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THE WHITE HOUSE
WASHINGTON

MEMO TO FILE

NOT SUBMITTED TO PRSIDENT

WATSON HAS TALKED WITH SHEPPARD
ABOUT MEMO.

DF

ID 804484

T H E , W H I T E H O U S E

PAGE A01

WASHINGTON

DATE: 09 SEP 80

FOR ACTION: STU EIZENSTAT

JACK WATSON

INFO ONLY:

SUBJECT: ADMINISTRATIVELY CONFIDENTIAL HAL SHEPPARD MEMO RE
SOCIAL SECURITY INFLATION INDEXING; PER NEWSWEEK ARTICLE
9/15/80

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM THURSDAY 11 SEP 80 +
+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

*change
to
Admin
confid*

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| <input checked="" type="checkbox"/> | FOR STAFFING |
| <input type="checkbox"/> | FOR INFORMATION |
| <input type="checkbox"/> | FROM PRESIDENT'S OUTBOX |
| <input type="checkbox"/> | LOG IN/TO PRESIDENT TODAY |
| <input type="checkbox"/> | IMMEDIATE TURNAROUND |
| <input type="checkbox"/> | NO DEADLINE |
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ACTION
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| <input type="checkbox"/> | <input type="checkbox"/> | H. CARTER |
| <input type="checkbox"/> | <input type="checkbox"/> | CLOUGH |
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THE WHITE HOUSE

WASHINGTON

September 9, 1980

ADMINISTRATIVELY
CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: HAROLD L. SHEPPARD *HS*

It may all very well be the case, as reported in Newsweek in reporting Secretary Miller (see "Periscope", September 15 issue), to the effect that "The Carter Administration is preparing a series of proposals to restrain the growth of social security benefits in 1981 and beyond," by changing the formula for indexing against inflation.

But, I have not been involved in this proposal preparation process, contrary to the President's instructions that I be part of that process insofar as it bears upon the status of the aged.

More important, even if I had been, and even if there are proposals in writing to restrain the growth of benefits by changing the formula, this is hardly the time for any Cabinet Officer to be saying such things.

The inflation issue is the hottest issue among the senior citizens and their national organizations. The Republicans are the only ones to benefit from any suggestion from the Administration that the one source of all their income sources that is indexed against inflation is being threatened.

The President has already committed himself to protecting Social Security benefits against inflation.

The Platform reiterates that position.

And, contrary to the conventional wisdom that taking out the cost of new housing, and creating a separate CPI for the elderly, would produce a lower inflation figure, there is an argument with equal plausibility, that a separate CPI could produce a higher figure, or no change at all, since the general CPI formula now in use may not give proper weighting to certain items in the elderly's "basket."

Previous memos from me pointed to the need to swing a few percentage points away from Reagan among the large mass of older Americans (especially in key states) who typically vote conservative and Republican. Nineteen sixty-four is the last election in which a majority of them voted for a Democratic Presidential candidate.

The best argument this Administration can make re;inflation and budget costs is the basic argument concerning its basic program against inflation. That program has a high approval rate among older voters.

To paraphrase the advice given by Bob Strauss at his recent briefing to Cabinet and White House Staff, "just remember how anything you say will look on the front page of The Washington Post."

~~CONFIDENTIAL~~

**"DETERMINED TO BE AN ADMINISTRATIVE MARKING
CANCELLED PER E.O. SEC. 1.3 AND
ARCHIVIST'S MEMO OF MARCH 16, 1983"**

PERISCOPE

Serious Warnings From Peking

Some of America's top Sinologists are predicting that if Ronald Reagan becomes President and sticks to his word, China may feel it must break relations with the United States. Reagan's recent clarification of his China policy called it "absurd . . . that our representatives are not permitted to meet with Taiwan officials in their offices and ours" and indicated he would upgrade contacts with Taiwan—a move Peking would not accept. Since then, China has blasted Reagan's remarks in a formal meeting with U.S. Ambassador Leonard Woodcock and at parliamentary sessions in Peking. "Those are serious warnings," says Swarthmore's Kenneth Lieberthal, a respected U.S. China-watcher.

Carter's Secret Mideast Deal

When Israeli-Egyptian autonomy talks resume, the Carter Administration reportedly has one item of agreement ready to roll. If negotiations do not proceed toward a more comprehensive accord for Carter to announce during the Presidential campaign, reports a Mideast source in Washington, the President can count on a bilateral accord on a Palestinian council for Gaza. Begin has said "yes"; Sadat is reluctant to separate the Gaza and West Bank issues. But, the source maintains, Sadat will "do it for Carter if that's all they can get" before Election Day.

Slowing Down Social Security

The Carter Administration is preparing a series of proposals to restrain the growth of social-security benefits in 1981 and beyond. The key factor, Treasury Secretary G. William Miller tells NEWSWEEK, is "overindexation": under existing law, social-security recipients get an automatic increase at midyear—by an amount equal to the annual rise in the consumer price index. But the CPI overstates the living-cost increase for retired people, experts say; among other things, it considers the average cost of buying new housing, a purchase the elderly seldom make. Carter's new proposals will land on the Hill by Nov. 30, and Miller says that Democratic leaders have promised to tackle the issue next year.

Etiquette Along the Nile

With the United States preparing military bases in Egypt, Washington has begun a secret investigation into the day-to-day frictions and misunderstandings that poisoned the atmosphere between Soviet military advisers and Egyptian officers a decade ago and contributed to President Anwar Sadat's 1972 decision to expel the Russians. The study, suggested by Egyptian authorities, is being directed by U.S. military historian Trevor Dupuy. It will offer guidelines for the behavior of Egyptian and American troops who will be working together at the bases.

Teddy and Jimmy in Texas

Jimmy Carter, who desperately needs the votes of Mexican-Americans if he is to carry Texas in November, has gotten a big boost: Teddy Kennedy—the Chicanos' favorite national politician—has agreed to campaign for him in the Lone Star State. Both the Carter and Reagan camps are giving top priority to wooing Mexican-Americans, who make up 22 per cent of the Texas population. President Carter gained more than 80 per cent

of the Chicano vote in 1976 and barely won Texas; a recent Texas Monthly poll showed Mexican-Americans split down the middle. Carter himself plans three swings through Texas before Election Day. Ronald Reagan will bank heavily on Vice Presidential candidate George Bush, a Houston resident, who is scheduling interviews with Spanish-language media outlets in south Texas. Bush will be aided by his Spanish-speaking son Jeb and daughter-in-law Columba, a Mexican citizen.

Italy Ignores Malta's Pleas

Malta's rambunctious Prime Minister Dom Mintoff may have overreached himself. Having fallen out with Libya's Muammar Kaddafi, his financial patron, over the question of which of their nations owns some offshore oil, Mintoff expelled his Libyan military advisers and asked Italy for economic help. When the Maltese leader flew to Rome last week to plead his case, insiders report, his four-hour session with Prime Minister Francesco Cossiga produced nothing more than a guarded Italian promise to examine closer ties. The reason: Italy regards Mintoff as unpredictable—and the Italians rely on Libya for 13 per cent of their oil.

Sluggish U.S. Gold Sales

Why are American buyers snubbing two U.S. Government gold medallions while snapping up South African and Canadian coins at higher markups? Gold experts say it is because of the cumbersome procedures used to sell the 1-ounce Grant Wood and half-ounce Marian Anderson medals. Other countries, whose coins cost at least 5 per cent above gold-content value, sell through dealers. The United States, which charges less than 2 per cent above gold-content value, requires purchasers to check the daily gold quote, obtain a certified check, fill out a form at the post office and then wait twelve weeks for mail delivery. As a result, most of the Grant Woods and Andersons are going begging.

The Truth About Pol Pot

Officials of Cambodia's Hanoi-backed regime like to portray Khmer Rouge leader Pol Pot (born Saloth Sar) as at least partly Chinese; the tactic suits Vietnam's anti-Chinese propaganda campaign. But Pol Pot's brother, 69-year-old Saloth Suong, has surfaced in Phnom Penh and insists that his family is "100 per cent pure Khmer." Suong, who worked on a commune as a virtual slave during the Pol Pot era, learned in 1978 that his brother was the shadowy dictator responsible for Cambodia's mass murders when Pol Pot's portrait was put up in the communal dining room. If he had revealed his connection to Pol Pot then, Suong believes, his commune colleagues would have murdered him.

Go Directly to Jail . . .

Treasury agents in Miami became curious last week when they spotted a woman boarding a Colombia-bound airplane, carrying six sets of the board game Monopoly, wrapped in cellophane and bearing store price tags. Ordering the sets to be opened, the authorities found that each one contained \$250,000 in U.S. currency, mainly \$100 bills. They detained the woman for violating a U.S. law requiring that the movement of \$5,000 or more in cash be reported to the government. Their real suspicion: the hoard was a drug payoff.

FAY WILLEY with bureau reports