

[7/10/80-Not Submitted-DF]

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: [7/10/80-Not Submitted-DF]; Container 168

To See Complete Finding Aid:

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

DATE: 10 JUL 80

FOR ACTION: JACK WATSON

DF file
Watson handled
no need to submit

INFO ONLY: ZBIG BRZEZINSKI

JIM MCINTYRE

SUBJECT: CELESTE MEMO RE THE PEACE CORPS AND FOREIGN ASSISTANCE
ACTIVITIES

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM SATURDAY 12 JUL 80 +
+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

Tach.
Can you
take care
of this?

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

<input type="checkbox"/>	ADMIN CONFID
<input type="checkbox"/>	CONFIDENTIAL
<input type="checkbox"/>	SECRET
<input type="checkbox"/>	EYES ONLY

ACTION
FYI

<input type="checkbox"/>	VICE PRESIDENT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	CUTLER
<input type="checkbox"/>	DONOVAN
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<input type="checkbox"/>	MCDONALD
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<input type="checkbox"/>	TORRES
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WISE

151
RH

Peace Corps

Washington, D.C. 20525

July 2, 1980

The President
The White House
Washington, DC 20500

074655

Dear Mr. President:

I need your direction. When you appointed me Peace Corps Director, when you issued the "autonomy" executive order, and each time we have spoken, you have indicated particular enthusiasm for the unique resource which Peace Corps represents in the international arena.

During the past year, 5,800 Peace Corps Volunteers have been caught in a vicious squeeze between raging inflation in the Third World countries and immobile funding due to the Continuing Resolution on Foreign Assistance. Still, we have stretched our resources to respond to critical needs such as returning Peace Corps Volunteers to Nicaragua.

We have paid a heavy price in deferred efforts during the past eight months: language training weakened, living allowance adjustments delayed, vehicles abandoned and not replaced, and--most of all--400 fewer volunteers in the field.

Our hope has been eventual Congressional action on some portion of our FY 80 appropriation. Thus, I was shocked and dismayed to learn this morning from Tom Ehrlich--after the decision had been communicated to Chairman Long--that "Peace Corps was not considered a number one priority" for funding in the Omnibus Supplemental. Even Peace Corps' minimum need of \$2.565 million above the Continuing Resolution was not included in the \$480 million package that was outlined to Long.

Since Peace Corps is one of the few programs in the foreign assistance field with a broad constituency, I am doubly concerned that your interests, as well as your chance to make a decision with all of the facts at hand, were not well served by this process.

Can you indicate for me, and others who work on foreign assistance matters, the priority you want to give Peace Corps among the foreign assistance activities--as, for example, below direct economic support to Nicaragua but above International Narcotics Control and International Military Education--so that, for the future at least, we can all sing from the same hymnal?

The President
July 2, 1980
Page 2

Can you designate someone within the Executive Office who bears specific responsibility to make sure that I am invited when policy matters that will have an impact on Peace Corps are under discussion?

Peace Corps offers you and this Administration a special kind of resource in the foreign assistance field, a popular vehicle with a real domestic constituency. I urge that Peace Corps be considered a number one priority when it comes to allocating any remaining foreign assistance resources in FY 80 and in FY 81.

Thank you.

Sincerely,



Richard F. Celeste
Director

cc: Tom Ehrlich, Director, IDCA
Henry Owen, NSC

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

ID # 074655

O - OUTGOING
 H - INTERNAL
 I - INCOMING
 Date Correspondence Received (YY/MM/DD) 80107107

Name of Correspondent: Richard F. Celeste

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: ^{President} Requests clarification concerning the President's priority that he wants to give Peace Corps among the foreign assistance activities. Also requests that he be invited when policy matters that will have an impact on Peace Corps are under discussion.

ROUTE TO:	ACTION	Tracking Date	Type of Response	Completion Date
Office/Agency (Staff Name)	Action Code	YY/MM/DD	Code	YY/MM/DD
<u>SS Hute</u>	ORIGINATOR	<u>80107108</u> ^{PM 17}		
_____	-			
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ACTION CODES:
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 C - Comments R - Direct Reply w/Copy
 D - Draft Response S - For Signature
 F - Fact Sheet X - Interim Reply

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FOR OUTGOING CORRESPONDENCE:
 Type of Response = Initials of Signer
 Code = "A"
 Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original Incoming letter.
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 Always return completed correspondence record to Central Files.
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RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: _____ Media: L Individual Codes: 1.140 _____

Prime Subject Code: FG 066-01 Secondary Subject Codes: FI 004
CO 114
FO 003-02

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
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- L** - Letter
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- O** - Memo
- P** - Photo
- R** - Report
- S** - Sealed
- T** - Telegram
- V** - Telephone
- X** - Miscellaneous
- Y** - Study

ID 803665.

THE WHITE HOUSE
WASHINGTON

DATE: 10 JUL 80

FOR ACTION: JACK WATSON

INFO ONLY: ZBIG BRZEZINSKI

JIM MCINTYRE

SUBJECT: CELESTE MEMO RE THE PEACE CORPS AND FOREIGN ASSISTANCE
ACTIVITIES

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM SATURDAY 12 JUL 80 +
+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

*Jack - can you take care of this?
Rick Hutcheson*

*We did -
no need to forward
CWS*

(he sent us a copy last week)

Peace Corps

Washington, D.C. 20525

July 2, 1980

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The White House
Washington, DC 20500

074655

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July 2, 1980
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Thank you.

Sincerely,



Richard F. Celeste
Director

cc: Tom Ehrlich, Director, IDCA
Henry Owen, NSC

7/11

Rick -

Hold Celeste memo;

Watson, McDonald &

Henry Owen will work

it out w/ Celeste without

The President

TSy

ID 803556

THE WHITE HOUSE

WASHINGTON

DATE: 10 JUL 80

FOR ACTION: STU EIZENSTAT

not submitted per DPS

INFO ONLY: THE VICE PRESIDENT

JACK WATSON

JIM MCINTYRE

CHARLES SCHULTZE

SUBJECT: KLUTZNICK MEMO RE TAX POLICY RECOMMENDATIONS FOR 1981

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (455-7052) +

+ BY: 1200 PM SATURDAY 12 JUL 80 +

+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

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 pls advise
 re handling

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<input checked="" type="checkbox"/>	FOR APPROPRIATE HANDLING
<input type="checkbox"/>	LAST DAY FOR ACTION

> summary

ACTION
 FYI

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<input type="checkbox"/>	TORRES
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<input type="checkbox"/>	WISE



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

JUL 3 1980

"Priority"

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Tax Policy Recommendations for 1981

074657

I. Introduction

For some weeks, I have been reporting to you in my weekly letters that the outside pressure for the Administration to consider tax cuts in 1980 to become effective in 1981 was mounting in the business community. Per my report to you of June 27, we have been working to delineate specific tax proposals to be considered by the Administration inter alia. In light of recent events, I am taking the liberty of forwarding them to you now. It is our belief that Administration tax policy must be designed to meet not only the short-run problems of restoring consumer incomes and business balance sheets eroded by rapid inflation; but also the longer term, more intractable problems of revitalizing the American economy to meet the challenges of the 1980's.

These considerations argue forcefully that a substantial share of the prospective tax cut be allocated to stimulating capital formation and research and development as a means of increasing our productivity, reducing the underlying rate of inflation, and restoring our competitive position in world markets.

The following paragraphs detail our strong recommendation for a tax cut of approximately \$30 billion, evenly divided between individuals and business. The business share includes a simplification and acceleration of depreciation, tax incentives for R&D and innovation, and a Social Security tax credit. The individual share of the tax cut includes a Social Security tax credit, combined with personal income tax deductions.

We are forwarding a copy of this memorandum and supplementary materials to Secretary Miller setting forth the details of these proposals. In addition, similar materials are being forwarded to Messrs. Eizenstat, Schultze and McIntyre.

II. Size and Composition of the Tax Cut

A tax cut of approximately \$30 billion would provide major incentives to consumer spending and long-term business investment, but would still be consistent with an overall policy of fiscal restraint designed to reduce inflation.

If it became effective in January, a cut of this magnitude could increase the growth rate in 1981 to the 3.0 percent range, about 1 percentage point higher than if there were no policy change. By December, unemployment could be one-half percent lower than without a tax cut. The Federal deficit, which could be \$20 billion in 1981, owing to the short-fall of receipts, would increase to about \$40 billion.

While much of the public debate on a tax cut has focused on the overall size and timing, we put stress on its composition. The short term problems of weak demand ought not be allowed to obscure our vision of equally serious and more enduring economic problems. The economic policy of this Administration--our anti-inflation program, the industrial innovation initiative, regulatory reform efforts, trade reorganization--has been marked by constant determination to solve longer-term problems. Business tax cuts, including major new capital and R&D investment incentives, and totaling about 50 percent of the overall package, would emphasize this determination.

III. Provisions of Proposed Personal Tax Reduction

We recommend personal tax deductions totaling \$15 billion designed to increase demand and reduce unemployment. They need not add to inflationary pressure, if we maintain strict control over Federal expenditures:

A. A Social Security Tax Credit. A credit against Social Security taxes for individuals, parallel to that proposed for business, would provide households with \$9 billion in tax relief in 1981. (Discussed in more detail below.)

B. Income Tax Cuts. Our proposal would further slow the increase in individuals' effective tax rates by combining a Social Security tax credit with a \$6 billion reduction in personal income taxes.

IV. Provisions of Proposed Business Tax Reductions

We recommend business tax reductions totaling approximately \$15 billion, to include:

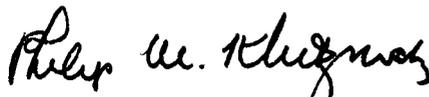
A. Accelerated Depreciation. Appropriate revisions to existing depreciation rules would offset the adverse effects of inflation on business investment, simplify the tax code and thereby improve the rate of capital formation. In this regard, Treasury's constant rate depreciation plan is superior to Jones-Conable because it involves a much smaller revenue loss and has a more balanced impact across industries.

We support the Treasury plan but propose it be modified by combining categories of assets with similar depreciation lives, reducing the number of categories from 30 to about 15. This simplification would not be costly and would make the measure accessible to more businesses. Moreover, it would respond to widespread appeals by business and Congress for significant depreciation changes while seizing political initiative from the advocates of Jones-Conable and Congressman Ullman's six-category proposal. (Cost: \$5-6 billion.)

B. A Social Security Tax Credit. A return to sustained growth in business investment requires not only changes in depreciation but also reductions in taxes aimed at lowering business costs and decreasing inflationary pressures next year. This immediate need can be accomplished most effectively by offsetting the business share of next January's Social Security tax increases with a 10 to 12 percent tax credit granted against total Social Security taxes paid. Such a proposal would receive considerable support on the Hill, and has already been endorsed by several leaders of the Business Roundtable. In addition, tax relief in this form could avoid the issue of using general revenue to finance Social Security. (Cost: \$8 billion.)

C. Incentives for R&D and Innovation. As part of your industrial innovation message, you committed the Administration to evaluate tax incentives to stimulate R&D and innovation. We recommend that the Administration's tax proposal include a package of six incentives: three aimed specifically at increasing investment in small and medium-sized technology based firms, which have traditionally been prime contributors to innovation and growth; and three aimed at increasing R&D and innovation across all types and sizes of firms. I believe that these proposals would reap major benefits in terms of productivity growth and reduced inflationary pressures. (Cost: \$500 million.)

D. Increase Export Incentives. As I have previously indicated, I believe it is essential that we modify Sections 911-913 of the Internal Revenue Code (the tax treatment of Americans working abroad). These provisions are a serious disincentive to exporting and contradict our emphasis on renewed American competitiveness in world markets. You will be receiving within the next week a memorandum on export promotion disincentives which asks for your decision on changes to these tax provisions.


Secretary of Commerce

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

ID # 074657

O - OUTGOING

H - INTERNAL

T - INCOMING

Date Correspondence Received (YY/MM/DD) 88107107

Name of Correspondent: Philip M. Klutznick

MI Mail Report

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

Subject: Submits "Tax Policy Recommendations for 1981"

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>SS Hute</u>	ORIGINATOR	<u>88107108</u> ^{Py: ?}			<u>1 1</u>
		<u>1 1</u>			<u>1 1</u>
	Referral Note:				
		<u>1 1</u>			<u>1 1</u>
	Referral Note:				
		<u>1 1</u>			<u>1 1</u>
	Referral Note:				
		<u>1 1</u>			<u>1 1</u>
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FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
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Comments: _____

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RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: _____ Media: 0 Individual Codes: 1.120 _____

Prime Subject Code: FI 010.02 Secondary Subject Codes: EG 020.
BE 004.

PRESIDENTIAL REPLY

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

SIGNATURE CODES:

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