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<th>FORM OF DOCUMENT</th>
<th>CORRESPONDENTS OR TITLE</th>
<th>DATE</th>
<th>RESTRICTION</th>
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<tr>
<td>memo</td>
<td>From Brown to The President (3 pp.) re: Activities of the Sec. of Defense/enclosed in Hutcheson to Mondale 8/25/80</td>
<td>8/22/80</td>
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<td>memo w/att</td>
<td>From Watson to The President (20 pp.) re: World Bank Presidency/enclosed in Hutcheson to Watson 8/25/80</td>
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FILE LOCATION

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THE WHITE HOUSE
WASHINGTON

August 25, 1980

To Louis Goldstein

Thank you for the postcard from Finland. Your continuing support and confidence is greatly appreciated.

With best regards,

Sincerely,

The Honorable Louis Goldstein
Box 466
Annapolis, Maryland 21404
August 25, 1980

Dear Dr. Licorish:

I called your letter to the President's attention and he, as you see, had a message back for you. Hope you enjoy it.

Sincerely,

Patricia Y. Bario
Deputy Press Secretary

Dr. David N. Licorish
Editor-Publisher
The Baptist Magazine, Inc.
18 West 123rd Street
New York, New York 10027

Enclosure

PYB:bl
ME2-3/1G/IF*
THE WHITE HOUSE
WASHINGTON

August 18, 1980

TO: Susan Clough
FROM: Pat Bario

Would you like to put a note in the margin?
August 6, 1980

The Honorable President, Jimmy Carter
The White House
1600 Pennsylvania Avenue
Washington D.C. 20006

My Dear President Carter:

The Baptists are more than pleased with your performance in the presentation of the facts in the case pertaining to the affairs of your brother, Billy, and the far-reaching enlightening address to the gathering of the National Urban League.

These two recent addresses may well serve to be the turning point in your second journey to the White House. We are with you all the way.

Yours for every success,
Respectfully yours,

[Signature]

David N. Licorish,
Editor-Publisher,
The Baptist Magazine, Inc.
political meeting (mansion)
sunday, august 24, 1980

> Polls
> Issues - Vision
> Econ Pkg
> For Pol. Goals
> Schedule - Exposure
> Debate
> Speeches - CMC/WH
> Surrogate Attacks
> Anderson
> WM - Liberals
> Events - EA. Agency
> Mtg. Kennedy - Legis. Staff - Econ. Liaison
> Special Groups
> Press
> UAW
> Liberal Party 13, etc.
> Strategy

Electrostatic Copy Made for Preservation Purposes
Frank Moore

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

Rick Hutcheson
In a discussion with his staff about Saturday's press conference, Senator Byrd said he didn't know what he would say tomorrow about Russell Long's push to get the tax bill onto the floor of the Senate this session; that the White House (the President) had not asked him to help one way or the other. He further said "In fact if the press asked me what the President said to me about taxes, I suppose I will have to tell them..."
that I had not talked to the President except for a Leadership
Breakfast way before the convention. I am sure that if Ronald Reagan
were President he would talk to Howard Baker at least once a week."

I recommend that you call Senator Byrd.

(1) Tell him that you know Bill Miller has been talking with him;
that you think the prudent course to follow is the one you, the House
and the Senate Budget Committee are following.

(2) Tell him you hope that if he gets a question on Ronald Reagan
he would give Governor Reagan a hard lick on his two China policy.

As Hollins and Long have crossed swords on taxes, Byrd is
ambivalent about the Finance Committee's tax bill. He would probably
rather not see it on the floor. A call should be made sometime before
9:00 in the morning, preferably tonight.
Out Box, Monday, August 25, 1980
(Kennedy Meeting?)

THE WHITE HOUSE
WASHINGTON

Legis - Youth,
Staff -> Campaign, meet w. N.W. ->
Canada
Anderson
Calif 9/22
Liaison
Hispanics - Texas & Calif
Jews - Calif & NY
Liberal party

Electrostatic Copy Made
for Preservation Purposes
Wheeler, Mrs. Abbotton
Duncan, Blind 60. Waitress
Hartley, WIdow Army War
Hoven, Church
Bleich, Ed. 71mo.
Jordan, Black - employee
Dav - Demo - D.
Bristfield
Fawrley
Gover (Marie)
Sam Backa - Demo Rec.
Russell Jones - Demo To? Blvd
Hobson Parker, Fm. Law Councillor
Demo
Out Box, Monday, August 25, 1980

FK Icons

Frank

We need to

Wood

Food Service

Mold on bread

McGwern

Leed at 7:18

460 E. 90th

Merry - in law - 9:00 - way
Wasserman Dinner
9/22/80

Liaison - Podesta
& Nam - Steve Smith

CETA training
Weatherization & Targeted
Housing, Subsidized units
(1000)
RR rebuilding (1000)
Youth bill - expedite auth.

Refundable tax credits
Send 2nd Auth

Canada - boundary line cis
3.8420 = 5
Fish 5 of line - trouble - msmt.
Scallops - line - help small boats
Mr. President,

Bill Cable called at 9:00 PM

and said that the House passed

the Youth Bill about 350 to 50.

*Electrostatic Copy Made for Preservation Purposes*
US Army Chorus
Great Works for Male Voices
Beethoven, Bartok, Schubert

Electrostatic Copy Made for Preservation Purposes

Bob/Marion "Granny"
Giando 16 Staggars

Tom/Margarette 16 Steed

Harley/Mary 16 Dick/Claire 42 Schweiker

Cong. Retirees 8/25/80
66 - 14 yr vet. - Freshman Wondered exp. - Sophomore

1st Debate & Gen. Elect. China
1st Year - No worry, a Election Board - Tiresome - not involved on the job training - chose

500 Years - Strength of Deed
Commitment to Service
Bills, our People (you) Gave
Bi-Partisan
HST. 53 - Analyze pub Career
"I did my best - & that's all there is to say about it"

Tom Steed. Sub Comm. WH Approp
Not my last meal on Tom
By a vote of 11 to 6, the Senate Budget Committee (SBC) has adopted totals for the Second Budget Resolution that would—under their estimating assumptions—result in a significantly lower deficit for 1981 than the Administration's.

<table>
<thead>
<tr>
<th></th>
<th>Current Admin. Est.</th>
<th>SBC</th>
<th>Difference</th>
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<tr>
<td>Receipts</td>
<td>604.0</td>
<td>615.1</td>
<td>11.1</td>
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<tr>
<td>Outlays</td>
<td>633.8</td>
<td>633.0</td>
<td>-0.8</td>
</tr>
<tr>
<td>Deficit</td>
<td>-29.8</td>
<td>-17.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Budget authority</td>
<td>707.2</td>
<td>699.6</td>
<td>-7.6</td>
</tr>
</tbody>
</table>

Receipts

The higher receipts were obtained by assuming a rate of real GNP growth that is higher than the Administration's. Yet the Committee is assuming an unemployment rate virtually identical to the Administration's 8.5 percent average. The Committee assumes a short recession with a recovery beginning in the 4th quarter of this year. The SBC receipts totals also assume:

- No tax cuts. A Hatch motion calling for a tax cut identical to the bill reported by the Finance Committee was defeated 7 to 13. Senator Hollings indicated he would consider a tax cut later, but one was not needed now. He specifically attacked the Finance Committee for producing an inflationary tax cut in the pre-election atmosphere.

- Virtually no tax changes other than those in the Senate-passed reconciliation bill. The Committee did not include Administration proposals for a fuels tax ($3.5 billion) or withholding of taxes on interest and dividends ($3.4 billion).
Spending

As in the first resolution, totals are higher than the Administration's for defense and lower for domestic programs. Specifically:

- Defense outlays are $1.9 billion above the Administration's, partly due to technical estimating differences. Effectively, budget authority is $2.8 billion higher. This is significantly less than the $6-7 billion increase implicit in the Defense Authorization Bill.

- The estimate of non-defense spending is $2.7 billion lower than the Administration's. But the figure is net of much larger policy decreases partly offset by reestimates upward.

- Training and employment is down $1.7 billion, including cuts in CETA II (countercyclical public service jobs).

- The education part of the youth initiative was cut from $900 million to $500 million.

- Like the first resolution, a $3 billion cut was made in housing assistance BA. (An Exon motion to cut another $4 billion was defeated.)

- For unemployment programs the SBC assumes elimination of the national trigger and inclusion of other reforms in the Senate reconciliation bill. The Committee also voted not to include the liberalization of trade adjustment benefits contained in the Vanik bill.

- As in the first resolution, no funds were included for local government transitional aid.

- The mass transit program was reduced by $1.9 billion in BA.

- Some cuts were made in virtually all non-defense functions except agriculture and space.

In summary, Defense is above our estimate, but not as high as we expected. The domestic programs are restrained but are less severely cut than in previous actions by the Senate Budget Committee this year. Fortunately, the Committee rejected the $20 billion Republican spending cut and also decided to forego a second round spending reduction ratchet. Given past practice, we can expect most of the domestic functions to be raised in conference later this year.
MEMORANDUM FOR THE PRESIDENT
FROM:  ANNE WEXLER

SUBJECT: Summary of Economic Consultations

During this week, we have hosted eight economic consultation meetings led by your principal economic advisors with some 200 representatives from among the following groups: corporate representatives; state, local and urban government associations; small business associations; trade associations; financial organizations; social action organizations and minority groups. The sessions on the whole were well received. Labor consultations were handled separately by Bill Miller and Landon Butler and Congressional consultations were coordinated by Frank Moore.

Broad consensus was found in several areas. First, the groups agreed that actions should be taken that will have immediate impact, although they did not all agree on the specific measures that should be implemented. Second, most expressed the need for a public education effort to explain the causes of our current economic problems. Third, there is a great desire for greater government cooperation with business and labor, although there is some disagreement on the scope and range of that cooperative effort.

The groups diverge when individual components are discussed:

Business groups small and large generally strongly favor accelerated depreciation, investment tax credits, and regulatory reform. Most like the idea of refundable investment tax credits and all liked the idea of export trade companies. A common complaint was our lack of commitment to an aggressive export policy, particularly in the implementation of the recommendations of your Export Council chaired by Reg Jones.

When asked, large business representatives thought that the mix between business and individual tax benefits should be 50-50.
However, a group of democratic tax lobbyists challenged the 50-50 concept, saying that as much as 50% for business would be too "Republican".

On the individual side, every group expressed concern about "bracket creep" and social security increases.

State, local and urban government associations are primarily concerned with infrastructure development, broad consultation with the Federal government, and the impact of Federal actions on state, local and municipal tax revenues.

Social action and minority groups are primarily concerned that rapid jobs creation be the chief criterion for any benefit to be given business, and that business not be given tax incentives to relocate. Some of the social action groups, particularly the environmental groups, are very concerned that government will fail to uphold the broad public interest in protecting the environment through strict enforcement of present laws and regulations.

Summary recommendations of each group and lists of attendees are attached.
MEETING WITH CONGRESSMEN O'NEILL, WRIGHT, GIAIMO, ULLMAN

Monday, August 25, 1980
2:00 p.m. (30 minutes)
The Oval Office

From: Frank Moore

I. PURPOSE
To consult with these Members of Congress about the upcoming economic announcement

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

Background: Because of the limits on your time we are combining the consultation with the Speaker and Majority Leader and Congressmen Ullman and Giaimo. The Speaker and Jim Wright will say that they want more things this year and not next year so that "their guys" will have something to run on. They will probably ask for extended payments for unemployment insurance from 39 to 52 weeks and also something in the immediate jobs area. Giaimo still thinks that we are making a mistake by not concentrating on fighting inflation and is worried that all this talk will set us back on our fight there. Ullman is the steadiest of the Members. He consistently backs us in these matters probably because our Treasury people have done such a good job of staying in touch with him and with his staff.

Participants: The President, Speaker O'Neill, Majority Leader Jim Wright, Congressman Al Ullman, Congressman Bob Giaimo, Frank Moore

Press Plan: White House photographer

III. TALKING POINTS
Attached
SUGGESTED TALKING POINTS FOR MEETING
WITH REPS. O'NEILL, GIAIMO, ULLMAN AND WRIGHT

I am in the process of making final decisions on the economic program and wanted to speak to you privately about the major elements and get your guidance. I hope you will keep the details confidential. We are planning for an announcement of the program this Thursday, August 28, at 2:00 p.m. in the East Room. I hope you will be able to join me for the announcement.

I should emphasize that in the announcement of the broad outlines of the program, I will not be seeking legislative action or providing legislative details until January 1981. This is particularly important to stress with respect to the tax elements of the program in light of the action by the Senate Finance Committee last week.

I consider the action of the Senate Finance Committee hasty and irresponsible, and in my announcement of the program I will make it clear that I do not want legislative consideration during this session. The tax elements are complicated and will have major long-run impacts on the economy. They should be considered outside the heat of election year politics. I need your help in formulating a strategy to stave off passage of a tax bill this year.

Let me now brief you on some of the elements of the program I expect to announce. There are two major categories in which the specific initiatives fit. The first involves industrial revitalization and the second involves assistance to individuals and communities.

Industrial revitalization will be accomplished through initiatives which spur private actions and initiatives which will involve additional public sector involvement. These will include:

1. Encouraging private capital investment. This will be accomplished through a liberalized depreciation system which will be superior to those being considered at the present. There will be 25-30 depreciation classes with a single depreciation rate for each. Most businesses will use no more than 2-3 classes and the system will thus provide substantial simplification.

2. Reducing employer payroll taxes. A new liberalized depreciation system will help capital investment, but the labor side of the equation cannot be ignored. I will propose an 8% tax credit for Social Security taxes paid. This will help ease the burden of the scheduled Social Security tax increase in January 1981 and will help reduce labor costs and thus contribute to our anti-inflation effort.
(3) Dealing with economic dislocations. To help speed the transition to a more productive economy, we will have to deal with economic dislocations. This part of the program has the following elements:

(a) 30% refundable investment tax credit. Much of the benefit of the investment tax credit is now not available to cyclical industries heavily impacted by the recession. These industries also have to make investments in new plant and equipment if we are to build a better America. Making 30% of the investment tax credit refundable will help.

(b) Targeted investment tax credit. Some areas of the country are heavily impacted by the recession. I will propose allowing businesses an additional investment tax credit of 10% for investments in "distressed areas". This will further enhance the partnership between the Government and business in the problems of industrial revitalization.

(c) Expanded funding for EDA. Reduction is not a panacea for all problems. This is one of the things we must emphasize in contrasting our approach with the Republicans. The Economic Development Administration has done a good job with its program, and I have already proposed expansion of the level of funding for EDA to $1.5 billion in 1981. I will be calling for quick enactment of the Administration's proposed EDA development financing initiative. In addition I will be proposing further expansion of the program level of economic development activity -- $1 billion in 1981 and $2 billion in 1982.

(d) Industrial Revitalization Board. I will be establishing an Industrial Revitalization Board which will consist of 15 prominent individuals to provide me with continuing advice on the problems of industrial policy. I will give the Board the specific task of developing a specific proposal for an Industrial Revitalization Authority which will more effectively marshall public and private resources (including pension funds) to help restore industrial development in areas affected by industrial dislocation. The projects funded by the corporation will have to meet a private market test and stringent standards of economic viability. The corporation will be subject to annual budget control.

(e) Positive Adjustment. The economic program will include funding for a demonstration project to provide information on the design of sound incentives for retraining or relocation of workers making the transition to growing industrial sectors. In my Administration more than 8 million new jobs have been created, and I intend to continue building upon that record.
(4) Energy Security. A fourth component of industrial revitalization is a further investment in energy security. I have said repeatedly that securing our energy security is one of the highest priorities of my domestic policy. The program here will stress conservation, the safest, surest, and fastest way toward reduction of our dependence on foreign oil. Expanded funding is anticipated for Federal energy conservation programs such as Federal building weatherization and coal conversion, weatherization of schools, hospitals, public and low income housing, and the new Solar Energy and Conservation Bank.

(5) Research and Technological Development. The program will not be a traditional anti-recessionary stimulus program but will emphasize the fundamental long run policies for the next decade. R&D helps provide the breakthroughs needed for continued growth and productivity in the 1980s. Expanded funding will assure at least 3% real growth in basic research spending, with assistance also to support high technology firms and upgrade university research facilities and related programs.

The second major category of the program involves assistance to individuals and communities. I committed myself enthusiastically to support the thrust and ideals expressed in the Democratic Party platform adopted in New York. The platform adopted by the Party was in the great progressive tradition of the Party in its compassion for working Americans, in its bold recommendation for tackling the challenges that face our country, in its vision for the future. Various elements of the industrial stabilization part of the program already will provide assistance to individuals and communities (for example, the reduction of the burden of Social Security taxes through the income tax credit, the credit for investments in distressed areas, the expanded funding for EDA, and the positive adjustment assistance project.) In addition, the second major category of the program will reinforce my commitment to provide assistance to individuals and communities. These elements include:

(1) Supplementary unemployment benefits. I will propose an emergency program extension of the unemployment insurance program similar to the Federal Supplemental Benefits Program in effect in 1974-75. It will be targeted, however, to states with high unemployment and will have a weeks of work requirement which will help cut down the cost and limit abuse. After savings which would be realized from the Trade Adjustment Assistance Program, it should cost $526 million in 1981 and $435 million in 1982. This program will probably require legislative action during this session.
(2) Countercyclical revenue sharing. Some modifications may have to be made to the bill reported out by the House Government Operations Committee, but I will be prepared to support a countercyclical title at the $1 billion level to help ease the burdens faced by the cities.

This package tries to deal with the problems of the recession in a balanced responsible way which will not re-ignite inflation. I'd like your comments.
MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE MARKETS AND THE DOLLAR

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<th>Today's Close</th>
<th>Change Since 8/15</th>
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<tr>
<td>Dow Jones Industrial Average</td>
<td>958.19</td>
<td>-8.53</td>
</tr>
<tr>
<td>Prime Rate</td>
<td>11.1/4%</td>
<td>+1/4%</td>
</tr>
<tr>
<td>Gold (London)</td>
<td>$634.50</td>
<td>+$9.50</td>
</tr>
<tr>
<td>Silver (COMEX)</td>
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<td>+$0.55</td>
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After a brief hiatus early in the week, stocks resumed their explosive four-month rally. The Senate Finance Committee's approval of reduced corporate income tax rates and lower capital gains taxes for 1981 sparked accelerated institutional buying.

Interest rates in the credit markets rose sharply over the week. Belief that the Federal Reserve would now pursue a more restrictive monetary policy following the surge in M1-A and M1-B reported last Friday, precipitated sharp price declines in all sectors of the bond markets. Continued signs that the recession was bottoming-out, coupled with concern about the inflationary impact of a 1981 tax cut, also contributed to market pessimism.

The dollar appreciated slightly against the major currencies, except the yen, in a quiet market. Higher short-term U.S. interest rates stimulated the demand for dollars.

2. LIGHTWEIGHT CAB CHASSIS TARIFF

On August 21, as a result of a Customs tariff reclassification, the tariff on lightweight chassis was raised from 4 to 25 percent. A challenge by a California firm to this reclassification was dismissed in U.S. District Court on August 20.

Japan is the leading exporter of cab chassis to the U.S. The Japanese Government has officially notified the U.S. of its intention to seek consultations on the matter under
the General Agreement on Tariffs and Trade. In addition, U.S. subsidiaries of Japanese producers have indicated they will challenge the reclassification ruling. The "Big Three" U.S. automakers, which are also major importers of cab chassis from Japan, have not objected to the tariff rate increase.

3. TAX CUT FOR 1981

The Senate Finance Committee this week favorably reported a $39 billion tax cut bill for 1981. Individual tax cuts amount to $22 billion and include increased personal exemptions and zero bracket amounts, alleviation of the "marriage penalty," across-the-board rate reductions cutting maximum rates from 70 to 67 percent, liberalization of the earned income credit, and an increase in the capital gains exclusion to 70 percent.

The $17 billion in business tax cuts include the Bentsen depreciation proposal (a less costly modification of "10-5-3"), a graduated reduction in the maximum corporate rate from 46 to 44 percent in 1982, and a 25 percent tax credit for incremental research and development expenditures.

4. FY-1981 TREASURY APPROPRIATIONS

This week the House passed the FY 1981 Treasury-Postal Appropriations bill which included a number of floor amendments. One generally prohibits the use of funds to pay for abortions under the Federal Employees Health Benefit Program.

A second significant amendment prohibits the use of funds to collect Federal income taxes from hostages in Iran or their spouses for the period of their captivity. The bill now goes to the Senate.

Joseph P. Laitin
Acting Secretary
Frank Moore
Stu Eizenstat

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

Rick Hutcheson

cc: The Vice President
    Jack Watson
    Al McDonald

ADMINISTRATIVELY CONFIDENTIAL

cc: Phil page 13+14
ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE, STU EIZENSTAT

SUBJECT: Weekly Legislative Report

I. DOMESTIC POLICY ISSUES

1. Alaska Lands

On Wednesday, by a vote of 7814, the Senate passed the Alaska Lands bill after adopting the Tsongas/Jackson substitute which had been developed as a compromise measure by the principal interested parties. The substitute was adopted in order to avoid a conference and to avoid further Senate action which would be subject to a filibuster. The reaction of the House to this approach has been guarded, although Representative Udall has promised that we will have a bill this year. The environmentalists have not accepted the Senate bill, in the hope the House will improve it.

The Senate bill exceeds the Administration's original proposal in almost every respect and is a bill of which we can be proud. Publicly, however, it is important not to force Udall and Seiberling to take the Senate-passed bill. We should make clear that the House should have the opportunity to work its will.

2. Strip Mining

Most of the week in the Senate was taken up with Senator Byrd's efforts to overturn the Surface Mining and Reclamation Act. Debate centered on his amendment to the Vessel Tonnage Act which would free the states from following federal regulations in drafting their surface mining programs. The amendment finally passed today by a vote of 5431. Efforts of Senators Melcher and Metzenbaum to defeat the amendment were hampered yesterday when the Senate invoked cloture. We will be working with Representative Biaggi, Chairman of the Coast Guard and Navigation Subcommittee, and Representative Udall, to prevent the bill from reaching the House floor.
3. **Utility Oil Backout**

A markup was scheduled for Thursday in the House Subcommittee on Energy and Power but was cancelled. Chairman Dingell will try for markup after the Labor Day recess. He still lacks two or three votes needed to get his compromise version out of subcommittee. The constant emissions cap added by Dingell to gain environmentalist support (Dingell, Markey, Maguire) is strongly opposed by the coal and utility industries. Ottinger's support of the bill is now wavering because he cannot get assurances from the Coal Caucus that they will not knock out the environmental protections on the floor. Efforts toward developing a compromise provision will continue during the recess.

4. **Rail Deregulation**

We both met with Florio this week to revive the bill. We have asked that you meet with Representatives Florio and Madigan on Monday to urge them to get the Rail Deregulation bill back on the floor before Labor Day. A compromise is currently being worked out at the staff level to attempt to please the shippers, the larger railroads, some of the port interests, and the sponsors of the bill.

5. **Superfund**

In an attempt to resolve the current impasse over jurisdictional claims to H.R. 85, the oil and hazardous substances bill, Ways and Means yesterday agreed to an amendment representing a compromise between that committee and the Merchant Marine and Fisheries Committee. This action clears the way for Rules Committee action on Wednesday on both H.R. 85 and H.R. 7020 (dump sites).

In the Senate, Senator Long is sticking to his position that the Senate Finance Committee will not deal with Superfund until after Long's September 13 primary. If Finance does wait until after September 13, this will give us only three weeks before the October 4 adjournment to move this complex bill through both Houses of Congress and a conference. While such a schedule is difficult, it is not impossible.

(John Kemp has been retained by the Chemical Manufacturers Association to work on the bill.)
6. **NRC Authorization Bill**

The NRC Authorization bill will be considered by the House Rules Committee next week and will probably come to the floor in early September. We strenuously oppose an amendment added to the bill by the Commerce Committee which would require the NRC to resume and complete proceedings on the Generic Environmental Statement on Mixed Oxide Fuels (GESMO) which were suspended at Stu's request in 1977. GESMO is a rule-making on spent fuel recycling and reprocessing. It was halted because of our view that it would weaken our non-proliferation policy by giving other countries reason to doubt our commitment against the spread of plutonium. We are trying to develop a strategy to defeat this amendment on the House floor or in conference. It was not included in the Senate bill.

7. **Nuclear Waste Legislation**

The House Science and Technology Committee reported out Representative McCormack's bill on nuclear waste, which is unacceptable because of its plan for unlicensed demonstration facilities at potential repository locations. Both Udall's and Dingell's subcommittees this week reported out far more acceptable bills, but they both left out any provision for geologic away-from-reactor storage, which is essential to your waste disposal program. The situation remains very fluid at this point, but we remain guardedly optimistic about getting a good bill out of the House or at least out of the conference.

8. **Housing and Community Development Act**

The House today completed action on the FY 81 HUD Authorization bill, clearing the measure for conference with the Senate. Except for an amendment stretching the timetable for promulgation of final Building and Energy Performance Standards, and an amendment providing for a one-House veto of HUD regulations, the bill emerged in line with the Administration's position. Efforts will be made to strengthen the bill during conference.

9. **Housing Task Force**

HUD, OMB, and CEA have agreed that the Administration should form an internal task force to examine long-range housing problems: affordability, production levels, rental housing, and so forth. The task force would be assisted by a formal advisory council representing the various housing constituencies, including builders, labor, tenants, and civil rights groups.

The task force would hold regional hearings this fall and issue public findings in early 1981. We are working on a schedule that would permit announcements of the task force and advisory council by mid-September.
10. **Higher Education Bill**

The conference on the higher education bill concluded on Tuesday, and we expect a bill to arrive on your desk within the next two weeks. Action on the student loan programs, which have been major items of contention between the Administration and Congress, was far more favorable than we had expected. The conferees agreed to a compromise on the National Direct Student Loan Program that alleviates our single most notable problem with the bill. On the Guaranteed Student Loan Program, the conferees agreed to a one percent increase in borrower interest rates and a reduction in lender yield on loans financed through the sale of tax-exempt bonds but backed away from other important cost-related reforms urged by the Administration.

In earlier sessions, the conferees made significant liberalizations in other existing student financial aid programs, including Basic Grants, and authorized numerous new higher education programs. Impact aid was extended to school districts serving refugees.

While the final cost estimates for the conference bill have not yet been completed, the compromise on the National Direct Student Loan Program eases our concern over the budget implications of this bill. With the exception of Guaranteed Student Loans, program expenditures are now generally controllable through the appropriations process.

11. **Mental Health Systems Act**

The House Friday passed the Mental Health Systems Act, 277-15, which makes important changes in federal assistance to community mental health centers. Since the House bill differs considerably from the Senate-passed bill, which contained language on patient rights, a conference will be necessary.

12. **Regulatory Flexibility Act**

House consideration of the regulatory flexibility bill has been delayed as the result of concerns expressed by Congressman Danielson. The bill is now expected to be taken up under suspension of the rules on September 3. Danielson's principal objection is that passage of the bill will undermine the prospects for passage of the larger regulatory reform act which is still pending in Judiciary. The Speaker's office has assured us that the bill will pass despite Danielson's concerns.

13. **Paperwork Reduction Act**

This bill should go to the Senate floor shortly after Labor Day. Amendments adopted in committee met DOD's official concerns regarding provisions on OMB oversight over the procurement of telecommunications equipment.
II. ECONOMIC ISSUES

1. Economic Renewal Package

Members of the EPG have met several times with the House and Senate Leadership to discuss in general terms the proposals we have been considering. Because of the wide range of possible policies and programs, Congressional leaders are especially concerned that the program have a main theme with which it can be presented.

House leaders have expressed concern that the program does not sufficiently address the current recession. At the very least, they strongly recommend that we include an extension of unemployment insurance benefits, which in many cases are about to terminate. Senate leaders were even more guarded in their reaction to the proposals.

2. Status of Appropriations Bills

Reported by Senate subcommittee: Reported by House full committee:
HUD-Independent Agencies Foreign Assistance
Labor-HHS-Education Labor-HHS-Education

Passed House: Reported by House subcommittee:

Energy and Water D.C.
Military Construction Defense
Legislative
State-Justice
Agriculture
Interior
Transportation
Treasury-Postal

Labor-HHS-Education Appropriations

This bill was reported on Thursday, August 21. Floor action is scheduled for next Wednesday.

1981 Budget Authority (in millions)

<table>
<thead>
<tr>
<th></th>
<th>Request considered</th>
<th>Estimating Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$84,385</td>
<td>-247</td>
</tr>
<tr>
<td>Public Service employment</td>
<td></td>
<td>(-237)</td>
</tr>
<tr>
<td>Advances to the unemployment trust fund</td>
<td></td>
<td>(-10)</td>
</tr>
<tr>
<td>Policy Changes</td>
<td>+242</td>
<td></td>
</tr>
<tr>
<td>Low income energy assistance</td>
<td>(-400)</td>
<td></td>
</tr>
<tr>
<td>Impact aid</td>
<td>(+376)</td>
<td></td>
</tr>
<tr>
<td>Student financial assistance (postsecondary)</td>
<td>(+201)</td>
<td></td>
</tr>
<tr>
<td>National Institutes of Health</td>
<td>(+126)</td>
<td></td>
</tr>
<tr>
<td>Other funding</td>
<td>(-61)</td>
<td></td>
</tr>
<tr>
<td><strong>Total change</strong></td>
<td></td>
<td>-6</td>
</tr>
</tbody>
</table>

Congressional level 84,380
The reduction for public service employment reflects the committee's assumption that Title II-D public service jobs will end 1980 with 200,000 jobs filled. The committee report states that a supplemental will be considered if the actual jobs level is higher.

This bill is perhaps the most fiscally responsible bill reported by this subcommittee in recent years. We will work in the Senate to move closer to our priorities on particular items.

Treasury-Postal Appropriations

This bill was passed by the House Wednesday. It is basically consistent with our budget request except for a $250 million add-on for postal subsidies.

Floor action resulted in only a minor adjustment to the appropriations provided in this bill. However, several new language provisions were added. The more significant ones include the following:

-- Prohibit use of funds to pay for abortions or administrative expenses of any health plan under the Federal Employee Health Benefit Program which provides benefits for abortions.

-- Prohibit the President from calculating or submitting decennial census figures to the Congress for apportionment purposes. The sponsor of this amendment, Representative McDade, expressed grave concern over the effects of including aliens in the census figures.

-- Prohibit collection of Federal income taxes from the hostages in Iran (or their spouses) for the period of their captivity.

-- Prohibit activities related to the study or implementation of withholding taxes on interest or dividend income.

-- Prohibit the IRS from promulgating any policy or regulation that would cause the loss of tax-exempt status to private, religious or church-operated schools.

-- Prohibit the IRS from promulgating any regulation to require firms to alter their vesting procedures for pension plans if there is evidence of discrimination.
Prohibit implementation of any regulation that has been disapproved by a legislative resolution.

Prohibit any agency funded in this bill from spending more than 20 percent of its total appropriation during the last two months of the year.

This large number of riders will delay final enactment of this appropriations bill, which provides funding for the White House and other Executive offices.

3. **Second Budget Resolution**

The Senate Budget Committee completed markup on the resolution yesterday. The details of the committee's action are provided in the attached memorandum.

As pointed out in the memo, the spending levels are restrained but reasonable and will likely emerge from conference close to our budget. Draconian spending cuts sponsored by the Republicans and further spending ratchets were averted by the deft gavel of Chairman Hollings. In summary, the leadership of Chairman Hollings avoided potential embarrassment for both himself and the Administration, notwithstanding the contentious political climate of the markup.

Senator Johnston called and wanted us to be aware that the defeated Republican cut amendment would have reduced Defense by $6 billion and eliminated mandatory entitlement payments. This is inconsistent with the Republican platform and statements made by their candidate.

The House Budget Committee will hold hearings on the Administration's economic package with OMB, CEA and Treasury testifying after Labor Day. It remains uncertain if the House will markup the second resolution before the election.

4. **Reconciliation**

Chairman Giaimo and the House Leadership will continue their efforts to move the Reconciliation bill next week. There is still some hope for a closed rule which would avoid an amendment to strike the COLA savings, but this is far from assured. In any event, House staff are optimistic that at least the Rules Committee action will be completed next week.

5. **Defense**

The Defense authorization bill, which is $6-7 billion over our request, is expected to be enrolled next week. Our strategy has been to try to reduce these increases in the appropriations
process. The next step will be to meet with Members of the Senate Appropriations Committee after recess to urge them to be as restrained as possible as they look toward Senate subcommittee markup.

6. **Senate Finance Committee Tax Cut Markup**

The Finance Committee began markup of a tax cut bill on Monday. With the exception of Senator Packwood (who wants to wait until at least next year), all Members present indicated that they favored enacting a tax cut in the $25-30 billion range this year to take effect in January of 1981.

Members favored individual tax cuts structured to offset bracket creep and to offset social security tax hikes scheduled for 1981. These two items would, if fully implemented, cost $27 billion in 1981, leaving little for so-called productivity tax cuts. The Republicans, fearing that tax cuts for business would be squeezed, wanted business tax cuts brought up first. Senator Long indicated that individual tax cuts would come up first.

On Tuesday, the Committee agreed to report a tax cut bill by the end of the week. Between that time and September 14, the staff could refine the bill for floor action as early as the week of September 15.

With a surprising amount of bipartisan unanimity the committee began its discussion of the new Bentsen Investment Incentive Act which is a modified compromise of the accelerated depreciation 10-5-3 bill. The Bentsen compromise is less costly than 10-5-3, provides incentives for rehabilitation of housing and commercial buildings in the Northeast and Midwest, a 20-year write-off for buildings, and four categories (2, 4, 7 and 10-year write-offs) for machinery and equipment.

On Wednesday, the Finance Committee approved the Bentsen alternative to the 10-5-3 accelerated depreciation bill with a few minor changes. The committee then went to a five-part tax cut for individuals as follows:

1) An increase in the personal exemption from $1,000 to $1,100 and an extra exemption for the blind and elderly.

2) An increase in the zero bracket amount from $2,300 to $2,400 for singles and heads of households and from $3,400 to $3,600 for married couples.

3) An increase in the Earned Income Tax Credit for the working poor from 10% to 11% with the credit phasing out between $7,000 and $11,000 instead of the $6,000-$10,000 phaseout under present law.
4) A two-step alleviation of the marriage penalty:

(a) in the first year a 5% deduction for the first $30,000 of income of the spouse with lesser earnings

(b) a 10% deduction in the following years

5) General rate reductions, reducing the top bracket to 67% and reduction (still to be worked out after Joint Tax Committee computer runs are complete) to offset social security tax hikes and bracket creep.

The entire package is estimated to cost $22 billion in calendar year 1981 and $40 billion by 1985 -- but this is not estimated in the traditional manner. Therefore, we may have another dispute with the Finance Committee on revenue estimates.

On Thursday, the Finance Committee agreed to: (1) increase the net capital gain deduction from 60-70% -- that is, 30% of capital gains would be included in gross income and taxed at the otherwise applicable rate; (2) research and development was given a 25% tax credit for incremental expenditures over previous expenditures; (3) the 46% corporate rate was cut to 45% in 1981 and 44% in 1982; and (4) Section 911 was liberalized considerably. At this point the bill was around $39 billion for calendar 1981 and about $70-75 billion for 1985.

Final Senate action on the tax cut bill may be hampered because the Senate Budget Committee has made no provision for a tax cut in the Second Budget Resolution. A lot will hinge on whether the tax bill or the Budget Resolution is brought to the floor first.

III. FOREIGN POLICY

1. Foreign Aid

It is uncertain when the conference on the Foreign Aid Authorization bill will be held; the best guess is around the middle of September. The Hughes/Ryan impasse must be overcome before Chairman Zablocki will agree to a conference. Zablocki feels strongly that Hughes/Ryan must be reformed before the end of the session and wants to hold the foreign aid bill as a possible vehicle in case an impasse is reached on the Intelligence Oversight legislation.

House floor consideration of the FY '81 Foreign Assistance Appropriations bill appears stalled at least until after the November election. Doc Long has sent a letter signed by all
Subcommittee Democrats (with the important exception of Dave Obey) to Speaker O'Neill urging early floor consideration. Doc Long himself, however, concedes that such early action is unlikely and is gently trying to remind the House leadership that the bill is ready for action.

If we do not get House floor action before October 1, we are left with the problem of what to do with the continuing resolution. There will undoubtedly be pressures to increase continuing resolution levels in key program areas, e.g., aid to Israel and Eximbank. If we accede to these pressures, we may be indirectly preempting any consideration of an FY '81 bill, especially if current tight budgetary ceilings hold.

2. Intelligence Oversight Legislation

The House Intelligence Committee goes before the Rules Committee on August 26 to ask for an "open rule" governing debate on its draft of the Intelligence Oversight Act of 1980 (H.R. 7668). Floor debate is set for September 4. If his amendment on Hughes/Ryan reform is adopted, Chairman Zablocki may then drop his amendment on the Foreign Aid Authorization bill, thereby clearing the way for a Senate-House conference. Chairman Zablocki's Hughes/Ryan amendment would require that the notification of covert operations go only to the two Intelligence Committees and be prior to the initiation of operations; however, the President could defer this notice in "extraordinary circumstances."

3. Tarapur

Neither the Senate Foreign Relations Committee nor the House Foreign Affairs Committee is likely to act on a concurrent resolution approving or disapproving the two shipments until after Labor Day. Our best information is that Representative Bingham has not decided on the terms of a "compromise" he would find acceptable. He is discussing a variety of options with HFAC colleagues and indications are that he still wants to disapprove one of the shipments, perhaps on a conditional basis. This will be a very close vote in both Houses and the side which seems to be willing to come up with a reasonable compromise first could win the day.

4. Poland

Members of Congress are deeply concerned about events in Poland. State is receiving questions from both ends of the political spectrum, but so far there is little evidence of a desire to second guess the cautious Department commentary on the situation.

On August 20, the State Department briefed Senator Biden's European Affairs Subcommittee. The briefing was unusually well
attended, and questions were extensive and informed. Senator Sarbanes raised the question of financial assistance as a tool to encourage the Polish authorities to accept some of the Polish workers' demands.

Further questioning in the HFAC next week and expressions of interest in ways for the U.S. to influence the outcome are expected. We hope by providing prompt and full briefings, to prevent unhelpful Congressional initiatives.

5. **Iraq: Boeings and Frigates**

Further delay on the Foreign Aid Authorization conference means the Stone amendment requiring revocation of the license for the G.E. engines for the Iraqi frigates remains alive. State continues to work with Senator Stone to try to satisfy his real concerns about Iraqi-Italian cooperation on Iraqi nuclear programs, in hopes of maintaining his acquiescence in the elimination of his amendment from the conference report.

In the meantime, Iraqi officials have arrived in the country to take delivery of the first 727 for which the export license is still pending. Unless we can come up with some compromise arrangement, we will face a major confrontation with Congress if the Boeing licenses are issued at this time.

6. **PD-59**

The SFRC has asked Secretaries Muskie and Brown to testify on your nuclear targeting directive, PD-59. However, it is unlikely that the date of their appearance will be before September 10 -- when both Senators Church and Javits will be back in town.

7. **Somalia Access Agreement**

Representative Solarz's African Subcommittee has scheduled a hearing next Tuesday on the newly-initiated access agreement with Somalia. A reprogramming notification advising the Congress of an FY '80 FMS program for Somalia is supposed to be sent today.

Solarz has been concerned about concluding such an agreement with Somalia, fearing that it could damage U.S. political relations with other African states. We expect that questions at the hearing will focus on the nature of the U.S. security commitment, Somali regular force activity in the Ogaden, and U.S. reaction to a possible Ethiopian attack on Berbera. Concern about the agreement with Somalia appears to be shared in the Senate by Senator McGovern, but we do not expect there will be sufficient opposition to block implementation of the agreement.
It is quite likely that either the House or Senate Foreign Operations Subcommittee may also consider holding hearings when the reprogramming notification reaches them.

8. Philippine Security Assistance

Our Ambassador to the Philippines, Dick Murphy, made a series of calls on the Hill this week to discuss recent developments and the current status of the $5 million in FMS credits withheld by the HFAC. House Members indicated that there would be significant resistance to any attempt to restore the $5 million in conference. We are continuing to work with friends on the Senate side. Senator Glenn, our principal supporter, is concerned over Marcos' public statements which suggest that he is not deeply concerned about the cuts and that they can be restored next year. Murphy reassured Glenn that Marcos takes the cut very seriously and in his other calls suggested that the Marcos' government would react negatively to what it considers a retreat from the U.S. commitment. State may require a Presidential letter for the conferees at some point, although at the moment they are working quietly with key Members and staff to lay the groundwork for the conference.

9. Korea

The State Department has continued its efforts to keep Members informed of developments in Korea and notified key Members and staffers of President Choi's planned resignation in advance. Reactions to General Chun's latest steps to assume the Presidency were muted on the Hill, although keen interest in the trial of Kim Dae Jung continued. The East Asia and Pacific Subcommittee (Wolff) of the HFAC will hold a hearing on August 28 to discuss recent developments in Korea.

10. Grain Embargo

The Senate Banking hearings (August 20) on the restrictions of grain and high technology exports to the USSR went well from the Administration's viewpoint in that Chairman Proxmire has no plans or intent to move S. 2855, which would rescind the grain embargo. Nevertheless, there is some risk that efforts will be made to bring the matter to the Senate floor by attaching it to some other piece of legislation. Support for the bill lies primarily among grainbelt Senators, especially Republicans and those Democrats with difficult re-election campaigns this year. There are also some reports that farm groups outside the grainbelt are starting to lobby for rescission of the embargo. The Departments will continue to monitor any further action on this issue.
IV. TENTATIVE LEGISLATIVE SCHEDULE

1. Outlook for House Action on Outstanding Bills

In a meeting this week, the Speaker's office has given us a timetable for House consideration of the major bills awaiting House action. The bills fall into three categories: those that must be passed before the October 4 recess; those that are likely to be passed after the election; and those bills that present problems or are not far enough along to see final House action this year.

Planned for Consideration Before October 4:

- Remaining Appropriations bills
- Rail Deregulation
- Youth Employment
- Superfund
- Alaska Lands
- EDA Conference
- ERISA
- Higher Education Conference
- Reconciliation

Planned for Consideration After Election:

- Utility Oil Backout
- EMB
- Coal Slurry Pipeline
- Surface Transportation
- Second Budget Resolution

Problem Bills:

- Northwest Power
- Criminal Code
- Communications Act
- CHAPS
- Export Trading Companies

2. Suggested Bill Signing Ceremonies

In order to get the most mileage out of our legislative accomplishments on the Hill, we would suggest that bill signing ceremonies be planned in the next few months whenever possible and with a great deal of fanfare. For example, the Mental Health Systems Act could be signed at a community mental health center in New York. The following bills are those which we consider appropriate for such signing ceremonies and on which we hope to see final action in the near future:
Regulatory Flexibility
Nunn-Warner Military Pay Raises
Alaska Lands
Youth Bill
Mental Health Systems Act
Rail Deregulation
West Valley, New York, Demonstration Project
EDA Reauthorization
Superfund
Domestic Violence
Higher Education
TENTATIVE SCHEDULE FOR THE HOUSE OF REPRESENTATIVES

WEEK OF AUGUST 25

MONDAY
August 25

Suspensions (12)

H.R. 7054  Tariff Amendments on Plastic Netting
H.R. 6308  DOE Authorization for Magnetic Fusion Program
H.R. 7865  Nuclear Power Plant Safety Research and Development
H.R. 6899  Methane Transportation Research and Development Act
H.R. 7380  Big Sur Coast Area, California
H.R. 7411  To Establish United First Church Historical Site, Quincy, Massachusetts
H.R. 7434  African-American National Historic Site, Boston, Massachusetts
H.R. 6864  Deep Water Port Act of 1974 Authorizations
H.R. 7682  U.S. Code Amendments to Title 10 re Armed Forces Reserves
H.R. 7694  Miscellaneous DOD Matters, U.S. Territories
H.R. 6075  Public Buildings Act Amendments
H.R. 7911  Technical Amendments to Health Planning Act
H.R. 3904  Senate Amendment to Multi-Employer Pension Plans (ERISA)

Conference Reports on the following three bills:

H.R. 5892  Wind Energy Systems Research and Development Act
H.R. 6974  DOD Authorizations
H.R. 5168  Armed Forces Personnel Management Act
H.R. 7036  Health Research Act of 1980

TUESDAY
August 26

H.R. 6711  Youth Act of 1980 (complete consideration)

WEDNESDAY
August 27

H.R. 7988  Labor-HHS Appropriations

THURSDAY
August 28

H. Res. 745  Resolution of Inquiry Directed to the President
H.R. 7265  DOE Authorization for Defense Programs
H.R. 7115  NSF Authorization for FY '81 (complete consideration)
H.R. 7244  Increase U.S. Quota for International Monetary Fund

The House will adjourn from August 29 through September 2 and the Senate from August 28 through September 2 for the Labor Day District Work Period. It is all but certain that the Congress will reconvene for a lame-duck session following the November election.