

6/12/80 [1]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	Zbigniew Brzezinski to the President. Re: Jamaica update. (1 p.) opened per RAC NLC-126-21-45-1-8 1/9/14	6/12/80	A
memo w/att	Zbigniew Brzezinski to the President. Re: Exercise Nine Lives. (7 pp.) 2 pp. declassified per RAC NLC-126-21-45-2-8 1/9/14	6/11/80	A
memo w/att	Zbigniew Brzezinski to the President. Re: Third country grain sales to the USSR. (3 pp.) opened per RAC NLC-126-21-45-3-6 1/9/14	6/11/80	A

FILE LOCATION

Carter Presidential Papers- Staff Offices, Office of Staff Sec.-
 Pres. Handwriting File, "6/12/80 [1]." Box 191

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THE WHITE HOUSE
WASHINGTON

6/12/80

Lloyd Cutler

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

Rick Hutcheson

(Goldberg correspondence file
attached ~~THE WHITE HOUSE~~ f.y.i.)

WASHINGTON

Letter from Justice Goldberg
requesting blue ribbon comm.
to review US use of death penalt;

Marginal note,
cc to Goldberg,
forwarding to staff _____

Draft letter for
Presidential signature _____

Letter over staff
signature on President's ✓
behalf _____

(Cutler ✓ _____)

(Eizenstat _____)

*let me
see it
↓*

9.
SC

ARTHUR J. GOLDBERG

June 9, 1980

The President
The White House
Washington, D. C.

073259

Dear Mr. President:

Several organizations dedicated to the protection of human rights have urged publicly that you appoint a commission to consider whether the imposition of the death penalty serves the legitimate ends of criminal justice.

I write this letter in support of these appeals.

There are more than 600 persons in death cells throughout the country. A disproportionate number are black and Hispanic. All, however, share a common characteristic - poverty. No rich person has been executed for more than a half century.

Appeals to the Supreme Court to outlaw the death penalty on constitutional grounds have been unsuccessful. Only two Justices (Brennan and Marshall) subscribe to the view that the death penalty contravenes the Eighth and Fourteenth Amendments to the Constitution.

In several recent cases, however, death penalties have been reversed by the Supreme but basically on the ground that the legislature has not carefully defined the circumstances warranting imposition of the severest of all sanctions.

Many state legislatures have amended their criminal codes to conform to the Supreme Court's guidelines and there is a bill pending in Congress which not only purports to do so but enlarges the number of federal capital offenses.

Until now there has been virtually a moratorium on death sentences since 1967 because of the cases challenging the death penalty before the Supreme Court. In fact only

three persons have been executed since 1967 and they refused to exhaust their legal remedies - a form of institutional suicide.

Unless something is done, it is to be anticipated that the flood gates will now open as a result of the Supreme Court's latest decisions and the action of the legislatures of our several states conforming their laws to the mandate of our highest court.

We, therefore, face the prospect of mass executions.

A substantial factor in the proliferation of legislation providing for the death penalty has been the absence of an authoritative report determining whether the death penalty in fact deters murder.

In Great Britain several years ago a Royal Commission was appointed to consider this important question and after exhaustive hearings reported to Parliament that the death penalty did not act as an effective deterrent. The Commission in its report also stated that life imprisonment and other sanctions were of greater deterrent effect.

As a result of this report, the British Parliament repealed the death penalty and despite efforts to revive it the death penalty has not been reimposed.

While opponents of the death penalty have cited the British Commission report before legislative bodies and in the courts it has not been accepted as controlling in our country because of our greater and more diverse population which, it has been argued, is more prone to violence than the fairly homogenous British society.

Thus, the need for a "blue ribbon" commission to review the evidence as to whether in the United States the death penalty really is an effective deterrent. It is my view, that the appointment of such a commission would not only be able to lay this question to rest but also would serve to continue the moratorium on executions which now prevails.

I urge, Mr. President, that as a champion of human rights you appoint such a commission so that we can take, in an informed way, what Camus called the "great civilizing step" of abolishing the death penalty.

The rack, thumbscrew, chains, branding, cutting off of ears and the stretching of limbs, all now would agree are not permissible. All, likewise, must or should agree that under the evolving standards of decency that should mark the progress of a maturing society, the deliberate institutionalized taking of human life by the State is the greatest conceivable degradation to the dignity of the human personality.

Surely, this and the recent past generations of Americans has experienced enough killings.

Respectfully submitted,

A handwritten signature in cursive script that reads "Arthur J. Goldberg". The signature is written in dark ink and is positioned above the printed name.

Arthur J. Goldberg

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD)

80106111

ID # 073269

Name of Correspondent: Arthur J. Goldberg

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Personal friend

ROUTE TO:

ACTION

DISPOSITION

Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
✓ VPR	CLOU	ORIGINATOR	DD 80106112			1 1
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ACTION CODES:

A - Appropriate Action
C - Comments
D - Draft Response
F - Fact Sheet
I - Info Copy
R - Direct Reply w/Copy
S - For Signature
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DISPOSITION CODES:

A - Answered
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C - Completed
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FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments: DD
Recommends the President establish a "blue ribbon" commission to review whether the U.S. use of the death penalty is an effective deterrent.

Keep this worksheet attached to the original incoming letter.

Send all routing updates to Central Reference (Room 75, OEOP).

Always return completed correspondence record to Central Files.

Refer questions about the correspondence tracking system to Stephen Slade, ext. 2941.

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Prime Subject Code: 9L 003 Secondary Subject Codes: FG 999

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C		Time:	P-
DSP		Time:	Media:

SIGNATURE CODES

- CPn - Presidential Correspondence
 - n - 1 - James Earl Carter
 - n - 2 - Jimmy Carter
 - n - 3 - Jimmy
 - n - 4 - JC
 - n - 5 - J
- CLn - First Lady's Correspondence
 - n - 1 - Rosalynn Carter
 - n - 2 - Rosalynn
 - n - 3 - R
- CBn - Presidential & First Lady's Correspondence
 - n - 1 - Jimmy Carter - Rosalynn Carter
 - n - 2 - Jimmy - Rosalynn

MEDIA CODES:

- B - Box/package
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- L - Letter
- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

012705

THE PRESIDENT'S SCHEDULE

Thursday - June 12, 1980

8:00 Dr. Zbigniew Brzezinski - The Oval Office.

DPS - 8pm
9:00 Meeting with Senate Labor and Human
(30 min.) Resources Committee Group. (Mr. Frank
Moore) - The Cabinet Room.

10:00 Mr. Hamilton Jordan and Mr. Frank Moore.
The Oval Office.

✓ 11:30 Interview with Italian Correspondents.
(15 min.) (Mr. Alfred Friendly) - The Map Room.

✓ 1:00 Interview with Yugoslavian Correspondents.
(15 min.) (Mr. Alfred Friendly) - Diplomatic Reception Room.

~~8~~ 1:45 Mr. Hedley Donovan - The Oval Office.
(30 min.)

✓ 6:30 Reception for the Democratic National Committee's
Platform Committee - The State Floor.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 6, 1980

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*
Subject: Gasoline Decontrol

Immediate gasoline decontrol would probably have no impact on gasoline prices. Supplies are now plentiful enough so that prices are being restrained by the market, not by the controls. (Gasoline prices, for example, are now very close to estimates made some time ago by DOE and CEA on the assumption of decontrol. Station hours have lengthened over the last two months. Stocks are high.)

We do, however, face some increase in gasoline prices over the remainder of the year (8-10¢), because of recent OPEC price increases and the decontrol of domestic crude. The public may mistakenly associate these increases with gasoline decontrol.

There are substantial long-run benefits from gasoline decontrol -- but, unlike the oil import fee, these benefits are not principally lower oil imports. By decontrolling gasoline we get rid of the inevitably clumsy and inefficient allocation system. Ultimately, we would get more efficient production and distribution of gasoline. Most importantly, another period of oil "shortage," like spring 1979, would lead to higher prices at the pump but not to gasoline lines.

In summary:

- o Gasoline decontrol would probably not itself raise the price of gasoline.
- o Some price increases are likely to occur for other reasons, and gasoline decontrol may be blamed for them.
- o There are longer-term benefits from decontrol, but they are quite different from those associated with the import fee. On substantive grounds, therefore, gasoline decontrol is not a logical substitute for the import fee.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

C

June 6, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Sh*
SUBJECT: EPG Memorandum on Response
to Congressional Rejection
of the Gasoline Conservation
Fee

I want to briefly underscore the reasons for the decisions made by the EPG today on how the Administration should respond to a Congressional override of your veto on the gasoline conservation fee.

Under different circumstances I would recommend, at the minimum, a strong Presidential statement sending forward our gasoline tax. Under present circumstances all of us believe we should allow Congress a "cooling off" period and then undertake extensive consultations before proceeding with additional initiatives. As you know, we have very serious problems not only on the fee, but on the budget resolution, the COWPS expansion, and the FTC appropriation. We have also had a series of misunderstandings on the utility oil backout legislation, as you know. And we will need close cooperation with Congressional leaders in coming weeks -- under trying circumstances given the likely course of the economy. We need to rebuild close and frank communications with key Hill figures.

Because of this situation, we are persuaded that we should not take any immediate action in response to the veto override. We should send up the 10¢ gasoline tax announced in March, but we should not set a definite schedule and should have extensive consultations with the Congress before submitting that legislation.

I, therefore, recommend that you approve the EPG's decisions.

As you know, at one point recently I thought that we should at least consider gasoline decontrol if the fee were defeated. As a result I have pursued this thought, and have talked to people within the Administration, in the Congress, and the private sector about such a possibility. I am now convinced, for the following reasons, that it would be a mistake for you to now decontrol gasoline prices:

1. Coming on the heels of the Congress' override, decontrol by you will make you seem petulant and eager for a fight with Congress. Once the facts about decontrol are put in the public domain (principally that it will have no immediate conservation effect), the press and the public will begin to take the view that decontrol was done almost entirely in retribution for Congress' action on the fee.
2. Congress is now feeling its oats, and those who opposed you on the fee would now attempt to strip you of your authority to decontrol. That would entail another prolonged fight with Congress, and an obvious worsening of our ability to succeed on other legislative matters.
3. Decontrol is not now a policy substitute for the fee because (i) there is no revenue benefit to the Federal government (all revenues would go to the oil companies); and (ii) the slack in the gasoline market ensures that there will be no immediate conservation benefit.
4. OPEC will be meeting later this month and is likely to increase prices again. When those prices are reflected at the pump, you can be certain that you will be blamed for the increase. Unlike an increase due to the fee, an OPEC-caused increase provides no visible benefits to the American public (there are no revenues to be recycled; there is no budget which can be balanced as a result).
5. We are beginning to make enormous progress on inflation. Decontrol could, in the months right before the election, undo that progress.
6. The international reaction to defeat of the fee is apparently not going to be anywhere near as adverse as many had originally thought. I had feared that the dollar would begin to fall if the fee were defeated and decontrol not undertaken, but that does not seem to be the case.

For these reasons, I recommend that you not consider decontrol at this time. At the very least no decision to decontrol should be made without consulting the leadership and the Chairmen of the Energy Committees in the House and Senate. This would be a major energy decision and Congressional involvement is critical.



CABINET ECONOMIC POLICY GROUP

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 5, 1980

@

MEMORANDUM FOR THE PRESIDENT

FROM: G. WILLIAM MILLER *Bill*
CHAIRMAN, ECONOMIC POLICY GROUP

SUBJECT: Response to Congressional Rejection of
Gasoline Conservation Fee

The EPG met today with Frank Moore to consider the Administration's response to the Congressional rejection of the gasoline conservation fee. A great deal of concern was expressed that the Administration not react with rancor, pettiness, or peevishness. It is important not to antagonize the Congress with recriminations at this critical time. Rather, we should use the occasion to redouble efforts to work with the Congress in securing passage of elements of an energy and economic program. The following steps are recommended:

- (1) No new actions and no Presidential statement should be made following an override of your veto.

EPG considered but rejected immediate decontrol of gasoline, imposition of a new import fee without channeling the burden onto gasoline, proposal of a higher gasoline tax with a rebate scheme, accelerated crude oil decontrol, and adjustment of the entitlement system to raise the cost of imported oil. Only decontrol of gasoline was considered to be worth further consideration, but this option should be evaluated on its own merits. EPG and Frank Moore considered it most important not to provoke the Congress with new initiatives

at this time. The veto message should express disappointment but will emphasize the importance of redoubling our efforts to conserve energy and will call for favorable Congressional action on remaining elements of the energy program, especially the conservation title of the Synthetic Fuels Corporation legislation.

- (2) If members of the Administration are asked by the press about the 10 cent motor fuels tax proposal, we will reiterate our intention to send up the legislation as planned but express no definite time commitment. Sending the proposal up immediately without more extensive consultations might endanger it.
- (3) Before sending up the motor fuels tax legislation or taking any other initiative such as decontrol of gasoline, an extensive series of high-level consultations should take place.

Attached is a suggested set of talking points being furnished to the White House Press Office and other Administration officials.

Attachment

SUGGESTED TALKING POINTS ON THE
DISAPPROVAL OF THE GASOLINE CONSERVATION FEE

- The Administration is disappointed at the action taken by Congress in overriding the President's veto of the resolution prohibiting the imposition of the gasoline conservation fee the President announced in March.
- The Gasoline Conservation Fee would have made an important contribution to the energy independence and national security of our country. It would have reduced imports by 100,000 barrels a day by the end of the first year and much more in future years. Over 40 percent of all the oil consumed in this country today is imported and around 40 percent of all oil consumption is for gasoline.
- Congressional disapproval of the Gasoline Conservation Fee emphasizes the importance of redoubling our efforts to conserve our use of energy and stimulate production from alternative sources. In this regard, Congress should act promptly on enacting the remaining elements of the President's program before it: the Energy Mobilization Board and the Synthetic Fuels Corporation. These two agencies will play a vital role in increasing our domestic production of energy. The Energy Mobilization Board will expedite the construction of important energy projects and the Synthetic Fuels Corporation will provide tax credits, loan and price guarantees and other innovative funding for the development of exciting new high-technology synthetic fuels.
- These two bills are only the most recent examples of the important energy legislation that has been enacted during the Carter Administration with the cooperation of Congress. These include the Natural Gas Policy Act, which provides legislative certainty for natural gas pricing leading to deregulation in 1985; the Fuel Use Act, which begins the process of converting utilities to burning American coal rather than foreign oil; the Energy Tax Act, which penalizes gas-guzzling automobiles and provides new tax incentives for conservation and the use of solar energy; the Public Utilities Regulatory Policy Act, which provides for procedures which

can fundamentally form utility ratemaking; the National Energy Conservation Policy Act, which represents one of the Nation's most ambitious efforts at conservation; and the Windfall Profits Tax, which captures a portion of the windfall revenues caused by decontrol for public purposes, such as low income energy assistance, mass transportation, and the development of alternative sources of energy and conservation. To this impressive list, the Administration has added the phased decontrol of domestic crude oil, and a major solar program, which establishes a goal of 20% of our energy coming from solar sources by the year 2000. Taken together, the actions the President and the Congress have already taken since 1977 will save 2.5 million barrels of imported oil per day by the end of this decade. Enactment of all the pending legislation will save a total of 9 million barrels of imported oil per day.

- ° The American public has responded to its leaders' call for energy conservation. The United States imports 2.3 million barrels per day less oil than it did in 1977. This represents the largest decrease in oil imports of any of the western industrial nations.
- ° We can all be proud of this record, even without the gasoline conservation fee, although that would have made a significant contribution to our total program. The Administration, the Congress, and the people have an outstanding record in energy in the last few years. But it is not enough. We must renew our commitment as a nation to achieve energy independence.

If asked about the Administration's plans on the 10 cent motor fuels tax legislation:

- ° The motor fuels tax legislation was proposed as one element of an overall program and will be forwarded to Congress when the technical details of the proposal are worked out.

THE WHITE HOUSE

WASHINGTON

Date: June 6, 1980

MEMORANDUM

FOR ACTION:

FOR INFORMATION:

The Vice President
Stu Eizenstat
Al McDonald
Frank Moore
Jody Powell

FROM: Rick Hutcheson, Staff Secretary

SUBJECT:

MILLER MEMO RE RESPONSE TO CONGRESSIONAL REJECTION
OF GASOLINE CONSERVATION FEE

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME:

DAY:

DATE:

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

~~CONFIDENTIAL~~



FEDERAL EMERGENCY MANAGEMENT AGENCY
Washington, D.C. 20472

cc John Macy
H Brown-

After review, let
me have summary of
procedure - Also inform
at least top
5 in chain of
succession
JUN 4 1980
J

The President
The White House
Washington, DC 20500

Dear Mr. President: -

(C) At your request, the Federal Emergency Management Agency (FEMA) and the Joint Chiefs of Staff (JCS) conducted an exercise, NINE LIVES, during the period May 6-8, 1980. NINE LIVES was designed to exercise, at national level, those individuals and organizations directly involved in planning for continuity of government leadership.

(U) Organizations participating in this exercise consisted of the White House Military Office (WHMO), White House Communications Agency (WHCA), Department of State (DOS), Department of Justice (DOJ), Central Intelligence Agency (CIA), National Communications System (NCS), JCS and FEMA. Assistance in planning for the exercise was also provided by the Defense Intelligence Agency (DIA).

(C) The players participating were confronted with a rapidly deteriorating worldwide situation leading to nuclear war. Sufficient time was allowed to disperse selected Presidential successors to pre-identified locations prior to the attack. These successors were played by surrogates from the White House, Department of the Treasury, and FEMA.

(C) The following emergency plans and procedures were reviewed, exercised on a coordinated basis, and evaluated by the JCS/FEMA/and the White House Military Office during this period:

- The decision process for selecting Presidential successors to be dispersed.
- Successor dispersal under strategic warning when time is available.
- Successor TREETOP TEAM plan to support a dispersed successor.
- Successor dispersal under tactical warning when only minimal time is available.
- White House Communications Contingency Team movement to an emergency location for Presidential support.
- Dispersal of the Vice President under tactical warning.

DECLASSIFIED
Per, Rac Project
ESDN: NLC-12C-21-45-2-8
BY KS NARA DATE 12/28/83

Classified by Director FEMA
[] Declassify [x] Review for
Declassification on Dec 1986
Extended by _____
Reason for extension _____

~~CONFIDENTIAL~~

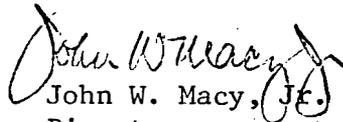
~~CONFIDENTIAL~~

2

- Joint Emergency Evacuation Procedures for the dispersal of senior government officials other than successors.
- Utilization of two National Emergency Airborne Command Post aircraft for Presidential survival.
- Rendezvous procedures between dispersal helicopter and National Emergency Airborne Command Post.
- Single Integrated Operations Plan execution exercise.
- Communications connectivity between dispersed successors.
- Presidential Emergency Action Documents and their implementation procedures.
- Activation of Emergency Broadcasting System from the National Emergency Airborne Command Post.

(U) To my knowledge, this was the first time a coordinated and concurrent exercise of emergency plans in support of the President and his potential successors has been conducted, and I feel we accomplished our objective. The deficiencies encountered during the exercise will be addressed by FEMA and the other participating organizations, and actions will be taken to correct them as soon as possible. A detailed report of identified problem areas, with recommendations for corrective actions, is being prepared.

Respectfully,


John W. Macy, Jr.
Director

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

6/12/80

Mr. President:

DPS concurs.

Rick

THE WHITE HOUSE
WASHINGTON
12 Jun 80

FOR THE RECORD

BRZEZINSKI RECEIVED THE
ORIGINAL MEMO RETURNED FROM
PRESIDENT.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

C

~~CONFIDENTIAL~~

June 11, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB*
SUBJECT: Grain: Third Country Sales to the USSR (C)

An interagency Working Group (State, USDA, Domestic Policy Staff, and NSC) has reviewed the question of sales of non-US grain to the USSR by US-based trading companies. Your guidance is needed on whether to continue present policy or lift restrictions on third country sales. (C)

Following our suspension of grain exports to the USSR, we asked the multinational grain trading companies not to make sales to the Soviet Union from third countries. These firms normally shipped both US and non-US grain to the USSR and other destinations. The companies honored our request, even though it entailed substantial financial sacrifice in some cases. (U)

We have announced publicly that the Soviets may purchase up to 8 million metric tons (MMT) of US grain during the period October 1980-September 1981. Grain trading officials have also sought approval to ship third country grain to the USSR, arguing that:

-- If we sell the Soviets US grain, it is inconsistent not to allow them to ship grain from other traditional sources as well.

-- Non-US based trading companies may be formed if we do not allow the Americans to sell third country grain. The Soviets may turn to the new non-US operators to obtain the grain that our firms cannot ship. The US companies might lose their market to foreign competitors in the process.

-- Several of the firms have large investments in marketing facilities in other exporting countries. Refusal to participate in legal sales by these countries to all sources, including the USSR, may jeopardize their investment and their standing with host governments.

~~CONFIDENTIAL~~

Review on June 11, 1986

DECLASSIFIED
Per: Rac Project
ESDN: NLC-126-21-45-3-6
BY: *K3* WABA DATE *12/23/12*

~~CONFIDENTIAL~~

-- At least one of the companies is a foreign corporation or has substantial foreign ownership. Our request for export restraints may violate the host country's laws. Argentina has made that point explicitly to subsidiaries of US firms operating in that country.

-- The multilateral grain companies have been a valuable source of information to USDA and other agencies about Soviet intentions in the grain market. The ban on third country trade limits access to this information. (U)

The Working Group does not believe that third country sales will undermine our efforts to extend the grain embargo into 1980/81. On the contrary, lifting the ban on such sales will remove an irritant in our relations with Canada and Australia and offer them some incentive to continue cooperation. Both countries strongly resent our efforts to prevent US companies from engaging in third country sales. In their view, such restrictions constitute an unwarranted extraterritorial extension of US law. Canada and Australia have said specifically that they will enforce their export controls without US assistance. The Canadians also consider our controls an unnecessary hindrance to legal trade with the USSR. Grain firms like Cargill handle Canadian coarse grain exports to the USSR.

The Canadians have stressed that they have a legitimate interest in arranging exports of their grain in the most efficient manner possible so long as it is consistent with their commitments to us and the other exporters. The Working Group concluded that there are sound economic and political reasons for lifting the ban on third country sales now. The main effect of the restrictions is to shift business from US-based firms to foreign competitors; they not impede the flow of grain to the USSR. (C)

The Working Group therefore recommended that we should permit multinational trading firms to resume sales of non-US grain to the USSR, provided that they report all such sales and other trade information to USDA on a regular and timely basis. I concur. (C)

Recommendation

That you authorize us to inform the multinational trading companies that they may engage in legal sales of non-US grain to the USSR,

(C) *subject to discussion of timing (politically) at the Fri. breakfast.*

Approve

Disapprove

J

~~CONFIDENTIAL~~

ID 803348

THE WHITE HOUSE

WASHINGTON

DATE: 12 JUN 80

FOR ACTION: STU EIZENSTAT

INFO ONLY: THE VICE PRESIDENT

JACK WATSON

JIM MCINTYRE

SUBJECT: ~~CONFIDENTIAL~~ BRZEZINSKI MEMO RE GRAIN: THIRD COUNTRY
SALES TO THE USSR

+++++

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

~~CONFIDENTIAL~~

+ BY: +

+++++

ACTION REQUESTED: IMMEDIATE TURNAROUND -- BY COB THURSDAY

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

PLEASE NOTE OTHER COMMENTS BELOW:

DECLASSIFIED

Per, Rac Project

ESDN: NLC-126-21-45-3-6

BY KS NARA DATE 12/23/13

~~CONFIDENTIAL~~

~~SECRET~~

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET/SENSITIVE~~INFORMATION

June 12, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *ZB*

SUBJECT: Jamaica Update (U)

Elections in Jamaica are unlikely to occur before September because of the length of time required to register and enumerate voters. By then, the economy may be bankrupt -- i.e., unable to purchase imports -- or approaching it. (§)

Seaga's Jamaica Labour Party (JLP) is reported to be far in front in the polls, and as shortages become more of a problem and unemployment reaches 30-40%, most political observers believe he will win a free election decisively. The problem is that the radicals have apparently gained control of Manley's political party (PNP), and there is an increasing number of reports that they have not only sent hundreds of party members to Cuba for training, but they have also received arms as well. Recently, the Police Federation called for the resignation of Manley's radical Minister of National Security, who is reported to have been involved in a large shipment of arms which arrived on the coast of Jamaica from Cuba. (§)

The Venezuelans and the British are as concerned as we that the radicals in Manley's party are escalating the violence to provoke a clash and promulgate an emergency. They could then ask the Cubans for help. (§)

On May 4 in a conversation with Andy Young, Manley conveyed his suspicion that the NSC was undertaking a destabilization program against him. I am afraid that Andy not only failed to deny this, but indeed may have even encouraged Manley to think this was possible. Andy is very close to Manley and has told us that he will virtually campaign for him, either directly or by identifying Seaga with right-wing nuts in the US. We have tried to encourage him to adopt a more neutral approach to the Jamaica elections. Andy thinks that Manley is still very much in control of his party, that Manley will win the election, and that Manley's victory is not only in the interests of Jamaica but also the US. We question each of these points, but intend to continue to pursue a policy which stresses our desire for free and peaceful elections (hopefully with international observers) and our impartiality with respect to the two political candidates. (§)

~~SECRET/SENSITIVE~~

Review 6/6/2000

Reason: NSC 1.13(f)

~~SECRET~~

DECLASSIFIED
Per. Rac Protect
ESDN: NLC-126-21-45-1-8
BY: KS NARA DATE 12/23/13



HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

1

CLAUDE PEPPER

June 10, 1980

Dear Mr. President:

I was deeply touched as I arrived at my apartment in Miami last evening to receive a call from one of my Washington staff telling me that the White House, at your request, was calling me to see if I suffered any injury from the group in which I found myself as we were leaving the site of our meeting yesterday afternoon. They said you would call back at 11:00 p.m. to get the answer. Fortunately, some of the youth around me gesticulated a little and said something about my getting more justice for the Blacks. None of them made any attempt to harm me and I got out of the crowd shortly all right. It is characteristic of your sense of concern and compassion for others that you would make this inquiry about me. That is the reason we all love you so much.

I want to apologize, since it was partially in my district, for the conduct of the few Black youth who did not show a proper respect and regard for you who were down there to help them. We can change a lot of those attitudes when we show these disillusioned young people that we are trying to help them reach a more meaningful life.

I am glad you made clear to the local people your expectations that they bear a larger and a more meaningful part in the restoration and improvement in the riot torn area which we visited.

Always sincerely,


Claude Pepper

The President
The White House
Washington, D. C.

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FOR DELIVERY WITH PRESIDENT'S MORNING TRAFFIC

JUNE 10, 1980

FOR DIRECT TRANSMITTAL TO THE PRESIDENT - NO DISTRIBUTION

MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE EADS

SUBJECT: BUSINESS PLANS FOR CAPITAL SPENDING

THE LATEST SURVEY OF BUSINESS PLANS FOR CAPITAL SPENDING
WILL BE RELEASED BY THE COMMERCE DEPARTMENT TODAY AT 10:30
A.M. (EDT).

AS YOU MAY RECALL, CHARLIE SCHULTZE HAS SAID THAT WHETHER
OR NOT BUSINESSMEN BEGIN TO REVISE DOWNWARD SUBSTANTIALLY
THEIR INVESTMENT PLANS WOULD BE CRITICAL IN DETERMINING
THE SEVERITY AND SHAPE OF THE RECESSION.

THIS MOST RECENT SURVEY SHOWS THAT BUSINESSMEN HAVE MARKED
DOWN THEIR INVESTMENT PLANS ONLY SLIGHTLY. (PLANS FOR 1980
ARE ONLY 1.2 PERCENT BELOW THOSE SHOWN IN THE LAST SURVEY
TAKEN THREE MONTHS AGO.)

THIS SURVEY WAS CONDUCTED IN LATE APRIL AND EARLY MAY.
THOSE REPORTING THEIR PLANS HAD NOT HAD TIME TO ADJUST THEIR
PLANS EITHER TO THE LOWER INTEREST RATES OR TO THE DECLINE
IN CONSUMER SALES AND OUTPUT.

EVEN SO, ALTHOUGH THIS SURVEY SHOWS NO INCREASE IN SPENDING,
THE FACT THAT THE DROP IS SMALL IS A MILDLY HOPEFUL SIGN.

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**Electrostatic Copy Made
for Preservation Purposes**



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

June 11, 1980

C

OFFICE OF
THE DIRECTOR

MEMORANDUM FOR THE PRESIDENT

FROM: JIM McINTYRE *Jim*

SUBJECT: Attached Column on "Industrial Policy"

I thought you would find this column interesting
and wanted to be sure you had seen it.

Attachment

**Electrostatic Copy Made
for Preservation Purposes**

'Industrial Policy' Not New

By Robert J. Samuelson

The sudden fashionability of "industrial policy" only demonstrates how little we have learned from the sobering example of Great Britain. Do we have to repeat all of Britain's mistakes?

Industrial policy, in case you hadn't heard, is Washington's newest economic vogue. No one seems to know quite what it means, but there is much scurrying about to find out. Mostly, this attests to a sense of economic helplessness and the capital's enthusiasm for labels. A clever label excites reporters, stimulates congressional hearings, creates executive task forces and employs speechwriters.

But the only new thing here is the label. Government always has made industrial policy. Not just one policy, but dozens. Government rarely has a single policy on anything. Too many interests want to get their hands into too many pots.

So you want industrial policy? Try these:

- When Congress decided to rescue Chrysler Corp. last year, it

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

FOCUS, From D6

the best chances of exploiting any industrial policy.

This is likely to be bad for them as well as the country. Given the vast size of the U.S. market, basic industries aren't about to whither before imports. But they no longer enjoy a product or technological monopoly, and their market share will depend on their competitiveness. Steel and auto wages already are among the highest in industry and are increasing more rapidly than average. If industrial unions insist on continuing this—as they probably will—they simply will buy themselves fewer jobs and a lower market share.

Government assistance or import protection is likely to perpetuate this destructive behavior by distracting attention from fundamental problems. Even with government help, products get priced too high, profits get squeezed, and innovation and investment suffer. That's precisely what happened in Britain, where the government liberally assisted industries with the largest constituencies.

The same caveat applies to business executives. Both here and in

made industrial policy. In effect, it sanctioned a three-year labor settlement with a pay increase of about 35 percent for workers at a failing firm because the United Auto Workers was powerful enough to extract that deal.

- When the Environmental Protection Agency set emission stand-

ECONOMIC FOCUS

ards for electric utilities in 1979, it made industrial policy. By requiring "scrubbers" on all plants to remove sulfur from exhaust fumes, the EPA gave utilities little incentive to burn low-sulfur western coal instead of high-sulfur eastern coal. Burning western coal might be more efficient, but eastern politicians and coal interests (among others) were powerful enough to get that deal.

- When Congress enacts heavy subsidies for gasohol—the legislation is nearing approval—it will make industrial policy. Little matter that gasohol (a mixture of grain alcohol and gasoline) will reduce oil imports only slightly or

Britain, basic industries adapted only slowly to the new reality of worldwide markets. With their large domestic market, American companies are in a stronger position, but executives need to spend their time worrying about competitive—not political—realities.

Actively promoting tomorrow's industries is equally silly. Government is good at managing massive technological projects for which the goal is clear-cut and no private market exists: making the atomic bomb and landing on the moon. But for the economy at large, the sweep of technological change and the development of markets are too complicated and unpredictable to be managed effectively.

One of the superficial attractions of industrial policy is the belief that it has been employed successfully abroad, particularly in Japan. If we could only emulate the Japanese...

The danger here is that we will make a myth of Japan's economic success. Americans see the products of Japan's modern, export-oriented industry. Its cars, electronic products and steel are among the best in the world, if not the best. But Japan also has a huge traditional sector of small shopkeepers and

that investment in the distilleries may be wasteful. Farm interests were powerful enough to get that deal.

No one should imagine that policy will stop being made this way: Political life is too fragmented and the competing interests too powerful. The main mystery about the new industrial policy is whether any group, or groups, will be able to turn this particular label to private advantage.

Whatever happens, we should not expect much good.

Talk to people who are studying industrial policy, and they usually will mention one of two ideas. Either the United States must re-industrialize—that is, revive basic industries such as steel and autos—or government must pick tomorrow's industrial winners and shove them in the right direction.

These concepts are essentially contradictory. If we're interested in promoting tomorrow's industries, autos and steel will be at the bottom—not the top—of the list. But these sectors (and others like them) boast the largest established constituencies and, therefore, stand

See FOCUS, D11, Col. 1

lacks America's efficient agricultural base. Despite enormous advances, Japan's living standards remain well below America's.

Nor should we romanticize Japan's industrial and export success as the result of a wondrous partnership between government and industry. The stereotype of Japan Inc. is a vast oversimplification. Japanese ministries quarrel among themselves, and companies quarrel with government. Successful companies owe most of their success to their own efforts: a hunger for new technology, a diligent labor force, high-quality management and thorough market studies. If we think otherwise, we are deluding ourselves.

Japan has—and we lack—a broad consensus that successful enterprise is in the national interest. We need to give people and firms rewards for taking risks; major changes in tax policy are needed to redress inflation's impact on investment and profits. But this is much different from handouts to specific industries. We don't need that. Nor do we need to tie up our risk-takers in the bureaucratic process of trying to decide what an industrial policy should be. It's simply more make-work.

THE WHITE HOUSE
WASHINGTON
June 12, 1980

Stu Eizenstat

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

Rick Hutcheson

Jack Watson/Gene Eidenberg

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THE WHITE HOUSE

WASHINGTON

June 3, 1980

*Stu - Work
I agree - Work
out - Gene
J*

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Your Personal Liaison with Agency Heads

As we go into the campaign, it is critically important that the Under Secretaries, Deputy Secretaries, and Assistant Secretaries have a personal sense of commitment to you and to the policies of the Administration.

In order to foster this and to improve their morale during this critical period, I would suggest that ways be found (for example, invitations to attend movies, small gatherings, etc.) that you can increase your contact with them.

THE WHITE HOUSE
WASHINGTON

6/12/80

Stu Eizenstat

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

Rick Hutcheson

cc: Frank Moore

Eizenstat response
in your behalf _____

To Eizenstat to draft
response over your signature _____





ANSEL ADAMS

ROUTE 1, BOX 181, CARMEL, CALIFORNIA 93923 TELEPHONE (408) 624-2558

9 June 1980

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

When I photographed you in November, I gave you a short memorandum which discussed the urgent need to protect the most beautiful part of the American coastline--the Big Sur region in central California. A recent Los Angeles Times editorial in support of preserving the Big Sur was aptly titled "A Treasure For All". You and the Congress have the opportunity during the next four months to give Big Sur the protection it deserves.

Both Senator Cranston and Representative Leon Panetta, whose district includes the entire Big Sur region, have introduced bills to protect the area while perpetuating the life-style and culture of existing residents. This would be accomplished through Forest Service management, combined with substantial involvement by local residents as well as state and county involvement in the key planning, acquisition and management decisions.

Senator Cranston, Rep. Panetta, and Rep. Philip Burton, Chairman of the House Parks Subcommittee, are all strongly in support of protecting Big Sur. Both Secretary Bergland and Secretary Andrus told me in April that they strongly supported efforts to protect Big Sur through federal management. In addition, the Chief of the Forest Service has given similar assurances to my friend, Bill Turnage, Executive Director of The Wilderness Society.

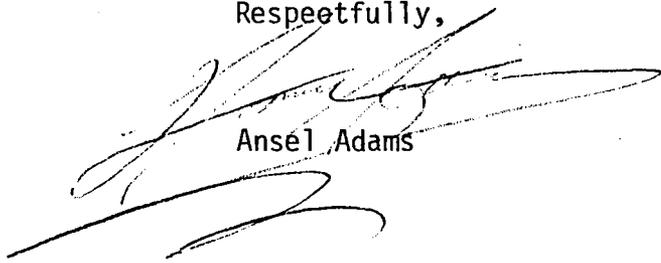
Unfortunately, your Administration has not expressed a favorable position on this issue, apparently because of resistance from your Office of Management and Budget. In addition, to my surprise, at the Senate hearings on Senator Cranston's bill in April, Assistant Secretary of Agriculture Rupert Cutler was quite negative, and left a clear impression that the White House did not support Big Sur legislation. Senator Cranston and I both felt that Mr. Cutler's testimony was at odds with the assurances I had received from Secretary Bergland and was gratuitously negative.

I am well aware of the budgetary stringencies you face. But even in times such as these, we cannot afford to abandon the positive progress of our civilization. Damage to fragile coastlands is irreversible--and penury in their protection is penny-wise and pound-foolish. Furthermore, under either bill, no money would be authorized for acquisition until fiscal 1982. It is expected that the cost for land acquisition the first three years thereafter would not exceed \$20 million total.

Mr. President, designation of the Big Sur as an area of special federal protection would be very popular with the people of California. I commend you for your support of legislation authorizing purchase of more land in the Lake Tahoe basin; however, I believe Big Sur deserves protection before it becomes a costly "disaster" like Tahoe.

I respectfully request that you announce your support of the legislation, and instruct OMB and the Department of Agriculture to do likewise. I believe the preservation of the magnificent Big Sur Coast would be one of the great achievements of your Presidency.

Respectfully,



Ansel Adams

9:00 AM

THE WHITE HOUSE

WASHINGTON

MEETING WITH MEMBERS OF SENATE LABOR AND HUMAN RESOURCES
COMMITTEE ON YOUTH EMPLOYMENT

Thursday, June 12, 1980
9:00 a.m. (30 minutes)
Cabinet Room

From: Frank Moore *FBT*
Stu Eizenstat *Stu*

I. PURPOSE

To reaffirm your commitment to passage of our Youth Employment legislation this session and to ask for their support in completing committee action before Congress recesses for the Republican Convention on July 2nd.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: The prospects for enacting a comprehensive youth bill in this session are promising. The House Education and Labor Committee has reported out a very good bill with the support of a broad coalition of interest groups. The Rules Committee has met and adopted a favorable rule and floor action is likely in the next two weeks. Progress in the Senate has been slower. Senator Nelson has concluded hearings in his employment subcommittee, but has not marked up Title I. Senator Pell has been the major obstacle to faster consideration by the Committee. He has been reluctant to commit to any schedule for reporting the bill, although he has scheduled two days of hearings for next week. His resistance stems in part from his opposition to education cuts in our March budget. He is also engaged in reauthorizing higher education programs and we have not supported many of his proposals because they are much more expensive than our original bill (see attachment for more detail on these issues.)

Timing is key to enactment of a bill this year; Congress has scheduled three recesses before the end of the session. It is critical that the Committee complete work by early July to allow sufficient time for a floor vote and conference.

B. Participants: Senators Pete Williams; Gaylord Nelson; Jacob Javits; and Tom Eagleton. Senators Pell, Schweiker and Stafford were invited but were unable to attend. As you may know, Senator Pell has been called away because of his wife's illness. Since his support and help is so critical we will arrange for you to talk with him by phone after the meeting.

C. Press Plan: White House Photo Only.

III. TALKING POINTS

1. I wanted to meet to personally convey to you the importance I place on enacting a comprehensive youth employment bill this year. It is the only new domestic program I am seeking and it is one of my legislative priorities for this session of Congress.
2. We are all concerned about the recent jumps in unemployment. But I believe one of the most serious aspects of the unemployment problem and an issue that will confront the country in coming years is the unacceptably high rates of unemployment among young people especially those who are black and Hispanic. Even though we have increased employment of black teenagers by 15 percent since I took office, unemployment among this group remains over 35 percent. This group suffers most in a recession and does not regain the ground that is lost when the economy recovers. For this reason I have made no cuts in summer jobs and in our other targeted youth employment programs.
3. However, if we are to come to grips with this problem we must deal with the underlying causes. The Youth Act I submitted to Congress in February grows out of the extensive work done by Fritz Mondale's Task Force. It is designed to give young workers both the education and job experience they need to effectively compete. I recognize you may have reservations about starting a new education program, but I believe it is critical to give potential dropouts in junior and senior high schools in poor communities some incentives to complete their education. I am firmly committed to a program that combines work and education for these young people.

4. I know you share my concern and commitment to this issue and I appreciate the longstanding interest each of you has had in improving education and employment opportunities for young people. The success of our current Job Corps, summer jobs and Youth Employment Demonstration programs can be credited to the support and help you have always given.
5. I think we are making progress in moving our new youth initiative forward but I need your help and support. The House Committee has adopted a good bill, and we expect a floor vote in the next few weeks. I am concerned that committee action has been delayed in the Senate and I'm afraid that the press of convention activity may get in the way of completing work on the bill. I would like to see if working together we can't get a bill out of your committee before the July recess. I would like to ask all of you, to encourage Senator Pell to move forward as quickly as is prudently possible. I will contact him myself when he returns to Washington and relay the same message.

Related Issues

There are two other issues we suggest you raise with the Senators near the end of the meeting, signature of the Asbestos School Hazard Detection and Control Act and reauthorization of Higher Education programs.

Asbestos Bill

A bill authored by Senator Javits to provide federal funding to support the detection and control of asbestos in schools will come to you shortly. Your staff are divided on their recommendations. OMB will urge a veto, all other White House staff and the Department of Education will ask you to sign. This bill is of considerable interest to Senators Javits and Williams as well as to Mayor Koch. We suggest the following comment:

- o I know the Asbestos Detection and Control legislation, S. 1658 passed by the Congress and awaiting my decision, is of considerable interest to all of you. I have yet to review the recommendations of my staff and therefore have not made a decision. I would be very interested in your comments on this bill. I will, of course, take your comments into consideration in reaching my final decision.

Higher Education

The Labor and Human Resources Committee has reported out a Higher Education bill which is much more expensive than our original proposal, although less costly than the House passed version. It is unacceptable in its present form and we are working on a set of amendments to correct the problems. It is not advisable to engage in a lengthy discussion of these issues in this meeting. The following is suggested:

- o I would like to mention very briefly another item of importance to your committee and to my Administration, the Higher Education Reauthorization. This bill as reported by your Committee will need to be amended in order for me to support it. I have several cost saving amendments to propose - especially in the Student Assistance Title - which will
 - assure that the neediest students get loans before higher income families
 - save \$13 billion over the next four years, and
 - create a policy that assures the Administration's commitment to student access to higher education

I do not want to go into the details of these amendments today, but I hope we can work together on this bill so that we can avoid a confrontation.

ADDITIONAL BACKGROUND INFORMATION

Issue # 1: Higher Education Bill

Senators Pell, Javits, Williams, Schweiker and Stafford may express concern about the strong pressure that the Administration is exerting on the Senate to produce a higher education bill with costs closer to the Administration proposal than to the expensive House bill. The Senate has completed Committee action and is awaiting a floor vote on their bill. Thus far, the Senate has made a number of significant gestures toward cost constraint. However, they have also made many changes that liberalize rather than constrain programs. The net effect is not encouraging. If borrowing from the Treasury to capitalize student loans is considered on budget, the full funding costs of the Senate student financial aid provisions alone are still several billion dollars above our proposal in FY 1981 and about (as costly as the House) bill over FY 1981-1985.

The Senators and their staffs resent our assertions that they still have not done enough to constrain costs in the higher education bill, despite their many changes to this end. They are particularly vexed by the fact that we are calling for cost constraint in their higher education bill at the same time that we are requesting an infusion of new funds for the Youth Act.

Response

- o We recognize and appreciate the fact that the Senators have been conscious of costs in developing their higher education bill. We hope that they will continue to work with us on cost saving modifications on the Senate floor and in the House-Senate Conference.
- o We believe that new funds for the purposes proposed in the Youth Act are justified. Looking at Department of Education programs alone, we find that expenditures on undergraduate students are three times greater than those on high school students. A more balanced approach to giving all our youth a good start toward productive adult lives is clearly needed.

Issue #2: FY 1980 Rescissions

Senators Schweiker, Pell, Williams, Javits, Eagleton and Stafford particularly objected to our proposed FY 1980 rescissions in two programs -- Title I Concentration Grants and Follow Through. They feel that our proposed rescissions contributed to a decision by the Senate Appropriations Subcommittee to zero fund these programs in FY 1980. The House Appropriations Subcommittee accepted part of our rescission for Title I Concentration Grants, while rejecting our rescission for Follow Through.

Response:

We share the Senators' concern about the Senate Appropriation Subcommittee's action. We have already begun the fight to restore funding to the levels we proposed. Secretary Hufstедler has sent a strong letter to Senator Magnuson on the subject. I have asked the Secretary to meet with Congressman Natcher to request him to hold out for the Administration's request in Conference. We are also working closely with Hill staff and interest groups on further strategies to restore funding.

Issue #3: FY 1981 Budget Revisions

Senators Pell, Javits, Schweiker, Williams, Eagleton and Stafford have been concerned about our FY 1981 budget revisions for education programs -- particularly in the Title I Concentration, Basic Educational Opportunity Grant, and Follow Through Programs.

- Title I Concentration Grants

The Administration proposed a reduction of \$150 million below our original FY 1981 budget request -- from \$300 million to \$150 million. The Senators have questioned whether it is just to cut one of their favorite existing programs for poor children in the primary grades at the same time that we are proposing \$900 million in new monies for poor students in junior and senior high school under the Youth Act.

Response

Our FY 1981 budget revision would simply level fund the program at the amount requested in our FY 1980 rescission package and the amount appropriated by the Congress in FY 1979.

- Basic Educational Opportunity Grants

The Administration proposed a reduction of \$150 million below our original FY 1981 budget request -- from \$2.309 billion to \$2.159 billion. The Senators (especially Senator Pell, who is the father of Basic Grants) resent the proposed cut in their flagship student financial aid program -- particularly at a time when the Senate is attempting to liberalize this program in the reauthorization process.

Response

Our FY 1981 budget revision for this program is accomplished by keeping the maximum award at its current level of \$1,800 rather than raising it to \$1,900 as originally planned. Keeping the current award level has the least impact on the lowest income students and is therefore consistent with one of the guiding principles of our budget revision process.

- Follow Through

The Administration proposed a reduction of \$14.75 million below our original FY 1981 budget request.

The cut would level fund Follow Through at the amount requested in our FY 1980 rescission package. Program funding has been held at \$59 million since FY 1976. The Senators may argue that our proposals for FY 1980 and FY 1981 exacerbate the inflationary losses that the program has borne since FY 1976.

Response

Our FY 1981 budget revision was intended simply to reduce the high average cost per child in the Follow Through Program (\$690) to a level comparable to Title I and other Federal compensatory education programs (\$506). Given the trade-offs we confront in the education budget, this action seems defensible.

Issues for the Venice Summit

C

At an informal two-day meeting held in London on March 26-27, 1980, a group of twenty business, financial and economic leaders from the seven Summit countries and the European Community* reviewed issues relevant to the discussions to be held among the seven Heads of State and Government in Venice on June 23-24. The consensus which follows may not represent fully the views of any one participant on each of the suggestions presented, but there is unanimity on the broad thrust of the conclusions. Because there are fundamental differences in structure among the seven countries, not all of the statements apply to all countries. However, the participants hope that these views may be of assistance in the process of evolving agreement among the Governmental leaders on the most significant economic issues confronting them in 1980, at the beginning of a new decade.

In the group's judgment, the major issues are:

- The urgency of curbing inflation and arresting its present destructive effects on social stability, growth and employment;
- The annual need for recycling \$100 billion or more of the payments surpluses of oil-producing countries;
- The necessity to balance energy requirements and supplies while reducing dependence on OPEC sources;
- The vital importance of maintaining and developing an open and dynamic world trading system with due regard to the increasing participation of LDCs (i.e., the "South"); and
- The longer term necessity of adapting to the changing patterns of growth and technological development in the world economy.

Summary

The overriding concern of the Venice Summit must be the escalating inflation which is spreading throughout the world. Since any lasting correction of its diverse causes will require action over a long period, it is urgent to make a convincing start now on essential longer term programs.

In order to create the economic environment within which longer term measures to eliminate inflation can effectively be initiated, shorter run policies will be required to check the inflationary momentum. In some countries a powerful and concerted effort to slow inflation must be expected to bring about a slackening of economic growth or even a recession. This risk must be accepted in

*A list of participants is attached.

order to create the basis for a later resumption of stable growth.

Longer term solutions to the inflation problem must include measures that will encourage renewal and expansion of the stock of productive capital -- which inflation is now eroding -- as well as more effective utilization of existing capacity. Among the measures to enlarge the capital base, emphasis should be placed not only on the production and conservation of energy, but also on increasing the capacity of both the less developed and the industrialized countries for extraction and processing of those basic raw materials which may otherwise become scarce within the next decade.

The tax and regulatory systems of many countries impede such capital formation. These restraints should be reduced or removed and investment actively encouraged. For some countries this may involve a shift in the balance of income distribution from consumption toward savings and investment.

The Governments of the seven countries have mainly followed defensive policies thus far in coping with the energy crisis. Yet even under the best conditions, oil and gas cannot long continue as the primary source of the energy needed to support growth over the decades ahead. The Governments should agree now on aggressive common efforts to develop alternative sources of energy; to promote massive increases in research and investment on an international scale.

The huge transfer of resources to the OPEC countries, following the second wave of staggering price increases that has occurred over recent months, is creating serious imbalances within the payments flows of the world. A recycling of some part of the OPEC balance of payments surpluses should be devoted, directly or indirectly, to financing the deficits of many of the oil importing countries. During the first round of oil price shocks, direct investment by the OPEC countries routed a part of the surpluses back into productive employment, but the capital markets of the private sector, including the Euromarkets, played an even larger role in the recycling process. We expect these markets to play an important role again. However, their capacity to do so is not indefinitely extensible. The international financial institutions will need to play an increasing role in the current recycling effort, beyond anything that the OPEC countries themselves may do directly.

For this reason, we urge the Heads of State and Government to encourage the use and expansion of the facilities of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and other international lending and financing institutions. We further suggest that the financial authorities explore the development of appropriate investment instruments to attract some of the available funds of the surplus countries. The deficit countries should be encouraged to look to the IMF for advice and assistance in working out the longer term structural adjustments which they must make in order to be able to service their debts and maintain their creditworthiness.

I. Inflation

Inflation has become a disintegrating force throughout the world economy; combating it must have immediate priority. That involves the risk of economic slowdown for all countries; recession for some. But such risks must be accepted in order to lay the groundwork for sustained growth in the the longer run. Indeed, the credibility of policy depends on pursuing anti-inflation programs firmly and consistently until the grip of inflation is broken.

The causes of the present inflation are deepseated. Superimposed on those, the rise in energy prices has triggered off and accentuated a further escalation of other prices. It is, nevertheless, essential for energy prices to remain high relative to other prices, regardless of their apparent inflationary impact, in order to promote necessary adjustment among the sources and uses of energy. Achieving the necessary level of prices in some oil-importing countries may require additional direct taxation of petroleum products, such as the United States has just initiated. The proceeds of such taxes should be directed toward reducing or correcting other causes of inflation.

Inflation in most western economies has been aggravated as various forms of consumption, both government and private, have become larger at the expense of investment. It is essential to check or reverse that process, over the long run, by designing public policy to encourage investment — if necessary by means of tax cuts, other incentives, or the reduction of disincentives.

Both fiscal and monetary measures are required in the fight against inflation, the main requirement in common among all countries being that they be mutually reinforcing and used consistently. Reliance on monetary and credit restraint unavoidably tends to cause higher interest rates. To the extent that Summit countries can bring their public sector borrowing requirements under tighter control, in order to reduce pressures on their capital markets, the rise in interest rates will be moderated. At least in some Summit countries, long term interest rates have reached a point where they exert a disincentive effect on investment in productive assets and if long continued would contribute to perpetuation of an inflationary climate. Paradoxically, high rates now are a prerequisite to reduction over the coming months.

Some of the Summit countries have institutional arrangements in which wage and price guidelines can be helpful, within a framework provided by monetary and fiscal policy. But a raising of the guidelines during a period of accelerating inflation risks building a high cost floor that would impede eventual downward price adjustments. In other countries, existing institutional arrangements make Governmentally suggested guidelines inappropriate. Still other countries might usefully consider whether guidelines could assist in their effort to control inflation.

The burden of excessive government regulations, and the procedures for their application, exacerbate inflation, accentuate the energy problem, and inhibit world trade. While the spread of regulation is a long term issue, it does impinge on the immediate problems. Thorough review of the cost-benefit aspects, in this wider context, should be undertaken or stepped-up as a matter of urgency.

A considerable amount of indexation is built into western economies. Continuation of inflation at high levels is encouraging the expansion of such measures through legislation and wage contracts. That builds in resistance to any slackening in the upward movement of costs and prices even at times when other causes of inflation may be receding. In present conditions, energy prices should be excluded from the formulas used for indexation because adjustment to the new relative level of energy costs is essential; they must not be offset by indexation.

II. Recycling

The recycling of OPEC surpluses did not prove as much of a problem as had been expected in 1974 to 1978 for various reasons, including the expertise of commercial banks as intermediaries and the remarkably rapid rise in OPEC imports. This time the problem is more difficult because the amounts involved are much greater and many of the earlier circumstances have changed. The equity ratios of the commercial banks have declined with some concomitant decline in their readiness to add sizable new loans on the previous scale. Moreover, a number of the oil-importing countries have already added so much to their external borrowings as to alter their standing in terms of country or credit risk.

Nonetheless, some of the developing countries have built up their reserves over the past few years and also still have unused credit lines. For them, the commercial banks can probably handle much of the 1980 recycling requirements. But the problems magnify from 1981 onwards, particularly as the LDCs will face competition for funds from more creditworthy industrial countries.

However, even allowing for considerable direct investment by the OPEC countries, their purchase of government bonds in several of the Summit countries, and their possible transfers of liquid assets to the IMF through an expanded Witteveen facility, major problems will remain to be met through more extensive use of the facilities of all the international lending institutions. Even so, the IMF must continue to link its lending criteria to responsible policy responses in the debtor countries. One serious weakness of the first recycling round was that too little attention was devoted to the adjustment problems of the oil deficit countries. Increasing reliance on the IMF will assure increasing attention to adjustment problems in the light of IMF advice and guidance.

Prudential surveillance of commercial banks' consolidated balance sheets by their central banks will help to guard against any potential breakdowns in the recycling process. No need is perceived, however, for specific controls on the Eurocurrency markets. Those markets will continue to have a major part to play

in the recycling process, and their capacity should not be impaired by misguided attempts at regulation.

As more experience is acquired in putting OPEC funds to work, and in bridging the oil-induced deficits of many importing countries, further appraisal may point to the need for even larger official facilities in 1981 and beyond. The Heads of State and Government should be prepared to support such recommendations if they should emerge by the time of the Annual Meetings of the IMF and IBRD early in October.

III. Energy

The need to develop new sources of energy, to economize on the use of available energy, and to adapt the productive processes of the world to a higher real cost of energy, will dominate much of the longer term performance of the Summit countries for the next decade and beyond. One major aim must also be to reduce the relative dependence upon OPEC oil, but that cannot be done rapidly. This fact has wide implications for defense and foreign policy -- reinforcing other reasons for a unified approach by the Summit countries to their common energy problems.

In present circumstances, it would be both divisive and self-defeating to engage in bilateral arrangements between individual Summit countries and individual OPEC countries that had the effect of impairing the adequacy of energy resources for other Summit countries. Correspondingly, no one among the Summit countries can afford, in its own or in the general interest, to reject any opportunity or method for conserving the use of energy, and particularly for reducing imports from the OPEC group. The import targets agreed upon at the Tokyo Summit should be reviewed to determine whether they can appropriately be reduced further. Consideration should also be given to the feasibility of establishing, on a mutually agreed basis, overall targets for the demand and supply of energy for each of the Summit countries -- with particular attention to alternative sources of supply and the ways in which those could be increased through the work of the IEA or the IETG.

The full recognition of the price of energy, as already noted, will not only promote conservation on the part of consumers as well as the industrial users of energy, it will also bring into the range of economic viability other sources of oil and gas as well as additional uses of coal and nuclear power. These, and the other energy sources that can be developed for use in decades beyond, including nuclear fusion, will require massive commitments of capital. It is important to clear the way for major energy or industrial companies to devote all of the earnings they can be allowed to retain to the capital requirements for greater recovery of hydrocarbons in known and new geographical areas, as well as for the development of coal, uranium or other energy materials. A first claim on the growing Government revenues deriving from the taxation of oil and gas properties, notably the recent increases in the United States, should be for the support of research and

investment in promising energy fields. Beyond that, ways should be found for directing more of the surplus OPEC revenues toward such investment, perhaps through enlarged OPEC contributions to the IBRD which is initiating a new program for oil exploration and production in some of the LDCs.

The Heads of State and Government should energetically support present and prospective increases in the capital and resources of the IBRD and other international programs devoted to energy problems. There must also be greater mobilization of private resources in all the Summit countries. To that end, governments and groups of governments should promote R&D and expedite flows through the capital markets into major energy projects. The sheer magnitude of the investment needed to produce meaningful quantities of coal liquification or gasification, or even to build new pipelines for energy transmission, is so enormous that it requires new and creative methods for the pooling of capital and the joining of efforts among firms that are already large. The Heads of State and Government should promote such efforts through all means at the disposal of their Governments, including the encouragement of international consortia.

IV. World Trade

World trade has been a powerful dynamic force in recent years. Even in 1979, despite the dislocations from a renewal of the oil price escalation, overall trade rose in volume terms by 7 per cent compared with a 3 1/2 per cent rise in the real GNP of the OECD area.

The successful conclusion of the GATT Tokyo Round will help preserve this dynamism although a new threat of protectionism looms as countries consider restrictive measures to avert a rise in domestic unemployment. Some understandable though regrettable restraints also continue to arise as Summit countries attempt to ease their adjustment to imports from newly industrializing countries. As a counterweight, it is important to extend the work of the Tokyo Round. The Heads of State and Government should provide for a periodic review of the practical operation of the new GATT codes. The GATT's work on a safeguards code should be expedited to counter pressures for increased protection against specific imports.

Those Summit countries which are members of the European Economic Community should strongly reaffirm their commitment to the fundamental principle of keeping the EEC an open trading system. And all of the Summit countries should cooperate, particularly through the influence of their central banks, to promote a climate for the free flow of capital among their markets, to reduce or remove obstacles to such flows, and to moderate any disequilibrating moves in their exchange rates or interest rates which aggravate adjustment problems.

The continued growth of world trade will provide opportunities for the developing countries which depend upon oil imports to increase their exports,

and thereby not only ease their recycling problem but also improve their adjustment prospects. The industrial countries need to recognize the net beneficial effects to themselves of imports from the developing countries, and of exports to them, even when specific sectors of production within the industrial countries suffer initially from import competition. The overall North-South relationship should have renewed and increasing attention by the seven Governments, particularly in the light of the issues addressed by the Brandt Commission. The disappointing outcome of the last UNIDO conference should prompt the seven countries to take the initiative in new efforts to combine concessions to the LDC's with acceptance by the "Group of 77" of obligations to encourage private investment in their countries.

V. The Longer Term

In most Summit countries the priority need now is to arrest the upward momentum of inflation, but underneath there is also a long term inflationary trend among all Summit countries that will seriously threaten social, cultural, and economic values through the next decade unless Governments begin consideration now of the validity or relevance of several possible underlying causes. These causes include:

The increasing costs of raw materials as needs for them expand;

The tendency for the combined defense and welfare costs of modern government to outrun the productive base or capacity;

The downward inflexibility of many costs, including wages and forms of indexation; and

A general slowing in the growth of productivity as developed economies "mature," with services becoming a larger proportion of total GNP.

To be sure, most of these may call for adaptation within individual countries rather than common action among them, but the problem of possible raw material shortages in the decades ahead is clearly one that deserves international appraisal, possibly within the OECD.

In addition, stability in economic performance among Summit countries, and in their relations with the rest of the world, may be jeopardized over the longer run by the procedures followed in adapting the international monetary system to the increasing use of several other reserve currencies, alongside the dollar and the SDR. The machinery for recognition of these problems and for cooperative resolution of them is well developed. The need is for vigilance in the relations among the financial authorities of the seven countries, and for joint support by their Governments of the introduction of a "Substitution Account" within the IMF as promptly as possible.

Moreover, structural adaptation to the growing role of manufacturing in the developing countries will create continuing strains, as will the further broadening of East-West economic relations. The Heads of State and Government should initiate further exploration of the suggestion in the Brandt Report for a "Summit" meeting among representative developed and developing countries (as in the Council of Governors of the IBRD) to consider changing relations within and among the developing countries, and between them and the leading industrialized countries. Perhaps North-South as well as East-West relations could be the subject of special arrangements for further concentrated evaluation by representatives of the Summit countries.

VI. Modalities

The group considered the role of the Summit in the process of economic policy formation, and its potential for minimizing contradictions among the Summit countries. Clearly, contacts among all seven Heads of State and Government, sitting together, can contribute to a fuller understanding of joint interests and needs. Such meetings also afford an opportunity to consider methods of improving current consultation on major issues, in the light of experience in the intervals between Summit meetings.

While recognizing the inevitable interrelations between economic issues and all other aspects of international relations, the group felt that continued concentration of agreed Summit agendas on matters of political economy provided a useful focusing of attention on those economic questions which do, from time to time, require the decision and action of Heads of State and Government in the context of related common concerns for defense and other strategic objectives.

Consideration was also given to the matter of relations with countries outside the Seven, and the risk of creating an impression of a super-directorate for dealing with world economic affairs. Nonetheless, while mindful of the perception of other governments and international institutions, and of the need to maintain full contact with them, the Heads of State and Government should not be deterred by such concerns from dealing with global economic problems and providing leadership toward implementing internationally agreed solutions.

April 8, 1980

Note: A first draft of this report was outlined during the closing session on March 27 and when completed was sent to all participants on March 28. Comments received from them by April 8 have been included in this final version. Responsibility for resolving all differences in approach rests with the Chairman.

Participants in the
Pre-Venice Mini-Summit *
London, England
March 26/27, 1980
Robert V. Roosa, Chairman

Mr. Guido Carli
President, Confindustria
Rome

Mr. Phillip Crowson
Economist, Rio Tinto-Zinc Corp., Ltd.
London

Mr. Otmar Emminger
Former President, Deutsche Bundesbank
Frankfurt/Main

Mr. Masaru Hayami
Executive Director, Bank of Japan
Tokyo

Mr. Alan B. Hockin
Executive Vice President, Toronto-Dominion Bank
Toronto, Ontario

Mr. Yusuke Kashiwagi
President, The Bank of Tokyo
Tokyo

Mr. Andre de Lattre
Chairman, Crédit National
Paris

Mr. R. Gerald Livingston
President, German Marshall Fund of the U.S.
Washington

Mr. Bruce K. MacLaury
President, The Brookings Institution
Washington

Mr. W. Darcy McKeough
President, Union Gas, Ltd.
Chatham, Ontario

Mr. Manfred Meier-Preschany
Executive Committee, Dresdner Bank A.G.
Frankfurt am Main

Mr. Cesare Merlini
President, Istituto Affari Internazionali
Rome

Mr. David Rockefeller
Chairman, The Chase Manhattan Bank
New York

The Rt. Hon. The Lord Roll
Chairman, S. G. Warburg & Co., Ltd.
London

Mr. Robert V. Roosa
Partner, Brown Brothers Harriman & Co.
New York

The Rt. Hon. The Lord Shackleton
Deputy Chairman, Rio Tinto-Zinc Corp., Ltd.
London

Mr. Roger B. Smith
Executive Vice President, General Motors Corp.
Detroit

Mr. Hans Günther Sohl
Chairman of the Board, Thyssen A.G.
Düsseldorf

Sir David Steel
Chairman, British Petroleum Company, Ltd.
London

Mr. Edmund Wellenstein
E. E. C.
The Hague

* Invitations were extended to at least three persons from each of the seven countries. Several who were unable to attend did send helpful comments in response to an initial outline of an agenda. However, since they did not participate in the give-and-take of actual discussion, their contributions are reflected here only to the extent that concurrence emerged during the meetings.

THE WHITE HOUSE
WASHINGTON
12 Jun 80

FOR THE RECORD:

BRZEZINSKI RECEIVED A COPY OF THE
ATTACHED.

JD 3334

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

June 11, 1980

Zb
J

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB*
SUBJECT: Draft Policy Statement on SALT II

Enclosed is the statement prepared by Muskie, and approved by Brown and myself, regarding SALT and Afghanistan. If you approve, I will use it in my Platform Committee presentation; and Muskie may use it, if the press doesn't pick it up after my use, in his press conference on Friday.

RECOMMENDATION:

That you approve the attached statement.

APPROVE _____ AS AMENDED _____

DISAPPROVE _____

J

DRAFT POLICY STATEMENT ON SALT II

A strong American response to the illegal and brutal Soviet invasion of Afghanistan serves our nation's security interests. It must and will be sustained, so long as Soviet troops remain there.

The SALT II treaty also serves our security interests. It is a vital step in an arms control process that can begin to lift from humanity the shadow of nuclear war. That process, also, must be sustained.

~~While~~ Soviet aggression against Afghanistan has delayed the course of ratification of the SALT II treaty, ~~[there must be no question about our commitment to]~~ *but we will continue to pursue* both security priorities: deterrence of Soviet aggression and balanced arms control agreements. ~~[For a central purpose of our foreign policies is to bring about Soviet restraint: in its actions and in its military programs.]~~ Both our response to Afghanistan and the SALT II treaty serve this purpose.

Through the measures we are taking, including both denial of economic benefits and the Olympic boycott, as well as our efforts to enhance the security of the region most directly affected, it is our purpose to make the Soviets pay a price for their act of international ~~cannibalism~~ *aggression*. We will continue to do so. We will also continue our efforts to strengthen our national defense. We cannot let this attack across an international border, with the threat it poses to the region and thus to the strategic balance, go unanswered. Only firmness now can prevent new adventures later.

treaties
The SALT II ~~treaty~~ is also an important way of restraining Soviet behavior.

II
Without SALT, the Soviets could have hundreds more missiles and thousands more nuclear warheads than the Treaty permits. Under the Treaty, they would have to eliminate many nuclear weapons they already have.

And the Treaty helps sustain a strong American position in the world. Our allies, ^{other} and nations around the world, *know* believe the SALT II treaty serves their security interests as well as ours. Our support for arms control is important to our standing in the international community, the same community that has rebuked the Soviets for ^{their attempted suppression of} Afghanistan. It is also important ~~[to our position of leadership within the Alliance, and thus crucial]~~ to our efforts to organize an enduring response *to the growing threat of the Soviet SS20 nuclear missiles and to Soviet aggression in Afghanistan.*

I am confident the American people want the arms control process to continue, just as they want us to sustain strong policies against Soviet aggression in Afghanistan. For they understand that both build peace and make our nation more secure. Accordingly, we will persist in our strong policies regarding the Soviet aggression in Afghanistan as long as that aggression continues, and we will seek ratification of SALT ^{when the Soviets take some positive steps} ~~as soon as it is possible.~~ *toward improving the international climate.*

THE WHITE HOUSE
WASHINGTON

6/12/80

Jim McIntyre

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

Rick Hutcheson

cc: Stu Eisenstat



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

JUN 11 1980

*Jim - It's
not much better but
we will support it in
order to protect the
budget process*

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *J*
SUBJECT: Compromise on the 1981 Concurrent Resolution

After several days of negotiations behind closed doors, the House and Senate Budget Committees have come to an agreement on the 1981 concurrent resolution. Defense budget authority will be reduced under the agreement by \$800 million from the original conference agreement. Other functions containing social programs will be increased by a comparable amount. The education, training, employment, and social services function and the income security function will both be increased by \$200 million. The following functions will each be increased by \$100 million: general science, space, and technology; energy; transportation; and health. This would leave the defense functional total \$6 billion above the amount requested in our March budget revisions.

The new conference agreement assumes that defense outlays in 1981 would not be affected but that nondefense outlays would be increased by \$300 million. The attached tables compare the Administration's March estimates with the original Committee positions, the Congressional Budget Office estimates of the Administration's proposals, and the new conference agreement.

I have been informed that the five Representatives who refused to support the previous conference agreement have agreed to support the new compromise.

A suggested statement for your use is attached.

Attachments

cc: Vice President Mondale

ADMINISTRATION AND CONGRESSIONAL ESTIMATES OF 1981 BUDGET AUTHORITY BY FUNCTION
(in billions of dollars)

	March Update	CBO 1/	1st Resolution		
			House	Senate	Conf. 2/
National defense.....	164.5	164.2	160.8	173.4	170.5
International affairs.....	18.2	24.7	24.0	23.3	23.6
General science, space, and technology.....	6.6	6.6	6.7	6.4	6.6
Energy.....	6.9	7.1	7.5	3.8	6.7
Natural resources and environment <u>3/</u>	12.5	12.4	12.0	11.5	11.7
Agriculture.....	5.4	5.4	5.4	5.6	5.5
Commerce and housing credit.....	5.6	5.8	5.1	5.4	5.1
Transportation <u>3/</u>	23.4	23.4	22.8	19.75	22.1
Community and regional development.....	9.0	9.1	9.0	8.8	8.8
Education, training, employment, and social services.....	33.0	32.9	33.3	28.9	31.7
Health <u>3/</u>	71.1	71.6	71.5	70.7	71.2
Income security.....	251.6	252.3	252.1	245.2	249.5
Veterans benefits and services <u>3/</u>	22.5	22.1	21.7	21.85	21.7
Administration of justice <u>3/</u>	4.3	4.3	4.2	4.3	4.2
General government <u>3/</u>	4.9	4.7	4.7	4.6	4.6
General purpose fiscal assistance.....	6.8	6.8	6.2	7.2	6.2
Interest.....	68.4	72.2	72.2	72.2	72.2
Allowances <u>4/</u>	1.7	1.6	---	---	---
Undistributed offsetting receipts.....	<u>-24.9</u>	<u>-24.7</u>	<u>-24.6</u>	<u>-24.7</u>	<u>-24.7</u>
Total.....	691.3	702.4	694.6	688.2	697.2

1/ Preliminary, unofficial CBO reestimates of Presidential policy.

2/ Second conference agreement (June 11).

3/ Because of the differing treatment of the pay raise, the March update estimates for these functions are probably understated by \$0.1 billion in relation to the conference agreement.

4/ The Administration's March budget total for allowances includes \$0.9 billion for the civilian agency pay raise and \$0.5 billion for contingencies. The conference agreement allocates the civilian agency pay raises by function and has no allowance for contingencies.

ADMINISTRATION AND CONGRESSIONAL ESTIMATES OF 1981 OUTLAYS BY FUNCTION
(in billions of dollars)

	March Update	CBO 1/	1st Resolution		
			House	Senate	Conf. 2/
National defense.....	150.5	151.1*	147.9	155.7	153.7
International affairs.....	10.1	9.9	9.6	9.5	9.5
General science, space, and technology.....	6.2	6.2	6.3	6.1	6.1
Energy.....	6.9	7.0	7.1	6.8	6.8
Natural resources and environment 3/.....	12.5	12.6	12.4	11.9	12.1
Agriculture.....	2.0	2.3	2.3	2.3	2.3
Commerce and housing credit.....	0.4	0.6	-0.1	0.5	---
Transportation 3/.....	19.0	19.4	19.5	18.05	18.75
Community and regional development.....	8.5	9.8	9.4	9.2	9.2
Education, training, employment, and social services.....	30.6	30.9	30.7	28.0	29.5
Health 3/.....	61.9	62.8	61.8	61.7	61.7
Income security.....	220.1	220.8	220.1	218.2	219.55
Veterans benefits and services 3/.....	21.4	21.3	21.2	21.25	21.2
Administration of justice 3/.....	4.6	4.6	4.6	4.6	4.6
General government 3/.....	4.8	4.6	4.6	4.3	4.3
General purpose fiscal assistance.....	7.4	7.3	6.8	7.5	6.8
Interest.....	68.4	72.2	72.2	72.2	72.2
Allowances 4/.....	1.4	1.3	---	---	---
Undistributed offsetting receipts.....	<u>-24.9</u>	<u>-24.7</u>	<u>-24.6</u>	<u>-24.7</u>	<u>-24.7</u>
Total.....	611.5	620.1	611.8	613.1	613.6

1/ Preliminary, unofficial CBO reestimates of Presidential policy.

2/ Second conference agreement (June 11).

3/ Because of the differing treatment of the pay raise, the March update estimates for these functions are probably understated by \$0.1 billion in relation to the conference agreement.

4/ The Administration's March budget total for allowances includes \$0.9 billion for the civilian agency pay raise and \$0.5 billion for contingencies. The conference agreement allocates the civilian agency pay raises by function and has no allowance for contingencies.

* The most recent, unofficial CBO estimate of defense spending (assuming the policies in the March update) is \$153.1 billion.

STATEMENT BY THE PRESIDENT

I am pleased that the Budget conferees have reached agreement on a balanced budget resolution for FY 1981.

Once agreed to by the full House and Senate, this action will make it possible for the Congress to appropriate funds needed immediately in many essential programs.

The agreement of the conferees does not fully reflect my spending priorities. However, I intend to work closely with the Congress on the necessary 1981 authorization and appropriations bills to press for the enactment of my proposals.

What is most important is that the deadlock has been broken. I applaud this progress.