28 Mar 80

Jim McIntyre

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

Rick Hutcheson



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

March 27, 1980

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

Jim McIntyre *Jim*

SUBJECT:

Budget Revisions

p 3
 a) *Jim - Good, but-*
 The assumption that a few Congressional leaders have, in effect, reached agreement on specific budget cuts will aggravate others, esp. appropriate comm members.

Attached for your review is a message to the Congress transmitting your budget revisions. It has been reviewed by Charlie Schultze, and the speechwriters.

We plan to include it in the publication summarizing the budget revisions.

b) Give Congressional initiative a little more credit

We would appreciate your reactions by 2:00 p.m. FRIDAY tomorrow (Friday).

Attachment

p 4
 c) *fiscal 1980*

p 7
 d) *change "first step" to "element" in the more comprehensive program"*

March 27, 1980

MESSAGE OF THE PRESIDENT ON THE BUDGET

To the Congress of the United States:

During the first two months of the year, inflation took another sharp upward leap, both in the United States and abroad. Actual prices and interest rates worsened, along with expectations about future inflation. Continued price increases of the size we have experienced would do grave harm to American society and the American economy.

OPEC's December discussions in Caracas proved inconclusive, and world oil price increases were far beyond expectations. But inflation outside of the energy sector also rose. The American economy continued to be unexpectedly strong. Consumer demand and business investment remained at higher levels than predicted. Since the Federal Reserve continued, correctly, to restrict the growth of the money supply, the surge in inflation and credit demands produced a sharp upward spiral in interest rates.

To reverse these dangerous trends, I announced a five-point anti-inflation program. This program consists of spending cuts necessary to balance the budget for 1981, additional restraints on credit, wage and price actions, further energy conservation measures, and structural changes to enhance productivity, savings, and research and development.

These measures are interrelated and interdependent. Taken together, they will be more than the sum of their parts. They

will not reduce inflation immediately, but together they will produce a significant decline in inflation as the year progresses.

At the center of this policy is my decision to cut Federal spending so as to balance the 1981 budget. In January, I submitted to the Congress a budget for 1981 that provided for substantial restraints on Federal spending and the lowest deficit in 7 years. After adjustment for inflation, the 1981 spending level was virtually level with that for 1980. It was a budget that followed in every respect the policies of restraint I have set during the past three years. However, in view of the continued high level of economic activity, and what has recently happened to inflation and interest rates, I have had to consider new policies. I must now ask the Congress and the American people to support a revised budget that is even more restrained and austere.

REVISED BUDGET OUTLOOK
(in billions of dollars)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Budget receipts.....	465.9	532.4	628.0	724.8	837.8
Budget outlays.....	<u>493.7</u>	<u>568.9</u>	<u>611.5</u>	<u>683.3</u>	<u>759.0</u>
Surplus or deficit (-) ..	-27.7	-36.5	16.5	41.5	78.9
Budget authority.....	556.7	665.8	691.3	777.3	849.1

Let me first explain the extraordinary way in which my budget reduction proposals have been developed.

b) → The budget, as it is finally enacted, is -- as it should be under our Constitution -- the joint product of the Congress and the executive branch. Because of the great importance I attach to reduced spending, I have done everything within my power to reach an understanding in advance with the leadership of the Congress on my reduction proposals. I and senior members of my Administration met with the Congress hour after hour, literally day and night, in order to reach consensus. The importance of cutting spending to achieve a balanced budget was never seriously in dispute. But agreements on the specific, detailed measures necessary to achieve this balance were not easy to reach. They could be worked out only through a lengthy and sometimes tedious process of negotiation and discussion.

a) →

Not all Members of the Congress will support all of the reductions I am proposing. But I am pleased to be able to report that the Administration and the leadership of the Congress are in essential agreement on these budget restraint proposals.

The revision of the 1981 budget that accompanies this message describes my proposals for increased budget discipline. The principal actions are:

- deferral, reduction, or cancellation of most of the new and expanded programs originally proposed in the 1981 budget;
- a cut in expenditures for personnel, operations, and maintenance throughout the government;

-- an immediate limitation on Federal civilian employment, and rigid maintenance of employment ceilings to ensure that there will be at least 20,000 fewer Federal employees by the end of 1980 than there are now;

-- a reduction in ongoing spending programs throughout the Federal Government;

-- re-emphasis of the savings and revenue measures submitted in the January budget, including hospital cost containment, Federal pay reform, and cash management reforms;

-- defense efficiencies and savings that do not affect military readiness and are consistent with my continued commitment to real increases in defense spending;

-- a 15% reduction in the use of consultants throughout the Federal establishment; and

-- a freeze on basic salary increases for senior executive branch officials and members of the White House staff.

These budgetary decreases are being supplemented by a series of actions taken by the Federal Reserve to achieve greater restraint on the expansion of credit in the private sector. Some of these actions have been taken under the authority granted by the Credit Control Act of 1969. The measures taken by the

Federal Reserve will help to reduce inflation by slowing the growth of business loans and some forms of consumer credit.

In addition to the actions of the Federal Reserve on private credit, the Administration will increase restraint of Federal credit programs:

- Federal loan guarantees will be cut by \$4 billion in fiscal year 1981.

- My new system to control Federal credit activities will be strengthened by expanding significantly the amount of Federal insurance and guarantee activity subject to limits within the system.

I urge the Congress to include Federal credit limitations in the concurrent budget resolutions. These measures will enable the Federal Government to control more effectively total lending and loan guarantee activity.

As part of this anti-inflation program, I have used my existing authorities to impose a gasoline conservation fee on imported oil. In the budget revisions, I am proposing to replace this fee with an ad valorem equivalent gasoline tax that, at current prices, will yield 10 cents per gallon. I am also proposing the withholding of taxes on interest and dividend payments at the source to ensure that Federal income taxes owed on those payments are in fact paid, and paid promptly. The resulting receipts will not be used to balance the 1981 budget.

They will not be used as a substitute for necessary spending cuts. Rather, these receipts will give the budget, which will be balanced independently of these sources of income, a margin of safety. This will ensure that the budget will remain in balance if estimates change in a way that cannot be predicted now.

Success in reducing spending to achieve a balanced budget will require prompt action by the Congress. To achieve substantial outlay savings for 1981, the Congress must act before the fiscal year begins. I particularly urge prompt and constructive action on rescissions of 1980 budget authority, so as to produce outlay reductions at least equal to my proposals. I also urge prompt enactment of ^{proposals} my ~~proposal~~ to modify ^{certain} programs that now have two automatic inflation adjustments a year so that they conform to the normal practice of annual adjustments.

I will do everything in my power to ensure that my budget proposals are realized. I repeat that I intend to veto any legislation that threatens the spending reductions required for a balanced budget. I will use the powers available to me to defer spending or to rescind funds. If adequate steps are not being taken by the Congress to achieve the required fiscal restraint, I intend to seek from the Congress a temporary grant of extraordinary budget restraint powers.

* * * * *

We are not alone in facing recent rapid inflation at annual rates nearing 20%. Wholesale prices have been increasing at annual rates in excess of 25% in Italy, Great Britain, and Japan. Even in Germany increases have been over 13%. Many other countries are responding as we are, by reevaluating their budgets and seeking reductions.

There are no quick or easy answers to this worldwide inflation. It is deep-rooted, the result of many forces built up over the past decade and a half. No single measure -- by itself -- will stop inflation. My five-point program to strengthen the fight against inflation has as an essential element the spending reductions needed for a balanced 1981 budget. Those who say that we cannot stop inflation simply by balancing the 1981 budget miss the point. Balancing the budget is not a cure-all, but it is an essential first step. I believe that no overall anti-inflation program can work until the Federal Government has demonstrated to the American people that it will discipline its own spending and its own borrowing -- not just for one year or two, but as a long-term policy.

JIMMY CARTER

March 31, 1980

2:30 PM

THE WHITE HOUSE

WASHINGTON

March 27, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LOUIS MARTIN

SUBJECT: NATIONAL URBAN COALITION RECEPTION
FRIDAY, MARCH 28, 1980

I. PURPOSE

To receive members and guests of the National Urban Coalition who are in Washington for the "Salute to Cities Dinner" which marks their twelfth anniversary.

II. BACKGROUND

The National Urban Coalition was founded in 1967 to address the problem of revitalization of America's cities in the aftermath of the riots of the mid 60's. In the 12 years since its establishment it has run numerous programs ranging from job training, to housing assistance, to economic development.

The Coalition is a national organization with affiliates in 35 cities across the country. Its current president is Carl Holman.

III. PROGRAM, PARTICIPANTS AND PRESS

A. PARTICIPANTS: Approximately 250 officers, steering committee members, guests, and staff of the coalition will attend. Mayor Ernest Morial of New Orleans and Mayor Lee Alexander of Rochester will be present. Louis Martin is coordinating. (Attendees list attached)

B. PRESS: White House Photographer.

IV. TALKING POINTS

Talking points will be provided by the speech writers.

[Louis Martin, x6662, will
update names in salutation
by 9 AM Fri.]

Achsah Nesmith
A-2 3/27/80
Scheduled Delivery:
Fri, 3/28/80, 2 PM

Urban Coalition

1. ^{pls} CARL HOLMAN, ~~MAYOR MORIAL (New Orleans)~~, ~~MAYOR ALEXANDER~~
(not present) *(not present)*
(Rochester);
2. THE NATIONAL URBAN COALITION EXEMPLIFIES THE WILLINGNESS
OF AMERICANS TO TAKE RESPONSIBILITY FOR THE WELFARE OF THEIR
COMMUNITIES AND THEIR NATION. YOU HAVE BROUGHT TOGETHER DIVERSE
AND SOMETIMES ANTAGONISTIC FACTIONS AND UNITED THEM BEHIND THE
OBJECTIVE OF RESTORING OUR DETERIORATING CITIES AND REUNITING
OUR DIVIDED SOCIETY. CIRCUMSTANCES HAVE CHANGED SINCE THE
RIOT-TORN SUMMER OF 1967 WHEN THE COALITION WAS FORMED, BUT THE
NEED IS STILL GREAT. YOURS HAS BEEN A STRONG VOICE FOR THE
PUBLIC-PRIVATE PARTNERSHIP THAT HAS BEEN AT THE HEART OF MY
APPROACH TO URBAN REVITALIZATION.
3. I HAVE WELCOMED THE CONCERNED COUNSEL OF CARL HOLMAN.
HE HAS OFFERED IDEAS AND PRACTICAL PLANS -- AS WELL AS SINCERE
CRITICISM. EVEN WHEN WE HAVE DISAGREED ON METHODS OR TIMING
OUR GOALS HAVE REMAINED THE SAME -- TO PROTECT THE DISPOSSESSED
AND THE DESPERATE AND TO MAKE OUR CITIES GOOD PLACES TO LIVE.
4. TONIGHT YOU WILL HONOR A MAN WHO HAS UNDERTAKEN SOME OF THE
MOST DIFFICULT AND IMPORTANT MISSIONS OF MY ADMINISTRATION --
SOL LINOWITZ, WHO AT THIS MOMENT IS IN THE MIDDLE EAST SERVING
ME AND HIS COUNTRY AND THE CAUSE OF WORLD PEACE. YOU WILL ALSO
HONOR FRED O'NEAL*, A LEADER WHO HAS ALWAYS UPHELD THE HIGHEST
Only black vice president of AFL-CIO to be honored at dinner as
outstanding trade unionist. Sol Linowitz will also be honored.

IDEALS OF THE LABOR MOVEMENT: COMMITMENT TO SOCIAL JUSTICE,
TO COMPASSION, TO HUMAN RIGHTS FOR ALL PEOPLE.

5. I CAME TO THE PRESIDENCY COMMITTED TO BRINGING THOSE
WHO HAD BEEN LEFT OUT FOR SO LONG INTO FULL PARTICIPATION IN
GOVERNMENT AND IN OUR ECONOMY. I WAS DETERMINED TO PLACE
PEOPLE THROUGHOUT THE GOVERNMENT WHO SHARE MY COMMITMENT.
THIS IS PARTICULARLY CRUCIAL IN THE FEDERAL JUDICIARY. OTHER
APPOINTMENTS LAST A FEW YEARS AT MOST -- APPOINTMENTS TO THE
FEDERAL BENCH ARE FOR LIFE. THE MEN AND WOMEN APPOINTED TO THE
JUDICIARY NOW WILL NOT ONLY INTERPRET THE LAWS THAT GUARANTEE
OUR RIGHTS TO JOBS, EDUCATION, JUSTICE, BUT THE RIGHTS OF OUR
CHILDREN AND GRANDCHILDREN AS WELL.

I HAVE APPOINTED MORE BLACKS, MORE HISPANICS, MORE WOMEN TO THE
FEDERAL BENCH THAN ALL PREVIOUS PRESIDENTS COMBINED -- 34 BLACKS,
10 HISPANICS, 32 WOMEN. MY PRIDE IS NOT JUST IN NUMBERS.
I PROMISED TO APPOINT THE BEST JUDGES I COULD FIND AND I HAVE
KEPT THAT PROMISE.

6. THIS ORGANIZATION HAS LONG SHARED MY CONCERN ABOUT THE LARGE
NUMBER OF YOUNG PEOPLE, ESPECIALLY MINORITY YOUTH, WHO ARE UNABLE
TO FIND JOBS. I ANNOUNCED A MAJOR INITIATIVE IN JANUARY FOR
YOUTH EMPLOYMENT AND TRAINING. THAT INITIATIVE WILL GO FORWARD --
THE LONG-TERM GOOD OF OUR NATION REQUIRES THAT WE NOT TURN OUR
BACKS ON THESE YOUNG PEOPLE AT THIS CRITICAL TIME IN THEIR LIVES.
NEITHER ARE WE CUTTING SOCIAL SECURITY OR MEDICARE BENEFITS,
SUMMER JOB PROGRAMS OR THE PROMISED 300,000 UNITS OF SUBSIDIZED
HOUSING.

7. THERE ARE OTHER AREAS, OTHER PROGRAMS -- GOOD PROGRAMS -- WHICH WILL HAVE TO BE CUT BACK. [Insert specific cuts here.] WE CANNOT DO EVERYTHING. WE MUST CONTROL INFLATION AND THE FEDERAL GOVERNMENT MUST LEAD. WE CANNOT SPEND OUR WAY OUT OF INFLATION.

† WE MUST BALANCE THE BUDGET AND THAT MEANS SIGNIFICANT CUTS IN EVERY AGENCY, IN EVERY AREA OF GOVERNMENT. EVERY FEDERAL AGENCY WILL HAVE ITS OPERATING AND ADMINISTRATIVE FUNDS REDUCED, INCLUDING THE DEFENSE DEPARTMENT. SOME THINGS WE WANT TO DO MUST BE DEFERRED.

† WE WILL PROTECT THE MOST DISTRESSED LOCAL GOVERNMENTS AGAINST ABRUPT FINANCIAL DISLOCATIONS AND CUTS IN ESSENTIAL SERVICES AS A RESULT OF ENDING STATE SHARES IN GENERAL REVENUE SHARING. WE MUST DRAW A DISTINCTION BETWEEN FUNCTIONS GOVERNMENT MUST PERFORM -- AT BOTH THE FEDERAL AND LOCAL LEVELS -- AND PROGRAMS AND SERVICES THAT MAY BE DESIRABLE BUT CAN BE REDUCED OR POSTPONED.

† DISCIPLINE, RESTRAINT, ABSOLUTE ADHERENCE TO OUR TRUE PRIORITIES IS ESSENTIAL. THE CUTS I HAVE REQUESTED ARE FAIR. NO SEGMENT OF OUR PEOPLE IS SINGLED OUT. WE HAVE, OF NECESSITY, MADE CUTS IN PROGRAMS THAT BENEFIT URBAN AREAS, BUT WE ARE NOT ABANDONING OUR URBAN POLICY.

8. THESE ARE DIFFICULT AND DANGEROUS TIMES. WE MUST MAKE HARD CHOICES -- AS INDIVIDUALS AND AS A NATION. THE SECURITY AND THE ECONOMIC WELL-BEING OF OUR NATION DEPEND UPON THE DISCIPLINE WE EXERT NOW. THERE IS NO RICH UNCLE TO BAIL US OUT.

500 M, 1

9. WE CANNOT EXPECT TO SEE RESULTS OVERNIGHT, OR IN A FEW DAYS OR WEEKS. THE CONSUMER PRICE INDEX WILL CONTINUE TO REGISTER SHARP INCREASES IN ENERGY AND HOME FINANCING COSTS FOR THE NEXT SEVERAL MONTHS. THE ACTIONS I AM TAKING TO BALANCE THE BUDGET AND CUT BACK EXCESSIVE CONSUMER FINANCING ARE SERIOUS. WE MUST DAMPEN THE DANGEROUS INFLATIONARY PSYCHOLOGY THAT HAS ENCOURAGED AMERICANS TO BUY NOW AND PAY LATER, REWARDING SPECULATION WHILE PENALIZING THE THRIFTY. THESE ARE ESSENTIAL STEPS TOWARD BRINGING DOWN INFLATION. WE WILL NOT ALLOW THE POOREST AND MOST VULNERABLE AMONG US TO BEAR THE HEAVIEST BURDEN IN THE FIGHT AGAINST INFLATION. IF WE LOSE THAT FIGHT, THE RESULTS WILL BE DISASTROUS FOR US ALL, BUT FOR THEM MOST OF ALL.

###

Susan -

Are ya'll

through with

this?

RL

and

THE WHITE HOUSE
WASHINGTON

March 26, 1980

MEMORANDUM FOR THE PRESIDENT

From: Al McDonald
Rick Hertzberg *Rick*
Achsah Nesmith *AN*

Subject: Presidential Speech:
National Urban Coalition
Executive Committee

Scheduled Delivery:
Fri, March 28, 1980
2:30 PM, State Floor

Clearances

Stu Eizenstat
Jim McIntyre
Louis Martin

Attached is the speech you discussed with Jim McIntyre for this group, focussing on inflation.

Alternatively, Jody and Anne Wexler have proposed that you make your main anti-inflation pitch Friday to the Conference of State Legislators. If you decide to do this, we can -- on short notice -- supply you with talking points to replace this speech.

[Louis Martin, x6662,
will update names in
salutation by Fri. 9 AM]

Achsah Nesmith
A-1 3/26/80
Scheduled Delivery:
Fri, 3/28/80, 2 PM

Urban Coalition

Carl Holman, Mayor Morial (New Orleans), Mayor Alexander
(Rochester):

I came to the Presidency committed to bringing those
who had been left out for so long into full participation in
government and in our economy. To do this, I was determined
to place capable people throughout the government who share my
commitment.

This is particularly crucial in the federal judiciary.
Other appointments last a few years at most -- appointments to
the federal bench are for life. The men and women appointed
to the judiciary now will not only interpret the laws that
guarantee our rights to jobs, education, justice, but the
rights of our children and grandchildren as well.

I have sought to make sure that every appointee was

sensitive to human needs, whether the post was in education, energy, defense or service in difficult assignments abroad. Over and over, when I have had a delicate and important task I have called upon a man who helped form the National Urban Coalition, a man you are honoring tonight -- Sol Linowitz -- who at this moment is in the Middle East serving me and his country and the cause of world peace.

You will honor as well a man I am glad to see is here with us this afternoon, Frederick O'Neal. Fred O'Neal, a leader who has always upheld the highest ideals of the labor movement: commitment to social justice, to compassion, to human rights for all people.

Those you choose to honor and those you choose to lead you are an indication of your goals and commitment as an organization.

I have welcomed the concerned counsel of Carl Holman. He has offered ideas and practical plans -- as well as sincere

criticism. Even when we have disagreed on methods or timing, our goals have remained the same -- to protect the dispossessed and the desperate, to make our cities good places to live and to extend justice, opportunity and freedom to all our people.

The Urban Coalition has always exemplified the willingness of Americans to take responsibility for the welfare of their communities and their nation. You have brought together diverse, sometimes antagonistic factions and united them behind the objectives of restoring our deteriorating cities, of reuniting our divided society. Circumstances have changed since the riot-torn summer of 1967 when the Coalition was formed, but the need remains. Yours has been a strong voice for the public-private partnership that has been at the heart of my approach to urban revitalization.

These are difficult and dangerous times. We must make hard choices -- as individuals and as a nation. The security

and the economic well-being of our nation depend upon the discipline we exert now.

The cost of energy more than doubled last year. We cannot simply absorb such cost increases without cutting back anywhere else. If we try, the result will be uncontrolled inflation, untold hardship, and eventually catastrophe for our nation.

We must balance the budget. That means significant cuts in every agency, in every area of government. Operating and administrative funds will be reduced for every federal agency, including the Defense Department. Some things we want to do must be deferred.

The people who are suffering most from inflation are those with the lowest incomes. If inflation continues at its current rate it is like adding an 18 per cent tax to everything they must have to survive. We are not abandoning the helpless.

We are not cutting the budget with a meat axe. We are making

prudent, intelligent, careful reductions, deferrals, tightening belts where the squeeze will do the least serious damage.

We must make distinctions between functions government must perform -- at both the federal and local levels -- and programs and services that may be desirable but can be reduced or postponed.

We are not abandoning our urban policy -- local revenue sharing, urban development action grants, mass transit, summer job programs. We will protect the most distressed local governments against abrupt financial dislocations and cuts in essential services as a result of ending the state share of general revenue sharing.

That does not mean cities will be exempt or that social services will be exempt from cuts. It does mean we will not ask the sick, the old and the poor to bear the heaviest burden in balancing the budget. We are cutting social services

primarily where they extend to middle income people, such as subsidies to school lunches. Our youth employment initiative will go forward. We are not cutting Social Security or Medicare or Aid to Dependent Children or the 25 per cent increases in subsidized housing units. We have done our best to protect the key programs, but I will not pretend that we will not have to do without things you and I would like to have.

Nor can I promise you that we will see results overnight, or in a few days or weeks. The Consumer Price Index will continue to register sharp increases in the cost of energy and home financing costs for the next several months. The actions I am taking to balance the budget and cut down on excessive consumer financing are serious. We must dampen the dangerous inflationary psychology that has encouraged Americans to buy now and pay later, rewarding speculators while penalizing the thrifty.

As long as our nation is convinced that inflation will continue unabated businesses will continue to raise prices, workers will continue to press for higher wages in a constant effort not to be left behind. No one wins such a race, but the people who will be left farthest behind are the poorest and most vulnerable among us.

We must cut inflation and the federal government must lead. We cannot spend our way out of inflation. There is no rich uncle to bail us out.

#

1:30 PM

THE WHITE HOUSE

WASHINGTON

March 27, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: GENE EIDENBERG *Gene*

SUBJECT: Dropby and Remarks to the National Conference of State Legislatures
Friday, March 28, 1980
1:30 p.m.
Mayflower Hotel

The National Conference of State Legislatures invited you to meet with its leadership to discuss the FY 1981 federal budget and its impact on state and local budgets. The invitation was issued by Speaker Roberts (R) of New Hampshire, who is the current President of NCSL, and Speaker Pro-Tempore Dick Hodes (D) of Florida, who is the President-Elect of NCSL. Hodes is a Carter-Mondale supporter.

The NCSL has been a consistent supporter of your goal of balancing the 1981 federal budget. I expect a group of 80 - 100 legislative leaders to be in attendance.

The audience and the circumstance of the meeting offers a good chance to argue the balanced budget, anti-inflation themes in strong terms that will be appreciated by an audience of elected officials who will note your determination in the midst of the election year.

I will accompany you to the session in Jack's absence.

Press Plan

The event and your remarks will be open to press coverage.

Background

Our office has had very cordial working relations with the NCSL over the past three years, and the Conference has been an effective ally on a number of Administration priorities. Like the governors, the NCSL has supported the concept of fewer federal dollars for state and local governments along with fewer federal mandates and more grant consolidation.

Attachment

Electrostatic Copy Made
for Preservation Purposes



National
Conference
of State
Legislatures

Office of
State
Federal
Relations

444
North Capitol
Street, N.W.
2nd Floor
Washington, D.C.
20001
202 624-5400

President
George B. Roberts, Jr.
Speaker, New Hampshire
House of Representatives
Executive Director
Earl S. Mackey

March 21, 1980

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

The National Conference of State Legislatures has worked with your Administration on a wide variety of intergovernmental matters for the past three years. We have appreciated the cooperation we have received from Messrs. Jack Watson, James McIntyre and other Cabinet officials. It strikes us that no previous issue has been quite so difficult and critical as the economic and budgetary decisions you are now making.

Unlike many other public and private interest groups, NCSL has long supported your goal of a balanced FY81 budget. Our declared position was given meaning last year as we urged additional grant consolidation measures, suggested a paring of costs for administration by examining federal mandates, and supported your hospital cost containment legislation. As you consider ways to trim expenditures in FY81 we hope you will seriously consider grant consolidation, thereby reducing the categorical programs which are delivered to or through state and local governments. This will not only bring organization to the myriad of programs now existing and save funds in FY81, but should also help reduce the pressures for higher expenditures in out-years.

Nevertheless, we are mindful that the FY81 budget is not likely to be brought into balance by means of grant consolidation alone, nor even with enactment of hospital cost containment legislation, changes in the CPI, or additional fees or taxes; adjustments in intergovernmental aid must also be made.

We recognize the gravity of our national inflation rate and the economic conditions underlying inflation, and believe that state legislators can offer some helpful advice about intergovernmental aid programs which are needed and effective compared with those which may be less effective. Therefore, we have scheduled a one and one-half day meeting of legislative leaders from each

The President
March 21, 1980
Page Two

of the 50 states in Washington on March 28 and 29 at the Mayflower Hotel on the subject of the FY81 federal budget and its impact on states and local communities. Out of this meeting and the official NCSL policy adoption process which follows, we expect to transmit our recommendations on possible cuts to you and the Congress.

We extend to you a warm invitation to speak to the state legislative leaders during our conference, understanding that you may have transmitted a revised FY81 budget to the Congress by that time.

We hope your present budgetary review will consider the high administrative cost of many categorical aid programs, the savings which could be generated through consolidation, and costs which may be shifted to state and local governments with federal program elimination or reduction.

Thank you.

Sincerely,

George B. Roberts, Jr.

George B. Roberts, Jr.
President, NCSL
Speaker, New Hampshire House
of Representatives

Richard S. Hodes

Richard S. Hodes
President-Elect, NCSL
Speaker Pro Tempore
Florida House of Representatives

THE WHITE HOUSE
WASHINGTON

pls note--
excerpt from page 2,
with addition furnished
to middle graph, was included
in president's speech to
national conf of state
legislators 3/28/80



Office of the Governor
Atlanta, Georgia 30334

George Busbee
GOVERNOR

MEMORANDUM

TO: The President of the United States

FROM: George Busbee

SUBJECT: The Governors and Your Budget

DATE: March 24, 1980

High inflation and the overwhelming desire and need to balance the budget have required tough, often politically painful decisions. I know you are willing to take the heat, no matter how unpopular specific cuts may be to certain interest groups.

Though it is the end result that counts, how you get there is often as important, particularly with respect to the Administration's future relationship with groups that are dramatically affected by the cuts that you will publicly announce next week.

I would like to offer some thoughts on the governors. The NGA Executive Committee, the Standing Committee Chairmen and other interested governors will be meeting in Washington on April 17 to formally consider and respond to your new budget.

From my soundings, a large majority of the governors are very upset over the loss of revenue sharing for FY 81. However, they also recognize politically that controlling inflation and balancing the budget transcend the priorities and personal interests of any one level of government.

Personally, I am more disturbed over the possible loss of the principles underlying the revenue sharing concept than I am over the \$1.7 billion in funds involved. Couple this with the rumored cuts in other flexible programs (such as LEAA), and it appears as if the Administration has declared war on the only programs in which I and the other governors have some degree of discretion.

Crises seem to come in cycles. When I met with Charlie Kirbo and Griffin Bell on December 22, 1978, I urged you, in a memorandum dated January 5, 1979, to balance the budget.

At the time, you had gained great support as a result of your Camp David meeting with Sadat and Begin, and Dr. Kahn had made his announcement on inflation measures. As I stated in my memorandum: "However, the image that is going to

be important is the one that the President is going to have next October (1980). Already the impact of his inflation statement and the actions of Mr. Kahn are beginning to fade from the minds of the people as inflation continues and the value of the dollar declines. The significant accomplishments of the Camp David Summit are being overshadowed by continuing conflict in the Middle East. And, the successes of the Ninety-Fifth Congress will soon be eclipsed by the controversies of the Ninety-Sixth Congress."

We are about to see all of these things happen again and I strongly urge your consideration of what I then suggested in that memorandum.

I did state that I thought there would be support among the states even if you cut the states' share of revenue sharing, LEAA and the CETA programs, provided that you adopted as a part of the same package a position that you were going to look at:

*Budget reductions
must be approved
without delay. At
the same time, I
intend to consult
closely with state
and local government
leaders to consider*

- which levels of government are best suited and equipped to carry out which functions; *particular*
- possible consolidations of categorical programs aimed at reducing administrative overhead costs (thus costing less money); and perhaps
- the fiscal and economic impact imposed on state and local governments in carrying out existing or proposed federal mandates.

I understand the political realities of what you are doing, but it seems to me that you could achieve your fiscal ends in a manner that would be much more palatable to the states if you could demonstrate that you aren't simultaneously abandoning the principles underlying revenue sharing, that is giving the states some selectivity and flexibility in the budget process.

In fact, if you made this distinction, I believe that you might be able to gain the collective support of the governors as well as further enhance your political and substantive position in fighting inflation and balancing the budget.

You can still make this distinction now. With the statement of your intentions to cut state revenue sharing, you could also couple an announcement of your commitment to reevaluating the roles and relationships of the federal, state, and local governments in carrying out federal mandates. This could be perhaps something akin to the Local Government Study conducted during your administration as governor, and could take place over the next six to nine months.

In closing let me stress again the importance of not abandoning the principle of revenue sharing. What I have suggested isn't that hard to do, is needed, and makes an important philosophical distinction for you and for the governors. The issue really is one of flexibility. And this is especially important for governors to have, not only in carrying out budget cuts, but also in effectively and efficiently managing the maze of existing categorical programs that the Congress has created.

Memorandum to the President
Page Three
March 24, 1980

If I can help you on this matter or on anything else, please let me know.

I have attached for your reference a copy of my memorandum of January 5, 1979. Since the political climate seems to have repeated itself I hope you see fit to read it again.

GB:fw

Attachment



Office of the Governor

Atlanta, Georgia 30334

George Busbee
GOVERNOR

Norman Underwood
EXECUTIVE SECRETARY

MEMORANDUM

TO: Charles Kirbo and Attorney General Griffin Bell
FROM: Governor Busbee
DATE: January 5, 1979
SUBJECT: Breakfast at Governor's Mansion on December 22, 1978

I enjoyed very much having the two of you for breakfast and I again apologize for not having any Red Rooster Pepper Sausage. After approximately two and one half hours of conversation at breakfast, you asked me to summarize by way of an informal memorandum the thoughts that I expressed to you. There has been some delay on my part since I have been very busy trying to complete the budget and prepare for the Legislature. However, I have finally attempted to put those thoughts on paper. Upon further reflection, I have also expounded on a few of the items we discussed.

At our meeting I stated to you that I thought that we were in a very critical time for the Nation as well as for the President. Clearly, the President's image nationwide has improved over the past few months, reflecting his successes with the Civil Service Reform Act, the Energy Package, Camp David with Begin and Sadat, and his statement on inflation (together with some action on the part of

Memorandum
Page Two
January 5, 1979

Mr. Kahn); so he does have some very positive momentum going his way. I also think that the President has had a very good image as far as his human rights' program is concerned and that he is viewed by all Americans as being a very compassionate person.

However, the image that is going to be important is the one that the President is going to have next October. Already the impact of his inflation statement and the actions of Mr. Kahn are beginning to fade from the minds of the people as inflation continues and the value of the dollar declines. The significant accomplishments of the Camp David Summit are being overshadowed by continuing conflict in the Middle East. And, the successes of the Ninety-Fifth Congress will soon be eclipsed by the controversies of the Ninety-Sixth Congress.

Along a similar line, I think it is imperative for the President to realize that the priorities of the American people are changing and have changed since his last election. As I stated to you, I think this was best demonstrated in my conversation with Lt. Governor Tommy O'Neill of Massachusetts several weeks ago. Tommy asked me if I had met his Governor-elect, and I told him that I had at the Governors' Seminar at Lake Lanier several weeks ago. I then expressed surprise about Governor Dukakis suffering such a licking, in as much as I was with him two weeks before the election in Boston. Tommy stated that he was not surprised in the least about the election. He was quite pointed in stating that Governor-elect King is much more in tune with the people than many of the

other Massachusetts' politicians. He feels that the priorities of the American people have changed rapidly in recent months and that this is going to be increasingly reflected in the next election.

While I am not panicking over Proposition 13 and its political significance, I totally agree with Tommy that there is a new awareness and a growing concern on the part of the American people. That awareness and concern has resulted in establishment of a new priority that the voters will use to measure politicians. The new priority has taken the form of an out-right demand by the people that we curb both growth and spending. In short, I believe that President Carter has approximately twelve months to produce sufficient results in slowing down government spending, in balancing the budget, and in constraining government growth in order to gain enough of the confidence of the American people to run successfully for reelection.

During the middle of December, I was in Washington at a point when I was in the process of finalizing my budget at the same time OMB was finalizing its budget. I had been briefed by various state departments in Georgia on proposed cutbacks that OMB intended to recommend to the President. I had letters with me from my various department heads as well as from various pressure groups asking that I seek the President's support in overriding various OMB proposed cutbacks. I did not contact the President on behalf of my agency heads and Georgia interest groups, however. The reason was a personal realization that I was pursuing the selfish interests of Georgia, rather than offering a responsible approach that would better meet the State's needs in the long run.

I realized that the OMB had a goal of bringing the budget in under \$30 billion this year. I understood, unofficially, that at one point during the budget process OMB had paired the deficit down to \$28 1/2 billion, but that pressure from various interest groups (in areas such as CETA, Title I of ESEA, Community Block Grants, etc.) necessitated an add-back to approximately a \$29 1/2 billion deficit. I also understood that the Administration hopes to have no more than a \$10 billion deficit next year. This would include a commitment that there be less full-time Federal employees at the end of this Administration than at the time the Administration began. Since I share in the President's desire to reach these goals, I felt that it was incumbent on me to set aside Georgia's selfish interests and to channel my energies in a way which would compliment these broader objectives.

Whatever President Carter's program is, it is going to necessitate strong support both within and without his Administration. First and foremost, I think this necessitates a strong commitment on the part of the President himself to withstand pressure groups. Charlie, you were in attendance at the dinner we had for Dean Rusk when he asked you to take a message to the President in which he stated that the President cannot be all things to all people and succeed. I don't think Dean Rusk's words can be better expressed, and, unless the President heeds that advice, I think he is going to have serious difficulty in this next election.

Secondly, if other elected officials, especially the Governors, can be convinced that the President will not succumb to partisan or parochial interests, I believe they will begin to take supportive actions toward achievement of the President's goals. It is the fear that the President is only paying lip service to a balanced budget and that they will somehow lose out to others who continue to lobby, that prevents these elected officials from offering the President their total support.

Finally, I would like to come to the real purpose of our meeting. I would like to suggest a course of action which I think would drastically reduce Federal spending and the number of Federal employees, improve the quality of many of the Federal programs that are administered at the State level, and demonstrate to elected officials, pressure groups, and the public that the President is sincere in his efforts to balance the budget.

As you know, a vast majority of Federal programs are administered at the State level and, in most instances, with State participation. I have included a list of Federal programs that require a State match by various departments in Georgia State government. Even though programs that require State matching funds are administered at the State level by State employees, there are still many Federal employees involved, since there is Federal money that is being administered, e.g. Health, Welfare, and Education. You might just thumb through some of these Federal/State programs that require matching funds from the States and see that we really get nominal amounts in many instances and that most programs are fully administered by the States with little or no Federal purpose involved.

What I am suggesting is that the President's policy should be for the Federal government to either fully get in or get out of many of the existing national programs. If there is truly a Federal purpose involved (i.e. which cannot be adequately or effectively addressed by the States) then the Federal government should remain involved. But if there is no Federal role and the financial conditions of the States do not demand assistance from a more powerful Federal government, then I think the Federal government should get out of such programs.

This is consistent with the President's actions at the present time. The President is attempting to consolidate many of the programs at the national level, e.g. economic development. At the same time, this effort of consolidating programs must also be made at the State level. There is no need for both governments to be involved in every program and matching funds should not dictate a continuance of involvement by either the State or the Federal government. It is absolutely essential to keep in mind that the process of identifying the proper Federal/State roles in national programs would entail some serious trading, but the idea is to reduce the number of Federal employees, or State employees, and also the total amount of Federal funds involved.

With this background, I would like to offer the following proposal. My proposal is that the President should charge OMB to classify those Federal programs or joint programs that are administered by the States under the following categories:

- Category I: Programs that are not needed and which should be totally eliminated.
- Category II: Programs for 100% State assumption.
- Category III: Programs for 100% Federal assumption.
- Category IV: Programs which should be continued but which should be consolidated and the funding level examined.

If such an effort is to be successful, OMB should not work in a vacuum, but should have the input of the State budget officers and selected Governors who would be willing to help the Administration. While any such effort would certainly prompt debate and would never be resolved in a unanimous manner, I do think there could be strong support and ample assistance from the Governors in the States, particularly if they can be convinced that he will accomplish his goals with or without their help. While I would not be so presumptuous as to try and outline any final categories, I would like to demonstrate how my proposal would work. I would not say that these examples are hypothetical, but they are some off-the-cuff classifications on my part, and after discussing them with you, I think they might be a starting point for some other people to make further suggestions.

Under the four categories previously mentioned, I have broken down (where I had the figures) the amount of the Federal/State ratio match, the amount of the Federal funds coming to Georgia, and the total Federal funds that are involved nationwide. You may find some minor inconsistencies in the figures because FY 78 figures were used

when FY 79 figures were not available. In other cases, the Federal/State ratio of a program was difficult to determine because different matches are required for different parts of the same program.

I. FEDERAL PROGRAMS NOT NEEDED:

	Fed/State Ratio	Fed Funds For Ga.	Total Federal Funds*
A. Federal Revenue Sharing	100/0	State: \$50,710,177 Local: \$101,420,357	\$2,283,333,332 \$4,566,666,668

Comment: I would propose that Federal Revenue Sharing to the States be cut out completely. This could result in a savings of approximately \$2.3 billion. When he was campaigning the President indicated to the Governors in Hershey, Pennsylvania that he was not a believe in Revenue Sharing for the States. The cities, towns and local governments are, however, much more dependent on these funds and politically and economically you could justify a continuation of Revenue Sharing for local governments. A slight increase for local governments taken from the deleted state share might gain critical support. I believe this would also help justify making some cuts in other programs that would effect local governments, such as in CETA or LEAA.

Of course, the majority of Governors are presently opposed to the elimination of the state share of revenue sharing. However, if presented properly, you could work a trade with the Governors for other reforms which would give them increased latitude such as the consolidation of economic programs with a stronger state role. Even if you had to divert some of the \$2.3 billion in state revenue sharing toward increased assistance to local governments or a stronger

economic development role for Governors, you should be able to apply at least \$1 billion to the deficit.

B. CETA 100/0 \$274,578,135 \$10,800,000,000

Comment: CETA is generally used for "add on" programs which otherwise could not be justified and do not provide a long-term solution to the unemployment problem (as vocational education programs do). The State governments are not large pushers of CETA and the public is absolutely opposed to the waste in this program. Though there has been wide usage of CETA employees by cities and municipalities and local governments, I think they would much rather have a slightly increased amount of Revenue Sharing (in which they would have greater latitude in expenditure) than the CETA program. In connection with the CETA program, I have enclosed an article from the Atlanta Journal which was written the day before my meeting with you concerning the Mayors and Governors and their views over the proposed budget cuts. I think the difference in attitudes is noteworthy, and this is exemplified by the remarks of Mayor Kenneth Gibson of Newark. I am suggesting that the CETA program be assessed on two fronts. First, OMB should work closely with State/local budget officers, Governors, and others to give consideration to expanding vocational training programs (other than CETA). Secondly, methods should be explored to subsidize local governments in a way more acceptable to the American public.

C. Emergency School
Aid Act (ESAA) 100/0 \$6,335,000 \$341,350,000

Comment: Desegregation of the elementary and secondary programs is virtually complete. In many instances, these funds remain in an

area for political reasons long after the original objectives have been met.

D. LEAA 90/10 \$11,000,000 \$650,000,000

Comment: I think Judge Bell is in a much better position than I to speak of the waste in this program. I don't know of any other area where more money has been spent less effectively.

E. Teacher Corps and
Teacher Centers 100/0 \$217,000 \$134,472,000

Comment: This is a duplication of staff development activities at the State level. This was an AFT-NEA vehicle designed to allow teacher unions to have a opportunity to improve teacher training and curriculum totally independent of the State Board of Education. Only one center is funded in Georgia.

II. PROGRAMS FOR 100% STATE ASSUMPTION:

A. Vocation Education 50/50 \$15,480,000 \$674,453,000

Comment: The biggest problems with this program are the great number of "set asides," detailed regulations, voluminous plans and reporting requirements.

B. Special Education 10/90 \$22,000,000 \$976,637,000
(P.L. 94-142)

Comment: This is a classic example of the "tail wagging the dog." The ultimate Federal participation is only 40% but it is doubtful the appropriations will ever reach this level once the States have "front-ended" this program to meet the Civil Rights requirement. States will have to provide special education services to all handicapped students in order to comply with Section 504 of the Rehabilitation Act, but could do so at much less cost without the Federal constraints.

C. Title I of the Elementary
and Secondary Education
Act (ESEA)

100/0 \$87,700,000 \$3,455,782,000

Comment: The "comparability" and "maintenance of efforts" provisions have contributed to the disparities which exist for educationally deprived children in Title I and non-Title I schools, thereby hindering Georgia's efforts to improve the overall achievement level of students. In fact, this has hindered Georgia's implementation of a State-wide kindergarten program. This is a little technical, but anyone in education would agree that this sort of program creates nothing but problems for the States that are sincere in their efforts to help underprivileged children in non-Title I schools.

D. All Small Categorical Grants

Comments: Many of these grants are very narrowly focused and may actually force States to duplicate or take an "add-on" rather than an integrated approach to addressing needs. Also, such grants may cost almost as much for the State to administer as the project itself costs. The numerous categorical grants in education would be a good place to start.

E. Office of
Highway Safety

100/0 \$3,500,000 \$131,000,000

Comment: There is absolutely no Federal purpose involved. The State of Georgia now has to match expenses of about \$99,000 and then have the Federal government administer its school bus safety program and other programs from the Highway Safety Office. These are really legitimate State problems and the amount of money does not justify intervention by the Federal government.

F. Duplicative Enforcement Personnel and Inspectors

Comment: An example of this would be Fish and Wildlife Rangers. You see men now wearing the same color of uniform, one being State and one being Federal, and all being called Game Wardens. One will be in one field regulating individuals hunting migratory birds, and another in the next field or the same field but concerned with non-migratory birds. There is a Federal purpose involved, but we could swap or contract services. Another example would be radiation monitoring which is accomplished by both the Department of Energy and our Environmental Protection Division in Georgia. This type of duplication could be easily eliminated.

G. Federal Facilities Within States

Comment: There are numerous Federal facilities within States which could be operated much more cheaply on behalf of the Federal government by the States. The President would be familiar with the situation that exists in the coastal area of Georgia. We have federally-managed Blackbeard Island, where the President went fishing, Wolf Island, where we have a national wildlife refuge, interspersed with State-owned islands such as Sapelo and Ossabaw. The research activities and services provided are virtually the same on all. If there is a Federal purpose being served by such facilities, then the State would be in a much better position to operate them on a contract basis for about a third less than that being spent by the Federal government. I know the budgets involved on these islands, and this is just one of thousands of examples of small Federal facilities, all of which are located within States and many of which could be operated much more cheaply by the States.

H. General Aviation Airports 80/20 \$940,112

Comment: Federal government would still do the large projects such as Hartsfield, but would not be involved in small repair projects or routine maintenance at rural airports all over the United States. This is one of the most wasteful programs in the Department of Transportation.

III. PROGRAMS FOR 100% FEDERAL ASSUMPTION

A. Student Assistance 100/0 \$42,600,000 \$3,922,650,000

Comment: Basically addresses equal accessibility issues, a national concern, particularly if students are to have mobility from one State to another.

B. Transportation of
Nuclear Materials

Comment: It makes absolutely no sense for each State to have different regulations and enforcement mechanisms for the transportation of nuclear materials. Federal assumption of this responsibility would eliminate duplication between the States and the relevant Federal agencies, as well as establish a consistent program of protection for the public.

C. Noise Pollution Programs

Comment: The States are not equipped to handle noise pollution abatement programs. If this is to be a Federal mandate, it should be federally implemented.

MIXTURE OF CATEGORIES II AND III

This is a combination of Categories II and III, programs which would require some swapping between State and Federal governments

with the Federal government taking over some of the programs and the State government taking over some of the programs. This could best be demonstrated by some of the Human Resource programs that are administered by HEW. Without elaborating, I will list twenty of these.

Agency:	Human Resources	Fed/State Ratio	FY 1979 Required State Funds
Grants:			
1.	Title III Aging (Administration	75/25	\$ 315,629
2.	Title III Aging (Social Services	90/10	-0-*
3.	Title IVA Maintenance Assistance and Eligibility Determination (Medicaid) Matching Ratio will change to .6676/.3324 effective 10-1-79)	.6582/.3418	43,993,538
4.	Title IVB Child Welfare Grants (Family Foster Care)	.5642/.4358	1,147,682
5.	Title IVC WIN (Work Incentive)	90/10	303,914
6.	Title IVD Child Support Recovery	75/25	378,076
7.	Title VII Nutrition for Elderly	90/10	-0-*
8.	Title X Family Planning	90/10	387,754
9.	Title XX Social Services (When used for Family Planning these funds are 90/10)	75/25	20,103,492
10.	Title XX Training	75/25	731,941
11.	Public Health Service 314d	Formula Grant	-0-
12.	Maternal and Child Health		
	Fund A	50/50	2,740,068
	Fund B	100/0	-0-
13.	Physical Health Service-Crippled Children		
	Fund A	50/50	1,079,900
	Fund B	100/0	-0-
14.	Vocational Rehabilitation Section 110	80/20	5,437,444
15.	Vocational Rehabilitation-Disability Adjudication	100/0	-0-
16.	Vocational Rehabilitation Trust Fund	100/0	-0-
17.	Vocational Rehabilitation SSI	100/0	-0-
18.	USDA Food Stamp-Administration	50/50	8,966,395
19.	USDA Food Supplement (WIC)	100/0	-0-
20.	State Health Planning & Development	75/25	198,866

IV. CONSOLIDATION OF FEDERAL PROGRAMS

There are really three steps involved in a consolidation:

- A. Consolidate the programs fiscally and physically
- B. Reduce the number of programs
- C. Decentralize decision-making

A move should be made away from limiting categorical grants toward a broader Block Grant effort with more discretion. A good example of this would be in the program of family planning, with which the President is very familiar. Under family planning we currently are funded under two federal acts and four titles (Title V and X of the Public Health Services Act, and Titles XIX and XX of the Social Security Act). Dr. Alley, who is the head of Physical Health for Georgia in the Department of Human Resources, feels that we could increase services in family planning by one-third if these programs were consolidated and we had more latitude. Conversely, we could cut the cost of the programs by one-third and result in a Federal and State savings and still have the same level of operation. A similar savings would result from the consolidation of the various environmental categorical grants.

I suppose the most impressive area of consolidation would be one in which the President has already expressed an interest, and that is in community development programs. I have broken down some of these programs in project grants, planning grants, and loans as follows:

ECONOMIC AND COMMUNITY DEVELOPMENT FEDERAL PROGRAM CONSOLIDATION

FEDERAL APPROPRIATION FOR FY 1979 SHOWN IN MILLIONS (000,000)

Project Grants

EDA	Title I	Public Works	228.0
	Title III	Governor's Discretion	90.8
	Title V	Regional Commissions	33.0
	Title IX	Special Impact	88.5
HUD	UDAG	Urban Development	400.0
	CDBG	Entitlement	2,733.8
	CDBG	Small Cities	814.7
Fm HA		Industrial Development	10.0
		Water and Waste Disposal	<u>265.0</u>
TOTAL PROJECT GRANTS			4,663.8

Planning Grants

EDA	301	Technical Assistance	5.0
	301	Multi-County Planning	16.65
	302	Comprehensive Planning	15.0
	302	Sub-State Planning	.5
HUD	701	Planning and Management Assistance	53.0
	107	CDBG Planning	5.0
Fm HA	111	Rural Development	5.0
Title V		Regional Commissions	<u>5.0</u>
TOTAL PLANNING GRANTS			105.15

Loans

EDA	Title II	Business Development	182.5
	Title IV	Trade Adjustment	225.0
Fm HA		Business and Industrial Loans	1,100
		Water and Waste Disposal	800
		Community Facilities	<u>250</u>
TOTAL LOANS			2,557.5

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I find it almost impossible to make a memorandum of our conversation, which seemed so much more indepth. In any event, I do believe the Governors are eager to work with the President in helping him to balance the budget, reduce Federal spending, and to curb inflation to an even greater degree than they did on his energy package. I think this is indicated in the article I referred to from the Atlanta Journal which shows the contrast between the observations of Mayors and Governors concerning the budget cuts.

The key to gubernatorial support is in how the President responds to the Governors' initiatives described by the Journal article. I believe my suggested course of action would demonstrate to the Governors that the President is serious and would force them to cooperate in identifying areas which could be consolidated, eliminated, or assumed at the State level.

I hate to keep mentioning other personalities such as Tommy O'Neill and Dean Rusk, but there is one other person I would like to point out concerning the change of public attitudes. While I was in Boston at the Governors' Conference, I sat with Jerry Brown during one of our meetings and kidded him on his success in championing Proposition 13. We then discussed the change of the times and Jerry's belief that his reversal of positions was a political necessity. The times changed the next week in the Governor's race in Massachusetts, and so did the Governor.

President Carter, at this point in time, faces the American public with a record of no scandals, no deep scars, and with almost total admiration of all Americans as a person of integrity and compassion. The President now faces what I call the "Federal Powers" which is a

triangle composed of the committee staffs in Congress, mid-level bureaucrats in the Federal government, and public interest groups. These interest groups include educational groups, mental health groups, public assistance groups, and also include Mayors, together with States whose positions I think will be somewhat tempered by the Governors. The only way to combat this triangle is with people power, which the President has had experience with before.

I know we discussed the differences in Democratic party approaches to primaries as a general election. In the past, I believe your analysis would be correct. However, people power and the public attitudes toward spending and less government have no roots in party affiliation. In my judgement, the candidate, republican or democrat, who captures these themes in his or her campaign will be the victor whether the race is a primary or a general election.

Recent editorials, by papers who not too long ago were criticizing McIntyre, have now come around 180 degrees and are praising Jim's efforts to cut spending. I think these articles are now accurately reflecting the mood of the people.

For example, both of you are familiar with austerity cuts that I have just made in State government and with the fact that I have reduced the number of State employees. This was highly publicized in my campaign and I think that I was able to capitalize on this as I watched the polls climb in my favor up to the election. This popular support is the key factor that will allow me to be successful with the Legislature and also prevail over the various interest groups.

I have no doubt that the President has the capacity to curb inflation, balance the Federal budget, and save the American dollar. But to get him identified as the only man capable of accomplishing these goals will require a total commitment on the part of the Administration as well as some concrete accomplishments prior to the Presidential election.

What I don't think that most people realize is that to do this job, the President will have to fight the special interests of the Administration (his own agency heads), the Congress, and virtually every interest group including affected governments. He will not be able to do it unless OMB is given complete presidential backing. There must also be a strong commitment by all those around the President in the White House to stand up to the pressure groups themselves. I believe he and McIntyre stand virtually alone during the budget appeals process trying to defend the proposed cuts without the support of the people that surround the President. It will require absolute dedication on the part of those within the White House and the rest of the Administration if the President is to be successful in even reducing the Federal deficit down to \$10 billion next year.

Given that support, I have no doubt but that the President can succeed. But standing on the political stump and saying that I have reduced the Federal deficit from \$40 billion to \$10 billion is not going to be nearly as effective as it would be if he could submit a balanced budget at this time next year and say to the American people,

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"I have balanced the Federal budget, and cut down on the number of permanent employees in the Federal government, and I have tamed the tiger of inflation."

The importance of reducing the number of employees in government should also not be underestimated. There is no better way for the President to demonstrate that he is constraining the growth of government. I have personally found this approach particularly effective in the State of Georgia.

I think that we are indeed fortunate that the President is familiar with all of the Federal programs that are administered at the State level, and I think the Governors are the key people to help him in this effort. I will be glad to assist in bringing the other Governors into the fold in any way that is possible or practical.

If the opportunity presents itself, I would like very much to discuss this matter with the President and with Jim McIntyre.

Again I apologize for the delay in trying to make a memorandum of our conversation, and the fact that I could not better organize it in this hectic time as I prepare for the Legislature next week.

Mayors, Governors Divided Over Budget Cuts

From Wire Reports

WASHINGTON — The mayors and the governors visited the White House Wednesday, delivering to President Carter sharply divided messages on what kinds of cuts in the fiscal 1980 budget they could tolerate.

A delegation from the National Conference of Democratic Mayors, according to several of its members, told the president that the kind of deep cuts in social welfare programs he is contemplating could cause a "disintegration" of urban policy leading to "disastrous" consequences for the nation's big cities and possibly the Democratic Party.

The mayors were followed by a few minutes by a delegation from the National Governors' Association with a different message. The governors, according to NGA Chairman Julian M. Carroll of Kentucky, told Carter they would accept the budget cuts, but only if the federal government consolidates many of its aid programs, giving the states more control, and delays

implementing certain other costly programs.

The division between state houses and city halls was evidenced by the remark of Mayor Kevin White of Boston, chairman of the Democratic mayors' group, who called the governors' proposal "just another way to get control of the funds at that (state) level.

"I'd fight that almost as much as I'd fight the cuts" in funds, White said.

Mayor Maynard Jackson of Atlanta said urban America has been on an economic roller coaster and if the cuts are made "some people are going to begin to get off the roller coaster."

Neither group received much of an answer from the president. White said Carter "listened" to the mayors' appeal, and Carroll said Carter asked the governors for specific examples of programs that could be consolidated or delayed but made no commitments.

The White House visits were part of the final scramble by various interest groups as the president

makes his decisions on the 1980 budget, which he has promised will be "very tight" and which is expected to include substantial cuts in domestic programs. The coming congressional battle over the budget is already showing signs of straining traditional Democratic alliances.

Mayor Lee Alexander of Syracuse, N.Y., said the mayors will meet in Washington Jan. 23 and 24 and decide then whether to wage an all-out fight against proposed administration budget cuts in the Congress.

The White House is already gearing up for that expected fight. It plans to recruit up to six lobbyists from other government agencies to do nothing next year except monitor the congressional budget process and defend the president's proposals.

The mayors indicated Wednesday that they will not give in to Carter's budget austerity plans without a battle. Mayor Kenneth Gibson of Newark said he told the president he has had to lay off 440 city employees, including 200 police officers.

"When we can stand up and make statements in support of shaky shahs, recognize Red China and two days later have an exclusive Coca-Cola franchise there, and I can't get a commitment on 200 cops in Newark, then I have a concern about the priorities in the White House," he said.

White, who said up to \$15 billion in urban aid funds are at stake in Carter's budget decisions, warned that the big cities constituencies "are essential building blocks for the Democratic Party" and could be alienated if the administration slashes social welfare programs.

For their part, the governors essentially offered the White House a tradeoff: support for budget austerity in return for the consolidation and greater control over federal programs they have been seeking.

Carroll said the governors' support is "absolutely contingent on consolidation and other steps that will reduce administrative costs to the states.



GOV. CARROLL Offers Tradeoff

'Restoration' Of Welfare Part Of A Script

By Edward Cowan

The New York Times

WASHINGTON — When President Carter "restored" \$2 billion for domestic social and economic programs to his planned 1980 budget last Friday, he appeared to be overruling his Office of Management and Budget. In fact, he was doing just what the prepared script called for, according to budget officials.

The work sheets budget director James T. McIntyre Jr. brought to Friday's budget meeting with Carter left room for the president to pla-

cate some important Democratic party constituencies—big city mayors, black leaders, and antipoverty spokesmen—with an extra \$2 billion and still keep the prospective budget deficit at about \$29 billion, the target level.

The meeting was the last major budget writing session on the president's agenda. As things stand now, the plan Carter will send to Congress on Jan. 22 for fiscal year 1980, which starts Oct. 1, 1979, shapes up as follows:

Expenditures \$533 billion, revenues \$504 billion, deficit \$29 billion.

These figures "are not set in concrete," one budget official said, but any changes before Jan. 22 are likely to be small.

The budget has been prepared on the assumption that the American economy's growth will slow in 1979 to 2.5 percent from an estimated 3.75 percent in 1978. Consumer prices are expected to be 7.4 percent higher in the autumn of 1979 than in the fourth quarter of 1978.

That forecast points to a revenue loss of \$2 billion to \$3 billion for Carter's proposed "real wage insurance,"

according to an administration official, and the budget will show a cost of \$2.5 billion. Officials admit that it seems unlikely that Congress will enact this program of tax credits for workers whose 1979 pay rises are no more than 7 percent, but consistency and politics require Carter's budget to assume enactment.

Carter's Council of Economic Advisers was reliably reported to have forecast that unemployment would average below 6.5 percent in each of the four quarters of 1979. The November rate was 5.8 percent.

The unemployment rate is considered the key to Carter's ability to withstand pressures to exceed his budget for the sake of more spending and jobs. The White House already has signaled that Carter is prepared to accept

some additional unemployment in 1979 for the sake of fighting inflation — although in the past he has said that creating unemployment was not an effective way to combat inflation. The general view is that a 7 percent jobless rate would be difficult for Carter to accept.

However, with the president's economists hopeful that the economy will snap back to a faster growth rate as the 1980 election approaches, a 1979 jobless rate in the vicinity of 6.5 percent might just be politically tolerable.

When the White House announced Friday that Carter had "restored" \$2 billion to social programs in the 1980 budget, the obvious question was whether there were \$2 billion of cuts elsewhere. Officials in a position to know insisted Tuesday that Carter had room to "restore" the \$2 billion.

AFTERNOON

I WOULD LIKE TO LEAVE YOU THIS MORNING WITH A THOUGHT FROM OUR FIRST PRESIDENT. HIS WORDS ARE AS RELEVANT TODAY AS THEY WERE ALMOST 200 YEARS AGO:

"IF TO PLEASE THE PEOPLE WE OFFER WHAT WE OURSELVES DISAPPROVE, HOW CAN WE AFTERWARDS DEFEND OUR WORK?"

"LET US RAISE A STANDARD TO WHICH THE WISE AND HONEST CAN NOW REPAIR."

Judy - I forgot
this - good quote -
save J

1. BEFORE I BEGIN MY SPEECH, I HAVE AN ANNOUNCEMENT TO MAKE.
2. AS YOU KNOW, VOLUNTARY WAGE & PRICE GUIDELINES ↴
HAVE BEEN IN PLACE FOR A YEAR-AND-A-HALF.
3. THEY HAVE BEEN MORE EFFECTIVE THAN IS GENERALLY RECOGNIZED.
4. MOST MAJOR "U.S." CORPORATIONS HAVE PLEGGED THEIR COOPERATION WITH THE PROGRAM.
5. { SEVERAL LARGE FIRMS THAT RECEIVED NOTICES ↴
FROM THE COUNCIL ON WAGE & PRICE STABILITY ↴
6. { HAVE TAKEN RESPONSIBLE ACTION TO REDUCE PRICES ↴
7. { IN ORDER TO COMPLY WITH THE PRICE STANDARD --
8. { AMONG THEM SEARS, ROEBUCK & COMPANY, ... WARNER-LAMBERT COMPANY, ... ↴
AND FABERGE, INC.
9. { OTHER COMPANIES HAVE CUT THEIR PRICES TO COME INTO COMPLIANCE ↴
10. { EVEN BEFORE RECEIVING NOTICES FROM THE COUNCIL ON WAGE & PRICE STABILITY --
11. { AMONG THEM ALUMINUM COMPANY OF AMERICA, ... GRAYBAR ELECTRIC COMPANY, ... ↴
SCOTT PAPER COMPANY.

1. { BUT I WAS DISAPPOINTED TODAY ↴
2. { TO LEARN FROM BOB RUSSELL, DIRECTOR OF THE COUNCIL ON WAGE & PRICE STABILITY, ↴
3. { THAT ONE MAJOR OIL COMPANY -- MOBIL -- ↴
4. { HAS REFUSED TO TAKE CORRECTIVE ACTION ↴
5. { TO BRING ITSELF BACK UNDER THE PRICE STANDARD.
6. { MOBIL'S OVERCHARGES TO ITS CUSTOMERS ↴
7. { DURING THE 3RD QUARTER OF LAST YEAR UNDER THE PROGRAM ↴
8. { AMOUNTED TO OVER \$45 MILLION.
9. { THEY WERE ASKED TO TAKE CORRECTIVE ACTION TO CUT PRICES ON FUTURE SALES ↴
10. { THAT WOULD HAVE BROUGHT THEM BACK INTO COMPLIANCE --
SO FAR HAVE
BUT REFUSED.

1. { IT IS DIFFICULT TO UNDERSTAND MOBIL'S POSITION ↘
2. { AT A TIME WHEN MOST BUSINESS FIRMS ARE ACTING RESPONSIBLY ↘
3. { TO OBSERVE THE PRICE STANDARDS OF THE ANTI-INFLATION PROGRAM.
4. { THE COUNCIL ON WAGE & PRICE STABILITY ↘
5. { CURRENTLY IS LOOKING INTO COMPLIANCE OF A ~~NUMBER OF~~ OTHER OIL FIRMS.
6. { IT IS ONLY FAIR TO THE AMERICAN CONSUMER ↘
7. { AND TO THOSE BUSINESSES WHO ARE ACTING RESPONSIBLY ↘
8. { FOR THE PUBLIC TO KNOW ABOUT COMPANIES ↘
9. { WHO REFUSE TO TAKE REASONABLE ACTIONS ↘
10. { TO COMPLY WITH THE VOLUNTARY STANDARDS.

#

Speaker's Term

At Howard's

1. DICK HODES, SENATOR ROSS DOYEN, LEGISLATIVE LEADERS FROM AROUND THE COUNTRY:
2. { I COME BEFORE YOU TODAY AT A TIME OF GREAT CHALLENGE --
3. { NOT ONLY FOR OUR NATION BUT FOR ALL FREE NATIONS,
4. { ABROAD, AMONG OTHER CHALLENGES,
5. { WE FACE CONTINUED TURMOIL IN IRAN & AGGRESSION IN AFGHANISTAN.
6. { WHILE OUR RESOLVE IS FIRM,
7. { WE MUST CONTINUE TO ACT CAREFULLY,
8. { IN CONCERT WITH MANY OTHER NATIONS. //
9. { AT HOME, WE FACE THE GREAT CHALLENGE OF INFLATION,
10. { FUELED BY EXCESSIVE DEPENDENCE ON EXPENSIVE IMPORTED OIL.
11. BUT HERE AT HOME WE ARE FREE TO ACT AS AMERICA CHOOSES --
12. AND WE MUST CHOOSE TO ACT FOR AMERICA NOW.
13. { WE MUST MAKE HARD CHOICES --
14. { AS INDIVIDUALS, AS GOVERNMENTS, AS A NATION.
15. OUR FUTURE SECURITY & WELL-BEING DEPEND UPON THE DISCIPLINE WE EXERT NOW.

1. IN THE LAST 10 YEARS, A SERIES OF PROFOUND ECONOMIC SHOCKS ↴
HAVE BEEN FELT AROUND THE WORLD.
2. OIL PRICES HAVE INCREASED 1,000 PERCENT.
3. OUR OWN IMPORTS OF OIL HAVE MULTIPLIED 20 TIMES OVER.
4. { IN THE PAST ONE YEAR, ↴
5. { THE COST OF OIL ROSE MORE THAN IN THE ENTIRE PREVIOUS CENTURY. /
WILL PAY MORE THAN THIS
6. AMERICANS, ~~PAID~~ \$80 BILLION ~~LAST~~ YEAR FOR FOREIGN OIL.
7. { THAT IS AN AVERAGE OF \$1,500 FOR EVERY AMERICAN FAMILY ↴
CAN
8. { THAT WE ~~COULD~~ NOT USE TO INCREASE AMERICAN PRODUCTION,
REDUCE AMERICAN PRICES,
AND PAY AMERICAN WORKERS. /
9. AND ENERGY AFFECTS THE COST OF EVERYTHING WE BUY,
EVERYTHING WE PRODUCE,
EVERYTHING WE BUILD,
EVERYTHING WE TRANSPORT. //

1. INFLATION IS NOT LIMITED TO THIS COUNTRY.
2. EVERY INDUSTRIAL NATION IS SUFFERING.
3. THE WHOLESALE PRICE INDEX FOR THE LATEST MONTH IN JAPAN ^{WAS} ~~WERE~~ UP 27 PERCENT,
IN WEST GERMANY 20 PERCENT,
IN GREAT BRITAIN 18 PERCENT,
AND IN ITALY 46 PERCENT.
4. { THIS KNOWLEDGE THAT OTHER NATIONS SHARE THE PROBLEM ↘
5. { DOES NOT MAKE IT ANY EASIER FOR US. /
6. { ~~THE PROBLEM OF INFLATION IS WORLDWIDE,~~
7. { ~~BUT WE HAVE THE RESPONSIBILITY FOR DEALING WITH IT HERE.~~
8. IT LIES SQUARELY ON YOU & ME.
9. { ~~IT IS A CHALLENGE WE MUST MEET TOGETHER --~~
10. { ~~AND JUST AS WE HAVE IN OTHER AREAS IN THE PAST,~~
11. { ~~WE WILL MEET IT TOGETHER NOW.~~

1. OUR COUNTRY IS IN A BETTER POSITION THAN MOST TO DEAL WITH THE CHALLENGE OF INFLATION.
2. WE HAVE ONE-SIXTH OF ALL THE WORLD'S ENERGY RESERVES.
3. OUR LAND PRODUCES BOUNTIFUL CROPS BEYOND THE DREAMS OF MOST NATIONS.
4. WE ARE BLESSED WITH GREAT UNDERLYING STRENGTHS.
5. { BUT IN THE PAST WE HAVE SOMETIMES FELT
6. { THAT THOSE STRENGTHS WOULD MAKE US IMMUNE
7. { TO PROBLEMS LIKE ENERGY SHORTAGES & INFLATION
8. { THAT OFTEN BESET OTHER NATIONS.
9. WE ARE FORTUNATE -- BUT WE ARE NOT IMMUNE.
10. { WE MUST FACE REALITY
11. { AND REGAIN CONTROL OF OUR OWN DESTINY.
12. TWO WEEKS AGO I PUT FORWARD A TOUGH PROGRAM TO BATTLE INFLATION.
13. I TOOK THE DIFFICULT STEP OF IMPOSING A CONSERVATION FEE ON IMPORTED OIL.
14. { I USED MY AUTHORITY UNDER THE CREDIT CONTROL ACT OF 1969
15. { TO PUT RESTRAINTS ON CREDIT,
16. { THE FIRST TIME A PRESIDENT HAS EVER INVOKED THAT AUTHORITY.
17. { I DID THAT BECAUSE WE ABSOLUTELY MUST DISCOURAGE UNNECESSARY BORROWING
18. { AND ENCOURAGE SAVING.

~~SOMETHING YOU~~
SUPPORT

- 1. { NEXT MONDAY I WILL PRESENT TO THE CONGRESS A BALANCED BUDGET --
- 2. { THE FIRST IN 12 YEARS, AND ONLY THE SECOND SINCE ~~1961~~. IN THE LAST 20 YEARS
- 3. { BUT MY RESPONSIBILITY DOES NOT END THERE --
- 4. { ~~NOR DOES YOURS ^{OR} THAT OF EVERY PUBLIC OFFICIAL.~~
- 5. ~~ALL~~ ALL OF US MUST FIGHT TO MAKE SURE OUR BUDGETS STAY BALANCED.
- 6. { WE WHO SERVE IN GOVERNMENT MUST SET AN EXAMPLE FOR OTHERS ↴
- 7. { BY PROVING THAT WE CAN ENFORCE SELF-DISCIPLINE. /
- 8. I WANT TO ACKNOWLEDGE YOUR SUSTAINED & CONTINUING SUPPORT.
- 9. I KNOW THAT YOU HAVE LONG BEEN A VOICE FOR FISCAL REASON IN YOUR STATES.
- 10. { ~~WE MUST NOT ONLY CONTINUE ↴~~
- 11. { ~~THE PARTNERSHIP WE FORGED TO FIGHT FOR ENERGY SECURITY, ↴~~
FOR OUR CITIES & OUR RURAL AREAS,
- 12. { ~~WE MUST REDOUBLE OUR EFFORTS TO STOP INFLATION. //~~
- 13. { WE KNOW FROM HARD EXPERIENCE ↴
- 14. { THAT THE CLOSER WE COME TO BALANCING GOVERNMENT BUDGETS, ↴
- 15. { THE GREATER THE PRESSURES & TEMPTATIONS TO ABANDON THAT GOAL.
- 16. { ~~I PLEDGE MY SUPPORT TO YOU FROM WASHINGTON --~~
- 17. { ~~I NEED YOUR SUPPORT FROM OUT THERE.~~
- 18. { WE MUST NOT BE MOVED
- 19. { AND TOGETHER WE WILL NOT BE MOVED.
- 20. { FOR "FY" 1981 BEGINNING IN OCTOBER OF THIS YEAR,
- 21. { WE WILL HAVE A BALANCED BUDGET FOR THE GOVERNMENT OF THE UNITED STATES!

(INSERT)

FEDERAL

1. BUDGET REDUCTIONS MUST BE APPROVED WITHOUT DELAY.
2. AT THE SAME TIME, I INTEND TO CONSULT CLOSELY ↗
WITH STATE & LOCAL GOVERNMENT LEADERS TO CONSIDER:
3. -- WHICH LEVELS OF GOVERNMENT ↗
{ ARE BEST SUITED & EQUIPPED TO CARRY OUT PARTICULAR FUNCTIONS;
4. -- POSSIBLE CONSOLIDATIONS OF CATEGORICAL PROGRAMS ↗
5. { AIMED AT REDUCING ADMINISTRATIVE OVERHEAD COSTS (THUS COSTING LESS MONEY),
6. { WHILE CONTINUING TO MEET OUR RESPONSIBILITIES ↗
7. { TO PROVIDE EQUITABLE SERVICE & PROTECTION TO CITIZENS UNDER THE LAW;
8. -- THE FISCAL & ECONOMIC IMPACT IMPOSED ON STATE & LOCAL GOVERNMENTS ↗
IN CARRYING OUT EXISTING OR PROPOSED FEDERAL MANDATES.

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for Preservation Purposes**

1. { IN HAMMERING OUT A BALANCED FEDERAL BUDGET, I HAVE MADE 3 COMMITMENTS:
2. TO ENSURE FAIRNESS,
3. TO PROTECT THE MOST DISTRESSED ^{AMERICANS}
AGAINST ~~ABRUPT FINANCIAL DISLOCATIONS & LOSSES~~ ^{IN ESSENTIAL SERVICES},
4. AND TO PRESERVE OUR NATION'S SECURITY. /
5. { I INTEND TO KEEP THOSE COMMITMENTS --
6. { AND MY COMMITMENT TO CONTROL INFLATION.
7. MOST OF YOU HAVE LIVED WITH BALANCED BUDGETS [✓]
THROUGHOUT YOUR CAREERS IN PUBLIC LIFE.
8. I HAD THE SAME EXPERIENCE AS A STATE SENATOR AND GOVERNOR OF GEORGIA.
9. { MANY STATE CONSTITUTIONS PROHIBIT DEFICIT SPENDING,
10. { ^{HAVE} ~~AND YOU HAD TO RAISE TAXES & CUT NOT ONLY FRILLS,~~ ^{INVADED}
11. { BUT ALSO DESIRABLE PROJECTS THAT ARE NOT ESSENTIAL,
12. { SO YOU COULD KEEP THE STATE LEDGER IN BALANCE.

1. { YOU KNOW HOW DIFFICULT THAT CAN BE WHEN SO MANY SINCERE & DEDICATED PEOPLE ↗
2. { ARE PUSHING WORTHWHILE IDEAS YOUR STATE CANNOT AFFORD.
3. { YOU KNOW WHAT IT IS TO SAY "NO" --
4. { WHEN SAYING "YES" WOULD BE EASIER POLITICALLY.
5. { ~~I KNOW -- AND YOU KNOW --~~
6. { WE CANNOT AFFORD TO PLAY POLITICS WITH OUR NATION'S CURRENCY.
7. { WE CANNOT BOTH POUND THE TABLE FOR RESTRAINT ↗
8. { AND MAKE POLITICALLY EXPEDIENT PROMISES --
9. { BECAUSE AMERICA CANNOT AFFORD IT.
10. { ~~I AM COUNTING ON YOU TO HELP MAKE THE AMERICAN PEOPLE ↗~~
11. { ~~BELIEVE THAT THEIR GOVERNMENTS CAN & WILL PRACTICE SELF-DISCIPLINE~~
12. THE PEOPLE WANT US TO BE STRONG.
13. { ~~THEY UNDERSTAND THAT BY SAYING "NO" TO EXCESSIVE SPENDING NOW,~~
14. { ~~WE WILL BE SAYING "YES" TO THE FUTURE SECURITY OF OUR NATION.~~

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1. { INFLATION HURTS EVERYONE --
2. { THE HOUSEWIFE, THE WAGE-EARNER, THE STUDENT. *HOME BUILDERS / BUYERS,*
3. { SMALL BUSINESSES & FARMERS ARE PARTICULARLY VULNERABLE ↴
4. { TO THE WAGE-PRICE SPIRAL & THE HIGH CREDIT COSTS ↴
5. { ~~THAT ARE ABSOLUTELY ESSENTIAL TO STOPPING THAT SPIRAL.~~
6. { LOWER-INCOME PEOPLE WILL BE HURT BY CUTS,
7. { BUT THE PEOPLE WHO ARE SUFFERING MOST FROM INFLATION NOW ↴
8. { ARE THOSE WITH ~~THE LOWEST INCOMES.~~ *WHO ARE POOR.*
9. INFLATION IS THE CRUELEST, MOST REGRESSIVE OF ALL TAXES.
10. { ~~AT ITS CURRENT RATE,~~ ↴
11. { ~~INFLATION IS NOTHING LESS THAN AN 18 PERCENT TAX ON BEING ALIVE --~~
12. { AND THAT IS A TAX I AM DETERMINED TO CUT --

THIS YEAR -- IN 1980.

WITH A SCALPEL, NOT A MEAT AXE

13. { WE ARE MAKING DISTINCTIONS, BETWEEN FUNCTIONS GOVERNMENT MUST PERFORM,
14. { -- AT BOTH THE FEDERAL & LOCAL LEVELS --
15. { AND PROGRAMS & SERVICES THAT MAY BE DESIRABLE ↴

BUT CAN BE REDUCED OR POSTPONED.

1. WE ARE NOT ABANDONING OUR URBAN POLICY -- LOCAL REVENUE SHARING,
URBAN DEVELOPMENT ACTION GRANTS,
MASS TRANSIT,
SUMMER JOB PROGRAMS.
2. WE ARE NOT ABANDONING THE HELPLESS.
3. { WE ARE MAKING ADEQUATE BUT PRUDENT, INTELLIGENT, CAREFUL ↘
REDUCTIONS & DEFERRALS, ↘
4. { TIGHTENING THE BELT WHERE IT WILL HURT THE LEAST.
5. { THAT DOES NOT MEAN CITIES WILL BE EXEMPT ↘
6. { OR THAT SOCIAL SERVICES WILL BE EXEMPT FROM CUTS.
7. { ~~IT DOES MEAN WE WILL NOT ASK THE SICK, THE OLD & THE POOR ↘~~
8. { ~~TO BEAR THE HEAVIEST BURDEN IN BALANCING THE BUDGET.~~
9. { WE ARE TRIMMING SOCIAL SERVICES ↘ *WITH MINIMUM ADVERSE EFFECT ON*
THE POOR.
10. { ~~PRIMARILY WHERE THEY EXTEND TO MIDDLE INCOME PEOPLE, ↘~~
11. { ~~AS IN SUBSIDIES TO SCHOOL LUNCHES.~~
12. OUR YOUTH EMPLOYMENT INITIATIVE WILL GO FORWARD.
13. { WE ARE NOT CUTTING SOCIAL SECURITY, OR MEDICARE, ↘
14. { OR AID TO DEPENDENT CHILDREN, OR THE 25% INCREASES IN SUBSIDIZED HOUSING UNITS.
15. { WE HAVE DONE OUR BEST TO PROTECT THE KEY PROGRAMS, ↘
16. { BUT WE WILL HAVE TO DO WITHOUT SOME THINGS YOU & I WOULD LIKE TO HAVE.

1. { I WISH I COULD PROMISE YOU QUICK RESULTS, *BUT*
2. { ~~BUT YOU KNOW AS WELL AS I DO~~ ↗
3. { ~~THAT~~ INFLATION THAT HAS BEEN BUILDING UP FOR MORE THAN 10 YEARS ↗
4. { WILL NOT GO AWAY OVERNIGHT, ↗
5. { OR IN A FEW DAYS OR WEEKS.
6. { THE CONSUMER PRICE INDEX ↗
7. { WILL CONTINUE TO REGISTER THE LARGE INCREASES ↗
8. { IN THE COST OF ENERGY & HOME FINANCING COSTS ↗
9. { FOR THE NEXT SEVERAL MONTHS.
10. { YOU KNOW AS WELL AS I DO ↗
11. { THAT THERE ARE NO QUICK ANSWERS, NO EASY ANSWERS, & NO PAINLESS ANSWERS.
12. { MANDATORY WAGE & PRICE CONTROLS PRETEND TO BE ALL THREE --
13. { BUT IN FACT THEY ARE NONE OF THE ABOVE. ↗ *I DO NOT HAVE -- DO NOT WANT -- CONGRESS WILL NOT PASS*
14. { CONTROLS WOULD CREATE A MASSIVE BUREAUCRACY & MASSIVE DISLOCATIONS ↗
IN OUR ECONOMY.
15. { THEY WOULD PUT A TERRIBLE SQUEEZE ↗
16. { ON WORKING FAMILIES WITH FROZEN WAGES ↗
17. { FACED WITH UNCONTROLLABLE PRICE INCREASES IN FOOD,
IMPORTED OIL,
AND OTHER NECESSITIES OF LIFE.

8 1/2% AVG.

1. { CONTROLS WOULD NOT EVEN DO A GOOD JOB ↘
2. { OF TEMPORARILY HIDING THE SYMPTOMS OF INFLATION.
3. THEY WOULD DO ABSOLUTELY NOTHING ABOUT THE CAUSES OF INFLATION.
4. { INDEED, THEY WOULD MOST LIKELY BECOME A SUBSTITUTE ↘
5. { FOR DOING ANYTHING ABOUT THOSE CAUSES,
6. { AND THUS WOULD END UP MAKING THE PROBLEM WORSE.
7. CONTROLS ARE NOT A SOLUTION TO INFLATION.
8. THEY ARE AN EVASION OF RESPONSIBILITY TO CURE IT.
9. THE ACTIONS I AM TAKING TO BALANCE THE BUDGET ↘
AND CUT DOWN ON EXCESSIVE CONSUMER FINANCING ↘
ARE SERIOUS.
10. { THEY ARE DESIGNED TO DAMPEN THE DANGEROUS EXPECTATION ↘
11. { THAT INFLATION WILL CONTINUE INDEFINITELY.
12. { THAT PSYCHOLOGY OF INFLATION ↘
13. { HAS CONVINCED FAR TOO MANY AMERICANS ↘
14. { THAT A DOLLAR BORROWED IS A DOLLAR EARNED.
15. IT HAS ENCOURAGED AMERICANS TO BUY NOW & PAY LATER.
16. { IT HAS REWARDED SPECULATORS & PENALIZED SAVERS --
17. { AND I INTEND TO STOP IT.

ONE OF

TO REMEMBER

1. THE MOST IMPORTANT THINGS I ~~WANT TO SAY TO YOU TODAY~~ IS THIS:
2. { THE TIME IS PAST WHEN OUR DIFFERENT BRANCHES OF GOVERNMENT, OR DIFFERENT LEVELS OF GOVERNMENT, CAN SHIFT RESPONSIBILITY BACK & FORTH.
3. { CAN SHIFT RESPONSIBILITY BACK & FORTH.
4. THE TIME IS PAST WHEN ONE BRANCH OR LEVEL CAN ONLY TALK ABOUT INFLATION AND LEAVE ANOTHER TO ACT ON IT.
5. { EVEN IN AN ELECTION YEAR THIS IS NO TIME FOR POLITICAL COWARDICE OR DEMAGOGUERY.
6. { THIS IS NO TIME FOR POLITICAL COWARDICE OR DEMAGOGUERY.
7. WE MUST STAND FIRM, RESIST POLITICAL PRESSURES, AND TELL THE TRUTH.
8. WE MUST REALIZE THAT THERE IS NO MORE RICH UNCLE SAM --
9. UNCLE SAM IS ALL OF US.

1. { THE TIME HAS COME FOR US TO ACT TOGETHER --
2. { NOT WITH A SLOGAN & A PROMISE,
3. { BUT WITH A COURAGEOUS POLICY & A COMMON PURPOSE.

4. { WHEN I SEND THE BALANCED BUDGET UP TO CAPITOL HILL NEXT WEEK --
5. { AMERICANS WILL NEED YOUR HELP.

6. { YOU AND I -- EVERYONE OF US RIGHT HERE IN THIS ROOM TODAY --
7. { MUST GUIDE THIS NATION SAFELY DOWN FROM THE DANGEROUS PRECIPICE OF INFLATION.
8. AND TOGETHER THAT IS EXACTLY WHAT WE ARE GOING TO DO.

9. I WOULD LIKE TO LEAVE YOU THIS AFTERNOON WITH A THOUGHT,
FROM OUR FIRST PRESIDENT.
10. HIS WORDS ARE AS RELEVANT TODAY AS THEY WERE ALMOST 200 YEARS AGO:
11. "IF TO PLEASE THE PEOPLE WE OFFER WHAT WE OURSELVES DISAPPROVE,
HOW CAN WE AFTERWARDS DEFEND OUR WORK?"
12. "LET US RAISE A STANDARD TO WHICH THE WISE & HONEST CAN NOW REPAIR."

#

[The salutations will be updated by Gene Eidenberg x6537 no later than 9:30 AM Friday.]

Achsah Nesmith
A-1 3/27/80
Scheduled Delivery:
Fri, 3/28/80, 1:30 PM
Mayflower Hotel

National Conference of State Legislatures

Dick Hodes, Senator Ross Doyen, legislative leaders from around the country:*

I come before you today at a time of great challenge -- not only for our Nation but for all free nations. Abroad, ^{among other} we ^{challenges} face continued turmoil in Iran, and aggression in Afghanistan. While our resolve is firm, we must continue to act carefully, in concert with many other nations. At home, we face the great challenge of inflation, fueled by ^{excessive} dependence on expensive imported oil. But here at home we are free to act as America chooses -- and we must choose to act for America now.

*Representative Richard Hodes of Florida, whom you know, is president-elect of NCSL. State senator Ross Koyen of Kansas is vice-chair of NCSL. (The current NCSL president, Speaker George Roberts of the New Hampshire House, will not be there.)

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We must make hard choices -- as individuals, as governments, as a Nation. Our future security and well-being depend upon the discipline we exert now.



In the last ten years, a series of profound economic shocks have been felt around the world. Oil prices have increased 1000 per cent. Our own imports of oil have multiplied twenty times over. In the past one year, the cost of oil rose more than in the entire previous century.

Americans paid \$80 billion last year for foreign oil. That *is an average of \$1500 for every American family, that* ~~is \$80-billion~~ we could not use to increase American production, reduce American prices, and pay American workers. And energy affects the cost of everything we buy, everything we produce, everything we build, everything we transport.



Inflation is not limited to this country. Every industrial nation is suffering. The wholesale price indexes for the latest

month in Japan were up 27 per cent, in West Germany 20 per cent, in Great Britain 18 per cent, and in Italy 46 per cent, compared to our 20 per cent. [~~Their consumer price indexes are not yet showing the effects so dramatically, but wholesale prices are generally regarded as the best indicators of what is to come. Developing nations are pressed even harder, and again the huge increase in OPEC oil prices is a major factor.]~~

*Knowledge that other nations share the problem
This does not make it any easier for*
us, The problem of inflation is worldwide, but ^{we ~~must~~ have} the responsibility

for dealing with it ~~is~~ here. It lies squarely on you and me.

It is a challenge we must meet together -- and just as we have in other areas in the past, we will meet it together now.

3 54

Our country is in a better position than most to deal with the challenge of inflation. We have one-sixth of all the world's energy reserves. Our land produces bountiful crops beyond the dreams of most nations. We are blessed with great underlying strengths. But in the past we have sometimes felt that those

strengths would make us immune to problems like energy shortages and inflation that often beset other nations. We are fortunate -- but we are not immune. We must face reality and regain control of our own destiny.

Two weeks ago I put forward a tough program to battle inflation.

I took the difficult step of imposing a conservation fee on imported oil. I used my authority under the Credit Control Act of 1969 to put restraints on credit, the first time a President has ever invoked that authority. I did that because we absolutely must discourage unnecessary borrowing and encourage saving.

4
5
Monday

Next ~~week~~ ^{Monday} I will present to the Congress a balanced budget -- the first in twelve years, and only the second since 1961.

But my responsibility does not end there -- nor does yours and

that of every public official. Each and all of us must fight to

make sure our budgets stay balanced. *We who serve in Government must set an example ~~by~~ for others by proving that we can enforce self-discipline.*

I want to acknowledge your sustained and continuing support.

I know that you have long been a voice for fiscal reason in your

states. We must not only continue the partnership we forged to

fight for energy security, for our cities and our rural areas,

we must redouble our efforts to stop inflation. We know from

hard experience that the closer we come to balancing government

budgets, the greater the pressures and temptations to abandon

that goal. I pledge my support to you from Washington -- I

need your support from out there. We must not be moved and

together we will not be moved.

We will have a balanced budget for the Government of the United States!

For FY 1981 beginning in October of this year, we

~~In hammering out a balanced federal budget, I have made~~

three commitments: to ensure fairness, to protect the most

distressed against abrupt financial dislocations and losses

in essential services, and to preserve our Nation's security.

I intend to keep those commitments -- and my commitment to control inflation.

Most of you have lived with balanced budgets throughout your careers in public life. ^{I had the same experience as a the state Senator and Governor of Georgia.} Many state constitutions prohibit ^{raise taxes and} deficit spending, and you had to ^{cut} not only frills, but also desirable projects that are not essential so you could keep the state ledger in balance. ^{u 57}

You know how difficult that can be when so many sincere and dedicated people are pushing worthwhile ideas your state cannot afford. You know what it is to say "No" -- when saying "Yes" would be easier politically. I know -- and you know -- we cannot afford to play politics with our Nation's currency. We cannot both pound the table for restraint and make politically expedient promises -- because America cannot afford it.

I am counting on you to help ^{me show} ~~make~~ the American people ~~believe~~ that their governments can and will practice self-discipline.

The people want us to. They understand that by saying "No" to excessive spending now, we will be saying "Yes" to the future security of our Nation.

758

Inflation hurts everyone -- the housewife, the wage-earner, the student. Small businesses and farmers are particularly vulnerable to the wage-price spiral and the high credit costs that are absolutely essential to stopping that spiral.

Lower-income people will be hurt by cuts, but the people who are suffering most from inflation now are those with the lowest incomes. Inflation is the cruelest, most regressive of all taxes. At its current rate, inflation is nothing less than an 18 per cent tax on being alive -- and that is a tax I am determined to cut. -

This year -- in 1980.

We are making distinctions between functions government must perform -- at both the federal and local levels -- and programs and services that may be desirable but can be reduced or postponed.

8
9

We are not abandoning our urban policy -- local revenue sharing, urban development action grants, mass transit, summer job programs. We are not abandoning the helpless. We are making *adequate but* prudent, intelligent, careful reductions and deferrals, tightening the belt where it will hurt the least.

That does not mean cities will be exempt or that social services will be exempt from cuts. It does mean we will not ask the sick, the old and the poor to bear the heaviest burden in balancing the budget. We are trimming social services primarily *with minimum adverse effect on the poor.* ~~where they extend to middle income people, as in subsidies to school lunches.~~ Our youth employment initiative will go forward. We are not cutting Social Security or Medicare or Aid to Dependent Children or the 25 per cent increases in subsidized housing units. We have done our best to protect the key programs, but ~~I will not pretend~~ that we will ~~not~~ have to do without ^{some} things you and I would like to have.

9 5 10

I wish I could promise you quick results, but you know as well as I do that inflation that has been building up for more than ten years will not go away overnight, or in a few days or weeks. The Consumer Price Index will continue to register *the large* increases in the cost of energy and home financing costs for the next several months.

You know as well as I do that there are no quick answers, no easy answers, and no painless answers. Mandatory wage and price controls pretend to be all three -- but in fact they are none of the above. Controls would create a massive bureaucracy and massive dislocations in our economy.

They would put a terrible squeeze on working families with frozen wages faced with uncontrollable price increases in ~~the~~ food, ~~and~~ imported oil and other necessities of life.

Controls would not even do a good job of temporarily hiding the symptoms of inflation. They would do absolutely nothing about the causes of inflation. Indeed, they would most likely become a substitute for doing anything about those causes, and thus would end up making the problem worse.

Controls are not a solution to inflation. They are an evasion of responsibility to cure it.

The actions I am taking to balance the budget and cut down on excessive consumer financing are serious. They are designed to dampen the dangerous expectation that inflation will continue indefinitely. That psychology of inflation has convinced far too many Americans that a dollar borrowed is a dollar earned. It has encouraged Americans to buy now and pay later. It has rewarded speculators and penalized savers -- and I intend to stop it.



The most important thing I want to say to you today is this: the time is past when our different branches of government, or different levels of government, can shift responsibility back and forth. The time is past when one branch or level can only talk about inflation and leave another to act on it.

*Even in an election year
This is no time for political cowardice
or demagoguery. We must stand firm, resist
political pressures, and tell the truth.*

We must realize that

~~There~~ there is no more rich Uncle Sam -- Uncle Sam is all of us.

The time has come for us to act together -- not with a slogan and a promise, but with a courageous policy and a common purpose.

When I send the balanced budget up to Capitol Hill next week -- Americans will need your help.

You and I -- every one of us right here in this room today -- must guide this Nation safely down from the dangerous precipice of inflation. And together that is exactly what we are going to do.

###

"Announcement"

(A)

As you know, monetary
wage and price guide lines
have been in place for
a year or a half. They have been
more effective than is generally
recognized.

Before I begin my speech, I have an announcement to make.

Insert

[As you know, this Administration has prepared a comprehensive anti-inflation program which I strengthened on March 14. Part of that total package of restraint by all sectors of the economy is the intensification of the voluntary wage-price guideline program.] Most major U.S. corporations have pledged their cooperation with the program.

*In effect
> yr
> effective*

Several large firms that received notices from the Council have taken responsible ~~corrective pricing~~ ^{to reduce prices} action in order to comply with the price standard -- among them Sears, Roebuck and Company, Warner-Lambert Company and Fabergé, Inc.

Other companies have ^{cut} ~~modified~~ their prices to ^{come in to} ~~assure~~ compliance even before receiving notices from the Council -- among them Aluminum Company of America, Graybar Electric Company and Scott Paper Company.

But I was disappointed today to learn from Bob Russell, Director of the Council on Wage and Price Stability, that one major oil company -- Mobil -- has refused to take corrective action to bring itself back under the price standard. Mobil's overcharges to its customers during the third quarter of last year under the program amounted to over \$45 million. They were ^{asked} ~~invited~~ to take corrective ~~pricing~~ ^{to cut price} actions on future sales that would have brought them back into compliance -- but refused.

It is difficult to understand Mobil's position at a time when most business firms are acting responsibly to observe the price standards of the anti-inflation program.

~~This is the third large oil company that has been found out of compliance.~~ The Council on Wage and Price Stability currently is looking into ^{compliance of a number of} other oil firms.

I believe it is only fair to the American consumer and to those businesses who are acting responsibly for the public to know about companies who refuse to take reasonable actions to comply with the voluntary standards.

1220M

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S REMARKS TO
THE NATIONAL CONFERENCE OF STATE LEGISLATURES

March 28, 1980

1:22 pm MOTORCADE DEPARTS South Grounds en
route Mayflower Hotel.

(Driving Time: 3 minutes)

1:25 pm MOTORCADE ARRIVES Mayflower Hotel.

PRESS POOL COVERAGE
CLOSED ARRIVAL

The President will be met by:

State Sen. Ross Doyen
President of the State Senate
(R.-Ks.)

State Sen. Al Holloway
President Pro Tem of Georgia
State Senate (D.-Ga.)

Mr. Mike Horrocks
General Manager, Mayflower Hotel

1:26 pm The President proceeds inside
Mayflower Hotel en route holding
room.

1:27 pm The President arrives holding room.

PERSONAL/STAFF TIME: 2 minutes

1:29 pm The President departs holding room
en route off-stage announcement area.

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1:30 pm The President arrives off-stage
announcement area and pauses.

 1:30 pm Announcement

1:31 pm The President proceeds inside
Colonial Room en route stage for
remarks to the National Conference
of State Legislatures.

 OPEN PRESS COVERAGE
 ATTENDANCE: 80

1:32 pm The President arrives stage and
remains standing.

 1:32 pm Introduction of the President
by Dr. Richard Hodes, Speaker
Pro Tem of the Florida State
House of Representatives.

1:33 pm Presidential remarks.

 OPEN PRESS COVERAGE

1:43 pm Remarks conclude.

1:44 pm The President thanks his hosts and
proceeds to motorcade for boarding.

1:47 pm MOTORCADE DEPARTS Mayflower Hotel
en route South Grounds.

 (Driving Time: 3 minutes)

1:50 pm MOTORCADE ARRIVES South Grounds.

THE WHITE HOUSE
WASHINGTON

From Sam Eidenburg

I am mindful that my decision to cut the state share of general revenue sharing and other selected reductions in aid to state and local governments will force difficult choices on you.

I want to consult with you on three important areas of our relationship which can lead to more effective use of the significant levels of federal assistance that will be in my revised fiscal 1981 budget:

- a careful review of the functions of each level of government in our federal system with an assessment of how the responsibility for particular functions matches ~~with the~~ *with the* capacity to meet the costs of the activity;
- a significant effort to consolidate broad areas of federal grants in ways that both insure increased management flexibility by the state or local level of government charged with delivering the service and maintain the federal government's obligations under the law;
- a facing-up to the effects of federal mandates that impose significant costs on state and local government but for which federal financial assistance is inadequate.

In every case I would ask that you and your colleagues in state and local government meet together and give me your consensus judgment on where functions should be allocated differently; which consolidation initiatives should be undertaken and which mandates should be eased.

I promise you I will listen seriously to your recommendations. This is a time when we can modernize and make more cost-effective our federal system. Making government work less expensively does not have to mean less well. I need your help.

which
pertaining to
while meeting our responsibilities
to provide both ^{equitable} services & protection
to citizens under the law

11:55 Am

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

Meeting with
Kenneth Hahn
and family
Friday, March 28
The Oval Office
11:55 am.
(5 minutes)

(by: Fran Vopste) 

- I. PURPOSE: Brief meeting and photograph with Los Angeles County Commissioner Kenneth Hahn, his son and daughter.

- II. BACKGROUND, PARTICIPANTS, PRESS:
 - A. Background: Commissioner Hahn is in Washington for the California State Constituency briefing.

He has asked for an opportunity to bring his son and daughter by the Oval Office to say hello.

 - B. Participants: The President
Kenneth Hahn
Jimmy Hahn
Janice Hahn Baucum

 - C. Press: White House Photographer

 - D. Note: While we don't expect either to be mentioned, the following come to you recently from Hahn through correspondence:
 - 1) He encourages consideration of Los Angeles as an alternate site for the Olympic games.
 - 2) He introduced a resolution, adopted by the Board of Supervisors, calling for wage and price controls.

**Electrostatic Copy Made
for Preservation Purposes**

11:45 AM

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Meeting with the
Tyler Junior College Apache Band
and Apache Bells
Friday, March 28
The Rose Garden
11:45 a.m.
(5 minutes)

(by: Fran Voorde) *Fran*

I. PURPOSE: Brief Greeting and photograph with the Tyler Apache Band and its Drill team--The Apache Belles--from Tyler, TX

II. BACKGROUND, PARTICIPANTS, PRESS:

A. Background: This band is in Washington to perform in the Cherry Blossom Parade this coming Saturday.

You agreed to see them at the request of Bob Strauss and State Senator Peyton McKnight.

Formed in 1947, this band and drill team have performed at half-time for two Super Bowls (1978 and 1972) and perform each year as the Grand Finale to the Cotton Bowl in Dallas. They have performed at numerous Dallas Cowboy games as well as at stage shows and fairs throughout the South and Southwest. They are very popular in Texas.

The Apache Bells will present you with a certificate naming you an honorary "Apache Beau." They also have a certificate for Amy, which they will give to you.

B. Participants: The President
Congressman Charlie Wilson (D-2, TX)
Congressman Ray Roberts (D-4, TX)
Ms. Anna Carpenter, Director of the Apache Belles and Dean of Women
Jack Smith, Band Director
Alfred Gillam, Choreographer
Dr. E.M. Potter, President of the Board of Directors, Tyler Junior College; and Mrs. Potter (Myra)

C. Press: White House Photographer

Electrostatic Copy Made for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

1

March 28, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: DAN TATE

Last evening Warren Christopher was briefing Senator Byrd and a small group of Senators on Iran and noticed that the Leader appeared piqued. Subsequently, Byrd expressed the view that we should proceed with extreme caution and to some extent he differed with our plans.

Warren said it was obvious that Byrd was unaware of our plans until yesterday's briefing and felt that he was being informed rather than being consulted. If he was unaware, it was because Byrd was not able to attend Secretary Vance's briefing on Tuesday and did not send a surrogate such as Senator Cranston.

Warren has set up another briefing this morning at 10:00 for Senator Byrd and a handful of other Senators of Byrd's choice, probably Armed Services and Foreign Relations Committee types. Christopher's purpose is to outline more extensively our plans and to answer questions which members of the group may have. Also, he wants to try to overcome Byrd's pique.

Both Warren and I believe that it may be advisable for you to call Senator Byrd this afternoon to make sure he is in the fold. Before you do this, however, you should get a report from Warren on this morning's meeting and Byrd's current attitude.

**Electrostatic Copy Made
for Preservation Purposes**



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

March 27, 1980

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *JT*
Hubert L. Harris, Jr. *HH*

SUBJECT: Regulatory Reform Bill

Our Regulatory Reform Bill was reported to the full House Judiciary Committee today. Your call to Congressman Bill Hughes was very effective. Congressman Hughes cast the deciding vote against legislative veto and gave a particularly good speech on the problems associated with this approach to controlling the regulatory process.

While some changes need to be made at the full committee to keep a wide range of support for the bill, it is clearly moving along the legislative path.

**Electrostatic Copy Made
for Preservation Purposes**

28 Mar 80

Jim McIntyre

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

Rick Hutcheson



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

*Jim - TEL
FEMA to be
conservative re
approving even
these funds
J*

SIGNATURE

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *Jim*
SUBJECT: Proposed 1980 Supplemental Appropriations
for the Small Business Administration

Attached for your approval is a 1980 supplemental appropriations request for the Small Business Administration (SBA). This request is necessary because of additional disaster loan requirements stemming from storms and flooding in California and Arizona, continuing farm drought, and other disasters throughout the country. This request is being sent to you at this time to give the Appropriations Committees an opportunity to act quickly on this request before their consideration of a consolidated supplemental bill. Heavy recent demands have drawn down the SBA Disaster Loan Fund, so that we now estimate that the Fund will be depleted within a few weeks. The Domestic Policy Staff concurs with this request.

This proposal would increase 1980 budget outlays by \$343 million and 1981 outlays by \$84 million. The revised 1981 Budget estimates to be released on Monday will incorporate this change.

Recommendation

That you sign the letter transmitting this request to the Congress as soon as possible. This will enable the congressional Appropriations Committees to consider this proposal before the Disaster Loan Fund exhausts its resources.

Attachments

THE WHITE HOUSE

WASHINGTON

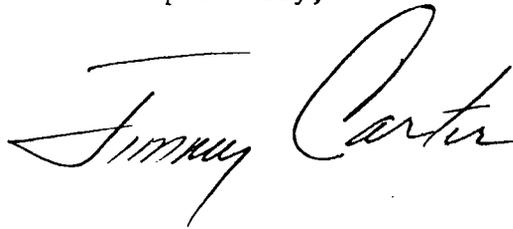
The Speaker of the
House of Representatives

Sir:

I ask the Congress to consider a request for supplemental appropriations for the fiscal year 1980 in the amount of \$427,000,000 for the Small Business Administration.

The details of this proposal are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Respectfully,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Respectfully,".

Enclosure



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

The President

The White House

Sir:

I have the honor to submit for your consideration a request for supplemental appropriations for the fiscal year 1980 in the amount of \$427,000,000 for the Small Business Administration. The details of this request are contained in the enclosure to this letter.

I have carefully reviewed the request for appropriations contained in this document and am satisfied that it is necessary at this time. I recommend, therefore, that this request be submitted to the Congress.

Respectfully,

A handwritten signature in black ink, reading "Jim McIntyre", is written over the typed name.

James T. McIntyre, Jr.
Director

Enclosure

OTHER INDEPENDENT AGENCIES

SMALL BUSINESS ADMINISTRATION

Salaries and Expenses

For an additional amount for "Salaries and expenses",
\$7,000,000.

Disaster Loan Fund

For additional capital for the "Disaster Loan Fund",
\$420,000,000, to remain available without fiscal year limitation.

This request would provide the funds necessary to assist the victims of storms, flooding, and mudslides in the West and South. In addition, funds will be required to provide financial assistance to victims of last year's hurricanes in Alabama and Mississippi. This proposal would increase 1980 outlays by \$343 million and 1981 outlays by \$84 million.

THE WHITE HOUSE

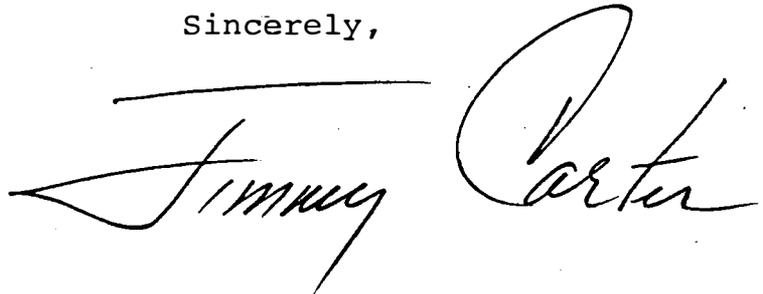
WASHINGTON

March 28, 1980

To Fred Silverman

I understand that you have independently determined not to exercise your contract rights for the United States telecast of the 1980 Summer Olympic Games in Moscow if no United States team participates in the Games. It is the firm policy of our Government that no United States team will participate in those Games. I have therefore determined that it is contrary to the foreign policy interests of the United States for NBC to continue to export equipment, supplies, goods or services of any kind or to make further payments in connection with its contracts to televise the Games. I have instructed the Secretary of Commerce to issue appropriate regulations under the Export Administration Act barring such exports and payments.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in black ink and is positioned below the word "Sincerely,". The first name "Jimmy" is written in a large, flowing cursive, and the last name "Carter" is also in cursive, with a large, prominent "C" at the beginning.

Mr. Fred Silverman
President
National Broadcasting Company
30 Rockefeller Center
New York, New York 10020

THE WHITE HOUSE

MEMORANDUM FOR THE SECRETARY OF COMMERCE

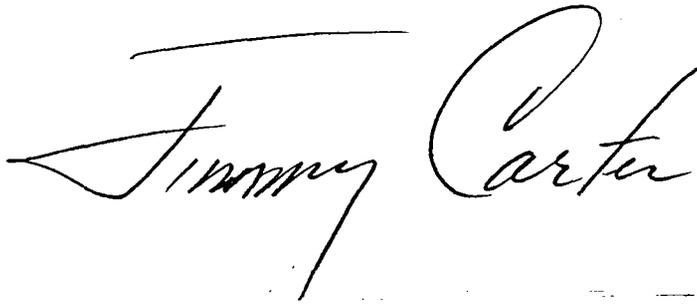
Prohibiting Transactions With Respect to the
1980 Summer Olympic Games in Moscow

By the authority vested in me as President by the Constitution and statutes of the United States, including the Export Administration Act of 1979, 50 U.S.C.A. app. sec. 2401 et seq., and for the purpose of carrying out my decision against any United States participation in or aid to the 1980 Summer Olympic Games in Moscow, I hereby direct the Secretary of Commerce, by appropriate regulations and to the extent he deems appropriate to carry out the purposes of this directive, to prohibit the export to the U.S.S.R. directly or indirectly of any goods or technology by any person subject to the jurisdiction of the United States which are in connection with such Games, and to prohibit payments or transactions which are in any way related to arrangements involving or requiring such exports, where such payments or transactions could provide financial support for such Games. I am taking this action in the foreign policy interests of the United States, and I hereby determine in accordance with the Export Administration Act of 1979 that the absence of the export controls imposed by this Order would be detrimental to the foreign policy interests of the United States and that reasonable efforts have been made to achieve the purposes of such controls through alternative means.

All powers and authorities conferred upon me by the Export Administration Act of 1979 to impose foreign policy controls are hereby delegated to the Secretary of Commerce or any person, agency or instrumentality designated by him to carry out the purposes of this directive.

In carrying out his functions and responsibilities under this Order, the Secretary of Commerce shall consult, as appropriate, with other government agencies and private persons.

JIMMY CARTER

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in black ink and is positioned below the printed name "JIMMY CARTER".

(Signed 3/28/80)
Carter has original

ORIGINAL TO TOM JONES FOR HANDLING

THE WHITE HOUSE
WASHINGTON

3/27/80

Mr. President:

OMB concurs. Speechwriters
have edited the statement.

Rick



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

MAR 4 1980

*Susan
retype
J*

MEMORANDUM FOR THE PRESIDENT

Following the tradition of past years, I recommend that you issue a statement in recognition of World Health Day, which is commemorated by Member Nations of the World Health Organization each April 7 to mark the founding of the Organization. A suggested draft message is enclosed for your consideration. The practice has been for the White House to deliver the message a day or two before April 7 to the Director, Pan American Sanitary Bureau, here in Washington, in his capacity as the Director of the Regional Office for the Americas.

*uck - any
typewritten is not
copyable of this
type "print"..
PIS have
adm.
Murray
h*

Patricia Roberts Harris

Patricia Roberts Harris

Enclosure

THE WHITE HOUSE

WASHINGTON

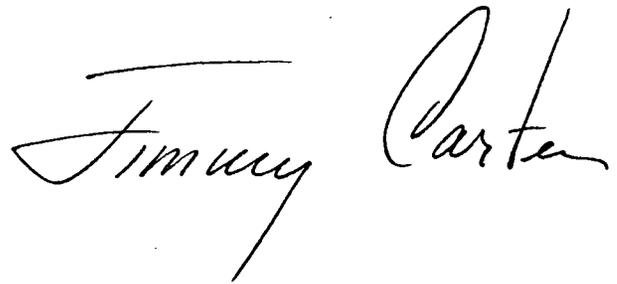
WORLD HEALTH DAY 1980

On World Health Day 1980, the United States joins international health organizations and concerned countries all over the world in recognizing the hazards of smoking and supporting efforts to lessen its toll on human health.

Awareness of these problems is reflected in the theme of World Health Day this year: "Smoking or Health: The Choice is Yours."

Smoking increases the chances of illness and death, can affect the birth and growth of children, and may interact with other elements in the environment to compound the harm it does by itself.

On this World Health Day, I pledge our continuing support for the World Health Organization and for the efforts of all countries to reach levels of national health that permit their people to live socially and economically productive lives. To help achieve that goal at home, the United States will continue its efforts to educate citizens to the hazards of smoking.

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

THE WHITE HOUSE

WASHINGTON

WORLD HEALTH DAY 1980

On World Health Day 1980, the United States joins international health organizations and concerned countries all over the world in recognizing the hazards of smoking and supporting efforts to lessen its toll on human health.

Countries where smoking has long been widespread are experiencing epidemics of smoking-related diseases. In other countries, the popularity of smoking is rapidly increasing -- and so is the incidence of illness associated with it.

Awareness of These problems ^{is} reflected in the theme of World Health Day this year: "Smoking or Health: The Choice is Yours."

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THE WHITE HOUSE
WASHINGTON

28 Mar 80

Zbig Brzezinski

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

Rick Hutcheson

TO STRIPPING FOR HANDLING
AND DELIVERY.

THE WHITE HOUSE

WASHINGTON

March 27, 1980

To Allyssa Keough

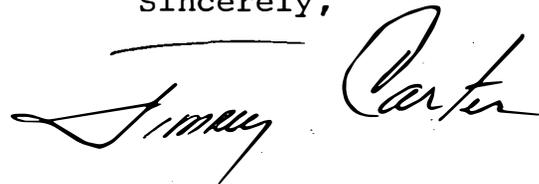
Thank you for your letter. I recognize how difficult it is for you to bear the agony of time while your father remains in captivity in Iran.

It is also difficult for me. I worry about all the hostages, night and day, and I worry about all the families of the hostages as well, hoping they will have the stamina to see them through what is more than a complicated international crisis, but also a very personal crisis for them.

I am glad that you shared your views with me. My perception of what I have done on the foreign policy issues you mentioned is different from yours. However, I am touched by your humanity and by the deep love you have for your father. I want to assure you that the safe return of all the hostages is my primary objective as I continue to pursue avenues to solve the crisis as quickly as possible.

With best wishes,

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

Ms. Allyssa E. Keough
Suite 5
131 Sewall Avenue
Brookline, Massachusetts 02146

Dear Mr. President,

Well, Mr. President, we've really had it now. The nations of the world are confused and angry, and world peace seems more distant than ever. We told Russia to get her troops out of Cuba (90 short miles from Miami, thank you) but did they? No Sir, they did not. Then you, being the iron willed man you are, rumbled misgivings and threats (they were threats weren't they Sir?), even if it was in a rather high pitched voice. They didn't move. So we did. Backpeddle Mr. Carter!

Then came the hostage situation in Tehran, Iran. And again we heard the righteous indignation and ominous talk of retribution. Talk is cheap, isn't it Mr. Carter? Don't take a firm stand, don't draw a line in the dirt, don't make enemies. Above all, don't lose votes. Anything... anything but votes. Perhaps you feel that it will go away by itself, that you will wake up screaming, take two aspirin, and go back to sleep. It is a nightmare Sir, but I am afraid it is real, and the answer isn't so easily found.

Why not try to negotiate the release of the hostages?

(you have now cut away)
Submitted to an investigation of the Shah's past regime. But how is this to aide in the release of my Father and the other 49 hostages. Why not admit to this country's alleged intervention in the internal affairs of the Iranian government. After all, the CIA did help the ex-Shah to regain the power of the throne in 1953. The CIA did train the Shah's secret police, SAVAK, in interrogation techniques. We were aware of the tortures committed by SAVAK as early as 1970, but the people who knew were told not to speak out. I am not just guessing, all this information I recieved first hand.

Why did we refuse the idea of investigating the Shah when it was first suggested by Iran. You are so busy trying to win a campaign and have the US Government come out smelling like roses that you don't truly appear to care about the 50 Americans.

The American people and perhaps the Iranian people also have the right to know what

has been going on.

You, Mr. Carter, say that if we submit to this form of blackmail than we will appear vulnerable and this might lead to future acts resembling this one. Yes, this is possible. But it seems that "trying" to safeguard the lives of the hostages and also make the U.S. appear to be the pure good-guy, this is not preventing other hostage taking acts from occurring (i.e. Bogota, Columbia). But surely our intelligence agencies would know which country or countries might be suspect and we could pull out our people or put in more protection. Unless, of course, something similar to Iran occurred, in the sense that we were warned not only by the Iranians but also by Charge Bruce Laingen that by allowing Shah Mohammed Reza Pahlavi

into this country (which was unnecessary) could provoke a hostage taking situation.

When Sec. C. Vance was asked about extra protection at the American Embassy in Tehran he was quoted as saying "we said we would but we never did!"

You seem to be playing a game all for your election. But to play with the life of my father, a civilian caught in (our?) governments ignorant games seems to me to be unjust and not patriotic.

Quoting George Bush:
"The hostages are "fish and blood" victims of a weak and vacillating foreign policy."

I must agree with Mr. Bush's statement that this disastrous foreign policy is based on 3 years of your, Mr. President, "naive view of the real world."

In 1978 I spent 3 months in Tehran Iran. The American people were then liked and the U.S. Government was the only thing people there despised. But now, because of your so-called "humanitarian efforts" there are 50 American PEOPLE, 2 of whom are civilians and not St. Dept. employees, being held captive.

You have regained the image you had 3 years ago, as a leader from this ordeal. You have gone UP in the election polls, you have gained what you apparently wanted.

Why not put an end to this terrifying mess, not for your sake, but for that of the hostages and their families.

"Conciliatory action isn't alluding to

blackmail and will not
destroy the image of a
true leader" (Dorothy
and Zane Hall).

My father, whom I
love very much, should
not be a political puppet
or toy for your re-election.
The reason for this letter
is because in a letter
to me from my father
he, like the others, could
not understand "why Pres.
Carter has left us here for
3 months". "I hope
you rattle Pres. Carter's
chains..." and so I do.

I may be only a college
student, but as a Political
Science/French major I am
possibly one of the
future readers. As are all
my peers.

Yes sir, this is a
nightmare . . . open your
eyes, wake up, because
it is real!

Now that the Russians
have invaded Afghanistan and
have been spotted flying over
Pakistan . . . well sir, I am
scared. I'm scared because
you keep making threatening
noises and not backing
them up. I'm scared because
you show weakness and
indecision (ie. - 1953 - put the
Shah on the throne - fine! -
visit his country on their celebration
of New Year's Eve - forgot about the
Shah [1979] when he's falling - then
aide the Shah when he is "ILL"
an "illness" that was known about
months ahead of time. Allow a man,
who could afford to have all the
expert doctors flown somewhere else,
into the US for medical reasons
[am I supposed to believe these are
humanitarian doings?]). Indecision
leads to misunderstandings;
and misunderstandings can
get people killed. My people,

your people, Mr. President. Killed.
If you had used strength,
determination and the will of the
American people, ^{to get the Russians out of} would the ^{Cuba}
students have felt safe to take
hostages? Think about it, Sir,
it's well worth a minute of
your time. If we kicked them out
of Cuba (it could be done with
little or no loss of life) would the
Russians have dared to take
Afghanistan? And what about
the Caribbean?

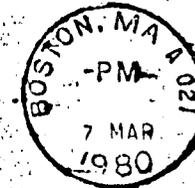
Sir, why don't you do
something?

I don't mean to confuse
you. It's just that it scares
me. It really, really scares
me. And I don't like being
scared.

Allyssa E. Keough
(daughter of Wm. F. Keough
hostage in Tehran)
Allyssa E. Keough
March 8, 1980

(written with assistance of peers)

Allyssa E. Keough
(daughter of American
hostage in Iran)
Suite 5
131 Sewall Ave.
Brookline, ma.
02146



WHITE HOUSE MAIL
RECEPTION & SECURITY
MAR 11 1980
Processed by: 7

To
President Carter
White House
Washington, D.C.