

7/3/80

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 7/3/80;
Container 168

To See Complete Finding Aid:

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

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/ att.	From Duncan to The President (19 pp.) re: Communication with P.M. Trudeau/enclosed in Hutcheson to Duncan 7/3/80	7/3/80	A
memo w/att.	From Watson to The President (82 pp.) re: U.S. auto industry and international trade <i>4 PAGES OPENED 7/16/97</i>	7/1/80	A

FILE LOCATION

Carter Presidential Papers- Staff Offices, Office of the Staff Sec. -Pres. Hand-writing File 7/3/80 BOX 194

RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.
- (B) Closed by statute or by the agency which originated the document.
- (C) Closed in accordance with restrictions contained in the donor's deed of gift.

VP wants
his memo
on top

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 30, 1980

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*
Subject: Your Decision on Auto Imports

While I hate to add to your reading, there was one point that I was unable to get into the negotiated auto memo and that I wanted to draw to your attention. It is my belief that, by requesting an acceleration in the Sec. 201 proceeding, you will, in effect, have committed yourself to grant relief in one form or another, should the ITC find injury.

In viewing it this way, I would hope that you would keep in mind the fact that our economy already suffers from a propensity to generate too much inflation as demand and spending rise during recoveries. That is precisely why we have to be so careful and restrained about fiscal and monetary stimulus, and therefore have to tolerate much higher unemployment than we like. The imposition of auto import restraints would add one more important element to this inflationary bias in the structure of our economy. In 1981 or 1982, as recovery occurs, we could run into temporary capacity restraints on American small car production, and the existence of import restraints could then lead to significant price increases. (In 1978, when the yen was appreciating rapidly, U.S. auto companies seized the occasion to boost prices sharply for American small cars.)

MEMORANDUM

THE WHITE HOUSE

~~CONFIDENTIAL~~

WASHINGTON

June 30, 1980

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN ~~PO~~

SUBJECT: Automobiles (U)

I returned from Europe too late to take part in the EPG consideration of automobiles, so I am sending this memo recording my views, which are based in part on what happened at Venice. (U)

Your calling for acceleration of the ITC investigation would be seen as a signal of readiness to impose import restraints. The disadvantages of giving such a signal are evident: We would appear to be backing away from the Venice anti-protectionist pledge, within weeks of having made it. The willingness of other countries to fulfill this pledge, and US credibility generally, would be weakened. We also would seem to be opting for higher automobile prices, contrary to the priority attached to anti-inflation measures at Venice. (C)

The employment advantages would not be great. The EPG memo to you indicates that a 250,000 car restraint would, if one US car were sold for every Japanese car restrained, generate 19,000 direct and 28,000 indirect jobs, compared with total present direct and indirect unemployment of 240,000 and 450,000 respectively. These modest gains would cost consumers between \$.5 and \$2.3 billion and increase our gasoline consumption. Annex B to the EPG memorandum indicates that a restraint of 100,000 Japanese cars is more likely: this is the probable consequence of holding 1980 Japanese car sales in the US to the 1979 level; in this case, the US employment benefit as well as the costs would be less than half of those indicated above. The employment gains would be further reduced if only one US car were sold for every two Japanese cars restrained -- an assumption which CEA believes is closer to the truth. (C)

In short, the automobile industry's situation would be only marginally helped in 1980-81 by import restrictions. The case for import restraint thus has to rest on psychological effect and on the hope of larger benefits in future years -- which means that a multi-year import restraint program is implied by the ITC acceleration option. (C)

It is not clear to me, in view of recent events, that we could as readily or quickly secure a multi-year voluntary restraint commitment from the Japanese as seemed the case a few months ago. The Japanese automobile industry feels that it made substantial concessions to Governor Askew during his visit to Japan, and resents

DECLASSIFIED

E.O.12958, Sec.3.6

~~CONFIDENTIAL~~

Review on June 30, 1986

PER 6/23/87 NY HX RE NLC-96-121
 BY Jay NARS. DATE 6/23/87

the fact that the Japanese Government was unable to prevent the subsequent US cab chassis tariff action, which the industry had hoped these concessions would avert. The Japanese industry and government now are probably considering whether, and if so how, to provide the statement that you asked Foreign Minister Okita to obtain regarding capacity to produce cars that could sell in the US market. A further US protectionist action, without even waiting for the reply that Okita and MITI Vice Minister Amaya later indicated would be forthcoming, would be deeply resented in Japan. (STR has received a draft statement regarding production capacity, which is unsatisfactory and we will negotiate about it further with the GOJ.) A major source of irritation in US-Japanese relations would have been created just as a new Japanese government was coming to power. At best, the Japanese industry would insist that the US void the recent increase in the cab chassis tariff (which Ford considers of great importance in creating jobs), renounce any further protectionist action, and establish clearly that any import restraint would be temporary (to allow for US retooling), before agreeing to a moderate VRA (e.g., a 100,000 car restraint). At worst, it would reject a VRA. (C)

Japanese rejection would leave only one means of fulfilling the protectionist promise inherent in your request for ITC speed-up: an across-the-board involuntary restraint that would affect European, as well as Japanese, imports. This would bring measurably nearer the US-European trade war of which Jenkins spoke to you at Venice. (C)

For all these reasons, I do not recommend now requesting the ITC speed-up. Instead, I believe that you should press the request you made of Okita regarding plans for expanding Japanese capacity to produce automobiles that could sell in the US market. I do not know whether we will be able to secure a satisfactory statement that meets our needs and that is consistent with our anti-trust law. We will know soon if discussions in Tokyo are accelerated. If a good statement is not forthcoming, you would have stronger grounds for sending the signal implicit in calling for acceleration of the ITC investigation. You laid the basis for this course when you told Okita that if Japan persisted with plans for expanded production, you would find it hard to resist protectionist pressures. That same statement, however, makes it embarrassing to proceed along the VRA route without awaiting an answer to your request. (C)

RECOMMENDATION

Press ahead rapidly with negotiations about Japanese production capacity plans. If an early and satisfactory Japanese statement regarding plans for expanding production of cars that could sell in the US market is not forthcoming, decide about acceleration of the ITC investigation. (C)

_____ Approve
 _____ Disapprove

THE WHITE HOUSE
WASHINGTON

03 Jul 80

FOR THE RECORD

ORIGINAL TO STRIPPING FOR
HANDLING. CC EIDENBERG.

THE WHITE HOUSE

WASHINGTON

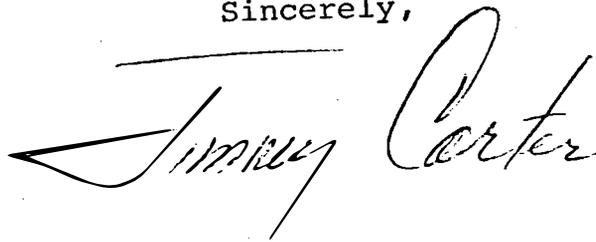
July 2, 1980

To Governor George Wallace

Rosalynn joins me in sending you our best wishes for the success of your new treatments. We hope you are comfortable and that you are keeping up your good spirits.

With our kind regards,

Sincerely,

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

The Honorable George C. Wallace
University of Oregon
Health Science Center
3181 S.W. Sam Jackson Park Road
Portland, Oregon 97201

THE WHITE HOUSE
WASHINGTON

03 Jul 80

FOR THE RECORD

ORIGINAL TO WATSON FOR HANDLING
AND DELIVERY.

THE WHITE HOUSE

WASHINGTON

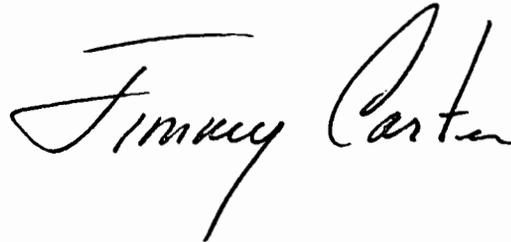
July 2, 1980

To Linda Tarr-Whelan

Thank you for your letter of June 26, 1980. I appreciate your kind words and share your dedication to the achievement of ratification; we will make it yet.

I also value and appreciate your hard work and superb contributions during the past year. You have my best wishes for your important work at the National Education Association.

Sincerely,

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

Ms. Linda Tarr-Whelan
3626 North Kensington Street
Arlington, Virginia 22207

THE WHITE HOUSE

WASHINGTON

June 26, 1980

President Jimmy Carter
The White House
Washington, D.C.

Dear Mr. President,

I wish to express to you my personal appreciation for your time, effort and deep commitment to ratification of the Equal Rights Amendment. In public and private moments, I have noted your dedication and that of Mrs. Carter and Judy Carter. That dedication has carried through to your Administration. To my knowledge, you have assured that every request of you and your Administration for support of ratification efforts was carried through with professionalism and sincerity.

The success of the ERAmerica and National Women's Political Caucus fundraiser on June 18, 1980 in Washington is an excellent example of your leadership and willingness to participate in the campaign to make equal rights for women part of the U.S. Constitution.

I look forward to working with you and your Administration to achieve ratification of the Equal Rights Amendment and other issues of vital concern to the well-being of American women.

Sincerely yours,



Linda Tarr-Whelan
Deputy Assistant to the President
Office of Sarah Weddington
Women's Concerns

THE WHITE HOUSE

WASHINGTON

03 Jul 80

Jack Watson
Arnie Miller

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

Rick Hutcheson

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

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

ACTION
FYI

	VICE PRESIDENT
	JORDAN
	CUTLER
	DONOVAN
	EIZENSTAT
	MCDONALD
	MOORE
	POWELL
✓	WATSON
	WEDDINGTON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ANDRUS
	ASKEW
	BERGLAND
	BROWN
	CIVILETTI
	DUNCAN
	GOLDSCHMIDT
	HARRIS
	KREPS
	LANDRIEU
	MARSHALL

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

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

7/2/80

Mr. President:

I debated whether to give you the attached memorandum now since we are not asking for a decision from you yet. As the memo outlines, there is very considerable political interest & controversy regarding this appointment.

Upon reflection, I thought it best to brief you on the situation before your trip to California.

Jack

THE WHITE HOUSE
WASHINGTON

July 2, 1980

*Jack -
Proceed quietly
J*

MEMORANDUM FOR THE PRESIDENT

**Electrostatic Copy Made
for Preservation Purposes**

FROM: JACK WATSON
ARNIE MILLER ~~AAA~~

SUBJECT: Federal Communications Commission (FCC)

The subject of this appointment is likely to come up during your California trip.

Commissioner James Quello's term expired on June 30. Quello is 66. He is a former broadcaster and station manager from Detroit who was appointed by Nixon in 1974.

This vacancy has become highly controversial. Most of your senior advisors agree that Quello should be replaced. The question is really whether it should be done now or at the beginning of the second term.

Over the last seven years, Quello has developed a reputation as an un-informed "rubber stamp" for the industry who can be relied upon to support the status quo rather than promote policies of deregulation and increasing competition in the communications industry. For these reasons he is strongly supported for reappointment by the broadcast industry and strongly opposed by consumer groups. As a second best position, the industry wants us to delay any action until after the campaign so that they can rely on having six more months of Quello's protection. There are several key votes scheduled for this fall, and the commission often splits 4-3 in favor of the industry.

Quello has mounted a major campaign to be reappointed. He is being actively assisted by Jack Valenti and other members of the broadcasting industry. They have successfully refocused the debate on Quello - shifting it from an industry vs. consumer issue to an ethnic issue.

Quello is an Italo-American. Although not very active in Italian-American affairs or well known in the Italian-American community, he has gotten the support of some Italian-American organizations and the Italian Caucus in Congress. They are angry at the thought of an Italian being replaced by an Hispanic.

As you know, the Hispanic community has had a very special interest in this appointment since the beginning of this Administration. The only other appointments that have been as important to them have been the Ambassador to Mexico and the Secretary of Education. The reason why the Hispanic community cares so much about this appointment is that they see it as an important vehicle in their efforts to develop the image of Hispanics in this country.

Only 17 of the nation's more than 9,000 radio and television stations are owned by Hispanics. Spanish language programming is either very poor or non-existent. Hiring of Hispanics in the broadcast industry is far behind the level of Blacks and women.

Several Hispanic leaders have told us that in a meeting with them in early 1978, in response to a question, you said you would seek to put a Hispanic on the FCC.

Because of these reasons, we feel that appointing a Hispanic to the FCC will go a long way towards turning around that community's disappointment with us regarding appointments.

For the past several months we have been working with Stu's staff and Chairman Ferris in order to find a replacement for Quello. We have interviewed many candidates and have finally identified someone whom we feel is very qualified.

Peter M. Lopez is a partner in the Los Angeles law firm of Mitchell, Silberberg & Knupp. During the last six years he has been actively involved in entertainment law, with an emphasis on cable television matters. He is a skilled negotiator and is regarded as being a creative problem solver. He has a firm grasp of the diverse issues that will face the commission in the 1980's. Lopez favors increased competition in the common carrier marketplace, and is knowledgeable about high-technology telecommunications. He would also be an articulate spokesperson for increased minority participation in the broadcast industry. While Lopez is somewhat young (31), Ty Brown, who has served very well as an FCC Commissioner, was 33 when you appointed him.

Lopez earned a B.S. degree in electrical engineering (1971) and a J.D. degree (1974) from U.C.L.A. He has been active in Hispanic and community affairs, serving on the Committee on Latinos in the Media, and the L.A. Mexican American Bar Association. He was appointed by the California Bar Board of Governors to the Special Committee on Equal Rights, and the Special Committee on Human Rights.

We think you should nominate him. If you do, you will be strongly criticized by some people in the industry and by the Italian-American community.

You will be applauded by consumer groups, Common Cause, Ralph Nader, some people in the industry, by people in New Jersey (Quello voted against efforts to give New Jersey its own television station), and by the California Congressional delegation. Obviously you will be applauded by the Hispanic community.

Quello is strongly supported by our friends in the broadcast industry. Although the broadcast industry is generally supporting Reagan, some of our friends - Jack Valenti, Lew Wasserman and Steve Ross - have been strongly opposed to the replacement of Quello. We have asked Wasserman and Valenti to meet with Lopez. Valenti has done that and Wasserman will meet with Lopez next Tuesday in California. Valenti said that he is very impressed with Lopez whom he found more knowledgeable and qualified than our three previous appointees to the FCC. However, Valenti made it clear that while he thinks well of Lopez, he is unalterably opposed to replacing Quello. Wasserman is in Europe and will let us know after he meets Lopez on Tuesday.

While Quello is obviously preferable to the industry they are not all opposed to Lopez. CBS has informed Lloyd Cutler that they would be perfectly comfortable with Lopez.

Quello is strongly supported by the Italian community. Chairman Rodino last week told Frank Moore that this appointment was very important to the Italian-American community. Other members of the senior staff have heard from other members of the Italian Congressional Caucus. While most Italians who call don't know Quello or anything about his ability, this has clearly become a very important issue for them.

Chairman Dingell is also very strongly supportive of Quello, whom he knows from Detroit.

If Lopez is nominated but not quickly confirmed, Ferris will definitely lose the chance to get Quello's vote on several key issues this fall. In the past several months Quello has occasionally modified his pro-industry stance and voted with Ferris in hopes of securing reappointment. However, once Lopez is nominated, Quello will no longer have the incentive to support Ferris. Therefore, it would not be good to nominate Lopez if we weren't sure that he could be confirmed. However, if we move next week we think we can still get Lopez confirmed. Senator Hollings promised Frank that he would move the FCC appointment rapidly if he receives it soon. Alan Cranston has approached Senator Byrd and they will work to confirm Lopez if the Senate receives the nomination soon.

Page 4

Because of this controversy, Hamilton and Strauss think we should delay this appointment until after the election.

We are strongly inclined to recommend that you replace Quello now because we think it is the right thing to do, and because we think we can minimize the opposition of Wasserman, Valenti and Ross and the Italo-American community.

We also believe that the net gains to be derived from the Hispanic and consumer communities are greater than the objections from the Italians. We feel that it would be better for you to get the matter over with before you enter the fall campaign. Otherwise, you will be confronted by it every time you campaign in Italian or Hispanic areas. If you were to nominate Lopez, we could couple the announcement with some significant Italian-American appointments. Our recommendation to you for the head of the Nuclear Regulatory Commission (Al Carnesale), is Italian. We have asked Ben to help us identify an Italian-American for a judgeship. We have also just named A. Bartlett Giamatti to the National Council on the Humanities.

In the next few days we will continue to try to reduce the negative impact of a Lopez nomination in the ways described above before making a final recommendation to you next week. In any event, we will, of course, brief you fully on the overall political situation. However, we wanted you to be briefed on the issue before your trip to California.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 2, 1980

EYES ONLY

**Electrostatic Copy Made
for Preservation Purposes**

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze ^{CLS}

Subject: Employment and Unemployment in June

Tomorrow (Thursday, July 3) at 9:00 a.m., the Bureau of Labor Statistics will release the June figures on employment and unemployment.

The unemployment rate declined to 7.7 percent -- a drop of 0.1 percentage point. Employment continued to fall sharply, however.

The June improvement in unemployment was all due to a 600,000 drop in the labor force. In the prior two months, the labor force had grown by a huge 1 million persons. Last month, I indicated that the rapid runup in the labor force might be something of a statistical aberration and the June data would seem to bear this out.

Employment, as measured in the household survey, fell by 450,000 -- up from the average monthly decline of 320,000 recorded from February to May. As estimated by the survey of nonfarm business firms, employment also fell sharply, by over 500,000. In June the decline spread to the trade and service industries, and continued in the durable goods industries.

Aggregate hours worked in all of industry fell by 1 percent in June -- about the same rate of decline as in the prior three months. In manufacturing, the June decline was 2-1/2 percent, again about the same as in the prior three months.

In summary, employment and overall labor demand continued to fall fairly steeply in June. The relief in the unemployment picture, while welcome, signalled no bottoming out of the recession.

The index of hourly earnings rose 1 percent in June. Over the past three months the annual rate of wage increase has been 9.1 percent.

THE WHITE HOUSE
WASHINGTON

7/3/80

Mr. President:

As soon as Bob was aware of the Newsweek "gossip" piece he talked with Gardner and sent a strong note to Newsweek to personally disclaim the rumors. Dan Lee has organized advances for you for four years and has never been the source of a leak. We are checking on the other people who would have had knowledge of this situation.

Phil

*Phil -
I'm convinced
of the origin in
the advance
team* 

THE WHITE HOUSE
WASHINGTON

7/3/80

rick --

i've given phil wise
a bcc...however you
may want to give one
to jack watson.
(gardner called watson
the other day about this
article (at least one
like this which appeared
in some publication)....
so i think jack would
benefit from seeing the
president's notation)

thanks--ssc

send Jack a copy

Daily News 6/30/80

Carter's man came to dinner

Is President Carter annoyed with Richard N. Gardner, the U.S. ambassador to Italy? It sure looks that way, according to top White House officials. And here's why:

During Jimmy's recent trip to Italy for the economic summit, Gardner kept popping up—uninvited—to dinners attended by the President. The first occasion was in Rome, following Carter's audience with Pope John Paul. Carter had left word that he wanted to dine—alone—at the embassy with Rosalynn and Amy.

But when White House aides checked the arrangements, they found a table set for seven, says Newsweek magazine. The aides removed four of the settings.

Somehow, they reappeared before the arrival of the Carters, who were quickly joined by the Gardners and their two children.

But there's more. The action now shifted to Venice, where the Western biggies had gathered to discuss their financial woes. On the last night of his visit, Carter left instructions that he wanted to dine "only with a few close aides."

The persistent Gardner showed up again, and again he brought his wife, although neither were invited to the dinner party. Maybe the envoy is planning a new career, like the lead in "The Man Who Came to Dinner"? Just asking.

To Bob Dunn

All of you
know this is
not true. I'm
sure it originated
with the
advance team.

They are old
friends. We
insisted that
they dine
with us.

J

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

03 Jul 80

FOR THE RECORD:

ORIGINAL TO RECORDS OFFICE
FOR HANDLING AND DISTRIBUTION.
(ORIGINAL EIZENSTAT MEMO IN
FILE). CC EIZENSTAT, WATSON

THE WHITE HOUSE

WASHINGTON

July 2, 1980

Electrostatic Copy Made
for Preservation Purposes

MEMORANDUM FOR THE PRESIDENT

FROM:

STU EIZENSTAT

Stu Eizenstat

SUBJECT:

Letter to Senior Executive Service

I share Scotty Campbell's concern about the morale of the Senior Executive Service and indeed all federal employees. A number of us are working now, with Scotty Campbell and Jack Watson, to develop ways in which you can take both substantive and symbolic steps to appeal to the federal workforce. However, I am concerned about Scotty's proposal that you send a letter to each of the Senior Executive Service members on the compromise reached concerning their bonuses.

My principal concern is that a letter from you to several thousand federal employees -- something you have not done before -- will be seen as overly political four months before the General Election. One story in the Washington Post critical of such a letter, and that story can be expected, would more than negate any value that might accrue from the letter. My suggestion, therefore, is that the attached statement be issued under your name and that Scotty send that statement along with a letter from him to all Senior Executive Service members. That runs less risk of criticism and also gets across our basic point -- that we are pleased that a reasonable compromise has been worked out to save the bonus system.

Scotty Campbell agrees with this approach as does OMB and Congressional Liaison. Scotty has approved the attached statement.

Approve Attached Statement

Disapprove

J

Statement by the President

Within the last several days, there have been serious efforts in the Congress to put severe limitations on the performance bonus system for the Senior Executive Service.

While the Congress has not approved the full implementation of the Senior Executive Service bonus system, I am pleased that we were able to develop a reasonable compromise under which up to 25 percent of Senior Executive Service members may receive full awards this year. The action of the Congress is especially important because it reaffirms a central principle of Civil Service Reform -- that pay should be linked to performance.

The Senior Executive Service is one of the keys to improving the efficiency and effectiveness of the Federal government. Because that effort depends in large measure on the motivation and leadership of top Federal managers, I am very appreciative of the support and assistance Senior Executive Service members have provided in making Civil Service Reform a reality.

Jimmy Carter

United States of America
**Office of
Personnel Management**

Washington, D.C. 20415

July 2, 1980

In Reply Refer To:

Your Reference:

MEMORANDUM TO THE PRESIDENT

FROM: Alan K. Campbell
Director



SUBJECT: Bonuses for the Senior Executive Service

The Senate and House Conferees on the 1980 Supplemental Budget reached a compromise early this morning on the issue of bonuses for members of the Senior Executive Service. The compromise preserved the amount which may be paid in bonuses to individual SES members up to 20 percent of base salary, but reduced the maximum percentage of the 7,000 SES members who can earn bonuses in any one year from 50 percent to 25 percent.

This is a substantial reduction; however, we anticipated that agencies would pay bonuses only to about 35 percent of those eligible and, therefore, the loss is not as great as it appears. Further, and more importantly, the Conferees' action confirmed the underlying principle of the Civil Service Reform Act and the SES that pay for Federal employees should be based on performance. The removal of the restrictions on the amount of bonuses which may be paid will allow the making of real merit distinction among those who earn bonuses.

The House, in its version of the supplemental budget, had placed a very severe restriction on the amount of bonus plus pay which could be paid to members of the Senior Executive Service (\$52,750). The Senate, in contrast, had imposed no such restrictions. As you know, the bonus system is the heart of civil service reform, and if bonuses had been lost, it would have undermined the implementation of the entire Act. The other provisions of the legislation -- merit pay for middle managers, an effective performance appraisal system, the use of the lesser standard of evidence in disciplining employees for inadequate performance, and the delegation of personnel authorities to the Departments and agencies -- would all have been adversely affected.

In the fight to save bonuses, we had substantial help from outside of Government as well as from within. (The Business Roundtable, the American Federation of Government Employees, associations of State and local government officials, the professional public administration community, Common Cause, and the editorial pages of several major newspapers (the Washington Post, the Washington Star, the New York Times, the Philadelphia Inquirer, the Milwaukee Journal, the Wall Street Journal, and the Honolulu Star-Bulletin.) Many organizations aided not only by making statements in support of the bonuses, but, also in many cases by meeting and talking with individual Members of Congress. We would not have been successful without their help.

Several Members of Congress, particularly from the Senate, spoke out strongly on our behalf. Especially adamant in their support during the deliberations of the Conference Committee were Senators Sasser, Chiles, Eagleton, Mathias, and Stevens. On the House side, Congressman Michel prepared the final compromise and Chairman Whitten accepted it.

Our chief opponents were Congressmen Adam Benjamin and Joseph McDade.

Although this action on the Supplemental will protect bonuses for Fiscal '80, we will still have to fight hard to eliminate restrictive language from the Fiscal '81 budget. The House Appropriations Committee has already included the \$52,750 cap in the Fiscal '81 legislative budget. That legislation is scheduled to come before Congress soon.

It would be useful for the morale of your Federal managers, if you would issue a letter explaining the current situation on bonuses to each member of the Senior Executive Service. A draft letter for this purpose is enclosed.

Enclosure

Agree to issue letter _____

Will not issue letter _____

Wish to discuss _____

Proposed Draft Letter To Members Of The Senior Executive Service

Dear Senior Executive:

The Congress recently took an action concerning performance bonuses for members of the Senior Executive Service and I wanted to give you my personal views on this important issue.

Most of you are aware that there was a serious and determined effort by some Members in the House of Representatives to severely restrict the amount of bonuses you could earn. In fact, the House had approved, as an amendment to the 1980 Supplemental Appropriations legislation, a pay-plus-bonus limit of \$52,750. This limit was totally unacceptable since it not only would have negated an important incentive to become a member of the SES, it would have severely restricted our ability to adequately reward and differentiate among levels of performance.

I am pleased to report to you that the full Congress has voted overwhelmingly to remove the \$52,750 restriction. As stated in the original provisions of the Civil Service Reform Act of 1978, we can pay performance bonuses of up to 20 percent of base salary and award Presidential Ranks of up to \$20,000.

The Congress, however, reduced the maximum limitation on the proportion of SES members eligible for awards from 50 percent to 25 percent. While I am disappointed in this action, and feel it is not necessary, it is a reasonable compromise and will permit us to adequately reward the most outstanding members of the SES.

The Congress' action upholds the central principle of civil service reform; that pay should be linked to performance. By permitting the payment of a full range of bonuses, we can now recognize outstanding performance in providing service to the American people and make real merit distinctions among the Federal Government's top managers.

The SES is key to this Administration's commitment to improve the efficiency and effectiveness of the Federal Government through the Civil Service Reform Act. This effort depends in large measure on the motivation, quality and leadership of top Federal managers.

I wanted you to know how pleased I am that we will be able to recognize your performance in a significant and tangible way. Thank you again for your support and assistance in making civil service reform a reality.