8/26/80 [2]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	From Brzezinski to The President (one page) re: Meeting with Mugabe	8/26/80	A

FILE LOCATION

Carter Presidential Papers- Staff Offices, Office of the Staff Sec.-Pres. Handwriting File 8/26/80 [2] BOX 201

RESTRICTION CODES

(A) Closed by Executive Order 12356 governing access to national security information.
(B) Closed by statute or by the agency which originated the document.
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Hugh
J

THE WHITE HOUSE

WASHINGTON

August 9, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER

SUBJECT: Presidential Libraries Act, Former President's Act, Presidential Transition Act, and Presidential Protective Assistance Act

Following joint oversight hearings held by Senators David Pryor and Lawton Chiles, the "Former Presidents Facilities and Services Reform Act of 1980" was introduced by them and co-sponsored by Senators Ribicoff and Percy on March 11, 1980. This bill addresses three major areas of support to former Presidents: Title I-Presidential Archival Depositories; Title II-Former Presidents (spousal pensions, office and staff for former Presidents, transition, etc.); and Title III-Protection of Former Presidents, Former Vice Presidents, and Their Families. An identical bill was filed in the House by Congressman Richardson Preyer.

A review group consisting of White House and Vice President's counsel, Marty Beaman, representatives from OMB, Bob Lipshutz, and myself, reviewed and evaluated this legislation to develop final recommendations. The review group has consulted with Congressional Liaison; Admiral Freeman and other representatives from GSA; Jim O'Neill, Deputy Archivist of the United States; representatives from the Department of Treasury including the United States Secret Service; and the staff and directors of the Johnson and Kennedy libraries. Taken into consideration were former President Ford's comments and several meetings held with representatives of Senators Chiles, Pryor, Ribicoff and Stevens.

We have communicated with you on the Presidential Transition Act, the Former President's Act, and the Presidential Protective Assistance Act at the times they were previously discussed in Congress (Attachment A). This bill not only includes the above-mentioned subjects, but also Presidential Libraries, on which we need additional decisions from you.

Presidential Archival Depositories

o Current Law authorizes GSA to accept land, buildings, and equipment which are privately funded for purposes of creating Presidential archival depositories. The government then assumes responsibility for the costs of maintenance, operation, and protection of the facilities. The current law provides no guidance to assure that buildings are designed to insure cost efficiency and the highest archival standards nor are there any restrictions on the amount of acreage, size or number of buildings.

Proposed Legislation requires that all Presidential records created after January 20, 1981, be deposited in a central Presidential library to be constructed and maintained at government expense. (Note: You would be entitled to establish a decentralized library prior to January 20, 1983 to house the Presidential papers of your first term in office. However, all Presidential records subsequent to January 20, 1981, would be required to be placed in the central depository.) This centralized depository would be built according to a formula which does not allow for minimum adequate archival or museum space and does not result in a cost saving to the government.

where is it to be? and is all future Pres. papers be in same library?

no

Review Group Continue, with some modifications, the present concept of decentralized libraries which would accept all Presidential papers from both terms in office previous and subsequent to January 20, 1981, and are privately funded. As noted by the Archivist, these libraries have proven to be successful research centers as well as popular educational and cultural resources, a great source of regional pride, and have the best chance of acquiring all of the public and personal papers and materials of a former President's entire public service career as well as the relevant historical papers of his former aides and colleagues. This is invaluable in preserving the complete historical picture.

We agree there is a need to control the cost to the government in operating these facilities. For further evaluation purposes, we asked GSA and OMB to conduct a study of the costs of the Presidential libraries concept proposed by Senator Chiles and the current concept of decentralized libraries with appropriate modifications for size.

The study concludes that since the government must incur the costs for building the centralized library and acquiring the necessary acreage, there would not be a cost savings with Senator Chiles' proposal. Desirable and appropriate cost savings can be assured by limiting each former President to one library facility and requiring the Commissioner of Public Buildings and the National Archives to develop standards which would insure that each facility:

- o is of proper size and construction to permit efficient operation;
- o includes the minimum amount of space necessary to accommodate archival and public facilities for storage, servicing and use of historical materials;
- o has the minimum adequate amount of exhibit facilities;
- o has the minimum appropriate acreage;
- o has sufficient office space for the former President or spouse's use.

APPROVE REVIEW GROUP'S RECOMMENDATIONS ok

DISAPPROVE REVIEW GROUP'S RECOMMENDATIONS ____________

COMMENTS ____________

Former President's Act

o Current Law GSA is permitted to provide office space to the former President with no apparent limitation.

Proposed Legislation limits the former President to one office no large than 4,000 square feet.

Review Group agrees to one office of 4,000 square feet with appropriate furnishings except during the balance of the fiscal year in which the former President leaves office when there is a need for additional office space of appropriate size in Washington, D.C. ok

o Current Law provides $96,000 per year staff salary authorization limit; except the limit is $150,000 during the first thirty (30) months. This does not include office equipment, communications services, postage, etc., which have been handled annually as an appropriation matter. (Former President Ford used approximately $300,000 last year for staff salaries and other expenses.)

Proposed Legislation allows $300,000 for the first four years; $250,000 for the next four years; then $200,000 thereafter. This amount would pay for all expenses, including staff, except office space and pensions for former Presidents which are covered elsewhere. no

Review Group feels that funds for the annual expenditures of a former President, except office space and pensions, should be handled as an appropriation matter annually. If specific limits are to be authorized in this Act, the limits proposed would, in a very few years, not be adequate in then current dollars and an annual inflation factor should be applied. ok

o Current Law Presently there is no specific limitation restricting appropriated funds to activities which are a direct result of a former President having held office, except that they may be used only for official purposes.

Proposed Legislation limits the use of funds to activities which are a direct result of a former President having held office. Funds may not be used for partisan political activities or income generating activities except funds may be used for preparation of memoirs which are printed and distributed by the Public Printer and not intended for profit.

Review Group would establish a basis for reimbursement to the Former President's Act appropriation if office space, personnel, etc., are used for activities other than those which directly result from a former President having held office. Scheduling personnel should be exempt from these constraints. We would also allow the option to use the staff, office space, etc., in preparation of the memoirs which are published in the private sector if ~~the total~~ an adequate portion of the proceeds from the sale are given to a non-profit foundation whose sole function is to pay the expenses the support of a Presidential library.

o Current Law requires that GSA determine appropriateness of proposed obligations or expenditures but contains no requirement that former Presidents furnish a report of activities carried out with assistance of funds provided under this Act.

Proposed Legislation includes requirements that former Presidents submit a report by March 1 each year concerning activities carried out with funds provided by this Act.

Review Group Any information required of activities carried out with assistance of funds provided pursuant to this authorization should be included in materials provided to both Houses of Congress during the annual budget and appropriation process.

Need to minimize detailed reports

- Current Law authorizes the spouse of a deceased former President to receive an annual pension of $20,000, provided all other government pensions are waived.

  Proposed Legislation authorizes the spouse of a former President to receive a pension equal to two thirds (2/3) that authorized for the former President and there is no requirement to waive other government pensions. ok

  Review Group agrees with the proposed legislation. ok

- Current Law has no specific authorization for the use of funds after the death of a former President to allow for the orderly closing of office.

  Proposed Legislation provides authorization for funds to be used for ninety (90) days after the death of the former President.

  Review Group agrees with the proposed legislation. ok

Presidential Transition Act

- Current Law includes transition out as well as in and limits the funding to $1 million for the costs of transition out of office.

  Proposed Legislation transfers provisions for transition out of office to the Former President's Facilities and Services Reform Act of 1980; however, it limits the funds for transitions out of office to $750,000.

  Review Group agrees with the transfer of provisions to the Former President's Facilities and Services Reform Act of 1980, however, the funding should be handled as an appropriation matter annually. If limits are established, the current authorization of $1 million should not be reduced and, in fact, an inflation factor should be added to assure equivalent amounts in the future. ok

NOTE: See Attachment A for previous communications.

APPROVE REVIEW GROUP'S RECOMMENDATIONS ✓ Subj to Comments

DISAPPROVE REVIEW GROUP'S RECOMMENDATIONS ____________

COMMENTS ____________

Presidential Protective Assistance Act

o Current Law authorizes former Presidents to be protected for life.

Proposed Legislation would authorize automatic protection for a former President for eight (8) years. The Secretary of the Treasury could provide additional protection for one six month period. Consecutive six month periods of protection could be obtained only upon written request of the former President to an advisory committee which must then consult with an advisory panel which is proposed to be created.

Review Group recommends that the former President continue to be authorized Secret Service protection for life.

NOTE: See Attachment A for previous communications.

APPROVE REVIEW GROUP'S RECOMMENDATIONS ✓ J

DISAPPROVE REVIEW GROUP'S RECOMMENDATIONS ________

COMMENTS ________

Hugh - I think USSS protection should apply to Rosalynn on same basis as Mrs Ford, Nixon, et al. Change in 5/14 memo -

J

Mary D.

C

THE WHITE HOUSE

WASHINGTON

May 14, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER HC

SUBJECT: U.S.S.S. Protectees

As part of their annual appropriations review, the Senate Committee on Appropriations, and particularly Senator Lawton Chiles' subcommittee, are reviewing the levels of protection afforded certain protectees by the Secret Service. Specifically, they are addressing questions of protection for spouses and children of former presidents, and for former vice presidents.

Last year, the Treasury Department drafted some proposals on the subject. Subsequent to these original proposals, we formed a group comprising myself and Marty Beaman; White House and Vice President's counsel; representatives of the Treasury Department, and others, to review Treasury's original proposals and develop final recommendations. The recommendations outlined herein are unanimously agreed to by all members of the review group.

Meanwhile, Senator Chiles' subcommittee had obtained a copy of the original Treasury proposals and have asked for the administration's position on the subject.

The following is a summary of the current law, the original Treasury proposal, and the review group's final recommendation.

A) SPOUSES OF FORMER PRESIDENTS

The Current Law authorizes protection of the spouse of a former president until death or remarriage of spouse.

Treasury's Original Proposal would have authorized protection of the spouse or surviving spouse of a former president to six months after the President leaves office.

The Review Group's Recommendation is to authorize protection of the surviving spouse of a former president during the life of a former president and for six months subsequent to the death of a former president. (Note: This change would not apply to Mrs. Ford, Mrs. Nixon, Mrs. Johnson, Mrs. Eisenhower or Mrs. Truman, but would apply to Mrs. Carter and future spouses.) no

B) CHILDREN OF FORMER PRESIDENTS

The Current Law authorizes protection of children of a former president until the children reach 16.

Treasury's Original Proposal would have authorized protection of children of a former president to six months after the President leaves office.

The Review Group's Recommendation is to authorize protection of children of a former president until the children reach the age of 16; provided, however, that, in the event of the death of the former president prior to a child attaining the age of 16, protection would terminate six months after the death of the former President.

C) FORMER VICE PRESIDENTS

The Current Law authorizes no protection for a former vice president.

Treasury's Original Proposal would have authorized protection of any former vice president for first six months after leaving office.

The Review Group concurs with Treasury's original proposal.

D) SECRETARY OF THE TREASURY'S DISCRETIONARY AUTHORITY

Treasury's Original Proposal contained an addendum to authorize the Secretary of the Treasury the discretion to extend or reinstate protection of these individuals at any time, if deemed necessary.

The Review Group concurs.

APPROVE REVIEW GROUP's RECOMMENDATIONS ✓ J.C.

DISAPPROVE REVIEW GROUP'S RECOMMENDATIONS ________

COMMENT ________

Ham -
cc Hugh
J

THE WHITE HOUSE

WASHINGTON

July 20, 1979

MEMORANDUM FOR THE PRESIDENT

THROUGH: HAMILTON JORDAN

FROM: HUGH CARTER

SUBJECT: Presidential Transition Act and Former President's Act

The Senate Governmental Affairs Subcommittee on Civil Service and General Services, chaired by Senator David Pryor, has recently held an oversight hearing regarding the above statutes. The Former President's Act has received a large amount of public attention recently as a result of a U.S. News and World Report article regarding expenditures made by former Presidents Ford and Nixon. Senator Pryor has extended an opportunity for a representative of this Administration to testify about both statutes.

The Comptroller General (CG) has proposed a series of amendments to both acts. A review group was formed consisting of White House and Vice President's Counsel, Marty Beaman, representatives of OMB, and myself to review the CG's and GSA's recommendations. The review group consulted with Richard Harden, Jack Watson and Walter Kallaur. Also taken into consideration were former President Ford's comments requesting additional funding for staff for an extended period and liability insurance coverage.

The review group generally accepts the recommendations of the CG. The following is a summary of the current law, and CG's proposals, and the review groups' final recommendations.

I. TRANSITION ACT

A. Current law includes transition out as well as in.

CG proposes that the Transition Act should deal solely with the incoming administration. Transfer transition out to the Former President's Act.

The review group agrees with the CG.

B. Current law includes no provision for use of aircraft.

CG proposes authorization for use of aircraft, including approval of reimbursement from the press, etc.

The review group agrees with the CG.

C. Current law requires that GSA determine appropriateness of proposed obligations or expenditures.

CG proposes a clarifying amendment requiring approval of GSA before expenditure or obligation of funds; except for small imprest fund and national security expenditure provisions.

The review group agrees with the CG; however, recommends: (1) A requirement that GSA meet with major candidates and make plans for transition; and (2) GSA propose an accounting and financial management system subject to review and approval by GAO.

D. Current law provides that GSA provide communications service found necessary by the President-elect. There is no specific provision allowing support of the type you received.

CG has not proposed any changes.

The review group recommends clarification which provides that Government communications may be used on a non-reimburseable basis upon Presidential approval.

II. FORMER PRESIDENT'S ACT

A. Current law has $96,000 per year staff salary authorization limit; except the limit is $150,000 during the first 30 months.

CG proposes deleting the authorization limit and handling as an appropriation matter.

The review group agrees with the CG; however, as an alternative, recommends extension of the salary authorization limit of $150,000 from 30 months to 36 months.

B. Current law does not authorize payment of moving expenses.

CG proposes payment of moving expenses.

The review group agrees with the CG; however, recommends that position not be stated.

C. Current law authorizes the spouse of a deceased former president to receive an annual pension of $20,000.

CG proposes setting the pension at one-third of the annual rate authorized for a former president (i.e., now $22,000). no

The review group agrees with the CG; however, recommends that position not be stated.

D. Current law includes no authorization for liability insurance for automobiles, etc.

CG has not proposed any changes.

The review group recommends authorization for liability insurance.

E. Current law does not provide for use of aircraft.

CG proposes authorization for use of aircraft, including credit of reimbursements from press, etc., to appropriations account.

The review group agrees with the CG.

F. Current law provides that GSA provide necessary communications services.

CG has not proposed any changes.

The review group recommends clarification providing that Government communications may be used on a reimburseable basis during the remainder of fiscal year in which he leaves office.

G. Current law does not provide for use of detailees.

CG proposes allowing detailees on a reimburseable basis during the fiscal year in which transition occurs.

The review group agrees with the CG.

APPROVE REVIEW GROUP'S RECOMMENDATIONS ✓

DISAPPROVE REVIEW GROUP'S RECOMMENDATIONS ________

COMMENTS ________

Hugh's memo pulled

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

August 23, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. Jim

SUBJECT: The "Former President's Facilities and Services Reform Act of 1980"

The Office of Management and Budget agrees with all but one of Hugh Carter's August 9 recommendations regarding the "Former President's Facilities and Services Reform Act of 1980."

We agree with him that we should oppose a statutory requirement that former Presidents submit an annual activities report to the Congress. However, we would not recommend amending the law to require that this information be included in annual budget materials provided to the Congress for oversight or appropriations purposes from the General Services Administration. No additional constructive purpose would be served that is not already met under current law and procedures.

ID 804130 THE WHITE HOUSE PAGE A01

WASHINGTON

DATE: 19 AUG 80

FOR ACTION: STU EIZENSTAT NC FRANK MOORE

JIM MCINTYRE

INFO ONLY: THE FIRST LADY THE VICE PRESIDENT

JACK WATSON

SUBJECT: H. CARTER MEMO RE PRESIDENTIAL LIBRARIES ACT, FORMER PRESIDENT'S ACT, PRESIDENTIAL TRANSITION ACT, AND PRESIDENTIAL PROTECTIVE ASSISTANCE ACT

Pulled by Hugh

DF

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

\+ BY: 1200 PM THURSDAY 21 AUG 80 +

+++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

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

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

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

ACTION	FYI	
		MILLER
		MUSKIE
		AIELLO
		BUTLER
		CAMPBELL
		H. CARTER
		CLOUGH
	✓	FIRST LADY
		HARDEN
		HERTZBERG
		HUTCHESON
		KAHN
		MARTIN
		MILLER
		MOE
		MOSES
		PETERSON
		PRESS
		RECORDS
		SANDERS
		SHEPPARD
		SPETH
		STRAUSS
		TORRES
		VOORDE
		WISE

THE WHITE HOUSE

WASHINGTON

August 9, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER

SUBJECT: Presidential Libraries Act, Former President's Act, Presidential Transition Act, and Presidential Protective Assistance Act

Following joint oversight hearings held by Senators David Pryor and Lawton Chiles, the "Former Presidents Facilities and Services Reform Act of 1980" was introduced by them and co-sponsored by Senators Ribicoff and Percy on March 11, 1980. This bill addresses three major areas of support to former Presidents: Title I-Presidential Archival Depositories; Title II-Former Presidents (spousal pensions, office and staff for former Presidents, transition, etc.); and Title III-Protection of Former Presidents, Former Vice Presidents, and Their Families. An identical bill was filed in the House by Congressman Richardson Preyer.

A review group consisting of White House and Vice President's counsel, Marty Beaman, representatives from OMB, Bob Lipshutz, and myself, reviewed and evaluated this legislation to develop final recommendations. The review group has consulted with Congressional Liaison; Admiral Freeman and other representatives from GSA; Jim O'Neill, Deputy Archivist of the United States; representatives from the Department of Treasury including the United States Secret Service; and the staff and directors of the Johnson and Kennedy libraries. Taken into consideration were former President Ford's comments and several meetings held with representatives of Senators Chiles, Pryor, Ribicoff and Stevens.

We have communicated with you on the Presidential Transition Act, the Former President's Act, and the Presidential Protective Assistance Act at the times they were previously discussed in Congress (Attachment A). This bill not only includes the above-mentioned subjects, but also Presidential Libraries, on which we need additional decisions from you.

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Proposed Legislation requires that all Presidential records created after January 20, 1981, be deposited in a central Presidential library to be constructed and maintained at government expense. (Note: You would be entitled to establish a decentralized library prior to January 20, 1983 to house the Presidential papers of your first term in office. However, all Presidential records subsequent to January 20, 1981, would be required to be placed in the central depository.) This centralized depository would be built according to a formula which does not allow for minimum adequate archival or museum space and does not result in a cost saving to the government.

Review Group Continue, with some modifications, the present concept of decentralized libraries which would accept all Presidential papers from both terms in office previous and subsequent to January 20, 1981, and are privately funded. As noted by the Archivist, these libraries have proven to be successful research centers as well as popular educational and cultural resources, a great source of regional pride, and have the best chance of acquiring all of the public and personal papers and materials of a former President's entire public service career as well as the relevant historical papers of his former aides and colleagues. This is invaluable in preserving the complete historical picture.

We agree there is a need to control the cost to the government in operating these facilities. For further evaluation purposes, we asked GSA and OMB to conduct a study of the costs of the Presidential libraries concept proposed by Senator Chiles and the current concept of decentralized libraries with appropriate modifications for size.

The study concludes that since the government must incur the costs for building the centralized library and acquiring the necessary acreage, there would not be a cost savings with Senator Chiles' proposal. Desirable and appropriate cost savings can be assured by limiting each former President to one library facility and requiring the Commissioner of Public Buildings and the National Archives to develop standards which would insure that each facility:

- o is of proper size and construction to permit efficient operation;
- o includes the minimum amount of space necessary to accommodate archival and public facilities for storage, servicing and use of historical materials;
- o has the minimum adequate amount of exhibit facilities;
- o has the minimum appropriate acreage;
- o has sufficient office space for the former President or spouse's use.

APPROVE REVIEW GROUP'S RECOMMENDATIONS ____________

DISAPPROVE REVIEW GROUP'S RECOMMENDATIONS ____________

COMMENTS ____________

<u>Former President's Act</u>

o <u>Current Law</u> GSA is permitted to provide office space to the former President with no apparent limitation.

<u>Proposed Legislation</u> limits the former President to one office no large than 4,000 square feet.

<u>Review Group</u> agrees to one office of 4,000 square feet with appropriate furnishings except during the balance of the fiscal year in which the former President leaves office when there is a need for additional office space of appropriate size in Washington, D.C.

o <u>Current Law</u> provides $96,000 per year staff salary authorization limit; except the limit is $150,000 during the first thirty (30) months. This does not include office equipment, communications services, postage, etc., which have been handled annually as an appropriation matter. (Former President Ford used approximately $300,000 last year for staff salaries and other expenses.)

<u>Proposed Legislation</u> allows $300,000 for the first four years; $250,000 for the next four years; then $200,000 thereafter. This amount would pay for all expenses, including staff, except office space and pensions for former Presidents which are covered elsewhere.

Review Group feels that funds for the annual expenditures of a former President, except office space and pensions, should be handled as an appropriation matter annually. If specific limits are to be authorized in this Act, the limits proposed would, in a very few years, not be adequate in then current dollars and an annual inflation factor should be applied.

- Current Law Presently there is no specific limitation restricting appropriated funds to activities which are a direct result of a former President having held office, except that they may be used only for official purposes.

  Proposed Legislation limits the use of funds to activities which are a direct result of a former President having held office. Funds may not be used for partisan political activities or income generating activities except funds may be used for preparation of memoirs which are printed and distributed by the Public Printer and not intended for profit.

  Review Group would establish a basis for reimbursement to the Former President's Act appropriation if office space, personnel, etc., are used for activities other than those which directly result from a former President having held office. Scheduling personnel should be exempt from these constraints. We would also allow the option to use the staff, office space, etc., in preparation of the memoirs which are published in the private sector if the total proceeds from the sale are given to a non-profit foundation whose sole function is the support of a Presidential library.

- Current Law requires that GSA determine appropriateness of proposed obligations or expenditures but contains no requirement that former Presidents furnish a report of activities carried out with assistance of funds provided under this Act.

  Proposed Legislation includes requirements that former Presidents submit a report by March 1 each year concerning activities carried out with funds provided by this Act.

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Proposed Legislation authorizes the spouse of a former President to receive a pension equal to two thirds (2/3) that authorized for the former President and there is no requirement to waive other government pensions.

Review Group agrees with the proposed legislation.

o Current Law has no specific authorization for the use of funds after the death of a former President to allow for the orderly closing of office.

Proposed Legislation provides authorization for funds to be used for ninety (90) days after the death of the former President.

Review Group agrees with the proposed legislation.

Presidential Transition Act

o Current Law includes transition out as well as in and limits the funding to $1 million for the costs of transition out of office.

Proposed Legislation transfers provisions for transition out of office to the Former President's Facilities and Services Reform Act of 1980; however, it limits the funds for transitions out of office to $750,000.

Review Group agrees with the transfer of provisions to the Former President's Facilities and Services Reform Act of 1980, however, the funding should be handled as an appropriation matter annually. If limits are established, the current authorization of $1 million should not be reduced and, in fact, an inflation factor should be added to assure equivalent amounts in the future.

NOTE: See Attachment A for previous communications.

APPROVE REVIEW GROUP'S RECOMMENDATIONS ____________________

DISAPPROVE REVIEW GROUP'S RECOMMENDATIONS ____________________

COMMENTS ____

Presidential Protective Assistance Act

o Current Law authorizes former Presidents to be protected for life.

Proposed Legislation would authorize automatic protection for a former President for eight (8) years. The Secretary of the Treasury could provide additional protection for one six month period. Consecutive six month periods of protection could be obtained only upon written request of the former President to an advisory committee which must then consult with an advisory panel which is proposed to be created.

Review Group recommends that the former President continue to be authorized Secret Service protection for life.

NOTE: See Attachment A for previous communications.

APPROVE REVIEW GROUP'S RECOMMENDATIONS ______________________

DISAPPROVE REVIEW GROUP'S RECOMMENDATIONS ______________________

COMMENTS ______________________

A

Mary B.

C

THE WHITE HOUSE

WASHINGTON

May 14, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER HC

SUBJECT: U.S.S.S. Protectees

As part of their annual appropriations review, the Senate Committee on Appropriations, and particularly Senator Lawton Chiles' subcommittee, are reviewing the levels of protection afforded certain protectees by the Secret Service. Specifically, they are addressing questions of protection for spouses and children of former presidents, and for former vice presidents.

Last year, the Treasury Department drafted some proposals on the subject. Subsequent to these original proposals, we formed a group comprising myself and Marty Beaman; White House and Vice President's counsel; representatives of the Treasury Department, and others, to review Treasury's original proposals and develop final recommendations. The recommendations outlined herein are unanimously agreed to by all members of the review group.

Meanwhile, Senator Chiles' subcommittee had obtained a copy of the original Treasury proposals and have asked for the administration's position on the subject.

The following is a summary of the current law, the original Treasury proposal, and the review group's final recommendation.

A) SPOUSES OF FORMER PRESIDENTS

The Current Law authorizes protection of the spouse of a former president until death or remarriage of spouse.

Treasury's Original Proposal would have authorized protection of the spouse or surviving spouse of a former president to six months after the President leaves office.

The Review Group's Recommendation is to authorize protection of the surviving spouse of a former president during the life of a former president and for six months subsequent to the death of a former president. (Note: This change would not apply to Mrs. Ford, Mrs. Nixon, Mrs. Johnson, Mrs. Eisenhower or Mrs. Truman, but would apply to Mrs. Carter and future spouses.)

B) CHILDREN OF FORMER PRESIDENTS

The Current Law authorizes protection of children of a former president until the children reach 16.

Treasury's Original Proposal would have authorized protection of children of a former president to six months after the President leaves office.

The Review Group's Recommendation is to authorize protection of children of a former president until the children reach the age of 16; provided, however, that, in the event of the death of the former president prior to a child attaining the age of 16, protection would terminate six months after the death of the former President.

C) FORMER VICE PRESIDENTS

The Current Law authorizes no protection for a former vice president.

Treasury's Original Proposal would have authorized protection of any former vice president for first six months after leaving office.

The Review Group concurs with Treasury's original proposal.

D) SECRETARY OF THE TREASURY'S DISCRETIONARY AUTHORITY

Treasury's Original Proposal contained an addendum to authorize the Secretary of the Treasury the discretion to extend or reinstate protection of these individuals at any time, if deemed necessary.

The Review Group concurs.

APPROVE REVIEW GROUP's RECOMMENDATIONS ✓ J.C.

DISAPPROVE REVIEW GROUP'S RECOMMENDATIONS ______________

COMMENT ______________

Ham -
cc Hugh
J

THE WHITE HOUSE

WASHINGTON

July 20, 1979

MEMORANDUM FOR THE PRESIDENT

THROUGH: HAMILTON JORDAN

FROM: HUGH CARTER

SUBJECT: Presidential Transition Act and Former President's Act

The Senate Governmental Affairs Subcommittee on Civil Service and General Services, chaired by Senator David Pryor, has recently held an oversight hearing regarding the above statutes. The Former President's Act has received a large amount of public attention recently as a result of a U.S. News and World Report article regarding expenditures made by former Presidents Ford and Nixon. Senator Pryor has extended an opportunity for a representative of this Administration to testify about both statutes.

The Comptroller General (CG) has proposed a series of amendments to both acts. A review group was formed consisting of White House and Vice President's Counsel, Marty Beaman, representatives of OMB, and myself to review the CG's and GSA's recommendations. The review group consulted with Richard Harden, Jack Watson and Walter Kallaur. Also taken into consideration were former President Ford's comments requesting additional funding for staff for an extended period and liability insurance coverage.

The review group generally accepts the recommendations of the CG. The following is a summary of the current law, and CG's proposals, and the review groups' final recommendations.

I. TRANSITION ACT

A. Current law includes transition out as well as in.

CG proposes that the Transition Act should deal solely with the incoming administration. Transfer transition out to the Former President's Act.

The review group agrees with the CG.

B. Current law includes no provision for use of aircraft.

CG proposes authorization for use of aircraft, including approval of reimbursement from the press, etc.

The review group agrees with the CG.

C. Current law requires that GSA determine appropriateness of proposed obligations or expenditures.

CG proposes a clarifying amendment requiring approval of GSA before expenditure or obligation of funds; except for small imprest fund and national security expenditure provisions.

The review group agrees with the CG; however, recommends: (1) A requirement that GSA meet with major candidates and make plans for transition; and (2) GSA propose an accounting and financial management system subject to review and approval by GAO.

D. Current law provides that GSA provide communications service found necessary by the President-elect. There is no specific provision allowing support of the type you received.

CG has not proposed any changes.

The review group recommends clarification which provides that Government communications may be used on a non-reimburseable basis upon Presidential approval.

II. FORMER PRESIDENT'S ACT

A. Current law has $96,000 per year staff salary authorization limit; except the limit is $150,000 during the first 30 months.

CG proposes deleting the authorization limit and handling as an appropriation matter.

The review group agrees with the CG; however, as an alternative, recommends extension of the salary authorization limit of $150,000 from 30 months to 36 months.

B. Current law does not authorize payment of moving expenses.

CG proposes payment of moving expenses.

The review group agrees with the CG; however, recommends that position not be stated.

C. Current law authorizes the spouse of a deceased former president to receive an annual pension of $20,000.

CG proposes setting the pension at one-third of the annual rate authorized for a former president (i.e., now $22,000).

The review group agrees with the CG; however, recommends that position not be stated.

D. Current law includes no authorization for liability insurance for automobiles, etc.

CG has not proposed any changes.

The review group recommends authorization for liability insurance.

E. Current law does not provide for use of aircraft.

CG proposes authorization for use of aircraft, including credit of reimbursements from press, etc., to appropriations account.

The review group agrees with the CG.

F. Current law provides that GSA provide necessary communications services.

CG has not proposed any changes.

The review group recommends clarification providing that Government communications may be used on a reimburseable basis during the remainder of fiscal year in which he leaves office.

G. Current law does not provide for use of detailees.

CG proposes allowing detailees on a reimburseable basis during the fiscal year in which transition occurs.

The review group agrees with the CG.

APPROVE REVIEW GROUP'S RECOMMENDATIONS ✓

DISAPPROVE REVIEW GROUP'S RECOMMENDATIONS ____________

COMMENTS ____________

THE WHITE HOUSE
WASHINGTON

For the Record:

Returned from President 8/26/80 & Hugh given copy. First Lady walked in not send from us.

Wexman

THE WHITE HOUSE
WASHINGTON

8/21/80

Mr. President:

Scotty Campbell has asked for a meeting with you. Jack Watson has talked with him but Scotty would not disclose the substance of the request other than it being personal. Jack recommends you agree to see him for a few minutes.

✓ approve ___ disapprove

Phil

11:45 Tuesday

United States
Office of
Personnel Management

Washington, D.C. 20415

JW agreed to call Scotty
gr
cc sent to Fran 8/15

In Reply Refer To: August 15, 1980

Your Reference:

Send to Phil W.

MEMORANDUM TO: Philip J. Wise, Jr.
Appointments Secretary
to the President

FROM: Alan K. Campbell
Director

Scotty

SUBJECT: Appointment For Me With The President

I request a 15-20 minute meeting with the President to discuss a matter of considerable importance to me. This is the only request I have made for a personal meeting with the President and I hope very much you can arrange for it to be held some time during the week of August 18th.

I will be in and out of town during the week and hope you can give me at least 12 hours notice as to the date and time of the meeting. My office will be able to reach me wherever I am and I will then be able to be here if given a bit of notice.

ADMINISTRATIVELY CONFIDENTIAL -- NOT FOR CIRCULATION

THE WHITE HOUSE

WASHINGTON

August 25, 1980

URGENT

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT Stu

SUBJECT: Scotty Campbell

I have just talked with a person who is in Scotty Campbell's office who had called me about a meeting you are to have tomorrow with him.

Scotty wants to resign immediately. He feels he has been poorly treated. The last straw came with the cancellation of the awards ceremony you were to participate in for the first awards to the 50 top Senior Executive Service participants. He feels that he had a commitment from Jack Watson for you presence at this ceremony. He feels that the cancellation evidences a lack of interest in what was one of your major accomplishments.

This is most unfortunate for Scotty is one of the most talented persons in the Administration and his resignation at this time would be harmful.

Your presence at this ceremony would highlight a major accomplishment in this Administration and might help improve the Administration's career civil servants.

The person who called me stated that it was important that you urge Scotty to stay at least through the election and to tell him that the Administration needs him and would like him to give speeches around the country, especially in New York.

The rescheduling of the event would go a long way toward turning around Scotty's frustration.

cc: Jack Watson
Phil Wise

THE WHITE HOUSE
WASHINGTON

26 Aug 80

The First Lady:

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

Rick Hutcheson

Kos
J

THE VICE PRESIDENT'S HOUSE
WASHINGTON, D.C. 20501

August 26th

Dear Mr. President—

Finally, at long, long last, your portrait by Ansel Adams—and Fritz's too—will be unveiled at the National Portrait Gallery. These portraits will be the stars in the exhibit of photographic portraits of the members of your Cabinet.

If you and Rosalynn can possibly squeeze one more event into your life, please come to the exhibit open-

THE VICE PRESIDENT'S HOUSE
WASHINGTON, D.C. 20501

2.

ing. It is scheduled for Wednesday, September 24th at 6 p.m. in the evening.

If you cannot be with us for the opening, Marvin Sadik, the gallery director, would be pleased to take you through another time.

You would make this very special event a fabulous one! Sincerely,

Joan

11:00 am

THE WHITE HOUSE

WASHINGTON

August 25, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: AL MOSES

SUBJECT: Meeting with Jewish Supporters, Roosevelt Room, Tuesday, August 26, 1980, 11:00 a.m.

I. PURPOSE

This is a meeting with some fifteen Jewish supporters from Boston, Cleveland, Connecticut, Detroit and Philadelphia. There will be a similar meeting on Thursday with supporters from New York City.

II. BACKGROUND, PARTICIPANTS AND PRESS

A. Background: These people are coming as friends of Carter-Mondale and were picked because of their creditability in the Jewish community.

I suggest you talk for approximately five minutes, leaving the remaining 10 minutes for questions.

See attached Talking Points (Tab A).

B. Participants: See attached list (Tab B).

White House Staff: Al Moses and Sara Seanor

TAB A

TALKING POINTS FOR PRESIDENT'S MEETING WITH JEWISH SUPPORTERS FROM BOSTON, CLEVELAND, CONNECTICUT, DETROIT AND PHILADELPHIA

It is good to be with friends. I appreciate your coming to meet with me. I'm going to be very busy the next ten weeks travelling throughout the country explaining to the American people the difference between a Democratic Administration and a Republican Administration.

As I see it, the difference is whether our government is going to move forward or look backward, whether we as a nation are going to move resolutely and confidently in the next two decades of this century, or look back to a world that never was.

I have read where Ronald Reagan refers in his speeches to the 1920s and people like Jack Dempsey and Will Rogers. They were fine people, but let's not forget Warren Harding, Calvin Coolidge, and Herbert Hoover. They were the political leaders of that era, and I do not believe that they're the right model for today. We have to move forward, not look backward.

We have to look realistically at the problems of our cities. Irresponsible tax deductions will only add to inflation and make far worse the problems of our urban areas. Our citizens are only now beginning to see the benefit of this Administration's urban policy. Pouring billions of dollars indiscriminately into the defense industry will not solve our economic problems and will do very little for our urban areas. (It may help Marietta, Georgia and Burbank, California, and even Seattle, but not New York City, not Detroit, not Cleveland, not Philadelphia.)

Another area in which Governor Reagan and I differ is energy. We are making progress in reducing our dependence on imported oil. Since 1977 we have reduced our average daily import of oil from 8.5 million barrels to 7 million barrels and under the Comprehensive Energy Program, which we now have in place, we will reduce that amount even more over the next decade -- reducing by 50% the amount of oil we imported in 1977. I need not tell you what this means for our country. It will remove the threat of oil embargoes and other forms of political coercion which some OPEC nations might be tempted to try. I can think of nothing more important, not only for our country, but also for Israel.

I do not want to do all the speaking, I want to hear from you. But there is a final word or two I want to say about our policies in the Middle East.

I know that questions have arisen about the policy this Administration will follow if I am re-elected. No doubt you are being asked this question in your own communities. I want you to tell your friends that there will be no change in my Administration's commitment to the security and well-being of Israel. This is not a matter of political expediency but of my own conviction -- both as President and as a person, that the interests we share in common with Israel form the basis for a firm link between our two countries that will not be broken.

We may disagree with the government of Israel from time to time. This is to be expected. It has happened many times over 32 years of Israel's existence. We have disagreements with other allies, but it doesn't affect the basic relationship between our countries. The same thing is true concerning Israel.

Under my Administration we have provided approximately one-half of the aid -- both military and economic -- that Israel has received in the last 32 years. As I stated in my acceptance speech, we have never threatened to slow down or stop this aid, and as long as I am President we never shall. Nor will we impose a peace on Israel as George Ball and some others have suggested.

Our role is that of a full partner with Eygpt and Israel in a common search for peace. We have not dictated terms to Israel and we never shall. This would be an affront both to Israel's democratic process and to my personal belief of what is right and proper in relations between friendly governments.

A last point which I hope you will carry with you to your friends. When I was elected President this country was facing an Arab boycott which sought to tell American businesses where they could do business and with whom. My predecessor and two of the leading members of his Cabinet, Simon and Kissinger, blocked efforts to pass effective legislation to combat the Arab boycott. When I became President, we worked with the Congress and with American Jewish leaders -- and some outside businessmen as well -- to put on the books effective legislation. Many people in the business community and even some politicians said we should not do it -- that it would affect our relations with Saudi Arabia and other Arab nations. I did not buy this then and I do not subscribe to it now. I shall always do what is right and proper in the interest of our country and in the interest of justice and I shall let the political consequences take care of themselves.

JEWISH SUPPORTERS
August 26, 1980

TAB B

OHIO

Milton Wolf - Retired Ambassador
to Austria
Cleveland, Ohio

Albert Ratner - President
Forest City Enterprises, Inc.
Cleveland, Ohio

Irving Stone - Chairman of the Board
American Greetings Corporation
University Heights, Ohio

MICHIGAN

Rabbi Irwin Groner - Congregation of Shaarey Zedek
Southfield, Michigan

Rabbi Richard Hertz - Temple Beth El
Birmingham, Michigan

Robert Nederlander - Attorney
Nederlander, Dodge and McCauley
Detroit, Michigan

Paul Zuckerman - Chairman of the Board
Velvet O'Donnell Corporation
Livonia, Michigan

George Zelter - President
American Federal Savings & Loan Association
Southfield, Michigan

MASSACHUSETTS

Ollie Cohen - President
Kings Department Stores
Newton, Massachusetts

CONNECTICUT

David Chase - President
Chase Enterprises
Hartford, Connecticut

CONNECTICUT, continued

Martin Grant	- Advisory Commission Anti Defamation League - former State Chairman, Community Relations Committee of Jewish Federation Branford, Connecticut
Sigmund Strochlitz	- President American Friends of Haifa University New London, Connecticut

PENNSYLVANIA

Bill Batoff	- President Pioneer Land of Philadelphia Philadelphia, PA
Howard Gittis	- Attorney Wolf, Block, Schorr, Solis, Cohen Philadelphia, PA
Ron Rubin	- President Federation of Jewish Agency Philadelphia, PA
Lew Stein	- Former Chairman of the Board Food Fair Stores Philadelphia, PA

a

Office of the Attorney General
Washington, D.C. 20530

August 26, 1980

MEMORANDUM FOR: Eugene Eidenberg
Secretary to the Cabinet and
Assistant to the President for
Intergovernmental Affairs

FROM: Abbe D. Lowell
Special Assistant to
the Attorney General

SUBJECT: Cuban/Haitian Situation: Law Enforcement Policy

This memorandum responds to your request for information concerning the law enforcement policy in effect and being applied to those returning from Cuba with illegal aliens. Our general policy is to take all possible punitive actions against those persons involved in illegally importing undocumented persons from Cuba.

Pursuant to this policy, the following actions are taken with regard to every arriving vessel:

(1) Fines of $1,000 per alien are being assessed against the operators of every vessel. Except where the civil fines have been paid voluntarily, lawsuits are being filed to compel payment. Several hundred cases have now been referred to the United States Attorney's office, and another 700 to 900 cases will be referred in the next few weeks;

(2) Fines that are assessed are being secured by seizure of the vessel by the United States Customs Service. Due to the court order in effect, such seizures are "constructive" and allow owners to keep possession of their vessels in exchange for an affidavit stating that they will not make a return trip and agree to other restrictions;

(3) In all cases in which we can establish that the owner of a vessel consented to the use of the vessel to import undocumented persons, the vessel is seized by the Immigration and Naturalization Service for the purpose of forfeiture. These are actual seizures and involve our taking custody of the vessels;

(4) The boat captain, members of the crew, the owner (if he is aboard) and anyone else implicated in the illegal importation of aliens are arrested and charged with a criminal offense. These are actual arrests and are made on the spot. The United States Attorney's office will prosecute these cases. To date, there have been more than 70 indictments involving some 300 people returned by the federal grand jury hearing these cases;

(5) The Coast Guard is intercepting and inspecting every south bound vessel it can. In those cases in which there is specific, adequate evidence of an intention to import undocumented aliens, arrests are being made.

In addition to these actions taken in individual cases, the FBI and I&NS have been directed to make vigorous efforts to ascertain whether the flotilla activity is the result of criminal conspiracies among the Cuban-American community in southern Florida.

Finally, to strengthen and accelerate Justice Department enforcement activities, we recently added more than twenty I&NS investigators and lawyers to the Miami office and created a special Cuban boat unit, consisting of nearly a dozen attorneys, within the United States Attorney's office.

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

C

August 26, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD CUTLER

SUBJECT: ECONOMIC PROGRAM AND SPEECH

I am disappointed that neither the August 22 draft of the Economic Program nor the August 25 draft of the speech refers to any new initiative on minimizing the cost of health and safety regulation or the significant effect of such costs as a drain on available investment funds and on the productivity and competiveness of U. S. industry.

The perception of regulatory costs as a drain on industrial productivity and efficiency is very strong in the press (see the attached New York Times editorial), in the communities where obsolescent plants are being shut down rather than rebuilt to meet health and safety requirements, and above all in the business and financial communities. This perception reflects a real problem -- even though business sources tend to exaggerate the numbers -- on which Robert Crandall of the Brookings Institution has published some impressive data. (See attachments)

You have taken some major steps to balance our regulatory goals against other national goals and to assert your own balancing authority over the single-mission agencies, such as EPA and OSHA, within the Executive Branch. Charlie Schultze and RARG have done excellent work in reviewing new health and safety regulations and in making the single-mission agencies conscious of the need to consider other goals. But there have been a number of recent occasions on which Stu Eizenstat has thrown up his hands in despair over the singlemindedness of these agencies (EPA on denying to the steel industry the same "bubble" (facility-wide) formula it granted to the rubber industry, its reluctance to relax standards even when the result is a plant shutdown, and NHTSA's unwillingness to accept a reasonable deferment of the costly and unpopular air bag.)

There are a number of initiatives you might take in the new Economic Program and in your speech:

- o At a minimum the new Industrial Revitalization Board should be specifically charged, in addition to its other tasks, with recommending ways in which the costs of health and safety regulation can be balanced against our other economic goals, such as revitalization of target industries, channeling of available investment funds into productive rather than non-productive compliance equipment, maintaining the efficiency of our industries and their ability to compete with those of other nations, and containing inflation.

- o You could propose negotiating international health and safety standards for steel, mining, energy and other internationally competitive industries, so that the external costs of meeting health and safety goals could be fairly shared and competitive disadvantage avoided.

- o As proposed in my memoranda of March 13 and April 30 to the EPG, you could announce that you and your staff will personally review, before final adoption, all new regulations that impose additional compliance costs on an industry exceeding $100 million.

- o You could reconsider allowing faster depreciationnwrite-offs or larger refundable investment credits for capital investments certified to be necessary to comply with a health or safety standard (e.g., smokestack precipitators, utility oil backout investments, air bags and other passive restraints, coke oven doors, etc.)

- o You could consider "sunsetting" the fuel economy regulations which appear to have been overtaken by market forces and may no longer be necessary.

- o You could announce your determination to press forward with the regulatory reform legislation you urged earlier this year, as to which your own staff is now diffident, to say the least. While the Bumpers and Levitas amendments pose some problems, they are problems that, in my judgment, could readily be resolved if we are determined to achieve passage of the bulk of our proposals.

I will be glad to work with Gordon Stewart on suggested language for the speech to give some recognition of the need to minimize the cost of regulation, including at least the first of the above suggestions, which I assume is non-controversial.

New York Times

Monday, August 25, 1980

The New York Times

Founded in 1851

ADOLPH S. OCHS, Publisher 1896-1935
ARTHUR HAYS SULZBERGER, Publisher 1935-1961
ORVIL E. DRYFOOS, Publisher 1961-1963

ARTHUR OCHS SULZBERGER
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If 'Reindustrialization' Means Anything

Any day now, President Carter will unveil his program to reindustrialize America. Reindustrialization remains the political buzz word of the season. Its meaning is vague; it has to do with the debilitated state of American industry and the need for changes in Government policy to revive it. But no one has come to grips with the specifics. That alone will make the promised Carter message worth the closest attention.

We have been, and remain, dubious. Reviving American industry is obviously attractive. But dealing intelligently with so complex a matter would be difficult at any time; is it possible at all in an election year? True reindustrialization is apt to be much more painful than its proponents are willing to admit. For its aim cannot be the simple political one of protecting troubled industries like autos and steel. The economy cannot be renewed by clinging to the past, to dying industries, crippled companies or existing jobs.

If reindustrialization is to mean anything, it must mean building up the muscle of American industry, exposing it to competition foreign and domestic, while having the wisdom and courage to let the losers die and to help the winners with sensible tax incentives and regulation.

The problems besetting the economy preceded the current recession and will doubtless outlast it. Productivity, which used to grow at a heady pace year after year, has stopped growing at all and American industry no longer seems able to outsell the competition. Our share of industrial exports has dwindled. Increasingly, foreign producers are invading our domestic market.

Against these winds, an election-year "reindustrialization" plan sounds like a mere whistle. Still, it is conceivable that a program could do great good, if founded on political courage and persistence. Inevitably, the President's language will be stirring, the claims hyperbolic, the details numbing. Behind all that, there are at least three minimum criteria for a serious program.

☐ *Does the program propose a realistic way to rationalize regulation?* Industry now is often caught in an impossible cross-fire between agencies with different goals. The Government should at least try to set its own priorities when there are conflicts between, say, energy and environment.

☐ *Does the program include tax incentives for research, development and innovation?* For a variety of reasons, such investment has been anemic in recent years — and so has the rate of technological change, one of the key engines of economic growth. Such incentives are particuarly important for smaller companies, historically the key source of new industrial ideas.

☐ *Is the President willing to commit himself to competition?* It is not easy for any Government to abandon its willingness to protect industry against foreign competition. But to prop up inefficient domestic companies is not reindustrialization; it is supine politics. There needs to be a new and serious Federal commitment to assist workers who lose to foreign competition. Industry, however, must be exposed to the full winds of competition. This requires phasing out the tariffs and import controls which make a few unions happy but protect inefficient producers, drag down productivity and generate inflation.

Even if these criteria are met, they are only the beginning of a sound reindustrialization plan, not the end. But they indicate the difficulties. The tougher the politics, the better the economics.

CRANDALL

March 21, 1980

The Brookings Institution
Economic Studies Program

PROJECT PROPOSAL

The Conflicting Goals of Regulations Affecting the Automobile --

An Integrated Assessment

(Cover page and conclusion only)

The private automobile has been the object of increasing public policy concern. In the face of rising energy prices, environmental problems, a heightened concern for health and safety, continuing congestion in urban centers, and the burden of maintaining and rebuilding the highway system, there are a myriad of government policies which directly or indirectly affect the design and the use of the automobile. Corporate average fuel economy standards (CAFE) have been imposed. A wide array of safety standards have been promulgated. Emissions control has become more stringent over the past decade. Increases in gasoline taxes are now being proposed to reduce imported oil consumption. The adequacy of current user taxes to support the highway system and appropriately reflect the external diseconomies of operating vehicles (particularly in congested areas) is a matter of continuing policy discussion.

Given the complex interrelationship of public policies directed towards fuel economy, highway safety, highway construction, pollution control, and control of urban congestion, there is an urgent need for developing a framework to analyze the tradeoffs among policy objectives and the appropriate mix of policy tools. Since many of these objectives conflict with each other, it is crucial that policymakers understand both the direct and indirect implications of their choices. For instance,

Conclusion

The various calculations are summarized in Table 3. The five regulations analyzed are presented, along with the estimated increase in the price per vehicle, the estimated direct effect of each regulation, and the resulting cost per fatality equivalent averted, if relevant. The secondary effects are then shown in terms of the additional weight resulting from each regulation, the additional fuel used, and the estimated fuel cost per fatality saved (assuming $1.50 per gallon). The dollar increases in price are taken from NHTSA and are disputed by the auto manufacturers and others. In any case, passive seat belts appear to be a bargain relative to safety regulations to date; air bags are within the estimated cost per fatality averted of current safety regulations. The secondary effects of these regulations are large relative to the primary effects. The additional fuel costs associated with the safety features are large, especially for the current set of safety features. Although a secondary impact of fuel economy regulations is an estimated increase in fatalities, society would have to be willing to pay $2.55 million per fatality in order to forego the fuel economy standards. Finally, the fuel economy penalties of emissions control are 54.55 gallons per car per year or $81.82; this amount is greater than the annual increase in price for the equipment and its maintenance; thus, it is the fuel costs that dominate the estimated cost of emissions control.

The table illustrates the conflicts among safety, emissions, and fuel economy regulations of the automobile; it also illustrates the importance of estimating the secondary impacts of each regulation. In

TABLE 3. Summary of Primary and Secondary Impacts of Regulation

	Primary impact			Secondary impact		
Regulation	Cost/car	Primary social impact	Cost/fatality equivalent	Extra weight	Extra fuel	Cost/fatality equivalent
Current safety features	$300	33,000 equivalent lives	$227,000	200 pounds	2.97 bil.	$134,000
Passive seat belts	$130	15,232	234,000	13	0.19	19,000
Air bags	$300	20,484	403,000	60	0.89	65,000
Fuel economy		21 billion gallons saved		-1500	-21.10	2,550,000
Emissions control		90% reduction in CO, HC		50	0.74*	
		75% reduction in NO_x			5.26	

*Top figure is fuel penalty due to increased weight and bottom figure is fuel penalty due to less efficient combustion.

Two dangerous injuries is equivalent to a fatality in constructing equivalent fatalities. Increased vehicle cost is translated into annual cost by charging 25 percent per year for principal and interest.

particular, the fuel economy standard highlights the interdependence between fuel economy and NHTSA's new safety standards; the fuel costs of emissions control are large enough so that consideration must be given to delaying any additional tightening and perhaps even retracting to 1978 standards.

These estimates show that, judging by the dollar cost per premature death averted, passive belts are about equivalent to current standards and air bags are more expensive per premature death averted than previous NHTSA regulations. However, both figures seem high compared with the usual decisions that people make regarding how much they are willing to pay to lower risk. In particular, if society were so concerned with traffic deaths that it were willing to pay $150,000 per premature death averted, a host of other activities would have first priority, from improving grade crossings to attempting to keep drunk or incompetent drivers off the road (NHTSH, 1977).

Abating emissions is a more difficult goal to evaluate. It is clear that the costs are large, unnecessarily large compared to a strategy of stringent emissions control in areas with pollution problems and lenient control for other areas. But the fundamental question is the value even in polluted areas. There can be no doubt about the whiskey colored haze created by automobile emissions, and the associated poor visibility and eye irritation. However, there are serious doubts that significant health effects are associated with levels of photochemical smog currently prevailing in even the most polluted cities (e.g., NAS, 1974, Lave and Seskin, 1977). Several studies have found little or no health effects at current levels. Even if there are health effects, these appear to be small compared to those for suspended particulates and sulfur oxides, which come primarily from stationary sources. However, the point is that the social decision concerning curtailing auto emissions can be made on the basis of the direct costs of the emissions control equipment, without worrying about the decline in fuel consumption due to combustion design and additional weight.

Safety features are perhaps the most difficult features. Most features, from energy absorbing steering columns to seat belts, are for the benefit of the occupant. If that individual does not value the features and rebels against buying and using them, little can or should be done. There is some evidence that purchasers have become safety-conscious, and automobile makers sufficiently worried about product liability, that many of the safety features would not disappear even if NHTSA no longer required them. But seat belts are ineffective because they are not used. The U.S. has resisted mandatory seat belt laws; instead all the emphasis has gone to "passive" devices that protect the occupants in spite of themselves. Similarly, little or nothing has been done about the driving habits of individuals. The greatest safety improvement has come from lowering speed limits to 55 miles per hour. A much greater improvement would come from eliminating drivers who were drunk or otherwise incompetent to drive. We have also resisted stringent drunk driving laws and are not too fussy about giving out licenses to people who are a hazard on the road. Driving seems to be regarded as a right; as long as that is true, it is difficult to overcome the major problem.

One proposal by economists is to force each individual to face the full social cost of his driving behavior. For example, everyone could face both the requirement for insurance and experience rating. Thus, each driver would have to pay in premia over his lifetime, the full cost of all damage he had caused plus the usual administrative fee. People caught driving drunk or those having accidents would find it difficult and expensive to secure insurance. Someone who was accident prone would find it prohibitively expensive to drive.

There are many difficulties with using price as the mechanism to allocate goods and services. If the current income distribution is not that desired by society, then using price can place an "unfair" burden on various groups. I put the above forth as serious proposals to consider, not as solutions that can be expected to get universal support. They should open a debate about these regulations that would clarify goals and rsolve conflicts among regulations.

DRAFT

Regulation and Productivity Growth

Robert W. Crandall

The Brookings Institution

Paper to be presented at

Conference on Productivity

Federal Reserve Bank of Boston

June 11-13,1980

Regulation and Productivity Growth

Robert W. Crandall
The Brookings Institution

In recent years, it has become increasingly fashionable to attribute a myriad of our economic and social difficulties to excessive government regulation. If we are to believe the rhetoric, government regulation is partly or largely to blame for soaring inflation, lagging growth in GNP, declining productivity growth, the decline in the value of the dollar, and even general reductions in the animal spirits of entrepreneurs. While many of these claims may eventually be shown to have some validity, the evidence linking regulation to these various national economic maladies is presently very weak.

The reaction against regulation which has developed in the past few years reflects the confluence of two different forces: (i) a growing concern that "economic" (rate-setting, entry-restricting) regulation overly restricts competition and protects regulated firms from new technologies and new competitors; and (ii) the view that newer "social" (health-safety-environmental) regulation directs too many resources to controlling various hazards, excessively reducing privately traded goods and services. These newer forms of regulation are generally the inspiration for the charge that business is overregulated and thus unable to discharge its function of aggressively exploiting new technologies and bringing new products to the market as it once did. The result is declining productivity, a stagnant economy, and perpetual inflation.

It is not very difficult to see how this connection between stagflation and regulation has developed. Prior to the 1970's, the economy managed to grow at a rather satisfactory rate without bouts of major peacetime inflation. While we are discovering that productivity growth may have been declining throughout the post World War II period,[1] it did not begin its catastrophic decline until 1973.[2] Inflation surged in 1974 after the relaxation of price controls only to decline briefly, but then to surge ahead to double digit levels by 1979. Given that the Occupational Health and Safety Administration, the Environmental Protection Agency, the National Highway Traffic Safety Administration, the Consumer Product Safety Commission, and the National Environmental Policy Act had their origins between 1969 and 1972 it is not surprising that many observers see a link between pervasive regulation and stafglation. But this case has not been substantiated by thorough empirical work, and much of it may in fact not withstand careful scrutiny.

Even at a superficial level, it is difficult to place the blame for lagging productivity growth and inflation upon regulation. The 1970's were not tranquil years in other respects. The commodities boom of 1973 preceded the oil embargo and the subsequent surge in world oil prices. Price controls were in place for almost three years, and during part of this period macroeconomic policy was excessively stimulatory. Labor force participation rose at an unexpected rate. And the economy shifted gears from a fairly major war to virtual peacetime production. The confluence of these forces could be expected to have seriously disruptive effects upon the economy, and it would be naive to associate our ills solely with one of them.

In this paper, I can only review the evidence linking productivity growth and a few of the more extensive forms of regulation -- environmental and worker-safety programs. I shall argue that whatever the effects of these policies upon recent productivity growth, there is a danger that the future effects may be more pronounced. This conclusion flows from the form which these policies take -- a form dictated by political forces. Unfortunately, it will be very difficult to measure these future impacts upon capital formation and productivity growth, and by the time we are able to detect them it may be very difficult to alter course.

I. The New Social Regulation

The number of regulatory programs which affect input choices and production decisions in American business is staggering. A partial listing of the most important of these programs (and the agencies responsible for them) would have to include:[3]

Water pollution (EPA)
Air pollution (EPA)
Toxic substances (EPA)
Hazardous wastes (EPA)
Noise (EPA and FAA)
Radiation (EPA and NRC)
Employee safety -- mining (MSHA)
Employee safety -- nonmining (OSHA)
Employee health -- nonmining (OSHA)
Land use and surface mining (BLM)
Food and drug safety (FDA and USDA)
Consumer product safety (CPSC)
Automobile safety (NHTSA)

This is only a partial list, and it fails to account for the myriad of programs within each category. For instance, toxic substances may be regulated by EPA under FIFRA, RCRA, or TSCA.[4] In each instance, the criteria imposed by legislation are different, and firms must respond accordingly.

In virtually all of these regulatory programs, a standard-setting process is utilized to control the undesired externality. These take the form of "performance standards" -- requiring, for instance, that regulated entities discharge no more than x parts per million into the air, water, workplace, or final product -- or engineering standards -- requiring the installation of specific control equipment or the use of specific production techniques. While economists have often been critical of the standards-setting approach to regulation because of its inefficiency,[5] it is likely to continue to be the predominant mechanism for instituting the newer social regulation. An important reason for this is that it suggests to the public that the particular problem is being addressed to the maximum extent feasible.

An unfortunate part of the standards-setting process is the tendency to saddle new facilities, products, or firms with tighter standards than those facing existing entities or products. This practice exists for a number of reasons. First, there is a popular view that new facilities or products can be designed more economically to limit the generation of undesired externalities than controls upon facilities or products already in existence. Retrofitting old facilities or redesigning existing products is more difficult than designing them de novo. Second, this practice conforms with a notion of "forcing technology". Setting ambitious goals for future products or plants will unleash engineers and scientists to create technological solutions heretofore thought impossible. Third, it is often steadfastly refused to require States to pursue retrofitting policies for older vehicles.

- Although enforcement of standards for conventional water pollutants from existing industrial sources has been incomplete, tighter "best available control technology" standards for new sources have been enforced by EPA.

- In order to protect less developed regions of the country from environmental degradation (and more developed regions from loss of economic activity), Congress has required EPA to set tighter air pollution standards in the less populated regions of the country.

- In regulating chemicals under the Toxic Substances Control Act, EPA requires premarket notification and testing of new chemicals, but it lacks the resources to provide similarly thorough analyses of all chemicals already on the market.

- In determining the efficacy and safety of non-prescription drugs, FDA is moving much more slowly on older drugs which are already on the market than on new introductions.

- Congress has required EPA to mandate flue-gas desulfurization systems on all new power plants using coal, regardless of the coal's sulfur content. This was required to prevent midwestern utilities from substituting low-sulfur coal from new western surface mines for higher-sulfur coal from older Appalacian mines.

- The National Highway Traffic Safety Administration's safety standards for automobiles apply only to new automobiles, not used vehicles.

- HUD has proposed a rule requiring developers to submit "urban-impact statements" demonstrating that new shopping malls will not damage older shopping districts in downtown locations when federal funds are involved.

- The Department of Energy has proposed strict new energy-conservation building codes for new buildings, but it not proposing the retrofitting of older buildings.

This list is not intended to be exhaustive, but it provides some evidence of the new-source bias in environmental, health, safety, and energy regulation. Similar lists could be compiled for traditional entry-restricting, rate-setting regulation. The CAB, ICC, and FCC have required licenses to be obtained for new facilities, and each has found itself confronted with the pressure from existing regulated carriers to resist these applications. Large freight cars, larger commuter airline planes, and satellite business systems have been delayed as regulatory procedures are extended by intervening competitors or other interested parties.

Given the central role of technological progress in producing improvements in productivity, these regulatory biases against new products and facilities must have some effect upon productivity growth. This is particularly true if one accepts the view that much of technology is embodied in new assets and cannot be adapted easily to older assets. In some cases, this regulatory bias is damaging even if retrofitting is possible. "New sources" of pollution are generally defined to include older facilities which are temporarily closed for renovation. Thus, one would expect environmental policy to be reducing the rate of technological diffusion in basic pollution-intensive industries. To the extent that other regulatory policies (some of which are enumerated above) share this bias, productivity growth will be further reduced.

Note that the above argument concerning the relationship between regulation and productivity is quite different from that generally addressed by students of productivity growth such as Denison, Kendrick, or Norsworthy. Productivity growth is reduced in their empirical analyses by a diversion of productive resources away from the production of private goods and services towards mandated health, safety, or environmental facilities. These resources are used to produce less noise, more safety, or less pollution. New facilities are foregone only because resources are diverted to these compliance requirements. I am arguing that investments are foregone not simply because resources are invested in complying with regulations but because the regulations themselves discourage what would otherwise be productive investments. Savings are thereby diverted to less productive investments in other sectors of the economy and productivity growth declines.

II. Regulation and Productivity Growth- The Crude Evidence

A useful point of departure for a survey of the effects of regulation on productivity growth is a sectoral breakdown of productivity trends since World War II. If regulation were responsible for much of the recent decline in productivity, one would expect to observe sharper declines in mining, utilities, and manufacturing than in, say, trade or services. In fact, Table 1 drawn from Norsworthy, et.al., displays some rather puzzling trends.

The rate of growth of labor productivity in the private business sector has clearly been declining since World War II; moreover, the rate of decline has been accelerating. Productivity growth in manufacturing is declining at a more moderate rate than the average for the economy while productivity in mining and construction has been actually falling at a precipitous rate. It is interesting, however, that two traditionally regulated sectors -- communications and finance -- have evidenced rising trends while the labor-intensive sectors, such as trade, services, and construction, have suffered declines in productivity growth. Since none of the latter three sectors has been heavily impacted by environmental, health, and safety regulations, it is clear that the new forms of regulation can hardly be the sole culprits in our postwar productivity slide.

Table 1. Trends in Labor Productivity by Major Sector (1948-1978)

	Average Annual Rate of Growth of Output per Manhour		
	1948-65	1965-73	1973-78
Private Business	3.2	2.3	1.1
Sectors with rising productivity trends:			
Communication	5.5	4.8	7.1
Finance, Insurance, and Real Estate	1.0	-0.3	1.4
Sectors with modestly declining productivity trends:			
Agriculture	5.5	5.3	2.9
Manufacturing	3.1	2.4	1.7
Sectors with sharply declining productivity trends:			
Mining	4.2	2.0	-4.0
Trade	2.7	3.0	0.4
Utilities	6.2	4.0	0.1
Construction	2.9	-2.2	-1.8
Services	1.5	1.9	0.5
Transportation	3.3	2.9	0.9

Source: Norsworthy, et.al.

The only clear indictment of regulation as the source of productivity declines which emerges from Table 1 is in the mining sector. The decline in labor productivity in mining occurred precisely in the year in which much more stringent mine-safety legislation was enacted, 1969.[7] For instance, in the previous ten years, productivity in coal mining was growing at 5.8 percent per year. Thereafter, it declined at a rate of 3.2 percent per year.[8] While other forces may have been at work, it is difficult to avoid the conclusion that a heightened concern for worker safety had much to do with this stunning reversal.

The sharp decline in utilities suggests, however, that two other major influences may be at work -- the sharp rise in energy prices in 1973-74 and the deep recession of 1974-75. In fact, the timing of an absolute decline in utilities' labor productivity in 1974 and 1975 provides further evidence of the importance of these forces.

Why has manufacturing held up so well? If we look in detail at manufacturing, we see that there are major differences in productivity growth trends across industries. Moreover, as Table 2 shows, the industries which evidence the sharpest deceleration in productivity growth are those which account for most of the pollution-control and worker-safety outlays.

Table 2. Pollution & Worker-Safety Capital Outlays and Productivity Growth-Selected Industries (1959-77)

Industry	SIC Code	Pollution Control Capital Expenditures 1973-77 (million$) BEA	Census	Employee Health and Safety Capital Expenditures 1973-77 (million$)	Value-Added 1976 (million$)	Average Increase in Output per Employee Hours (% per year) 1959-70	1970-77	1959-73	1973-77
Grain Milling	204	--	158	--	6083	3.9*	3.9	3.3**	5.3
Pulp Mills	261		393		975				
Paper Mills	262	2328	1124	276	4878	4.2	3.3	4.5	1.5
Paperboard Mills	263		640		3128				
Bldg. Paper Mills	266		17		240				
Inorganic Chem.	281		689		6165	3.4	2.5	4.0	-0.2
Plastics Mat.	282	3058	531	854	6648	3.7	8.1	5.5	4.9
Indus. Org. Chem.	286		1434		11348	5.6	3.2	6.4	-1.4
Misc. Chemicals	289		169		3119	0.7	3.9	1.5	3.6
Petroleum Refining	291	5069	2041	1053	11410	5.0	3.7	5.6	0.7
Hydraulic Cement	324	--	318	--	1461	3.8	2.5	4.1	0.4
Steel	331	1791	1987***	358	17274	1.3	1.9	2.5	-1.4
Copper, Lead, Zinc	3331,2.3	2369	652	436	1051	1.5	3.5	2.5	1.4
Aluminum	3334		317		1466	2.6	0.6	2.5	-0.4
Total, Above Industries		14615 (47.0%)	10470 (65%)	2977 (21.9%)	75,245 (14.7%)	3.5	3.4	4.2	0.8
Total, All Manufacturing		20106 (64.6%)	16108 (100%)	7000 (51.4%)	511,471 (100%)	2.6	2.8	2.9	1.8
Total, All Mfg. Less above industries		5491 (17.7%)	5638 (35%)	4023 (29.5%)	436,226 (85.3%)	2.4	2.7	2.7	2.0
Mining		414 (1.3%)	--	563 (4.1%)		3.9	-3.4	2.9	-5.9
Electric and Gas Utilities		8987 (28.9%)	--	887 (6.5%)		5.9	2.3	5.3	1.3
Total, Above Industries		24016 (77.2%)	--	4427 (32.5%)		--	--	--	--
All Industries		31105 (100%)	--	13617 (100%)		2.3	1.7	2.4	0.9

* - 1963-1970
** - 1963-1973
*** - Excludes spending by SIC 3331 and 3333 in 1977.

Source: See fns. 8-11. Productivity Data for SIC 28 are unpublished BLS Data.

Expenditures for either pollution control or worker safety include capital outlays and current operating expense. Unfortunately, there are no cross-sectional data on the operating costs of mandated occupational safety and health measures. McGraw Hill publishes roughly 2-digit industry breakdowns of capital outlays on worker health and safety.[9] Similarly, BEA has published estimates of capital spending for pollution control by major industry categories since 1973,[10] and the Census publishes detailed manufacturing-industry data on both capital outlays and operating expenditures for pollution control.[11] To provide rough comparability, I have reproduced in Table 2 only the capital outlays for 1973-77 for pollution control and worker safety in the most affected industries.

A very small number of manufacturing industries, comprising about one-seventh of total manufacturing value-added, account for nearly two-thirds of pollution capital spending in manufacturing and nearly half of all such expenditures by private industry. These same manufacturing industries -- mainly paper, chemicals, refining, and primary metals -- also account for almost one-half of manufacturing capital outlays for worker safety. Have these outlays affected productivity growth, as measured by the rate of increase in privately-traded output per employee hour?

As Table 2 demonstrates, the rate of productivity growth in the regulation-impacted manufacturing industries has slowed considerably since 1970 and drastically since 1973. While the average manufacturing industry showed a slight increase in productivity between the 1959-70 and 1970-77 periods, the average rate of growth slowed somewhat for the regulation-impacted industries. But the difference between 1959-73 and 1973-77 is more dramatic.[7] Average manufacturing productivity growth declined by almost 40 percent between these two periods -- from 2.9 percent per year to 1.8 percent. Productivity growth in the heavily regulated industries fell from a level of nearly 50 percent above the manufacturing average in 1959-73 to less than 1 percent per year in 1973-77. Some high productivity growth industries became negative growth industries in the years after 1973. The implication is clear -- regulation appears to be associated with sharp declines in productivity growth certain manufacturing industries, electric utilities, and mining. But is it the causal agent? And, if so how does this causation operate? We turn to these issues after pausing to examine the quality of the available data.

III. The Problem of Measurement

At present, our sole measure of the stringency of regulation is the estimate of compliance costs available through Census, BEA, or McGraw Hill. Companies report compliance costs for pollution control or worker safety, but it is far from clear that these estimates are very accurate or unbiased. Given the form of regulation, a standards-setting process in which Administrators are encouraged or instructed to be "reasonable", there is likely to be an upward bias to reported compliance costs.

Equally important is the difficulty in separating compliance costs from other costs of doing business. If pollution control simply means installing a device to capture a residual from the production process which is then buried safely or disposed of by some other firm, the measurement of the costs of compliance might be straightforward. But few pollution or worker-safety problems lend themselves to so neat a solution. Different materials might be used so as to reduce the externalities problem. If utilities switch to low-sulfur coal, how are compliance costs to be measured? The utilities will observe a bidding up of low-sulfur coal prices and a decline in higher-sulfur coal prices. How can they know what prices would have been in the absence of regulation?

Another problem derives from the fact that the residuals captured are often fairly valuable. Hydrocarbons or sulfur captured through the treatment of exhaust gases obviously have value, but it is not clear that the sales of these products or the internal use of them is netted out of compliance costs.

Any new investment in a cleaner production facility will produce some efficiency gains. Building a new steel mill which captures more of the energy byproducts and exhaust gases will reduce pollution. But the added investment in pipes and related equipment will also reduce the energy required to make a ton of steel. How much of the exhaust gas system should be credited to pollution control and how much to improved efficiency?

Finally, there are major problems of double counting across regulatory programs. Anything which reduces the discharge of hazardous substances into the environment is also likely to reduce the risk to workers. Are these expenditures reported both to BEA as "pollution" capital expenditures and to McGraw-Hill as worker-safety investments? For example, the refurbishing or reconstruction of a coke oven battery will clearly reduce the discharge of hazardous particulate emissions. But the investment in lower emissions also reduces the risk to workers and is likely to help satisfy OSHA's standard. How can we be sure that the share of the investment in "productive" equipment is separated from "pollution-control" investment and "worker-safety" investment?

To test for the possibility of bias in reported estimates of capital spending for regulation is simply not possible. How do we know what is actually spent in pursuit of regulatory compliance? If we had a more rational regulatory scheme, we would at least have benchmarks against which to assess reported control costs. For instance, if pollution were rationed by price or if discharge rights were tradeable, we would have some basis for estimating the incremental costs of control. Or if EPA or OSHA employed civil penalties scaled to the degree to which a firm was generating harmful externalities, we would have a similar measure. Unfortunately, given the enormous array of administratively-determined standards and the apparent difficulty in enforcing them, one cannot deduce anything from existing regulatory procedure about costs. Nor do EPA and OSHA have an accurate inventory of dangerous externalities generated before controls were employed; hence, even if we knew the incremental cost of control, we cannot know how much total control each source has employed. It is therefore impossible to make some assumptions about the shape of the incremental cost of control function and to integrate it to obtain a measure of total costs.

In another paper, I have made a mild attempt at estimating potential bias in reported pollution-capital spending data.[12] The Business Roundtable[13] employed Arthur Anderson to carry out a very detailed analysis of regulatory costs for 48 major firms. These data may still be subject to an upward bias, but at least the framework for collecting and tabulating them was developed in advance with the assistance of outside experts. Moreover, the approach should be consistent across all firms -- a consistency which may be lacking in other series. Extrapolating from these 48 firms to all industry is obviously hazardous given that the Roundtable firms comprised only 2 to 59 percent of investment outlays and 9 to 30 percent of sales in their two-digit industries. Nevertheless, an extrapolation based upon sales results in a 14 percent lower total estimate of pollution-control investment for the industries covered in 1977. Using the share of total investment accounted for by the reporting firms generates an even lower estimate of pollution capital spending, almost 20 percent below the BEA estimate for 1977. (See Table 3).

In short, there is reason to believe that we do not have very good estimates of the size of these outlays and that the reported investment may be biased upward. Were this the only problem in measuring the effects of regulation some thorough cost accounting reviews by government statistical authorities might improve the accuracy of the numbers. Unfortunately, there are other problems.

Table 3. Comparison of Business Roundtable and BEA Estimates of Incremental Capital Outlays for Pollution Control.

(millions of $)

Industry	Industry Shares of Reporting Firms: Sales	Investment	Estimated Environmental Capital Outlays for Reporting Firms	Estimated Industry Totals Using for Divisor Sales	Investment	BEA Estimates
(1)	(2)	(3)	(4)	(5)= (4) (2)	(6)= (4) (3)	(7)
26	.09	.16	81	474	267	468
28	.21	.42	565	1418	709	701
29+13	.14	.18	182	685	533	1167
33	.09	.13	222	1300	900	927
35	.13	.32	40	162	66	104
36	.24	.21	40	88	100	111
37*	.30	.59	726	167	85	163
38**	.14	.24	20	75	44	-
49	.05	.02	81	853	2134	2300
TOTAL (Excluding SIC 38)				5147	4794	5941

* Excludes motor vehicle program costs.

** BEA data cover wider industry definition.

Source: BEA and The Business Roundtable, <u>Cost of Governmental Regulation Study</u>, 1979.

IV. Reduction of Productivity Growth Through the Diversion of Capital

It is clear that the manufacturing industries most heavily impacted by regulation have suffered the steepest declines in productivity growth. Similar conclusions hold for the mining and utilities sectors. But how could regulation cause this effect? The most straightforward explanation -- that adopted by Denison and Norsworthy, et.al. -- is that resources devoted to regulatory compliance are resources which cannot be utilized to produce privately-traded goods and services. Denison measures the total factor costs of such compliance while Norsworthy, et.al., simply remove pollution-control capital outlays from the capital stock to estimate the potential effect upon productivity. The latter approach is generally found in popular discussions: capital devoted to regulatory compliance can only come at the expense of "productive" investment (assuming the saving rate is held constant). Therefore, capital deepening is slowed and the embodiment of new technology in plant and equipment is retarded with obviously deleterious effects upon productivity.

The standard explanation of the effects of diverting capital from productive investments to regulatory compliance is obviously correct as far as it goes. The only possible counter-explanation strains credulity for it suggests that businessmen are goaded into more efficient production techniques by all-knowing regulators. According to this argument, the pollution control in a pulp mill may be a free lunch since the EPA mandated standards reveal to engineers in the paper industry a new method of making pulp of which they had been ignorant. This new technology so strongly dominates the old that it allows the management to retrofit old facilities, install pollution control devices, and produce paper at unit costs which are as low as or lower than preregulatory costs.

As I have suggested earlier, however, the simple measurement of resources diverted to regulatory controls may not suffice in estimating the social costs of regulation. But it is likely during the formative years of environmental, health, and safety policy that actual outlays on compliance are likely to be the most important sources of lost output due to regulation. Can this deduction be borne out by the evidence? If regulation leads to a diversion of capital resources from productive investments and if these industries evidence sharply declining rates of productivity growth, one might expect capital formation (net of pollution capital) to have slowed substantially in the 1970's in these heavily impacted industries. In fact, as Table 4 demonstrates, this did not occur in the manufacturing industries identified in Table 2 during the 1973-76[14] period during which productivity growth declined most rapidly.

Using BLS methodology for calculating the gross capital stock, I removed pollution control investments from the gross and net capital stock data for the heavily-impacted industries in our

Table 4. Capital Formation in Pollution-Control Impacted Industries (1959-76) (Excluding Pollution-Control Capital--1973-76)

Industry	SIC	1959-70	1970-76	1959-73	1973-76
		(Annual Growth Rate in Gross Capital Stock)			
Grain Milling	204	3.3	4.2	3.4	4.5
Pulp Mills	261	-1.3	-1.6	-1.6	-0.4
Paper Mills	262	6.5	0.4	5.4	-0.3
Paperboard Mills	263	5.8	5.6	5.2	7.8
Bldg. Ppr.&Bd. "	266	2.8	2.8	2.6	3.5
Inorganic Chem.	281	3.2	1.3	2.6	2.0
Plastic Material	282	7.2	4.6	6.6	5.0
Ind. Organic Ch.	286	6.1	5.0	5.5	6.6
Misc. Chemicals	289	3.8	4.0	3.6	5.0
Petr. Refining	291	1.1	5.0	1.6	6.6
Hydraulic Cement	324	-0.2	1.2	-0.1	1.8
Steel	331	3.3	-0.3	2.4	0.2
Copper	3331	9.2	3.2	9.1	-2.4
Zinc	3333	-1.2	-0.7	-1.5	1.5
Aluminum	3334	3.0	-0.8	2.5	-2.4
Total of Above		4.0	2.4	3.5	3.2
All Manufacturing (Including Pollution Control Capital)		3.6	3.3	3.5	3.7
		(Annual Growth Rate in Net Capital Stock)			
Grain Milling	204	3.1	4.3	3.3	4.7
Pulp Mills	261	-3.0	-0.3	-2.7	1.1
Paper Mills	262	6.4	-1.1	5.0	-2.0
Paperboard Mills	263	5.6	5.6	5.0	8.6
Bldg. Ppr.&Bd. "	266	2.7	2.7	2.6	3.4
Inorganic Chem.	281	2.8	1.1	2.2	2.0
Plastic Material	282	7.2	4.0	6.4	4.5
Ind. Organic Ch.	286	6.2	4.7	5.5	6.8
Misc Chemicals	289	3.8	4.0	3.6	5.1
Petr. Refining	291	1.9	5.3	2.3	6.9
Hydraulic Cement	324	-1.9	2.6	-1.1	3.3
Steel	331	3.5	-1.3	2.3	-0.6
Copper	3331	9.7	1.2	9.3	-5.9
Zinc	3333	-1.9	-0.2	-2.0	2.1
Aluminum	3334	1.9	-1.4	2.1	-3.7
Total of Above		4.0	2.0	3.3	3.0
All Manufacturing (Including Pollution Control Capital)		3.7	3.1	3.5	3.5

Source: BLS

sample. Unfortunately, data do not exist for years prior to 1973; hence, the capital-stock growth estimates for years prior to 1973 include pollution-control capital. While it would have been nice to eliminate worker-safety outlays as well, the data are not disaggregated sufficiently to permit such a calculation.

The pattern of capital-stock growth exhibited by the pollution-control impacted industries is surprising to say the least. As Table 3 shows, these industries showed very little decline in 1973-76 compared to their 1959-73 rates. Since BLS does not report manufacturing capital stock series without pollution-control capital, the 3.7 and 3.5 percent growth rates for all manufacturing for 1973-76 must be adjusted downward. Given the share of investment going to pollution control in 1974-76, this downward adjustment is about 0.8 percentage points. Hence, in 1973-76, the average manufacturing industry showed lower capital-stock growth than those investing heavily in pollution control even after netting out all pollution-control capital!

A few caveats to the above analysis are in order before moving to other topics. First, the average rate of growth of the capital stock for all manufacturing shows little deceleration in the 1970's and none since 1973. This is in sharp contrast to the results of Norsworthy, et.al. The reason is that Norsworthy, et.al.'s capital stock data are translog weighted estimates of the capital stock for 1973-78. I have used simpler BLS estimation methods for a shorter period, 1973-76.

Denison argues that one should use a weighted average of the gross and net measures, heavily weighted towards the gross stock. This is not the place to attempt to resolve such a difference of opinion over methodology but I favor Denison's approach because of the difficulties in interpreting depreciation rates.

Second, any attempt to draw conclusions concerning 1973-76 must be viewed as hazardous at best. Given the sharp commodities boom in 1973, the oil-price rise in 1974, and the deep recession in 1975, it would be difficult to make much of three years' data on capital growth. How, for example, are we to treat the excessive investment by some steel companies in raw-materials processing occasioned by the 1973-74 boom? Given the forced closure of aluminum smelting capacity because of energy shortages, what is the meaning of capital stock in this industry? Might the continued growth in capital stock and declining productivity not simply be the reflection of a recession following so closely on the heels of a commodity boom?

V. A Review of the Published Estimates of the Effects of Regulatory Expenditures

Most of the recent research on the effects of regulation upon productivity have centered on environmental policy. Denison's study[15] is an exception, but his recent updating of his 1978 study[16] involves only pollution-control spending. Norsworthy, et.al.[17] have examined only the effects of pollution-capital outlays upon productivity by major sector. Finally, I have attempted to measure the impact of pollution control spending -- capital and operating costs -- on productivity in two recent papers.

Denison's study of the effects of regulation upon the recent growth in productivity is clearly the most exhaustive and painstaking of the empirical analyses. He attempts to measure the incremental costs of pollution-control and worker safety (as well as protection against crime) for the private business sector. Excluded from his analysis, therefore, are environmental outlays by government (such as municipal sewage expenditures) and by households (on their automobiles, for instance). He provides a clear explanation of how <u>increases</u> in the value of resources devoted to these pursuits reduce the rate of increase in productivity. Since these expenditures were rising rapidly in the mid-1970's, their reduction of potential productivity growth peaked in 1975 at 0.35 percentage points. Between 1975 and 1978, Denison finds that the environmental component of these costs was reducing productivity growth by only 0.08 percentage points per year, down sharply from 0.22 points in 1975, because environmental control outlays were rising less rapidly after 1975 than before.

Norsworthy, et.al., measure the impact of environmental policy on productivity growth solely through its diversion of capital inputs. In the 1973-78 period, pollution control reduced the growth of capital imputs in productive activity from 2.31 to 2.05 percent for the entire private business sector and from 2.16 to 1.47 percent per annum in the manufacturing sector. The net effect of this reduction in capital input was to lower labor productivity growth by 0.1 percent per year in the private business sector and 0.2 percent per year in manufacturing.

The Denison and Norsworthy, et.al., approaches to measuring the effects of regulation upon productivity growth have been criticized by Smith and Kopp[18] and by Christiansen, Gollop, and Haveman.[19] They contend that such approaches fail to take into account the effects of regulation upon optimal factor proportions. Moreover, Christiansen, et. al., argue that Denison's approach provides an upward bound to the effect on productivity because (in addition to factor-choice changes) regulation may draw from underemployed resources or it may result in a higher marginal productivity of resources which remain in the private sector for nonregulatory goals. While these effects would seem to be small if not negligible, the criticism of ignoring changes in factor proportions appears well taken. Note, however, that changes in factor proportions may actually lead to an underestimate of compliance costs. Bidding up the price of low-sulfur coal or substituting electric furnaces for blast furnaces and oxygen furnaces in steel production may generate improvements in regulatory compliance without measured outlays on pollution-control.

There is a more important reason why Denison and Norsworthy, *et. al.*, may underestimate the effects of regulatory policy upon productivity growth. Recall the argument in Section I, above. Regulatory policy is strongly biased against new sources of the undesirable externality for a large number of reasons. This bias translates into regulatory discouragement of investment in new facilities and particularly in growing areas of the country. The loss in output from foregone opportunities may well become more important than the opportunity cost of resources required to meet regulatory standards. In the extreme case, one could imagine, for example, that EPA would simply refuse to license any new utility plants or manufacturing facilities but fail to enforce standards on existing facilities. Air and water quality might improve even though "compliance costs" were zero! But opportunities to install highly efficient new aluminum pot lines or fluidized bed combustion facilities would be foregone. Productivity growth would be stunted by this repressive policy, industry could be insulated from new thrusts of entry, and the Administrator of EPA would boast that the "cost" of regulation had been reduced to zero. Thus, Christiansen, et. al., are incorrect when they argue that Denison's estimate of the effects of regulatory policies is likely to be the upper-limit estimate of the actual effects of regul-tion on productivity growth.

In Denison's recent book, Accounting for Slower Economic Growth,[20] he argues that much of the decline in productivity growth is due to a reduction in the contribution of advances in knowledge. This effect is reflected in a decline in the size of the "residual" -- which remains after accounting for changes in input quantity and quality -- from 1.4 percent per year in 1948-73 to -0.8 in 1973-76. According to Denison, very little of this decline in the residual could have occurred because of the slowdown in capital formation after 1973. While some of the improvement in knowledge cannot be utilized until it becomes embedded in new capital facilities, Denison argues that the new investments embodying the greatest improvements will be those most likely to be funded when capital market conditions are unfavorable. As capital formation slows, the projects embodying the smallest advances in knowledge will be those postponed or cancelled.

Denison's argument is sound for those situations in which investment projects are rationed by a market. But when regulators intervene to prevent new facilities from being built, there is no guarantee that they will act so benignly. Discouraging new petrochemical facilities in the Southwest or forbidding new power plants in the West may result in substantial reductions in the embodiment of new knowledge in the capital stock. Certainly, EPA's new source performance standards which discourage steelmakers from adopting the newest technology in existing plants must have such an effect.

There are no other conclusive studies of the effects of regulation, *per se*, upon productivity growth. There is, however, a lively debate concerning the impact of a reduced rate of capital formation upon productivity growth and, in turn, the causes of the reduction in capital formation itself. Clark[21] argues that reduced capital formation caused nearly all of the deceleration in productivity in 1965-73, but appears to agree with Denison that other factors must have been responsible in 1973-76. Similarly, Norsworthy, *et. al*., find that reduced capital formation may have been a major culprit in 1965-73, but not in 1973-78. On the other hand, Hudson and Jorgenson[22] argue that increased energy prices reduced capital formation in the 1972-76 period, inducing a substitution of labor for capital *cum* energy. Labor productivity was reduced by 2.6 percent between 1972 and 1976 from this energy-induced effect upon the capital-labor ratio, per their analysis. Denison, of course, argues that reduction in the growth of capital inputs accounted for a very small percentage of the reduction in productivity growth.

It is neither possible nor necessary to resolve differences of opinion concerning the effect capital-stock growth upon the recent productivity slide in this paper. It is sufficient to point out that the size of the effect is uncertain, that the connection between regulation and reduced capital formation is far from conclusively demonstrated, but that capital devoted to controlling various externalities must reduce potential output of traded goods and services. Recent speculation concerning the effect of regulation on uncertainty, lead times for new projects, or the length of time to complete the projects may well turn out to be correct.[23] At present, however, regulation remains indicted in the literature, not convicted.

VI. Some Limited Cross-Sectional Evidence

If outlays on pollution control or worker safety are responsible for slowing productivity growth, we should be able to detect such effects in a cross-sectional analysis of industries which face different compliance requirements. Ideally, we would like to have a large sample of industries from which to draw observations and a considerable period of time over which to observe the effects of regulation. Unfortunately, we have neither. The intersection of the set of manufacturing industries for which published productivity data are available and the set of industries for which capital-stock data exist is only 18. Another 11 industries are available if one wishes to use unpublished productivity series, but the output data on which these latter series are based are unreliable. Moreover, capital-stock data are available from BLS only through 1976 although with some effort these data could be extended forward to 1977 or 1978. Unfortunately, that effort was beyond the scope of this paper.

In previous work,[24] I have attempted crudely to measure the effect of pollution control costs on productivity growth by estimating the effects of changes in capital-labor ratios, energy intensity, and industry output upon the deviation of productivity from its long-term industry trend. The results of this analysis were, at best, inconclusive.

In this section, I attempt to estimate a more conventional form of a productivity growth equation, employing data from the 18- and 29-industry samples alluded to above.[25] In (1), the growth in labor productivity, measured as the percentage change in output per manhour between 1973 and 1976, is related to weighted changes in the growth of capital, labor, and regulation inputs. Specifically, the equation takes the form:

$$(1) \qquad \dot{q}/\dot{l} = a_o + a_1 w_k \dot{l} + a_2 w_k \dot{k} + a_3 w_k \dot{r}$$

where the lower-case letters with dot superscripts represent percentage changes during the 1973-76 period, q is output, l is labor input, k is capital input, and r is regulatory cost .

To estimate (1), I use BLS estimates of the industry's gross capital stock (K_g) or net capital stock (K_n), excluding pollution-control capital. For the labor input, I use total manhours as reported in the Annual Survey of Manufactures. For the regulatory input, I use the operating costs of pollution control facilities (POL), as reported by the Census Bureau. Finally, capital's share of value added is obtainted from the 1976 Annual Survey of Manufactures. An additional variable for worker-safety capital outlays was included, but the results were inconclusive due the absence of sufficiently disaggregated data in the McGraw-Hill survey.

The results of estimating (1) are reported in Table 5. As expected, the precision of the estimates is greater for the 18-industry sample than for the 29-industries. The coefficients of the weighted labor input and capital stock variables are of the expected (opposite) signs, and they are statistically significant in the 18-industry regression when gross capital stock is employed. Moreover, the percentage change in pollution-control costs reduces productivity growth as expected. Given an average value of w_k of approximately 0.5 in the 18-industry sample, the results suggest that a doubling of pollution-control costs reduce productivity growth by 7 percentage points.

Table 5

Regression Estimates for Percentage Change in Productivity, 1973-76, Selected Manufacturing Industries
(t-statistics in parentheses)

Sample Size	Constant	Wghtd. Percentage Change, 1973-76, in: Gross Cap. K_g	Net Cap. K_n	Emp.Hrs. L	Pol. Costs POL	$\bar{R}^2$
18	0.800	0.6286 (2.51)		-0.9199 (2.02)	-0.1399 (2.01)	0.351
29	3.065	0.3008 (1.50)		-0.6785 (1.74)	-0.0838 (1.61)	0.180
18	1.574		0.4615 (1.90)	-0.8755 (1.77)	-0.1219 (1.64)	0.251
29	2.906		0.2779 (1.33)	-0.7724 (1.75)	-0.0807 (1.54)	0.166

Neither the worker-safety capital outlay growth variable nor an energy-utilization growth variable added to the explanatory power of equation (1). When a variable representing the deviation of industry output in 1976 from its long-term (1960-73) trend was introduced, however, it reduced the precision of th estimates of the other variables, particularly the pollution-cost variable. This occurs because of an inverse correlation between industry growth in the sample and pollution-cost growth. In short, it appears that rising pollution-control costs increase unit costs and output prices, thereby reducing demand for the industry's product. Of course, to "explain" flagging productivity growth by a variable which captures slower output growth is a bit circular; hence, the result is not reported.

VII. Concluding Comments.

It is clear that we have not yet begun to explore the effects of the new "social" regulation upon economic performance. The casual evidence that worker-safety and pollution-control programs reduce productivity growth is abundant, but it is more difficult to demonstrate this effect with precision once one delves into disaggregated data. In part, this may be due to poor data and too short an historical period over which to search for the effect. In addition, if regulation operates by discouraging new projects or products, there is no very good indicator of the severity of regulation across industries. It is very difficult to measure opportunities foregone.

There are continuing criticisms from the proponents of stricter regulation that analyses of the cost of regulation or of it effect upon productivity ignore the benefits of regulation. If all output were counted, they contend, productivity might actually be shown to be increasing. Unfortunately, the evidence on the "benefits" of environmental and worker-safety regulation is even more scarce than data on the costs or privately-traded output effects. There is no conclusive evidence, other than the mine-safety example alluded to above, that the standard environmental programs and OSHA policies have cleaned up the air or water or improved worker safety. The full effects upon output of our recently-conceived regulatory policies are therefore unknown. The danger exists, however, that by the time we understand these effects we will have so discouraged investment in new facilities in basic industries that revival of these sectors will be difficult. Owners of tired old (overvalued) assets will be as potent a force against regulatory change as taxi medallion owners in New York or small refineries have proven to be in other regulatory arenas.

Footnotes

1. See Norsworthy, et.al. (1979)

2. See Denison (1979) for a detailed analysis of this decline.

3. For the noncognoscenti:

EPA = Environmental Protection Agency
FAA = Federal Aviation Administration
NRC = Nuclear Regulatory Commission
MSHA = Mine Safety and Health Administration
OSHA = Occupational Safety and Health Administration
FDA = Food and Drug Administration
BLM = Bureau of Land Management (Department of the Interior)
USDA = Department of Agriculture
CPSC = Consumer Product Safety Commission
NHTSA = National Highway Traffic Safety Administration

4. Federal Insecticide, Fugicide, and Rodenticide Act of 1972, Resource Conservation and Recovery Act of 1976, and Toxic Substances Control Act of 1976.

5. The Classic statement is in Weitzman and in Spence and Weitzman.

6. See Crandall(1979) for some evidence.

7. Federal Coal Mine Health and Safety Act of 1969.

8. U.S. Department of Labor, Bureau of Labor Statistics, Productivity Indexes for Selected Industries, 1979 Edition, Bulletin 2054.

9. Annual McGraw Hill Survey -- Investment in Employee Safety and Health.

10. U.S. Department of Commerce, Bureau of Economic Analysis, Capital Expenditures for Pollution Abatement. (Published annually in the Survey of Current Business.)

11. U.S. Department of Commerce, Bureau of the Census, Pollution Abatement Cost and Expenditures, annual issues.

12. See Crandall (1979)

13. Business Roundtable, Cost of Government Regulation Study, 1979.

14. Capital-stock data by industry are available only through 1976.

15. Denison (1978)

16. Denison (1979a)

17. Norsworthy, et.al., (1979)

18. Smith and Kopp (1980)

19. Christiansen, Gollop, and Haveman (1980)

20. Denison (1979)

21. Clark (1979)

22. Hudson and Jorgenson (1978)

23. See Malkiel (1979) and Quarles (1979)

24. See Crandall (1979)

25. The industries in the 18-industry sample are: (SIC) 203,205, 2421, 2434 and 2436, 251,2611 &2621 &2631 &2661,2851,291,3011, 314,322,3241,325,331,332,3334,341,371. The 29-industry sample includes the above plus 204,264,265,281,2821,286,287,3331,249,289, and 329. These industries include most of those in Table 2, which in turn are the most pollution-control impacted industries.

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LNC MEMOS

THE WHITE HOUSE

WASHINGTON

March 13, 1980

MEMORANDUM FOR THE ANTI-INFLATION PROGRAM GROUP

FROM: LLOYD N. CUTLER LNC

SUBJECT: LIMITING THE COSTS OF FUTURE REGULATION

CWPS and the Regulatory Analysis Review Group (RARG) are doing a quiet and generally effective job of pointing out the costs of various health and safety regulations to the initiating executive branch agencies. As a result of their work, the estimated compliance costs are being held significantly below what they otherwise would have been, but they are still above where CWPS and RARG think they should be.

This work is not very visible. Meanwhile the cumulative impact of compliance costs on inflation and productivity, and the resulting diversion from more productive forms of investment, becomes more apparent everyday.

In the regulation portion of the anti-inflation package, we might want to consider announcing a requirement that all new executive branch regulations imposing additional compliance costs exceeding 100 million dollars, or some other figure, are subject to the President's approval before they are issued.

While many such regulations would have to be approved because of statutory requirements and time deadlines, this step would show that the President is just as concerned about a 100 million dollar increase in industry regulatory compliance cost as he is in a 100 million dollar increase in the federal budget, and that all such increases will require his personal approval.

An announcement along these lines would go a long way to persuade the business and financial communities that we are serious about curbing this cause as well as the other causes of rising inflation.

More than a year ago the President asserted his authority over how executive branch agencies exercise their statutory discretion in issuing regulations. In my opinion, his legal power to take the above step could not be successfully challenged.

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

June 30, 1980

MEMORANDUM FOR THE EPG

FROM: LLOYD CUTLER LNC

SUBJECT: REDUCING THE COST OF REGULATION.

In the President's March 14 budget speech, he referred to the need to hold down the cost of regulation in order to improve industrial productivity.

Since that time, we have not announced any specific measures to achieve this goal. We have not drawn attention to any specific proposed regulations that have been substantially modified on final issuance so as to reduce the cost of compliance.

At the same time, we are not proposing any immediate action to improve industrial productivity by tax incentives for investment, for the valid reason that such a program requires careful targeting that cannot be soundly done in an election year.

As a result, we appear to be doing nothing now about industrial productivity. There are some things we could do now by way of reducing the cost of regulation:

1. We could bring about and announce some specific revisions or deferments in outstanding regulations that impose very heavy near-term costs -- such as the NOX requirements, the diesel particulate requirement, the airbag regulation, the OZONE regulation and the deadlines for state environmental plans. All of these regulations are issued by Executive Branch agencies subject to full policy control by the President.

2. We could announce a one- or two-year moratorium on any new Executive Branch regulation estimated to impose compliance costs of more than some target number -- e.g., $100 million -- on specified industries unless the order is expressly approved by the President.

For three and a half years we have been talking about reducing the cost of regulation and improving the productivity of industry.

RARG has undoubtedly succeeded in keeping costs below where they might have been, but we would all agree that they are still far too high, especially at this low point in the business and investment cycle. I am afraid we are giving the impression that so far as government action to improve productivity is concerned, it is a Lewis Carroll case of "jam tomorrow and jam yesterday, but never jam today."

Distribution:

William Miller
Charles Schultze
James McIntyre
Alfred Kahn

Ex Officio:

Vice President Mondale
Stu Eizenstat
Henry Owen

1:30 PM

THE WHITE HOUSE

WASHINGTON

SIGNING OF WOMEN'S EQUALITY DAY PROCLAMATION
Tuesday, August 26
1:30 p.m. (20 minutes)
Rose Garden
From: Sarah Weddington S.W.

I. PURPOSE

To declare August 26th Women's Equality Day and to reaffirm the commitment of the Administration to securing equal rights for women.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

Women's Equality Day is August 26th, the anniversary of the adoption of the 19th Amendment to the Constitution guaranteeing women the right to vote.

These six vintage banners, circa 1913-18 were lent to the White House courtesy of Ms. Elizabeth Chittick of the National Woman's Party and the Division of Political History at the Smithsonian Institution. These banners are colorful reminders of the many parades and pickets of yesteryear in Washington, DC, some in front of the White House. They were often confiscated by the police or torn to shreds by jeering bystanders.

Following your signing of the proclamation and your remarks, there will be a reception and then a briefing on women's issues for the guests. (An agenda for the briefing is attached.)

B. Participants

You will be addressing a group that includes presidents of national women's organizations (including those with whom you've met on a regular basis during the past year), women members of Congress, women Presidential appointees, members of the President's Advisory Committee on Women, members of the DNC Women's Caucus and politically active women.

C. Press Plan

There will be Open Press Coverage.

III. TALKING POINTS

A. Salutations

You should recognize the following Congresswomen:

Cardiss Collins
Geraldine Ferraro
Patricia Schroeder

B. Remarks

Refer to prepared text.

WOMEN'S EQUALITY DAY BRIEFING
AUGUST 26, 1980

AGENDA

Introduction:	Sarah Weddington, Assistant to the President
2:45 - 3:30 p.m.	World Conference of the United Nations Decade for Women Report
3:30 - 3:45 p.m.	Domestic Violence Legislation
3:45 - 4:00 p.m.	Equal Rights Amendment Update
4:00 - 4:15 p.m.	Women in the Military
4:15 - 4:30 p.m.	SBA: Women's Business Enterprise Program
4:30 - 4:45 p.m	Child Health Assurance Program Legislation
4:45 - 5:00 p.m.	60th Anniversary of the Women's Bureau, US Department of Labor

WOMEN'S EQUALITY DAY, 1980

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

America struck a blow for justice on August 26, 1920, when the 19th Amendment, granting women the right to vote, became law. On this 60th anniversary, American women and men recall how far we have come on the road toward equal opportunity for all Americans and reaffirm our commitment to full equality for women. We celebrate today the achievements of the past, but even more we celebrate our dream for a future in which all Americans share equally in the rights and responsibilities of this land.

Social and political change is never easy, as we know by the sacrifices of the early Suffragists. Courageous and high-principled, these women wrote, marched and argued for their cause through long years of delay and disappointment, but they never accepted defeat. Only a few weeks before her death at 86, Susan B. Anthony addressed a convention on the theme, "Failure is impossible!" They knew the rightness of their cause, and found the will and courage to create a climate of change. We can best honor their memory today by continuing their crusade.

In the intervening years women have faithfully carried out responsibilities at all levels of government, in every area of employment and education, and in the nurturing of families and children. Yet many of the rights that should accompany those responsibilities are missing. Despite our hard-won progress, the rights of women vary from state to state. The Equal Rights Amendment to the Constitution, which would set a clear national standard outlawing discrimination against women, is still an unfulfilled promise. Thanks to the efforts of millions of women and men, 35 states have ratified the Equal Rights Amendment. We have until June, 1982, to complete the ratification process in three more states and make the principle of equality a Constitutional guarantee.

Today, I reaffirm my own commitment to make the Equal Rights Amendment part of our Constitution. I urge all Americans to rekindle the spirit of early Suffragists, to use their energies, their wisdom and their compassion to achieve full equality for women. To advance the cause of women's rights is to advance the cause of human rights.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, do hereby proclaim August 26, 1980 as Women's Equality Day.

IN WITNESS WHEREOF, I have hereunto set my hand this day of August, in the year of our Lord nineteen hundred and eighty, and of the Independence of the United States of America the two hundred and fifth.