

8/21/80 [2]

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 8/21/80 [2]; Container 172

To See Complete Finding Aid:

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

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE

WASHINGTON

August 21, 1980

①

MEMORANDUM FOR THE PRESIDENT

FROM: RICK HUTCHESON *R.H.*
SUBJECT: Memos Not Submitted

1. DOUG COSTLE MEMO suggesting that you adopt a set of principles to give a more coherent framework to the effort to develop an industrial policy. He suggests:
 - o reindustrialization should solve -- not defer -- environmental, health and safety problems;
 - o industrial policy should promote the growth of those industries which can be most competitive in the long run;
 - o industrial policies should evolve from joint business/labor/ government discussions.EPG members have copies of Costle's memo.
2. JIM MCINTYRE reporting a violation of the Antideficiency Act by the FHLB. OMB is satisfied that no presidential action is needed.
3. HENRY OWEN reports that Tom Ehrlich is taking a number of steps to strengthen existing links between the US private sector and developing countries, following up on a comment you made at a recent foreign aid budget session.
4. SECRETARY MARSHALL MEMO reporting on the recent ILO Conference. "While it adopted a highly political Arab resolution condemning Israel for its settlement policy, it also rejected USSR efforts to weaken ILO human rights machinery and censured Czechoslovakia and Argentina for serious human rights violations. On balance, I consider the results of the Conference to be positive ..."
5. ROUTINE CAB DECISIONS with Cutler and all agencies concurring;
Dockets 37934, 38056, 36942, 27817, 30697, 37486, 37960, 37961, 33963, 36419, 34573, 37865, 32417, 32637, 37691, 32638, 37839, 37355, 37596, all either authorize or renew foreign air carrier permits for various airlines or amend permits to add additional stops.

6. GUS SPETH MEMO, expressing concern that CEQ is being excluded from decision-making on the new economic program. He asks that you give consideration to these points:

- o Environmental regulations are not a major cause of declining productivity or increasing prices (0.3 of a percentage point to the annual rate of increase to the CPI according to Data Resources, Inc., which also found that environmental regulation reduced unemployment by 0.25 of a point per year).
- o The new program should emphasize publicly that your "reindustrialization" initiatives complement and do not undercut beneficial regulatory programs. We should not bequeath to future generations problems like the environmental ones which we discovered in the 1960s and 1970s.
- o Reliance on a tripartite partnership of government, industry and labor excludes an important fourth element, representing consumer, environmental and community interests.
- o Cooperation between government and industry should not be a one-way street. If we help industry, we should also expect to receive concessions from industry, e.g., environmental and consumer representation on corporate boards.

The EPG members have copies of Speth's memo.

WASHINGTON

DATE: 22 AUG 80

FOR ACTION:

INFO ONLY: SECRETARY MILLER

CHARLIE SCHULTZE

ALFRED KAHN

STU EIZENSTAT

SUBJECT: SPETH MEMO RE ADMINISTRATION'S NEW ECONOMIC RECOVERY

PROGRAM: UNRESOLVED ISSUES

+++++

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

+ BY: +

+++++

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

August 20, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Gus Speth 
SUBJECT: Administration's New Economic Recovery Program:
Unresolved Issues

You are about to take the initiative and exercise leadership in establishing a new economic recovery program. The program should be a major contribution to the effort to come to grips with the current economic situation. I wholeheartedly support this effort.

This is the historic, formative period for the program. I want to invite your attention to a set of considerations that might be neglected in the decisionmaking process and which ought to be prominent factors in any decisions that are made. Besides affecting productivity, jobs, and growth, your decisions could have lasting consequences that would affect other fundamental issues such as the quality of life and our nation's environment, the future course of government regulation, the balance of power among major segments of society, and corporate responsibility.

I would not burden you with a discussion of these issues but for the fact that the Council is almost wholly excluded from the decisionmaking process on the new economic recovery program. I am deeply concerned that full consideration be given to the following factors in the development and announcement of the program.

o Threat to beneficial regulations. Many business leaders when asked what government can do to reduce inflation or improve productivity, single out environmental, consumer, occupational, and other regulations for attack. Thus, regulatory relaxations easily become part of the bargaining process when assistance policies are developed with industry group participation. To allow this to happen beyond, for example, the modest extent contained in the recent auto package would be a serious error.

These regulations are not the major cause of declining productivity or increasing prices. A February 1979 macroeconomic analysis by Data Resources, Inc. found that between 1970 and 1978 federal environmental legislation added only about 0.3 of a percentage point to the annual rate of increase of the CPI; i.e., a 9.4% inflation rate would have been 9.1% without federal environmental requirements. Moreover, DRI found that environmental regulation reduced unemployment by an average of 0.25 of a percentage point per year over the same period; i.e., added about 250,000 jobs in 1978.

A 1978 Senate Government Affairs Committee report concluded that strong justification exists for continued health, safety, and environmental regulation. A December, 1979, study for CEQ estimated that the benefits of federal air pollution control requirements amounted to \$21.4 billion in 1978. CEQ estimated the costs of complying with the Clean Air Act were \$16.6 billion in 1978. Thus, net benefits were about \$4.8 billion. And public opinion polls have consistently shown that the American public favors more, not less, environmental protection regulation even if it means paying more for these programs in higher prices and taxes.

An August 1980 Harvard Business Review article that carefully analyzed U.S. business management practices argues that corporate management itself is a major cause of our sluggish economic performance primarily because of a commitment to "short-term cost reduction rather than [to] long-term development of technological competitiveness". Explanations based on "proliferation of regulation", for example, were found inadequate.

If major industries are to be revitalized, it is essential that environmental and other public protection regulations be relied on to guide the process so that we will not bequeath to future generations problems like the environmental ones which we discovered in the 1960's and 1970's. We should also encourage careful environmental and community planning in the siting and design of new industry facilities and their infrastructure. "Reindustrialization" offers a major environmental opportunity to overcome the poor planning of the past. We should not let that opportunity pass.

When you announce the new economic recovery program, I strongly recommend that you reaffirm for industry and the public your commitment to our beneficial regulatory programs. Of course, the new program may include regulatory reform initiatives such as EPA's "bubble" and "offset" policies which enable industries to comply more efficiently and cheaply with air pollution control requirements. But the new program should emphasize publicly that your "reindustrialization" initiatives complement and do not undercut these beneficial regulatory programs.

o Exclusion of the public. Reliance on a tripartite "partnership" of government, industry, and labor for reviewing industries and developing new policies excludes important segments of the affected public -- consumers, those with environmental concerns, affected communities. The entire thrust of the public participation movement has been premised on the accurate perception that government serves as a broker among competing interests. Those who are not at the bargaining table are not effectively represented. Thus, the tripartite approach could result in basic economic policies being developed and decided without full consideration of the interests and concerns of the affected public.

The tripartite approach could forge a partnership among the most powerful forces in the U.S. economy. This "partnership" could influence significantly a broad range of government decisions and exercise effective control over a large share of the taxpayers' dollars. Some commentators have suggested that the final outcome could be a concentration of power almost solely in government and industry.

It is therefore important to broaden the tripartite arrangement to include, at a minimum, a fourth element representing consumer, environmental, and community interests.

o A one-way street. A commendable effort is apparently underway to reduce the adversarial relationships between government and business.

It is important to remember that industry complaints about adversarial relations in part reflect a call to return to times when business got most of what it wanted from government. Other key groups in our society have "adversarial relations" with government and would also like government to be more responsive to their concerns. For example, environmental, consumer, civil rights, and civil liberties groups have often sought redress for what they perceive to be -- and what often is -- government unresponsiveness. Thus, as efforts proceed to reduce adversarial relationships with business, the government should be equally responsive to reducing adversarial relationships with other interests.

Moreover, reducing adversarial relations with business must not be a one-way street. If we help industry, we should also seek and expect to receive cooperation and concessions from industry. We need greater business responsiveness to complying with environmental and consumer requirements. We also need to work with the business community on building greater social responsibility and public involvement into corporate governance. Both sides -- business and government -- stand to gain from a new approach which supplements traditional regulation with a new focus on efforts to improve corporate governance and social responsibility.

We need to ensure the independence and representativeness of the boards of directors of large corporations. A strong majority of board members should be from outside corporate management and a significant portion should be from the public communities that are affected by the companies' activities: consumers, citizens from plant towns, employees, environmentalists. We also need to require broader corporate disclosures through periodic social audits or reports which provide the public with information needed for determining if a corporation is acting responsibly.

These corporate responsibility efforts should be a major part of any efforts to establish new industrial policies, such as reducing business/government adversarial relations.

Conclusion

I strongly support the goals of your economic recovery program to provide jobs for the unemployed, to improve productivity, and to reduce inflation. Because the program could also fundamentally affect the quality of life and our nation's environment, environmental and public health regulation, and citizen participation in government decisionmaking -- issues which are of particular concern to me and for which I have a special responsibility -- I ask that the issues discussed above be seriously and fully considered in the development and announcement of the program and that I be included in the follow-up and further development phases of the program.

THE WHITE HOUSE
WASHINGTON

8/20/80

TO: JACK WATSON
FROM: RICK HUTCHESON



Gus Speth strongly wants the attached memo to go to the President. Gus complains about CEQ's exclusion from the group developing the new economic package, and makes several other points.

I prefer to fold Gus' memo into the package being developed by EPG.

- send memo to EPG for handling
- summarize memo for the President and send to EPG for handling
- send memo into the President with info copies to the EPG.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

August 20, 1980

MEMORANDUM FOR THE PRESIDENT

FROM:

Gus Speth 

SUBJECT:

Administration's New Economic Recovery Program:
Unresolved Issues

You are about to take the initiative and exercise leadership in establishing a new economic recovery program. The program should be a major contribution to the effort to come to grips with the current economic situation. I wholeheartedly support this effort.

This is the historic, formative period for the program. I want to invite your attention to a set of considerations that might be neglected in the decisionmaking process and which ought to be prominent factors in any decisions that are made. Besides affecting productivity, jobs, and growth, your decisions could have lasting consequences that would affect other fundamental issues such as the quality of life and our nation's environment, the future course of government regulation, the balance of power among major segments of society, and corporate responsibility.

I would not burden you with a discussion of these issues but for the fact that the Council is almost wholly excluded from the decisionmaking process on the new economic recovery program. I am deeply concerned that full consideration be given to the following factors in the development and announcement of the program.

o Threat to beneficial regulations. Many business leaders when asked what government can do to reduce inflation or improve productivity, single out environmental, consumer, occupational, and other regulations for attack. Thus, regulatory relaxations easily become part of the bargaining process when assistance policies are developed with industry group participation. To allow this to happen beyond, for example, the modest extent contained in the recent auto package would be a serious error.

These regulations are not the major cause of declining productivity or increasing prices. A February 1979 macroeconomic analysis by Data Resources, Inc. found that between 1970 and 1978 federal environmental legislation added only about 0.3 of a percentage point to the annual rate of increase of the CPI; i.e., a 9.4% inflation rate would have been 9.1% without federal environmental requirements. Moreover, DRI found that environmental regulation reduced unemployment by an average of 0.25 of a percentage point per year over the same period; i.e., added about 250,000 jobs in 1978.

A 1978 Senate Government Affairs Committee report concluded that strong justification exists for continued health, safety, and environmental regulation. A December, 1979, study for CEQ estimated that the benefits of federal air pollution control requirements amounted to \$21.4 billion in 1978. CEQ estimated the costs of complying with the Clean Air Act were \$16.6 billion in 1978. Thus, net benefits were about \$4.8 billion. And public opinion polls have consistently shown that the American public favors more, not less, environmental protection regulation even if it means paying more for these programs in higher prices and taxes.

An August 1980 Harvard Business Review article that carefully analyzed U.S. business management practices argues that corporate management itself is a major cause of our sluggish economic performance primarily because of a commitment to "short-term cost reduction rather than [to] long-term development of technological competitiveness". Explanations based on "proliferation of regulation", for example, were found inadequate.

If major industries are to be revitalized, it is essential that environmental and other public protection regulations be relied on to guide the process so that we will not bequeath to future generations problems like the environmental ones which we discovered in the 1960's and 1970's. We should also encourage careful environmental and community planning in the siting and design of new industry facilities and their infrastructure. "Reindustrialization" offers a major environmental opportunity to overcome the poor planning of the past. We should not let that opportunity pass.

When you announce the new economic recovery program, I strongly recommend that you reaffirm for industry and the public your commitment to our beneficial regulatory programs. Of course, the new program may include regulatory reform initiatives such as EPA's "bubble" and "offset" policies which enable industries to comply more efficiently and cheaply with air pollution control requirements. But the new program should emphasize publicly that your "reindustrialization" initiatives complement and do not undercut these beneficial regulatory programs.

o Exclusion of the public. Reliance on a tripartite "partnership" of government, industry, and labor for reviewing industries and developing new policies excludes important segments of the affected public -- consumers, those with environmental concerns, affected communities. The entire thrust of the public participation movement has been premised on the accurate perception that government serves as a broker among competing interests. Those who are not at the bargaining table are not effectively represented. Thus, the tripartite approach could result in basic economic policies being developed and decided without full consideration of the interests and concerns of the affected public.

The tripartite approach could forge a partnership among the most powerful forces in the U.S. economy. This "partnership" could influence significantly a broad range of government decisions and exercise effective control over a large share of the taxpayers' dollars. Some commentators have suggested that the final outcome could be a concentration of power almost solely in government and industry.

It is therefore important to broaden the tripartite arrangement to include, at a minimum, a fourth element representing consumer, environmental, and community interests.

o A one-way street. A commendable effort is apparently underway to reduce the adversarial relationships between government and business. It is important to remember that industry complaints about adversarial relations in part reflect a call to return to times when business got most of what it wanted from government. Other key groups in our society have "adversarial relations" with government and would also like government to be more responsive to their concerns. For example, environmental, consumer, civil rights, and civil liberties groups have often sought redress for what they perceive to be -- and what often is -- government unresponsiveness. Thus, as efforts proceed to reduce adversarial relationships with business, the government should be equally responsive to reducing adversarial relationships with other interests.

Moreover, reducing adversarial relations with business must not be a one-way street. If we help industry, we should also seek and expect to receive cooperation and concessions from industry. We need greater business responsiveness to complying with environmental and consumer requirements. We also need to work with the business community on building greater social responsibility and public involvement into corporate governance. Both sides -- business and government -- stand to gain from a new approach which supplements traditional regulation with a new focus on efforts to improve corporate governance and social responsibility.

We need to ensure the independence and representativeness of the boards of directors of large corporations. A strong majority of board members should be from outside corporate management and a significant portion should be from the public communities that are affected by the companies' activities: consumers, citizens from plant towns, employees, environmentalists. We also need to require broader corporate disclosures through periodic social audits or reports which provide the public with information needed for determining if a corporation is acting responsibly.

These corporate responsibility efforts should be a major part of any efforts to establish new industrial policies, such as reducing business/government adversarial relations.

Conclusion

I strongly support the goals of your economic recovery program to provide jobs for the unemployed, to improve productivity, and to reduce inflation. Because the program could also fundamentally affect the quality of life and our nation's environment, environmental and public health regulation, and citizen participation in government decisionmaking -- issues which are of particular concern to me and for which I have a special responsibility -- I ask that the issues discussed above be seriously and fully considered in the development and announcement of the program and that I be included in the follow-up and further development phases of the program.

THE WHITE HOUSE
WASHINGTON
28 Jul 80

Records Office

The Legal Counsel's Office concurs
with the attached CAB Decisions: ³⁷⁹⁶⁰
Dockets: 30697, 37486, 37961, 37691,
333963, 36419, 34573, 37865, 32417, 32637,
32638, 37839. Please have appropriate
letters autopenned.

Thanks.

Marion Bartle
Rick Hutcheson's office
7052

Summary



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUL 22 1980

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decision:

Air Florida, Inc.

Docket 37839

Due Date: August 15, 1980

The Civil Aeronautics Board proposes to amend a foreign route certificate of Air Florida, Inc., which will authorize the firm to provide foreign air transportation of persons, property and mail between the terminal point Miami, Florida, and coterminal points in Belgium, The Netherlands and Switzerland. The proposed action does not include authority to provide all-cargo services in this market.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the Board's order in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decision by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's order within the 60 days allowed by statute for your review. Also, OMB recommends that you state in your letter that no national defense or foreign policy reason underlies your action. This will preserve whatever opportunity is available under the statute for judicial review.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letter of transmittal
CAB order
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's order and preserve whatever opportunity is available for judicial review (DOS, DOD, DOJ, DOT, NSC, OMB).
-- Sign the attached letter to the Chairman.
- 2) Approve the Board's order and do nothing to preserve whatever opportunity is available for judicial review.
-- Implementation materials to be prepared.
- 3) Disapprove the Board's order.
-- Implementation materials to be prepared.
- 4) See me.



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

JUL 17 1980

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decisions:

Virgin Islands Air Services, Inc. Aero Finance Corporation

Docket 32417 Dockets 32637, 32638

Due Date: August 4, 1980 Due Date: August 24, 1980

The Civil Aeronautics Board, for almost two years, has been reviewing the applications for domestic and international charter authority received from over sixty firms in the Former Large Irregular Air Service Investigation (Dockets 33361, 33362, 33363). The Board proposes to take the following actions with regard to the above international aviation cases which are a part of this larger proceeding:

- A certificate of public convenience and necessity will be issued to Virgin Islands Air Services, Inc., authorizing the firm to engage in interstate and overseas charter air transportation. In addition, the Board will issue a companion certificate authorizing Virgin Islands Air Services, Inc., to engage in foreign air transportation.
- A certificate of public convenience and necessity will be issued to Aero Finance Corporation, authorizing the firm to engage in interstate and overseas charter air transportation. In addition, the Board will issue a companion certificate authorizing Aero Finance Corporation to engage in foreign air transportation.

In each of these international aviation cases, the Board's policy has been to respond favorably to charter air transportation services applicants so that these new firms will act as a competitive spur to the rest of the air transport industry.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the orders in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decisions by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's orders within the 60 days allowed by statute for your review.

/s/ R. O. Schlickeisen

R.O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letters of transmittal
CAB orders
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's orders. (DOS, DOD, DOJ, DOT, NSC, OMB).
-- Sign the attached letter to the Chairman.
- 2) Disapprove the Board's orders.
-- Implementation materials to be prepared.
- 3) See me.



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

ACTION

JUL 18 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decisions:

Texas-Alberta-Alaska Case
Docket 36419
Due Date: August 4, 1980

Anchorage-London Service Case
Docket 34573
Due Date: August 8, 1980

Denver-London Service Case
Docket 37865
Due Date: August 26, 1980

The Civil Aeronautics Board proposes to take the following actions with regard to the above international aviation cases:

- A route certificate will be issued to Western Air Lines, Inc., authorizing the firm to provide air transportation services between the coterminal points Houston and Dallas/Ft. Worth, Texas, and the intermediate points Calgary and Edmonton, Alberta, Canada, and the coterminal points Anchorage and Fairbanks, Alaska. The United States-Canada Air Transport Services Agreement permits the United States to designate only one U.S. airline to serve the Texas-Alberta-Alaska route. Continental Air Lines, Inc., will receive back-up route authority which would become effective if Western is unable or unwilling to provide service to this market.
- A route certificate will be issued to Western Air Lines, Inc., authorizing the firm to provide air transportation services between the terminal point Anchorage, Alaska, and the terminal point London, United Kingdom, for a period of three years. Northwest Airlines, Inc., will receive back-up route authority which would become effective if Western is unable or unwilling to provide service to this market.
- A route certificate will be issued to Western Air Lines, Inc., authorizing the firm to provide air transportation services between the terminal point Denver, Colorado, and the terminal point London, United Kingdom, for a period of three years. The current United States-United Kingdom air transport agreement permits the United States to designate one U.S. airline to provide nonstop service between Denver and London (to be served through London-Gatwick Airport). Continental Air Lines, Inc., will receive back-up route authority which would become effective if Western is unable or unwilling to provide service to this market.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the Board's orders in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decisions by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's orders within the 60 days allowed by statute for your review. Also, OMB recommends that you state in your letter that no national defense or foreign policy reason underlies your action. This will preserve whatever opportunity is available under the statute for judicial review.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letters of transmittal
CAB orders
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's orders and preserve whatever opportunity is available for judicial review.
(DOS, DOD, DOJ, DOT, NSC, OMB.)
-- Sign the attached letter to the Chairman.
- 2) Approve the Board's orders and do nothing to preserve whatever opportunity is available for judicial review.
-- Implementation materials to be prepared.
- 3) Disapprove the Board's orders.
-- Implementation materials to be prepared.
- 4) See me.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUL 18 1980

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decisions:

Servicio Aereo De Honduras,
S.A. (SAHSA)
Docket 37486
Due Date: August 4, 1980

Alkan Air, Ltd.
Docket 37961
Due Date: August 25, 1980

Interprovincial Airways, Ltd.
Docket 37691
Due Date: August 25, 1980

333963 Ontario, Limited d/b/a
Channing Aviation
Docket 37933
Due Date: August 25, 1980

Weyburn Flying Services, Ltd.
Docket 37960
Due Date: August 25, 1980

The Civil Aeronautics Board proposes to take the following actions with regard to the above international aviation cases:

- The foreign air carrier permit of Servicio Aereo De Honduras, S.A. (SAHSA), authorizing the Honduran firm to provide foreign air transportation of passengers, cargo and mail between Honduras and the United States, will be amended to add Houston and New York as additional service points for a period of five years.
- A foreign air carrier permit will be issued to Alkan Air, Ltd., authorizing the Canadian firm to engage in small aircraft charter transportation of persons and accompanied baggage as well as planeload charter cargo services, between any point or points in Canada and the United States.
- A foreign air carrier permit will be issued to Interprovincial Airways, Ltd., authorizing the Canadian firm to engage in small aircraft charter transportation of persons and accompanied baggage as well as planeload charter cargo services, between any point or points in Canada and the United States.
- A foreign air carrier permit will be issued to 333963 Ontario, Limited d/b/a Channing Aviation, authorizing the Canadian firm to engage in small aircraft charter transportation of persons and accompanied baggage as well as planeload charter cargo services, between any point or points in Canada and the United States.

- A foreign air carrier permit will be issued to Weyburn Flying Services, Ltd., authorizing the Canadian firm to engage in small aircraft charter transportation of persons and accompanied baggage as well as planeload charter cargo services, between any point or points in Canada and the United States.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the orders and they have no objection to the Board's proposed orders.

The Office of Management and Budget recommends that you approve the Board's decisions by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's orders within the 60 days allowed by statute for your review.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letters of transmittal
CAB orders
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's orders. (SOS, DOD, DOJ, DOT, NSC, OMB).
-- Sign the attached letter to the Chairman.
- 2) Disapprove the Board's orders.
-- Implementation materials to be prepared.
- 3) See me.



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

JUL 25 1980

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decision:
Caribbean Area Service Investigation
Docket 30697
Due Date: August 4, 1980

The Civil Aeronautics Board proposes to amend the foreign air transportation certificates of Air Florida, Braniff, Conner, Eastern, Evergreen International, Northwest, Ozark, Pan American, Republic, Trans Carib and Western Airlines. This action would create new opportunities for foreign air transportation services between 21 U.S. gateway cities, and 28 Caribbean points, plus 2 Columbian points.

The Caribbean Area Service Investigation includes two past Board orders already reviewed and approved by you. The previous orders authorized increased international air transportation between the U.S., and the Caribbean area. The order currently under consideration addresses petitions for reconsideration of those past orders and acts on additional matters related to the case.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the Board's order in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decision by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's order within the 60 days allowed by statute for your review. Also, OMB recommends that you state in your letter that no national defense or foreign policy reason underlies your action. This will preserve whatever opportunity is available under the statute for judicial review.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letter of transmittal
CAB order
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's order and preserve whatever opportunity is available for judicial review (DOS, DOD, DOJ, DOT, NSC, OMB).
-- Sign the attached letter to the Chairman.
- 2) Approve the Board's order and do nothing to preserve whatever opportunity is available for judicial review.
-- Implementation materials to be prepared.
- 3) Disapprove the Board's order.
-- Implementation materials to be prepared.
- 4) See me.

THE WHITE HOUSE

WASHINGTON

To Chairman Marvin Cohen

I have reviewed the following order proposed by the Civil
Aeronautics Board:

Caribbean Area Service Investigation

Docket 30697

I do not intend to disapprove the Board's order within the 60
days allowed by statute. No foreign policy or national
defense reason underlies my action.

Sincerely,

The Honorable Marvin S. Cohen
Chairman
Civil Aeronautics Board
Washington, D.C. 20428

THE WHITE HOUSE

WASHINGTON

08 Aug 80

Records Office

The Legal Counsel's office
concur with the attached
CAB decision Docket 37355.
Please have letter autopenned.

Marion Bartle
Rick Hutcheson's office

Summary

10 4070



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

AUG 6 1980

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decision:
British Caledonian Airways, Limited
Docket 37855
Due Date: September 8, 1980

The Civil Aeronautics Board proposes to amend the foreign air carrier permit of British Caledonian Airways, Limited, in order to authorize it to serve St. Louis, Missouri.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the Board's order in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decision by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's order within the 60 days allowed by statute for your review.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letter of transmittal
CAB order
Letter to the Chairman

Options and Implementation Actions:

- 1) Approve the Board's order. (DOS, DOD, DOJ, DOT, NSC, OMB).
-- Sign the attached letter to the Chairman.
- 2) Disapprove the Board's order.
-- Implementation materials to be prepared.
- 3) See me.

THE WHITE HOUSE
WASHINGTON

07 Aug 80

Records Office --

The legal counsel's office
concurs with the attached
CAB decision Docket 37596.
Please have letter autopenned.

Thanks
Marion Bartle
Rick Hutcheson's office

JD
4009

Summary



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

AUG 1 1980

ACTION

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Civil Aeronautics Board Decision:

United States-Germany Show Cause Proceeding

Docket 37596

Due Date: August 15, 1980

The Civil Aeronautics Board proposes to amend the foreign air transportation certificates of American, Braniff, Capitol, Continental, Delta, DHL, Eastern, Evergreen, Northwest, Pan American, Piedmont, Seaboard, Transamerica, Trans World, United, U.S. Air, Western, World Airlines and Trans Carib Airlines (if its foreign route certificate is approved). The Board's proposed action would authorize these airlines to provide air transportation of persons, property, and mail between a point or points in the U.S., excluding Boston, Sarasota/Bradenton, and West Palm Beach, and a point or points in the Federal Republic of Germany. The Board's action would not authorize all cargo transport services and includes other minor restrictions.

The Departments of State, Defense, Justice and Transportation and the National Security Council have not identified any foreign policy or national defense reasons for disapproving the Board's order in whole or in part.

The Office of Management and Budget recommends that you approve the Board's decision by signing the attached letter to the Chairman which indicates that you do not intend to disapprove the Board's order within the 60 days allowed by statute for your review. Also, OMB recommends that you state in your letter that no national defense or foreign policy reason underlies your action. This will preserve whatever opportunity is available under the statute for judicial review.

/s/ R. O. Schlickeisen

R. O. Schlickeisen
Associate Director for
Economics and Government

Attachments:

CAB letter of transmittal
CAB order

Options and Implementation Actions:

- 1) Approve the Board's order and preserve whatever opportunity is available for judicial review (DOS, DOD, DOJ, DOT, NSC, OMB).
-- Sign the attached letter to the Chairman.
- 2) Approve the Board's order and do nothing to preserve whatever opportunity is available for judicial review.
-- Implementation materials to be prepared.
- 3) Disapprove the Board's order.
-- Implementation materials to be prepared.
- 4) See me.

WASHINGTON

DATE: 07 AUG 80

FOR ACTION: SECRETARY MILLER

STU EIZENSTAT

INFO ONLY: THE VICE PRESIDENT

JACK WATSON

AL MCDONALD

JIM MCINTYRE

CHARLIE SCHULTZE

ALFRED KAHN

SUBJECT: COSTLE MEMO RE INDUSTRIAL POLICIES FOR AILING INDUSTRIES

+++++

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

+ BY: 1200 PM SATURDAY 09 AUG 80 +

+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

August 8, 1980

MEMORANDUM FOR RICK HUTCHESON

From: Charlie Schultze (C)

Subject: CEA Comment on Costle Memo re Industrial
Policies for Ailing Industries

The EPG is the proper forum for this. The EPG has been and is considering the issue. I suggest that the President refer the memo to Bill Miller and send it back to Doug Costle with the following note:

"I have sent your memo to Bill Miller for inclusion in the EPG consideration of industrial policy."

THE WHITE HOUSE
WASHINGTON

SE concurs

w/ Schuffe

on Coste memo

<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

ACTION
FYI

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

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

<input checked="" type="checkbox"/>	MILLER
<input type="checkbox"/>	MUSKIE
<input type="checkbox"/>	
<input type="checkbox"/>	AIELLO
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CAMPBELL
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HERTZBERG
<input type="checkbox"/>	HUTCHESON
<input checked="" type="checkbox"/>	KAHN
<input type="checkbox"/>	MARTIN
<input type="checkbox"/>	MILLER
<input type="checkbox"/>	MOE
<input type="checkbox"/>	MOSES
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	RECORDS
<input type="checkbox"/>	SANDERS
<input type="checkbox"/>	SHEPPARD
<input type="checkbox"/>	SPETH
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	TORRES
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WISE



United States
Environmental Protection Agency
Washington, D.C. 20460

August 6, 1980

The Administrator

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Industrial Policy

I am increasingly concerned with the approach we have taken in developing "industrial policies" for ailing industries.

To date, our tendency has been to approach each industry in an ad hoc fashion -- ask the members of the industry what they want, analyze the public costs, barter a bit, and accede to those requests which promise the greatest real or apparent benefits to the industry at the lowest apparent cost to the public. This approach is likely to provide short-term relief without addressing more fundamental, underlying problems. Moreover, this approach tends to sacrifice important regulatory goals in the short-term without any promise of eventual compliance.

I think it is important that you adopt a set of principles to give our efforts to develop "industrial policies" a more coherent framework. I know that Bill Miller shares this concern and that the Economic Policy Group is working on this -- I support that effort. I wanted, nonetheless, to suggest to you and Bill directly some of the principles that I think ought to be included in such a framework:

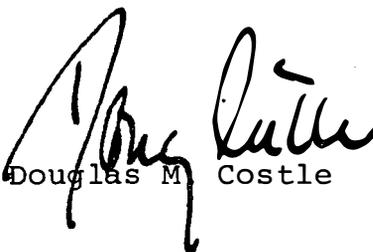
- o Reindustrialization should solve environmental, health, and safety problems, not recreate them or defer a solution. Rebuilding America's industrial capital base provides a tremendous opportunity to attain both social and economic goals. It is far easier and cheaper to build a new plant in an environmentally sound and occupationally safe way than to retrofit later. Given our commitment to these goals, an industrial policy which does not address environmental health and safety problems in the course of rebuilding or revitalizing industry would be unconscionable. For such a policy would virtually guarantee that our existing environmental problems will be with us for the long term.

- o Industrial policy should promote the growth and reindustrialization of those industries which can be most competitive in the long term. We must build on our strengths, not just patch up our weaknesses. For example, we should make sure we don't lose our competitive edge in electronics. Similarly, our steel policy should focus on the health of our strong specialty and non-integrated steel mills, not just the ailing integrated steel industry.

- o We should only adopt industrial policies that will lead to healthy, competitive industries or that will ease the transition out of industries that cannot be competitive. The British experience with steel and autos shows that government subsidies which provide short-term relief without solving underlying problems are addictive. They only prolong economic illness and require more and more subsidies over time. I've told the steel industry that I'd only consider further compliance date extensions as part of an integrated plan designed to restore economic health to the industry and guarantee its ability to meet future commitments. (I need your help in making this "stick" over the next two to three months.)

- o Industrial policies should evolve from joint business/labor/government discussions. The best designed plans of government analysts cannot succeed unless industry and labor are committed to those plans. Further, industrial policies may require concessions from industry (e.g., commitments to invest in domestic plants) or labor (e.g., slower wage growth) before government trade, tax, or regulatory relief makes sense. I want to stress the need to consult with labor in this effort and not to rely on assumptions of what their position will be, since such assumptions often are incorrect. (For example, the steel union wants EPA to enforce the Clean Air Act's 1982 deadline because (1) investment in controls reflects management's commitment to the plant; and (2) a court ordered compliance schedule -- even if it calls for plant closings -- gives workers a basis for planning.)

If we do not adopt a coherent, integrated approach to industrial policy, we risk a piecemeal approach that may temporarily postpone the howls from weak industrial sectors but will neither answer the needs of those industries nor prepare us for continued leadership in an increasingly competitive global economy.


Douglas M. Costle

cc: Secretary G. William Miller
Mr. Stuart Eizenstat

9
R. Hutcherson

U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
WASHINGTON, D.C.
20210

JUL 29 1980

075813

MEMORANDUM FOR: THE PRESIDENT

FROM: Secretary of Labor *Ray Marshall*

SUBJECT: Results of the ILO Conference

Last month I led the U.S. Delegation which participated in the annual conference of the International Labor Organization -- the first since we rejoined the Organization. While it adopted a highly political Arab resolution condemning Israel for its settlement policy, it also rejected USSR efforts to weaken ILO human rights machinery and censured Czechoslovakia and Argentina for serious human rights violations. On balance, I consider the results of the Conference to be positive.

Arab Resolution

We were aware that the Arabs would introduce a resolution condemning Israel for its settlements policy. In consultation with U.S. workers and employers we had developed a strategy for dealing with this resolution. Our initial hope was that the ILO Director General would use his powers to withhold the resolution on the grounds that it was an extraneous political issue for the ILO and represented a further violation of due process. The Director General, however, decided against that course of action and allowed the resolution to be introduced into the Conference (albeit with a statement of his own noting the political nature of the resolution).

During the committee debate on the resolution we did not argue its substance, but rather opposed it on procedural grounds as being inappropriate for the ILO. We succeeded in discouraging efforts by a number of Western governments to support amendments intended to make the resolution "acceptable" -- we felt that the more obnoxious the resolution was the better were our chances for defeating it.

It was increasingly apparent to a number of ILO delegates including those of the Group of 77 that these "political" resolutions do detract significantly from the positive and constructive work of the ILO and that ways must be found to deter them.

Ultimately the resolution was approved by a very narrow margin in a secret ballot vote. Under the ILO's unique rules, "for" and "against" votes are counted towards a quorum, while abstentions are not. Our strategy, therefore, was to defeat the resolution through abstentions, thereby denying the resolution the necessary quorum for adoption. Unfortunately, 15 delegates voted against the resolution rather than abstaining, and their votes provided the necessary quorum for adoption (had they abstained the resolution would have failed).

Human Rights

On the other hand, the Committee which deals with human rights violations produced an outstanding report. The USSR made an effort to rewrite the procedures of this committee in order to eliminate the "Special List" and "Special Paragraphs" -- the tools with which the Conference highlights human rights violations. The USSR attempted to gain sympathy among Third World countries which frequently are criticized for their violations, but in the end failed to gain much support. The employer and worker delegates, as well as Western and many Third World governments, insisted on preserving and strengthening the human rights machinery of the ILO. Moreover, the Committee went on to apply these procedures in highlighting human rights violations by Czechoslovakia and Argentina, among other countries.

Technical Work

The technical work of the Conference was concluded in an orderly and effective manner. The United States Delegation made significant contributions to the work of the committees dealing with new international labor standards affecting older workers, workers with family responsibilities, the promotion of collective bargaining, and the provision of safe and healthy workplaces.

In my speech to the Conference on June 9, I proposed that the ILO undertake studies in two new areas: minimum international labor standards, and the relationship between energy and employment. The study on minimum international labor standards relates to our long-standing interest in establishing a system of labor standards applicable to trade through GATT. A number of other

labor ministers from Western countries supported these proposals, and the Director General agreed to undertake the studies. I think activities such as these will make the ILO a much more important tool in promoting U.S. foreign policy interests in the future.

Coordination

Our Delegation did an outstanding job in representing U.S. interests during the Conference. We were well prepared and played an active role in pursuing our Conference objectives. The discussion we had with you in the Cabinet Room before the Conference did much to solidify the U.S. Delegation.

We are, I believe, off to a good start in making our participation in the ILO effective. Through the recently established President's Committee on the International Labor Organization, I intend to continue to coordinate our plans and activities with Ed Muskie, Phil Klutznick, Lane Kirkland and others. I will continue to keep you advised of these developments.

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

JUL 29 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: Secretary of Labor SIGNED RAY MARSHALL

SUBJECT: Results of the ILO Conference

Last month I led the U.S. Delegation which participated in the annual conference of the International Labor Organization -- the first since we rejoined the Organization. While it adopted a highly political Arab resolution condemning Israel for its settlement policy, it also rejected USSR efforts to weaken ILO human rights machinery and censured Czechoslovakia and Argentina for serious human rights violations. On balance, I consider the results of the Conference to be positive.

Arab Resolution

We were aware that the Arabs would introduce a resolution condemning Israel for its settlements policy. In consultation with U.S. workers and employers we had developed a strategy for dealing with this resolution. Our initial hope was that the ILO Director General would use his powers to withhold the resolution on the grounds that it was an extraneous political issue for the ILO and represented a further violation of due process. The Director General, however, decided against that course of action and allowed the resolution to be introduced into the Conference (albeit with a statement of his own noting the political nature of the resolution).

During the committee debate on the resolution we did not argue its substance, but rather opposed it on procedural grounds as being inappropriate for the ILO. We succeeded in discouraging efforts by a number of Western governments to support amendments intended to make the resolution "acceptable" -- we felt that the more obnoxious the resolution was the better were our chances for defeating it.

It was increasingly apparent to a number of ILO delegates including those of the Group of 77 that these "political" resolutions do detract significantly from the positive and constructive work of the ILO and that ways must be found to deter them.

Ultimately the resolution was approved by a very narrow margin in a secret ballot vote. Under the ILO's unique rules, "for" and "against" votes are counted towards a quorum, while abstentions are not. Our strategy, therefore, was to defeat the resolution through abstentions, thereby denying the resolution the necessary quorum for adoption. Unfortunately, 15 delegates voted against the resolution rather than abstaining, and their votes provided the necessary quorum for adoption (had they abstained the resolution would have failed).

Human Rights

On the other hand, the Committee which deals with human rights violations produced an outstanding report. The USSR made an effort to rewrite the procedures of this committee in order to eliminate the "Special List" and "Special Paragraphs" -- the tools with which the Conference highlights human rights violations. The USSR attempted to gain sympathy among Third World countries which frequently are criticized for their violations, but in the end failed to gain much support. The employer and worker delegates, as well as Western and many Third World governments, insisted on preserving and strengthening the human rights machinery of the ILO. Moreover, the Committee went on to apply these procedures in highlighting human rights violations by Czechoslovakia and Argentina, among other countries.

Technical Work

The technical work of the Conference was concluded in an orderly and effective manner. The United States Delegation made significant contributions to the work of the committees dealing with new international labor standards affecting older workers, workers with family responsibilities, the promotion of collective bargaining, and the provision of safe and healthy workplaces.

In my speech to the Conference on June 9, I proposed that the ILO undertake studies in two new areas: minimum international labor standards, and the relationship between energy and employment. The study on minimum international labor standards relates to our long-standing interest in establishing a system of labor standards applicable to trade through GATT. A number of other

labor ministers from Western countries supported these proposals, and the Director General agreed to undertake the studies. I think activities such as these will make the ILO a much more important tool in promoting U.S. foreign policy interests in the future.

Coordination

Our Delegation did an outstanding job in representing U.S. interests during the Conference. We were well prepared and played an active role in pursuing our Conference objectives. The discussion we had with you in the Cabinet Room before the Conference did much to solidify the U.S. Delegation.

We are, I believe, off to a good start in making our participation in the ILO effective. Through the recently established President's Committee on the International Labor Organization, I intend to continue to coordinate our plans and activities with Ed Muskie, Phil Klutznick, Lane Kirkland and others. I will continue to keep you advised of these developments.

THE WHITE HOUSE
WASHINGTON

August 12, 1980

INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN *HO*

SUBJECT: Private US Organization and
International Development

At the recent foreign aid budget session, you encouraged Tom Ehrlich to strengthen existing links between the US private sector and developing countries. The attached memo at Tab A from Tom Ehrlich indicates how he is following up. He is headed in the right direction.

UNITED STATES
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
Washington, D.C. 20523

Director

AUG 8 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Private U.S. Organizations and International
Development

During the recent Spring Budget Review session on foreign assistance, you stressed the need to involve private organizations in promoting Third World development. Here's what we are doing:

Virtually all AID projects are now carried out by the private sector. In addition, a number of AID activities focus explicitly on engaging the efforts of business firms, universities, nonprofit organizations, cooperatives, and other groups to help developing countries. Examples include:

- The International Executive Service Corps, which provides the services of U.S. business executives - on leave or retired - to enterprises in developing countries;
- Nonprofit family-planning agencies conduct assistance programs in developing nations where formal government channels are not open for such aid or where greater effectiveness can be achieved by the private route;
- The Industry Council for Development links commercial seed companies in industrial nations and their counterparts in the Third World;
- Appropriate Technology International applies small-scale, labor intensive technologies in the private sectors of developing countries;
- The Board for International Food and Agricultural Development, representing the land grant universities and other parts of the private sector concerned with agriculture, helps engage the resources of U.S. universities in the fight against international hunger.

Other efforts are on a one-time basis. As you requested, for example, an agricultural development mission of leaders from

private business and universities recently visited nine countries in Central America and the Caribbean. The group is identifying cooperative efforts that can be undertaken through programs such as Governor Graham's Caribbean and Central American Action Group.

More generally, through AID and the Department of Agriculture, we provide support for over 130 private voluntary organizations involved in development and humanitarian activities in Third World countries. About two-thirds of the \$540 million to be provided these organizations in 1980 will be through the Food-for-Peace program distributed through organizations including CARE and Catholic Relief Services. The balance of the funds support activities such as community development projects of Save the Children, renewable energy efforts of Volunteers in Technical Assistance, and community leadership training by the World Vision Relief Organization.

Finally, we recently established a new operating unit of IDCA, called the Trade and Development Program. It provides assistance for pre-investment surveys and feasibility studies by private U.S. firms that often lead to U.S. exports to developing countries. In this way, it complements our ongoing efforts through the Overseas Private Investment Corporation. Although the new program is small, its establishment represents an important step in our recognition of the relationship between trade and foreign assistance. As you know, developing countries are both the largest and fastest growing customers of U.S. exports. In coming years, we expect to increase the resources available to the Program, and through it and OPIC to promote economic development in and trade with Third World countries through the U.S. private sector.



Thomas Ehrlich



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

AUG 6 1980

For summary

MEMORANDUM FOR THE PRESIDENT

From: James T. McIntyre, Jr. *JM*

Subject: Report of the Chairman of the Federal Home Loan Bank Board on a violation of section 3679 of the Revised Statutes, as amended

There are attached letters dated June 5 and 23, 1980, from the Chairman of the Federal Home Loan Bank Board reporting to you, as required by law, violations of subsection (h) of section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), commonly known as the Antideficiency Act.

These violations involve the overobligation of resources apportioned for two activities of the Federal Savings and Loan Insurance Corporation Fund, fiscal year 1980. The overobligations were in the amount of \$69,763,293, which resulted from the imminent need to acquire certain assets of Telegraph Savings and Loan Association, Chicago, Illinois, an institution in danger of default, and \$10,444,718, which occurred due to a breakdown in communications between the Comptroller and Budget Officer over the actual amount of premium refunds required to be paid to insured institutions. The funds available in this account are not appropriated monies but are income derived from premium payments and other operations of the Fund.

The letters from the Chairman of the Federal Home Loan Bank Board state that the responsible official is David A. Vaughan, Jr., the Bank Board's Budget Officer. It is further stated that no disciplinary action has been taken because Mr. Vaughan acted in good faith when carrying out the agency's statutory responsibility to prevent the imminent collapse of a savings institution and preserve the Federally insured accounts of its depositors.

The agency's regulations for the administrative control of funds are considered to be adequate. In view of the circumstances related in the letters from the Chairman of the Federal Home Loan Bank Board, we do not recommend any further action.

The Chairman of the Federal Home Loan Bank Board has sent identical letters to the Congress.

Attachments

Federal Home Loan Bank Board



1700 G Street, N.W.
Washington, D.C. 20552
Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

JAY JANIS
Chairman

June 5, 1980

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

Dear Mr. President:

Under the Antideficiency Act, 31 U.S.C. 665, covered agencies are required to report to you violations of certain provisions of that Act. It is not clear and we do not believe that the Federal Savings and Loan Insurance Corporation, which is a part of the Bank Board, is subject to the restrictions of the Act; particularly, the non-administrative expenses of the FSLIC that are not subject to limitations may not be covered by the apportionment provisions. The Office of Management and Budget, however, believes that the apportionment requirement does apply, and, consistent with that, this Agency has cooperated with OMB. Accordingly, this report concerns two possible technical violations of the Antideficiency Act, which occurred in connection with the following two transactions.

Action to Safeguard Insured Accounts

The first transaction involved an over-obligation of \$69,763,293 and was occasioned by the disbursement of \$178,439,749 on May 23, 1980, to acquire certain assets of Telegraph Savings and Loan Association, Chicago, Illinois ("Telegraph"), an institution in danger of default.

Negotiations leading to the acquisition of all assets and liabilities of Telegraph by either another insured institution or private investors had been underway since the latter part of March. The proposals by the private investors were either withdrawn by the principals or determined to be not feasible by the staff. The proposal from the one savings and loan association that was interested in acquiring Telegraph required extensive financial assistance. It had the potential for an income tax liability that, if incurred, would have required FSLIC indemnification, which, at the upper estimated cost, together with other costs, would have exceeded the cost of liquidation. To resolve all these issues would have required considerable time.

Mr. President

Page Two

The time element was foreshortened, however, by a letter to me dated May 15, 1980, from the Illinois Savings and Loan Commissioner. In that letter, the Commissioner said that "my ability to continue to forbear custody in these situations is limited and it is imperative that the FSLIC and the Board decide upon and effectuate a course of action to avoid custody and liquidation immediately. Based upon my staff's current projections of the deteriorating financial status of both institutions, I do not believe I can allow them to continue operations in the current form past the close of business Monday, May 19th absent either Board approval of a course of action for each association to be effected within 72 hours or a written request from the Board to my Office for forbearance for a period not in excess of 72 hours to allow continued negotiation."

With respect to Telegraph, this time-frame was not possible. Negotiations with respect to the other association referred to in the Commissioner's letter had progressed to the point where additional time was granted. Custody of Telegraph by the Commissioner and the appointment thereafter of a receiver would have required a payout of insured savings by the FSLIC. Our best estimate of the amount of uninsured savings in Telegraph at that time was an amount in excess of \$6 million.

Given the circumstances, it was decided to hold a bidders conference on Wednesday, May 21, 1980, to determine the interest of various associations in assuming the deposit liabilities of Telegraph and purchasing certain assets, primarily the office sites. The high bid was approved by the Bank Board at approximately 3:20 p.m. Thursday, May 22, 1980. The Commissioner took custody of Telegraph at 5:15 p.m. that same date, closed the association and was thereafter served notification that the Bank Board had appointed the FSLIC as receiver. The former offices of Telegraph opened for business the next day under the name of First Federal S&LA of Chicago.

This transaction fully protected all savers at Telegraph and was accomplished at the least cost to the FSLIC.

The events of the Telegraph case indicate the importance of prompt action on the part of the FSLIC. Such action is often necessary to preserve the public's confidence in the nation's financial system. The FSLIC, as you know, was created by statute to insure the accounts of depositors and is authorized to take financial action to prevent defaults in insured institutions.

Refund of Additional Premium Prepayments (Secondary Reserve)

Under the provisions of Public Law 93-495, the FSLIC is required, in accordance with a specific statutory formula, to pay back to insured institutions on an annual basis a portion of their pro rata share in its secondary insurance reserve. A required refund installment

of the secondary reserve was made on May 21, 1980, in the amount of \$118,045,718, or \$10,444,718 more than the apportioned amount. The installment was larger than the original estimate of \$107,601,000 because increasing interest rates resulted in the secondary reserve earning much more interest than anticipated. Such higher earnings resulted in a larger refund.

At the time the Budget Officer was informed of the actual amount of the refund, he was also attempting to ascertain what additional amounts were needed for the balance of the fiscal year in the other Category 8B(4) items, particularly the purchase of assets category. In the rush to put together a complete SF 132 revised package, the Comptroller was not told to delay disbursement of the refund to S&L's until the increase was apportioned by OMB.

Apportionment Schedule

The following is a schedule showing the individual amounts apportioned for Category 8B(4) on the SF 132 (Apportionment and Reapportionment Schedule) dated March 26, 1980, the total amounts disbursed or obligated against such apportionments as of May 23, 1980, the amount over-expended, and the unobligated apportionment.

<u>Item Description</u>	<u>Amount Apportioned</u>	<u>Amount Disbursed or Obligated</u>	<u>Amount Over-Expended</u>	<u>Unobligated Apportionment</u>
Return on premium prepayment	\$ 67,733,000	\$ 36,965,826	\$	\$30,767,174
Purchase of assets from insured institutions	600,000,000	669,763,293	69,763,293	
Contributions to insured institutions	25,000,000	22,793,579		2,206,421
Loans to insured institutions	100,000,000	72,034,516		27,965,484
Refund of additional premiums prepayments	107,601,000	118,045,718	10,444,718	
	<u>\$900,334,000</u>	<u>\$919,602,932</u>	<u>\$80,208,011</u>	<u>\$60,939,079</u>

Mr. President
Page Four

Source of Funds

At this point, I wish to stress that the funds expended were not appropriated funds. They were funds of the FSLIC derived from returns on the insurance reserve, various FSLIC investments, income from liquidation and operations of assets, and insurance premiums of savings and loan associations, and, under our fiscal year 1980 appropriations statute, Public Law 96-103, were explicitly available without limitation for nonadministrative expenses of the type for which they were obligated. Moreover, while the amount of obligations incurred did exceed by \$80,208,011 certain apportionment amounts as shown on the SF 132, the expenditures involved were not in excess of the available funds in the FSLIC revolving fund, which total \$6 billion.

Need to Consolidate Line Items

In order that the FSLIC may continue to carry out its responsibilities and comply with the spirit of the Antideficiency Act, I recommend to OMB that the line item apportioned amounts on SF 132 be consolidated for Category 8B(4). This will be particularly necessary this year, which has been a very difficult time for the savings and loan industry and a period in which we anticipate additional expenditures will be necessary to protect depositors' accounts.

It is very difficult to predict with precision the necessary amount of the increase in these apportioned amounts, which are subdivided under categories such as loans, contributions, purchases of assets and the like. S&L failures may be anticipated to a degree on a short term basis and in specific cases. Past experience, however, is the only real guide to long term estimates on a national scale. Such broad estimates are limited in their precision in the S&L industry, which is highly susceptible to economic fluctuation.

Within these limits, sound management study went into providing estimates for apportioned amounts on the SF 132. However, financial circumstances in certain cases changed so rapidly that we were unable to obtain from OMB increased apportionment amounts in a timely manner, although we requested increases prior to making expenditures. In any event, I have instituted new procedures which should result in earlier notification to OMB of reapportionment requests.

To reiterate, if the line items are consolidated for apportionment purposes, we believe that we will be better able to carry out FSLIC responsibilities in a manner consistent with relevant statutes and procedures.

Respectfully,


Jay Jarvis
Chairman

Federal Home Loan Bank Board



1700 G Street, N.W.
Washington, D.C. 20552
Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

JAY JANIS
Chairman

JUN 23 1980

Mr. R.O. Schlickeisen
Associate Director for Economics
and Government
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Schlickeisen:

This is in response to your letter requesting additional information in connection with the possible violation of the Antideficiency Act that we reported to the President on June 5, 1980.

Name and Position of Responsible Officer

Mr. David A. Vaughan, Jr., the Bank Board's Budget Officer, is the individual responsible for the possible violation.

Administrative Discipline Imposed

The Bank Board has considered carefully the facts and circumstances surrounding the possible violation, and has determined that it would not be appropriate to take any disciplinary action against Mr. Vaughan in connection with this matter. As we explained in detail in our letter to President Carter, his actions were taken in connection with disbursements of non-appropriated funds that the Bank Board had a clear duty to release in order to comply with its statutory responsibilities.

In particular, the monies released in connection with Telegraph Savings and Loan Association were used to prevent the imminent collapse of a savings institution and to preserve the Federally-insured accounts of the latter's depositors. Notification that these funds were needed on an immediate basis was received by the Budget Officer right after he had approved another large and statutorily-mandated disbursement required in connection with payback of the secondary insurance reserve of the Federal Savings and Loan Insurance Corporation.

In sum, after weighing carefully the events in this case, we have concluded that Mr. Vaughan's actions were in good faith and that he lacked any intent to violate the Antideficiency Act; rather, he was confronted with a combination of unusual events and circumstances and attempted to respond to them in a way consistent with this agency's statutory responsibilities.

Action to Prevent Recurrence

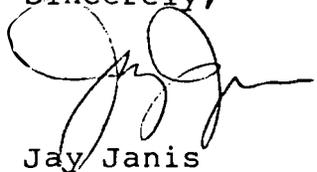
The Bank Board has established an additional control mechanism to prevent future possible violations of the Antideficiency Act. Specifically, the Bank Board's Controller promptly will provide a report to the Budget Officer whenever it appears that large cash disbursements may be needed to prevent or otherwise deal with failures of savings and loan associations. The report will allow the Budget Officer to track any large cash disbursements between the time that he approves an expenditure and the time of actual disbursement.

Statement on Adequacy of System of Administrative Control

The Bank Board's fund control system is sound and adequate. Under the system, the Budget Officer is required to approve all outlays of funds prior to disbursement, with the Controller, once approval is obtained, actually making the disbursement. Since large cash outlays involving several hundred million dollars at one time are not a normal experience for this agency, cash outlay projections have in the past been regarded as unnecessary. As we have seen, however, in rare cases the need can arise to make two or more large disbursements at one time, with resultant difficulties in terms of adhering to apportioned amounts. To avoid such problems, we have instituted the control described previously, which will call for cash outlay projections as necessary.

I hope this has been responsive to your request. If you need any additional information, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay Janis", written in a cursive style.

Jay Janis
Chairman



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 6 1980

MEMORANDUM FOR THE PRESIDENT

From: James T. McIntyre, Jr. *J. McIntyre*

Subject: Report of the Chairman of the Federal Home Loan Bank Board on a violation of section 3679 of the Revised Statutes, as amended

There are attached letters dated June 5 and 23, 1980, from the Chairman of the Federal Home Loan Bank Board reporting to you, as required by law, violations of subsection (h) of section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), commonly known as the Antideficiency Act.

These violations involve the overobligation of resources apportioned for two activities of the Federal Savings and Loan Insurance Corporation Fund, fiscal year 1980. The overobligations were in the amount of \$69,763,293, which resulted from the imminent need to acquire certain assets of Telegraph Savings and Loan Association, Chicago, Illinois, an institution in danger of default, and \$10,444,718, which occurred due to a breakdown in communications between the Comptroller and Budget Officer over the actual amount of premium refunds required to be paid to insured institutions. The funds available in this account are not appropriated monies but are income derived from premium payments and other operations of the Fund.

The letters from the Chairman of the Federal Home Loan Bank Board state that the responsible official is David A. Vaughan, Jr., the Bank Board's Budget Officer. It is further stated that no disciplinary action has been taken because Mr. Vaughan acted in good faith when carrying out the agency's statutory responsibility to prevent the imminent collapse of a savings institution and preserve the Federally insured accounts of its depositors.

The agency's regulations for the administrative control of funds are considered to be adequate. In view of the circumstances related in the letters from the Chairman of the Federal Home Loan Bank Board, we do not recommend any further action.

The Chairman of the Federal Home Loan Bank Board has sent identical letters to the Congress.

Attachments

Federal Home Loan Bank Board



1700 G Street, N.W.
Washington, D.C. 20552
Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

JAY JANIS
Chairman

June 5, 1980

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

Dear Mr. President:

Under the Antideficiency Act, 31 U.S.C. 665, covered agencies are required to report to you violations of certain provisions of that Act. It is not clear and we do not believe that the Federal Savings and Loan Insurance Corporation, which is a part of the Bank Board, is subject to the restrictions of the Act; particularly, the non-administrative expenses of the FSLIC that are not subject to limitations may not be covered by the apportionment provisions. The Office of Management and Budget, however, believes that the apportionment requirement does apply, and, consistent with that, this Agency has cooperated with OMB. Accordingly, this report concerns two possible technical violations of the Antideficiency Act, which occurred in connection with the following two transactions.

Action to Safeguard Insured Accounts

The first transaction involved an over-obligation of \$69,763,293 and was occasioned by the disbursement of \$178,439,749 on May 23, 1980, to acquire certain assets of Telegraph Savings and Loan Association, Chicago, Illinois ("Telegraph"), an institution in danger of default.

Negotiations leading to the acquisition of all assets and liabilities of Telegraph by either another insured institution or private investors had been underway since the latter part of March. The proposals by the private investors were either withdrawn by the principals or determined to be not feasible by the staff. The proposal from the one savings and loan association that was interested in acquiring Telegraph required extensive financial assistance. It had the potential for an income tax liability that, if incurred, would have required FSLIC indemnification, which, at the upper estimated cost, together with other costs, would have exceeded the cost of liquidation. To resolve all these issues would have required considerable time.

Mr. President

Page Two

The time element was foreshortened, however, by a letter to me dated May 15, 1980, from the Illinois Savings and Loan Commissioner. In that letter, the Commissioner said that "my ability to continue to forbear custody in these situations is limited and it is imperative that the FSLIC and the Board decide upon and effectuate a course of action to avoid custody and liquidation immediately. Based upon my staff's current projections of the deteriorating financial status of both institutions, I do not believe I can allow them to continue operations in the current form past the close of business Monday, May 19th absent either Board approval of a course of action for each association to be effected within 72 hours or a written request from the Board to my Office for forbearance for a period not in excess of 72 hours to allow continued negotiation."

With respect to Telegraph, this time-frame was not possible. Negotiations with respect to the other association referred to in the Commissioner's letter had progressed to the point where additional time was granted. Custody of Telegraph by the Commissioner and the appointment thereafter of a receiver would have required a payout of insured savings by the FSLIC. Our best estimate of the amount of uninsured savings in Telegraph at that time was an amount in excess of \$6 million.

Given the circumstances, it was decided to hold a bidders conference on Wednesday, May 21, 1980, to determine the interest of various associations in assuming the deposit liabilities of Telegraph and purchasing certain assets, primarily the office sites. The high bid was approved by the Bank Board at approximately 3:20 p.m. Thursday, May 22, 1980. The Commissioner took custody of Telegraph at 5:15 p.m. that same date, closed the association and was thereafter served notification that the Bank Board had appointed the FSLIC as receiver. The former offices of Telegraph opened for business the next day under the name of First Federal S&LA of Chicago.

This transaction fully protected all savers at Telegraph and was accomplished at the least cost to the FSLIC.

The events of the Telegraph case indicate the importance of prompt action on the part of the FSLIC. Such action is often necessary to preserve the public's confidence in the nation's financial system. The FSLIC, as you know, was created by statute to insure the accounts of depositors and is authorized to take financial action to prevent defaults in insured institutions.

Refund of Additional Premium Prepayments (Secondary Reserve)

Under the provisions of Public Law 93-495, the FSLIC is required, in accordance with a specific statutory formula, to pay back to insured institutions on an annual basis a portion of their pro rata share in its secondary insurance reserve. A required refund installment

of the secondary reserve was made on May 21, 1980, in the amount of \$118,045,718, or \$10,444,718 more than the apportioned amount. The installment was larger than the original estimate of \$107,601,000 because increasing interest rates resulted in the secondary reserve earning much more interest than anticipated. Such higher earnings resulted in a larger refund.

At the time the Budget Officer was informed of the actual amount of the refund, he was also attempting to ascertain what additional amounts were needed for the balance of the fiscal year in the other Category 8B(4) items, particularly the purchase of assets category. In the rush to put together a complete SF 132 revised package, the Comptroller was not told to delay disbursement of the refund to S&L's until the increase was apportioned by OMB.

Apportionment Schedule

The following is a schedule showing the individual amounts apportioned for Category 8B(4) on the SF 132 (Apportionment and Reapportionment Schedule) dated March 26, 1980, the total amounts disbursed or obligated against such apportionments as of May 23, 1980, the amount over-expended, and the unobligated apportionment.

<u>Item Description</u>	<u>Amount Apportioned</u>	<u>Amount Disbursed or Obligated</u>	<u>Amount Over-Expended</u>	<u>Unobligated Apportionment</u>
Return on premium prepayment	\$ 67,733,000	\$ 36,965,826	\$	\$30,767,174
Purchase of assets from insured institutions	600,000,000	669,763,293	69,763,293	
Contributions to insured institutions	25,000,000	22,793,579		2,206,421
Loans to insured institutions	100,000,000	72,034,516		27,965,484
Refund of additional premiums prepayments	<u>107,601,000</u>	<u>118,045,718</u>	<u>10,444,718</u>	
	<u>\$900,334,000</u>	<u>\$919,602,932</u>	<u>\$80,208,011</u>	<u>\$60,939,079</u>

Mr. President
Page Four

Source of Funds

At this point, I wish to stress that the funds expended were not appropriated funds. They were funds of the FSLIC derived from returns on the insurance reserve, various FSLIC investments, income from liquidation and operations of assets, and insurance premiums of savings and loan associations, and, under our fiscal year 1980 appropriations statute, Public Law 96-103, were explicitly available without limitation for nonadministrative expenses of the type for which they were obligated. Moreover, while the amount of obligations incurred did exceed by \$80,208,011 certain apportionment amounts as shown on the SF 132, the expenditures involved were not in excess of the available funds in the FSLIC revolving fund, which total \$6 billion.

Need to Consolidate Line Items

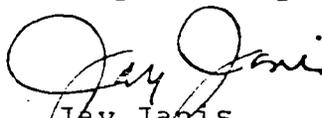
In order that the FSLIC may continue to carry out its responsibilities and comply with the spirit of the Antideficiency Act, I recommend to OMB that the line item apportioned amounts on SF 132 be consolidated for Category 8B(4). This will be particularly necessary this year, which has been a very difficult time for the savings and loan industry and a period in which we anticipate additional expenditures will be necessary to protect depositors' accounts.

It is very difficult to predict with precision the necessary amount of the increase in these apportioned amounts, which are subdivided under categories such as loans, contributions, purchases of assets and the like. S&L failures may be anticipated to a degree on a short term basis and in specific cases. Past experience, however, is the only real guide to long term estimates on a national scale. Such broad estimates are limited in their precision in the S&L industry, which is highly susceptible to economic fluctuation.

Within these limits, sound management study went into providing estimates for apportioned amounts on the SF 132. However, financial circumstances in certain cases changed so rapidly that we were unable to obtain from OMB increased apportionment amounts in a timely manner, although we requested increases prior to making expenditures. In any event, I have instituted new procedures which should result in earlier notification to OMB of reapportionment requests.

To reiterate, if the line items are consolidated for apportionment purposes, we believe that we will be better able to carry out FSLIC responsibilities in a manner consistent with relevant statutes and procedures.

Respectfully,


Jay Janis
Chairman

Federal Home Loan Bank Board



1700 G Street, N.W.
Washington, D.C. 20552
Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

JAY JANIS
Chairman

JUN 23 1980

Mr. R.O. Schlickeisen
Associate Director for Economics
and Government
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Schlickeisen:

This is in response to your letter requesting additional information in connection with the possible violation of the Antideficiency Act that we reported to the President on June 5, 1980.

Name and Position of Responsible Officer

Mr. David A. Vaughan, Jr., the Bank Board's Budget Officer, is the individual responsible for the possible violation.

Administrative Discipline Imposed

The Bank Board has considered carefully the facts and circumstances surrounding the possible violation, and has determined that it would not be appropriate to take any disciplinary action against Mr. Vaughan in connection with this matter. As we explained in detail in our letter to President Carter, his actions were taken in connection with disbursements of non-appropriated funds that the Bank Board had a clear duty to release in order to comply with its statutory responsibilities.

In particular, the monies released in connection with Telegraph Savings and Loan Association were used to prevent the imminent collapse of a savings institution and to preserve the Federally-insured accounts of the latter's depositors. Notification that these funds were needed on an immediate basis was received by the Budget Officer right after he had approved another large and statutorily-mandated disbursement required in connection with payback of the secondary insurance reserve of the Federal Savings and Loan Insurance Corporation.

In sum, after weighing carefully the events in this case, we have concluded that Mr. Vaughan's actions were in good faith and that he lacked any intent to violate the Antideficiency Act; rather, he was confronted with a combination of unusual events and circumstances and attempted to respond to them in a way consistent with this agency's statutory responsibilities.

Action to Prevent Recurrence

The Bank Board has established an additional control mechanism to prevent future possible violations of the Antideficiency Act. Specifically, the Bank Board's Controller promptly will provide a report to the Budget Officer whenever it appears that large cash disbursements may be needed to prevent or otherwise deal with failures of savings and loan associations. The report will allow the Budget Officer to track any large cash disbursements between the time that he approves an expenditure and the time of actual disbursement.

Statement on Adequacy of System of Administrative Control

The Bank Board's fund control system is sound and adequate. Under the system, the Budget Officer is required to approve all outlays of funds prior to disbursement, with the Controller, once approval is obtained, actually making the disbursement. Since large cash outlays involving several hundred million dollars at one time are not a normal experience for this agency, cash outlay projections have in the past been regarded as unnecessary. As we have seen, however, in rare cases the need can arise to make two or more large disbursements at one time, with resultant difficulties in terms of adhering to apportioned amounts. To avoid such problems, we have instituted the control described previously, which will call for cash outlay projections as necessary.

I hope this has been responsive to your request. If you need any additional information, please do not hesitate to contact us.

Sincerely,



Jay Janis
Chairman

C
Q

CONGRESSIONAL QUARTERLY
Weekly Report

Vol. 38, No. 33

• Pages 2345-2440

• Aug. 16, 1980

The
Democratic
Quest
(2347)

Electrostatic Copy Made
for Preservation Purposes



CQ

CONGRESSIONAL QUARTERLY
Weekly Report

Vol. 38, No. 32

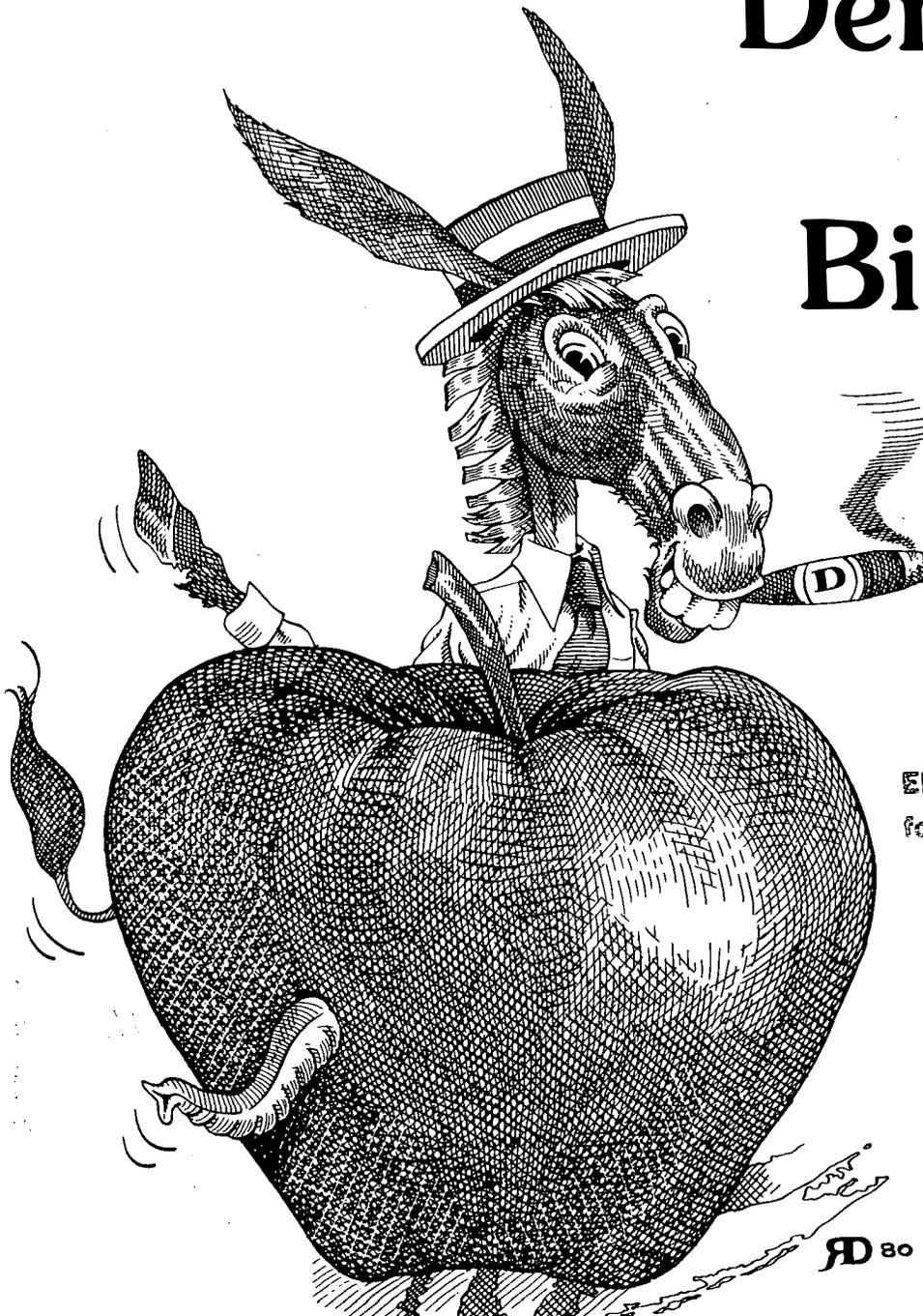
• Pages 2249-2344

• Aug. 9, 1980

C
/

Democrats In the Big Apple

(2262)



Electrostatic Copy Made
for Preservation Purposes

RD 80