

**9/18/80 [4]**

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THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

September 18, 1980

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*  
Subject: Quadriad Meeting, Friday, September 19

This memo provides background for your upcoming Quadriad meeting with Chairman Volcker.

SUMMARY

A. Short Run: The Next Several Months

A review of recent developments suggests that increases in the Federal funds rate since June cannot be interpreted as a change in policy by the Fed. Rather they flow from the following developments:

- o Last October the Fed switched to a much more monetarist operating technique, and now concentrates very heavily on keeping the growth of the three key monetary aggregates (M1A, M1B, and M2) within its targets, regardless of what happens to interest rates (up to a point).
- o After falling in the spring, the monetary aggregates have recently been rising sharply. They are now back to and in one case above the target range. (See Charts 1, 2, and 3.) At least part of the sharp rise in the aggregates is due to the greater than expected strength in the economy.
- o The Fed has not been willing to provide an even larger growth in bank reserves, fearing that the monetary aggregates would rise too fast; this unwillingness has resulted in a rise in interest rates. (See Charts 4 and 5 and Table 1.)

- o Unfortunately, since last October, financial markets have increasingly come to gauge the Fed's anti-inflationary commitment by its willingness to keep the monetary aggregates from growing rapidly, or exceeding their targets, regardless of the consequences. Hence, should the Fed move towards monetary ease by providing more reserves and letting the monetary aggregates grow substantially faster, it could have the perverse effect of raising, not lowering, long-term interest rates, as the markets interpret the move as a weakening of the Fed's anti-inflationary nerve in the face of election-year pressure.
- o To some extent, the Fed has made us all prisoners of its own rhetoric; monetary policy is driven much more by the mechanics (short-term fluctuations in the money growth) than by consideration of what is going on in the economy itself.

Sources within the Fed have told me the following (we must not let on we know this, and I have not even told the other EPG members):

- o At the latest FOMC meeting (held this Tuesday) the "doves" joined by Volcker beat back the "hawks," but only after a contentious meeting.
- o Over the next month, the Fed will not try to push monetary growth down toward the lower end of the current target range as the hawks wanted; that policy would almost surely have led to further interest rate increases.
- o Instead, the Fed will adopt a more "neutral" stance, and provide somewhat more growth in bank reserves and the money supply than the hawks wanted.
- o If the Fed's staff's projections for only a modest growth in the demand for money over the next month are correct, we should see a period of stable short-term interest rates, or even a slight downward tick. That is good news.
- o Volcker's attitude was very helpful at this meeting. (But again, we cannot let on we are aware. He may tell you himself.)

If, on the other hand, money growth tends to be significantly larger than expected, the Fed will not accommodate it, and interest rates will rise.

It is hard to get Volcker to focus on the relationship between his policy and such things as output, employment and prices. Since October 6, the discussion has been too much cast in terms solely of the money supply. You have a good opportunity to get Paul to expand the dialogue to focus more broadly on the economic consequences of Fed monetary policy:

- o Does Volcker think the economy is bottoming out too quickly? Are output, employment, sales and orders likely to rise so fast as to unleash inflationary pressures?
- o Should the recovery be held back by higher interest rates? Would this give lower inflation? Is the housing recovery likely to be choked off by rising mortgage interest rates? Would that be a good thing?
- o What purpose would be served by further increases in interest rates between now and the end of the year?
- o While Fed actions to finance a large excess growth in the money supply would, indeed, lead to inflationary expectations and be counterproductive, does the Fed have any leeway to lean in the direction of accommodating the early stages of a recovery? Isn't there enough uncertainty week to week and even month to month about basic trends in the money supply and enough wiggle room in the Fed's target ranges and operating policies to give some room for this?
- o (Remember, however, that Volcker is under pitiless scrutiny by the financial community and the press to see if he makes even a gesture towards yielding to "political pressures" in an election year. He will be extremely sensitive to any nuance that your interests run principally to what happens during the next six weeks.)

#### B. Monetary policy for 1981

For some time we had been concerned about a likely collision in 1981 between the Fed's monetary targets and the projected economic recovery. If inflation runs about 9 percent and we want real GNP

growth large enough to reduce unemployment, then the money value of GNP (nominal GNP) must grow in the double-digit range. But, barring an unusual change in the velocity with which money turns over, the Fed's monetary targets for 1981 won't be sufficient to permit that large of a rise in nominal GNP. (Indeed what may be happening now is that the inevitable collision is occurring sooner than anyone expected.)

Chairman Volcker (and the majority of the Federal Open Market Committee) simply will not provide the money to finance a satisfactory recovery and a 9 percent inflation rate. Interest rates would rise significantly. The result, at least for the next year, would be principally a slackening of growth and only a small decrease in inflation. But Volcker is insistent on serving notice that the Fed will not finance that much inflation, and hopes that over the longer run wages and prices will begin to give.

Volcker realizes full well the consequences of his policy (although he probably hopes for more downward inflation response than he is likely to get). For that reason, he has publicly been a strong advocate for a "social compact" or a "tax-based incomes program" that would use tax cuts to "buy" wage moderation.

We too are worried about the implications of beginning a recovery with an underlying inflation rate in the neighborhood of 9 percent. And we recognize that our measures to speed productivity growth will affect inflation only slowly and by modest (fractional) amounts.

I believe the Administration and Volcker have a mutuality of interest in the area of using tax and other policies to moderate wage and price increases. Volcker may be a bit more amenable to moderating the stand of monetary policy if he thought we would, after the election, move seriously in that direction.

It would also be helpful for you to stress your commitment to continued expenditure restraint, You can remind Volcker that, at substantial political cost to yourself, you have successfully resisted major pressure for the usual large package of expenditures for anti-recession stimulus.

Volcker is particularly worried about the 11 percent increase in expenditures for FY 1982 as shown in the Mid-Session Review of the Budget. If he brings it up, you might point out that in real, inflation adjusted, terms this is only a 1-3/4 percent rise. And from 1980 to 1982 the average annual increase in spending will be only 0.6 percent per year, which is by far the smallest increase on record for a period spanning a recession. You and the Congress have not followed past practice of sharply stimulating spending as the answer to recession.

| <u>Fiscal Years<br/>Spanning Recession</u> | <u>Real Spending Increase<br/>per year</u> |
|--|--|
| 1960 to 1962                               | 5.7  |
| 1970 to 1972                               | 2.6  |
| 1974 to 1976                               | 7.2  |
| 1980 to 1982                               | 0.6  |

#### BACKGROUND MATERIAL

The additional material below may be useful for the discussion with Volcker. It covers three subjects:

1. How does the Fed now operate under its new policy (since October 6, 1979).
2. Why have interest rates risen in the past two months despite the recession?
3. What is likely to happen under the current Fed policy over the next month or two?

#### 1. How the Fed now operates

Short-term interest rates are basically determined by the demand and supply of money. The demand for money -- currency and deposits -- is determined by how much money business firms, individuals, and financial institutions want to hold. When nominal GNP increases, the demand for money rises as businesses and individuals need and want to hold more currency and deposits. But the relationship between changes in GNP and changes in the demand for money is often erratic.

The supply of money depends on the volume of bank reserves, which can be expanded or contracted by the Fed. For various technical reasons, the amount of money can move up or down relative to bank reserves. But over the long run, the rate at which the supply of money grows depends on the rate at which the Fed is willing to feed additional reserves into the banking system.

On a highly oversimplified basis, when the demand for money exceeds the supply, interest rates increase as people and financial institutions bid for the scarce funds. (Interest rates can also rise when people expect that in the future the demand for money will be rising faster than the supply.)

Prior to October 6, 1979, the Federal Open Market Committee (FOMC) each month set a short-term interest rate goal (the Federal funds rate) and during the subsequent month the Fed increased or decreased reserves available to banks as needed to reach that interest rate goal. The FOMC set the interest rate goal after considering a host of factors including the state of the economy, the growth in the money supply relative to its targets, the

international situation, etc. If the demand for money was outstripping the supply, the Fed would often add additional reserves to the system and let the money supply rise above the target rather than see interest rates go above its goal. Interest rates tended to change fairly gradually under this system and a number of factors entered into the determination of policy from month to month.

Since October 6 the Fed has hewn much more closely to the single-minded objective of keeping the growth in the money supply within the target range. Now, when the demand for money outstrips the supply and when money growth is at or beyond the target, the Fed will not supply bank reserves to satisfy the high demand for money, and so interest rates rise, sometimes very rapidly. (And vice versa when the demand for money falls, as it did in the earlier stages of the current recession.)

Even with the new policy there is some room to maneuver. Most importantly the targets for money supply growth are not set as a single number but as a range (e.g. the growth target for M1A in 1980 is in the range of 3 percent to 6 percent). And in any one or two month period, the money supply can vary substantially and still stay within the range. Hence, even though all of the members of the FOMC may be in unanimous agreement to keep the growth of the money supply within the target range, there is room for the "hawks" on the Committee to push for policies that will lean in the direction of higher interest rates (e.g. keeping the growth of the aggregates at the lower bound of the target range and vice versa).

## 2. Why have interest rates risen?

First, the facts. Short-term interest rates, which had fallen 10 to 11 percentage points from their record levels in early April, have begun backing up and currently are 3 to 4 percentage points above their mid-June lows. Long-term rates including mortgage rates have experienced somewhat smaller swings, falling roughly 3 to 4 percentage points and then rising 1-1/2 to 2 points since June.

The rise in rates has been accompanied by a marked increase in the rate of growth of money in June, July and August. Since this followed several months of actual declines in the narrow money aggregates, the Fed at first did nothing dramatic. Interest rates, nevertheless, began creeping up as financial markets began anticipating some Fed response. Then in August money growth surged, largely we think in response to increased strength of the economy. Under its new operating procedures, the Fed's provisions of bank reserves was only partly accommodating so that interest rates rose further. Expectations of future Fed responses undoubtedly also contributed to the rise.

3. Prospects for money and interest rates  
over the next few months

The monetary aggregates are projected to grow at much slower rates in September and October. (See Charts 1, 2, and 3.) These projected growth rates should keep the key aggregates within or just above the upper limits of their respective FOMC longer run ranges. Such a pattern is likely to be consistent with not much of a change in short-term interest rates from where they now stand, especially given what we know about the recent FOMC meeting. This outcome is critically dependent on the projected modest growth in the monetary aggregates -- and, unfortunately, short-term forecasts of money growth are notoriously suspect.

If short-term rates stabilize, or even if they rise a bit, yields on longer term instruments may show little or no reaction. If anything, a slow growth of the aggregates may signal to the market a reaffirmation of the Fed's resolve to control inflation and might result in some modest downward revision in inflationary expectations and hence long-term rates. The likelihood of any sizable revision in inflationary expectations on this account is remote, however.

Under these conditions, mortgage rates will probably remain around 13 to 13-1/2 percent over the next few months -- a range that reportedly is discouraging some home sales and thus could lead to a slowing of the current rebound in residential construction. While a sharp cutback in housing starts is unlikely in the next couple of months, most projections for home sales and housing starts through the end of the year have been revised downward due to the higher mortgage rates. Thus as the data unfold, the housing sector over the next few months could paint a more disappointing picture.

Chart 1

\$ Billions

M-1A

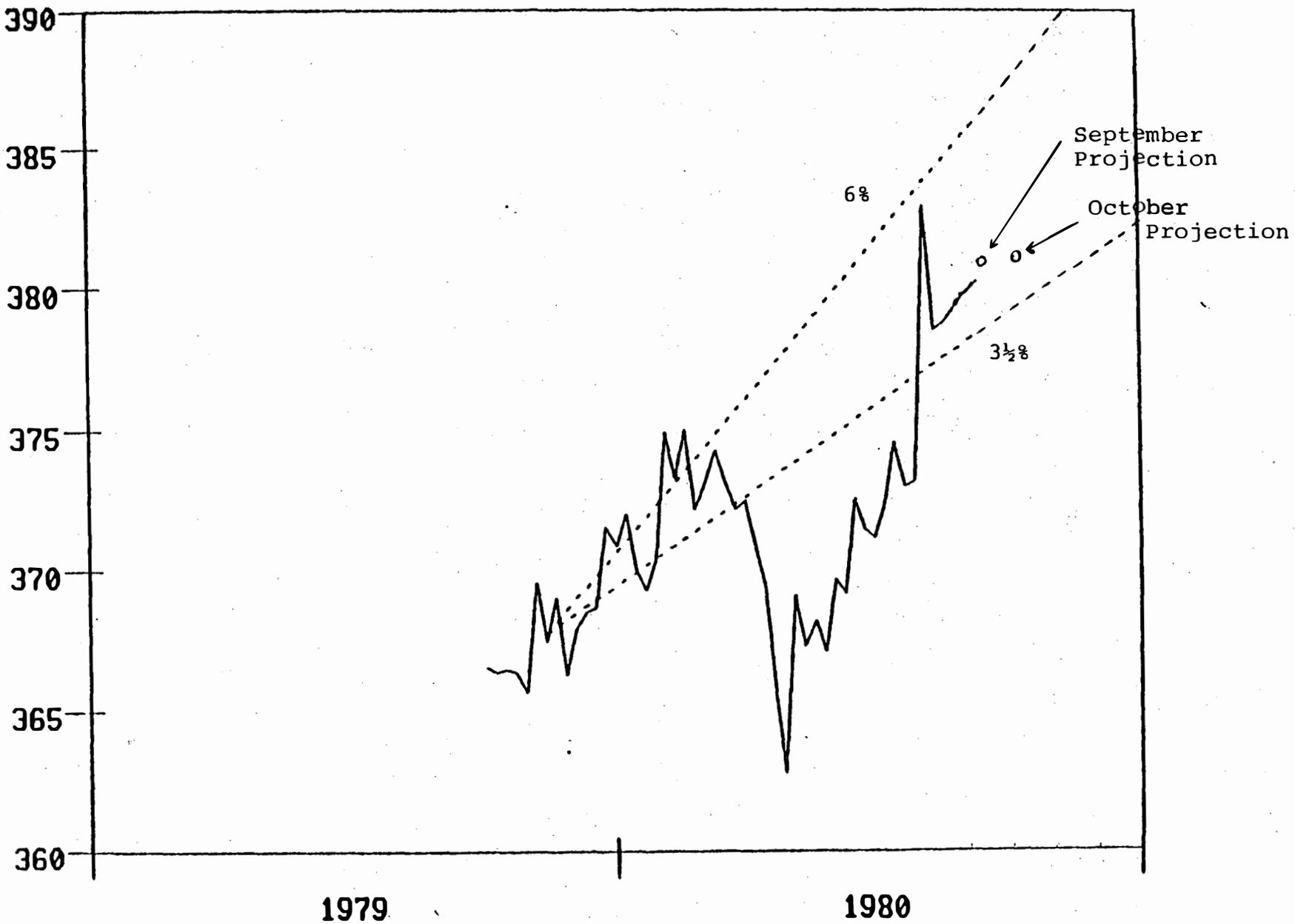


Chart 2

\$ Billions

M-1B

September  
Projection

October  
Projection

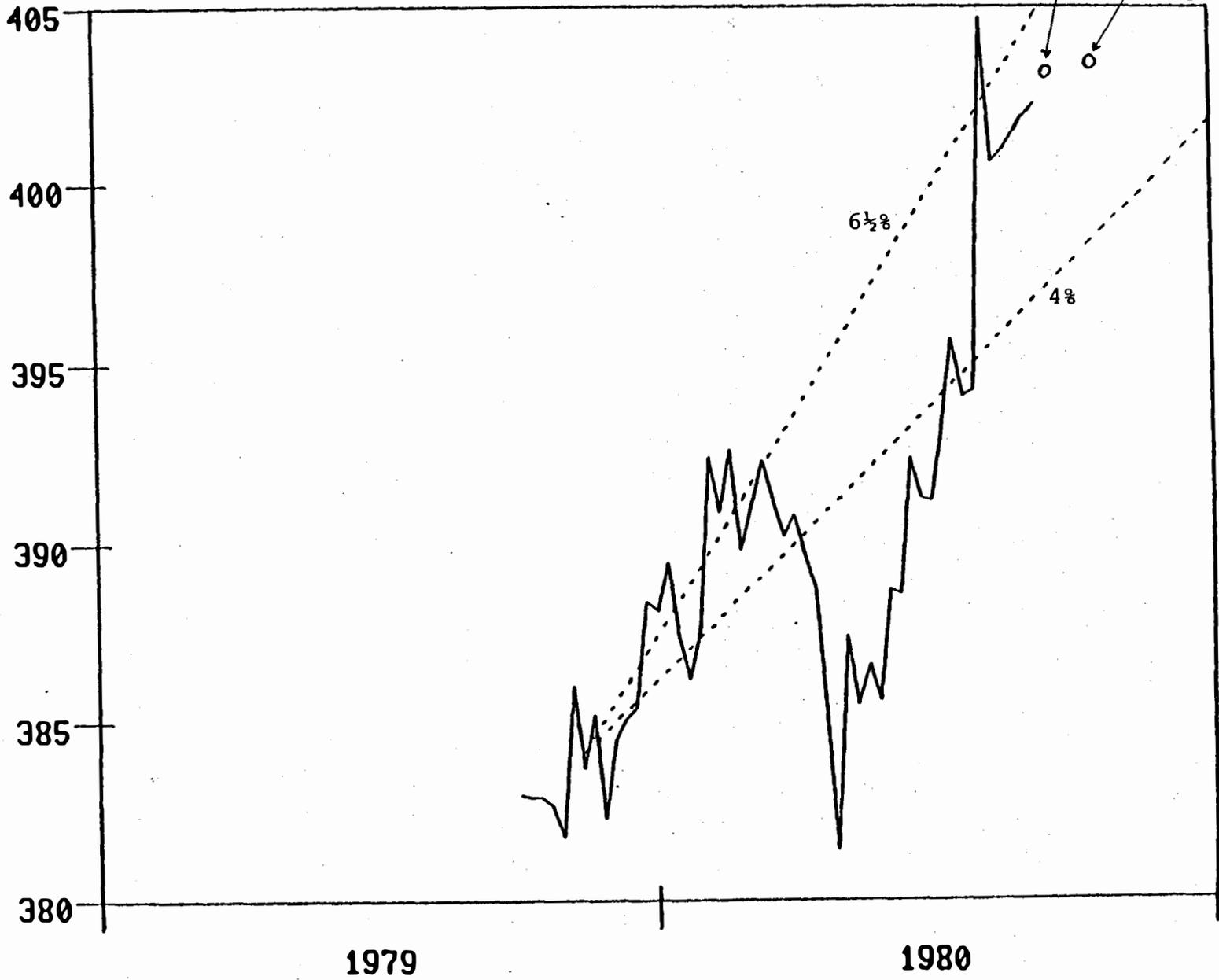


Chart 3

\$ Billions

M-2

September  
Projection

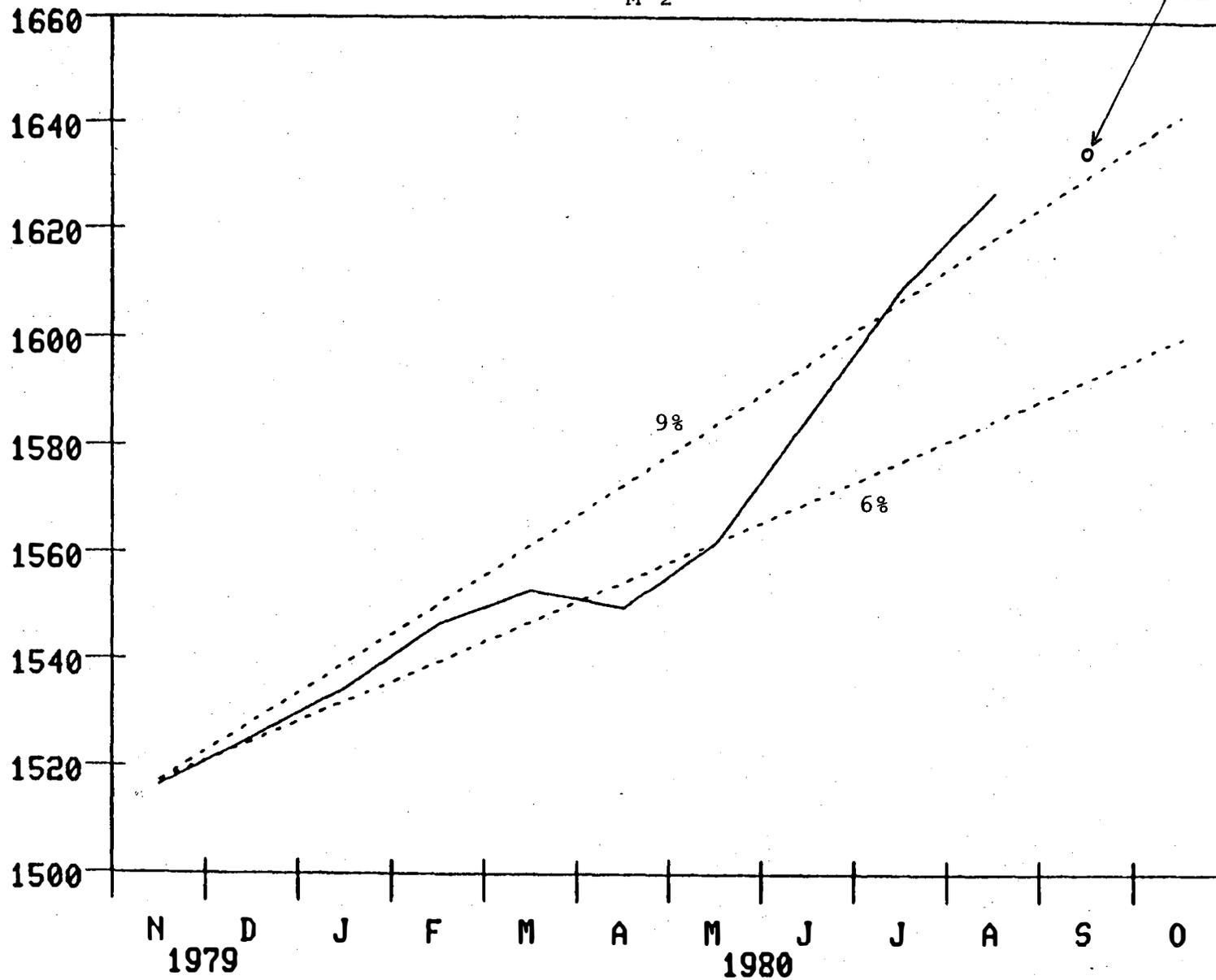
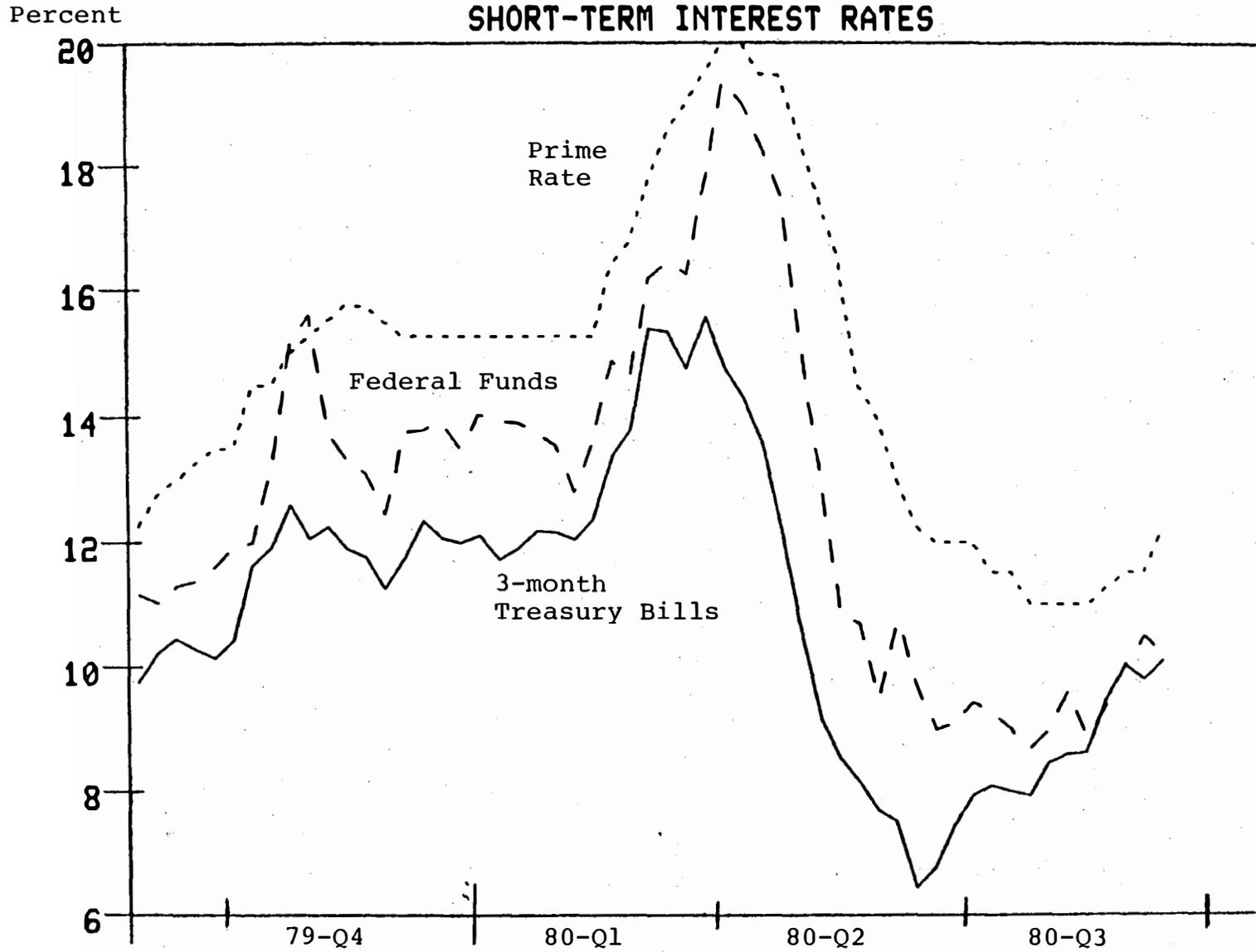


Chart 4

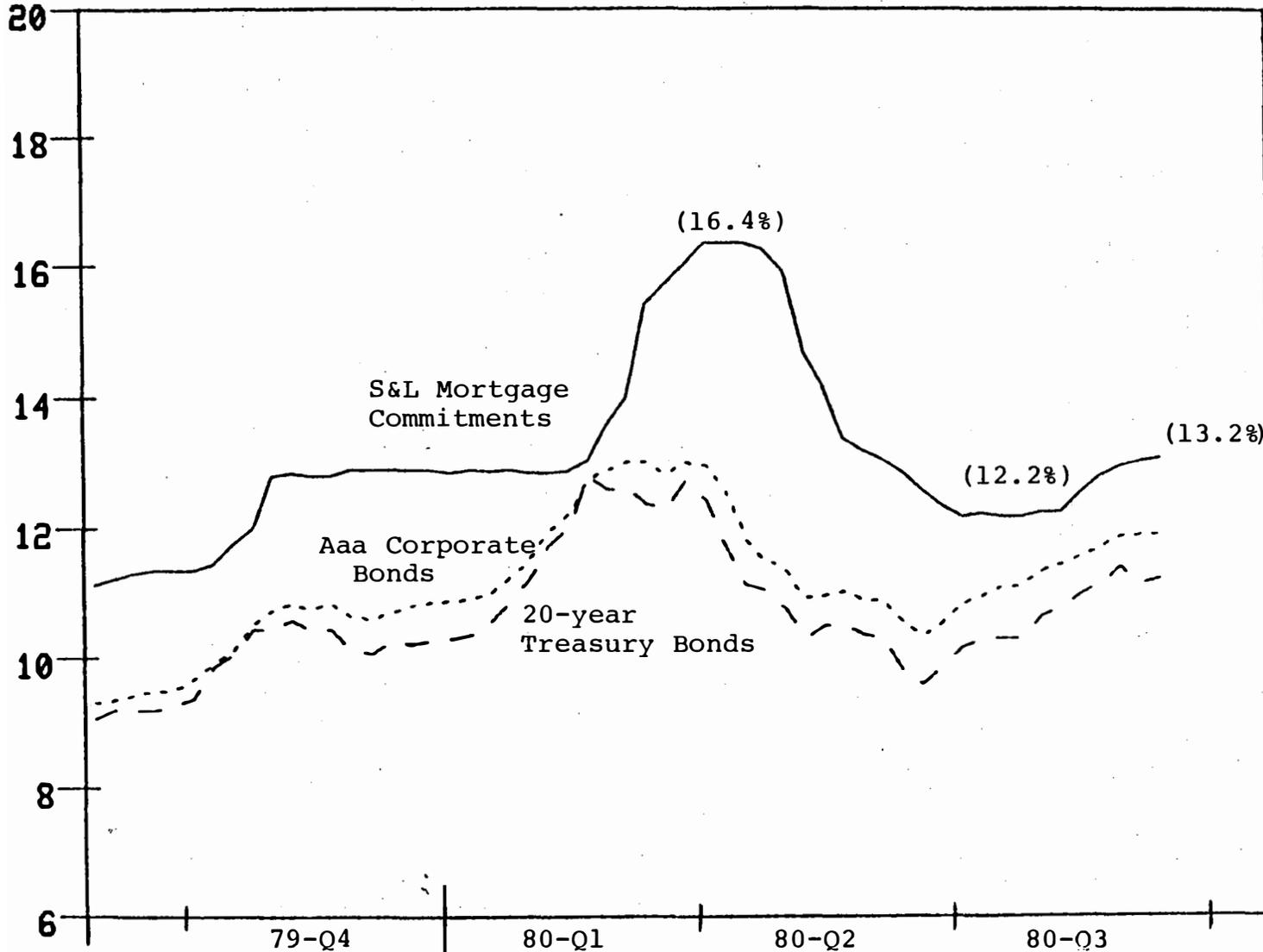


Last observation plotted: week ending September 12.

Chart 5

Percent

### LONG-TERM INTEREST RATES



Last observation plotted: week ending September 12.

Growth of Monetary Aggregates  
(percent annual rates, quarterly average)

|             | Actual     |             | Targets       |               |
|-------------|------------|-------------|---------------|---------------|
|             | 1980<br>Q2 | 1980<br>Q3P | 1980          | 1981          |
| M-1A        | -3.9       | 9.5         | 3-1/2 - 6     | 3 - 5-1/2     |
| M-1B        | -2.4       | 11.8        | 4 - 6-1/2     | 3-1/2 - 6     |
| M-2         | 5.5        | 14.8        | 6 - 9         | 5-1/2 - 8-1/2 |
| M-3         | 5.7        | 11.9        | 6-1/2 - 9-1/2 | 6-1/2 - 9-1/2 |
| Bank Credit | -4.4       | 5.4         | 6 - 9         | 6 - 9         |

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p -- projected

9/18/80

FRANK MOORE  
TOM DONILON  
ALICIA SMITH

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

Rick Hutcheson

NAME SENATOR TOM EAGLETON

1732

TITLE \_\_\_\_\_

CITY/STATE D-Missouri

*FM*  
Requested by Frank Moore /D.

Date of Request 9/17/80

Phone Number--Home (202) 229-7779

Work (202) 224-5721

Other (202) 224-9737 (Senator's private line)

INFORMATION (Continued on back if necessary)

Senator Byrd had a meeting today at 12:15 with Senator Long and several other Democratic Senators on the tax cut bill. Among those who attended were Senators Hart, Jackson, Kennedy, Sarbanes, Ribicoff, Hollings and Inouye. The Leader invited those Senators whom he felt would support his position. The meeting went quite well, and it was suggested to Long that he look to the Democratic Senators who are up for reelection for guidance. (THE INFORMATION ABOUT THIS MEETING IS CONFIDENTIAL AND SHOULD NOT BE DISCUSSED.) It is incumbent upon us to contact several of the Senators, tell our side of the story, and

NOTES: (Date of Call \_\_\_\_\_)

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*Not reached*

encourage them to tell Long and Byrd that the tax cut bill should not be brought to the Senate floor before the election. We ask that you call Senator Eagleton this evening or tomorrow morning; Senator Long is already talking with some of the Senators. We are informed that the Vice President is not available to make these calls and high-level contacts (either you or the Vice President) are mandatory.

TALKING POINTS

I am very disturbed that the Senate may consider the Finance Committee's tax cut bill before the election. If this happens, I am convinced that inflation will be aggravated and interest rates will rise. It is simply bad economics. Furthermore, it is bad politics because Senate action on a tax cut bill will allow Ronald Reagan and Congressional Republicans to escape from the corner they have painted themselves into with the Reagan/Kemp/Roth proposal. Additionally, it will give them more credibility than they ever dreamed. I will not sign a tax bill sent to me before the election. I am opposed to the Senate passing a tax cut bill before the election and strongly recommend that the Senate not even act on the bill. I have made my position clear to Chairman Long, but he feels differently about the politics of the situation. Since my politics are directly affected, I would prefer to be the judge of that. Your politics are also affected, and I hope that you agree with me; and, if so, I would appreciate your letting the Majority Leader and Senator Long know.

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NAME SENATOR DONALD STEWART

1735

TITLE \_\_\_\_\_

*F.M.M.*

CITY/STATE \_\_\_\_\_

Requested by Frank Moore/D. Tate

Phone Number--Home (202) 342-9044

Date of Request 9/17/80

Work (202) 224-5744

Other ( ) \_\_\_\_\_

INFORMATION (Continued on back if necessary)

Senator Byrd had a meeting today at 12:15 with Senator Long and several other Democratic Senators on the tax cut bill. Among those who attended were Senators Hart, Jackson, Kennedy, Sarbanes, Ribicoff, Hollings and Inouye. The Leader invited those Senators whom he felt would support his position. The meeting went quite well, and it was suggested to Long that he look to the Democratic Senators who are up for reelection for guidance. (THE INFORMATION ABOUT THIS MEETING IS CONFIDENTIAL AND SHOULD NOT BE DISCUSSED.) It is incumbent upon us to contact several of the Senators, tell our side of the story, and...

NOTES: (Date of Call \_\_\_\_\_)

*not reached*

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encourage them to tell Long and Byrd that the tax cut bill should not be brought to the Senate floor before the election. We ask that you call Senator Stewart this evening or tomorrow morning; Senator Long is already talking with some of the Senators. We are informed that the Vice President is not available to make these calls and high-level contacts (either you or the Vice President) are mandatory.

#### TALKING POINTS

I am very disturbed that the Senate may consider the Finance Committee's tax cut bill before the election. If this happens, I am convinced that inflation will be aggravated and interest rates will rise. It is simply bad economics. Furthermore, it is bad politics because Senate action on a tax cut bill will allow Ronald Reagan and Congressional Republicans to escape from the corner they have painted themselves into with the Reagan/Kemp/Roth proposal. Additionally, it will give them more credibility than they ever dreamed. I will not sign a tax bill sent to me before the election. I am opposed to the Senate passing a tax cut bill before the election and strongly recommend that the Senate not even act on the bill. I have made my position clear to Chairman Long, but he feels differently about the politics of the situation. Since my politics are directly affected, I would prefer to be the judge of that. Your politics are also affected, and I hope that you agree with me; and, if so, I would appreciate your letting the Majority Leader and Senator Long know.

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1. CHAIRMAN ROYBAL ...DISTINGUISHED MEMBERS OF CONGRESS...HONORED GUESTS:
2. {"ES UN GRAN PLACER PARA ROSALYNN Y PARA MÍ ESTAR AQUÍ
3. {"CON MUCHAS DE NUESTRAS AMISTADES. /
4. {"SIEMPRE NOS SENTIMOS BIENVENIDOS ENTRE LOS HISPANOS
5. {"NO SOLAMENTE POR SU CALUROSA AMISTAD SINO TAMBIÉN
6. {"POR SU LEALTAD A NUESTROS PRINCIPIOS DEMOCRÁTICOS." \*
7. {"~~PARA EL BENEFICIO DE AQUELLOS POCOS QUE NO ENTIENDEN ESPAÑOL~~
8. {"~~VOY A CONTINUAR EN INGLÉS.~~"
9. {"FOR THE BENEFIT OF THOSE FEW PEOPLE IN OUR COUNTRY WHO DO NOT SPEAK SPANISH,
10. {"I WANT TO CONTINUE MY REMARKS IN ENGLISH. /

\*"It is a great pleasure for Rosalynn and me to be with so many of our friends. We always feel welcome among Hispanics not only for your warm friendship but also for your loyalty to our democratic principles."

1. IT IS ESPECIALLY GOOD TO BE WITH CONGRESSMAN ED ROYBAL.  
2. HE HAS A GREAT DEAL OF INFLUENCE WITH THE PRESIDENT. /  
3. YOU SEE, AMONG OTHER DUTIES, ED IS CHAIRMAN OF THE SUBCOMMITTEE  
4. THAT CONTROLS THE WHITE HOUSE BUDGET. /  
5. SO, I HAVE TO BE A GOOD PRESIDENT --  
6. OR CONGRESSMAN ROYBAL "PODRÍA HACER QUE ME CORTARAN EL AGUA". //  
(MIGHT HAVE MY WATER CUT OFF).

7. IT IS A REAL PLEASURE TO SPEAK BEFORE THIS 3RD ANNUAL DINNER  
8. TO HONOR THE ACHIEVEMENTS OF THE CONGRESSIONAL HISPANIC CAUCUS.  
9. THE CONTRIBUTIONS OF ED ROYBAL,  
    BOB GARCIA,  
    BALTAZAR CORRADA,  
    KIKA DE LA GARZA,  
    & MANUAL LUJAN HAVE SERVED THIS COUNTRY WELL. //

1. { I HAVE LOOKED FORWARD TO THIS DINNER
2. { FOR THE CHANCE TO SHARE MY CONCERNS ABOUT OUR COUNTRY
3. { AND THE HUMAN FABRIC THAT BINDS TOGETHER OUR DIVERSE NATION. /
4. { THIS NATION HAS DRAWN HEAVILY FROM HISPANIC CONTRIBUTIONS --
5. { TOO MANY FOR ME TO ENUMERATE TONIGHT.
6. BUT WE SHOULD BE ESPECIALLY THANKFUL FOR THESE HISPANIC CONTRIBUTIONS --
7. • A TRADITION OF STRONG, LOVING FAMILIES, ...
8. • A BELIEF IN HARD WORK, ...
9. • A DEEP & ENDURING BELIEF IN GOD, ...
10. • AND A BURNING COMMITMENT TO JUSTICE. //

1. THIS DINNER COMES AT A CRITICAL TIME.
2. IN LESS THAN 7 WEEKS, THE AMERICAN PEOPLE WILL CHOOSE THE NEXT PRESIDENT.
3. BUT THE CHOICE WILL BE MORE THAN BETWEEN 2 CANDIDATES, OR 2 PARTIES.
4. AMERICANS WILL CHOOSE BETWEEN 2 VERY DIFFERENT FUTURES. /
5. WHEN YOU SORT THROUGH MANY OF THE SPECIFIC ISSUES BEFORE US,
6. THE CHOICE WILL BE THIS:
7. • WILL WE CONTINUE TO STRIVE TOWARD JUSTICE & FAIRNESS?
8. • OR WILL WE TURN AWAY FROM THAT LONG STRUGGLE? /



1. TOGETHER, WE EXPANDED JOBS & TRAINING PROGRAMS.
2. { WE HAVE TARGETED HUNDREDS OF MILLIONS OF DOLLARS
3. { IN DIRECT JOB ASSISTANCE FOR HISPANIC WORKERS.
4. AND WE SENT TO CONGRESS A MAJOR NEW YOUTH EMPLOYMENT PROGRAM --
5. IT IS NEAR PASSAGE TODAY. /
6. THE SUM OF THESE EFFORTS -- NEW JOBS -- IS OUR PROUD ACCOMPLISHMENT.
7. SINCE I TOOK OFFICE, 1.2 MILLION MORE HISPANIC MEN & WOMEN ARE ON THE JOB. #
8. { NEARLY 5 MILLION HISPANICS ARE NOW EMPLOYED --
9. { 1-OUT-OF-EVERY-5 HAS BEEN ADDED IN THE LAST 3½ YEARS. #

1. { TWO YEARS AGO, WE JOINED TOGETHER TO ENACT THE HUMPHREY-HAWKINS ACT --
2. { AND NOW WE WILL REBUILD THE ECONOMIC BASE FOR FULL EMPLOYMENT. /
3. { OUR NEW PROGRAM TO REVITALIZE AMERICAN INDUSTRY
4. { WILL CREATE A MILLION NEW JOBS IN 2 YEARS --
5. { JOBS IN GROWING, COMPETITIVE INDUSTRIES.
6. IT WILL { INCREASE PRODUCTIVITY,  
          { ENCOURAGE INNOVATION,  
          { & HELP COMMUNITIES & WORKERS HURT BY ECONOMIC CHANGES. /
7. { OUR COMMITMENT TO JOBS & JUSTICE
8. { DEMANDS THAT WE HELP MODERNIZE AMERICAN INDUSTRY,
9. { BUT WE MUST SOLVE OUR ECONOMIC PROBLEMS
10. { WITH CAREFUL REGARD FOR THE HUMAN CONSEQUENCES.
11. { WE ARE DETERMINED TO SHARE BURDENS FAIRLY,
12. { AND TO PROTECT THE POOR & ELDERLY. /



1. I AM EQUALLY DETERMINED TO ENSURE JUSTICE IN THE FEDERAL COURT SYSTEM.
2. WITH YOUR HELP,
3. { I HAVE QUADRUPLED THE # OF HISPANIC FEDERAL JUDGES --//
4. { APPOINTING MORE THAN ALL OTHER PRESIDENTS COMBINED --//
5. AND I AM NOT DONE YET.//
6. THESE ARE LIFETIME APPOINTMENTS,
7. { AND THESE JUDGES WILL EXERT THEIR INFLUENCE
8. { ON OUR SYSTEM OF JUSTICE FOR GENERATIONS TO COME. /

1. { I AM COMMITTED TO SECURING FOR ALL CHILDREN IN AMERICA
2. { AN EQUAL CHANCE TO LEARN,  
          { TO DREAM,  
          { TO EXCEL. /
3. THERE IS A SAYING IN SPANISH,
4. { "NEGAR LA EDUCACIÓN A NUESTROS HIJOS ES LA RUINA DE LAS NACIONES."
5. { "TO DENY EDUCATION TO OUR CHILDREN IS THE RUIN OF NATIONS." /



1. { WORKING TOGETHER,
2. { WE HAVE DOUBLED REQUESTED FUNDS FOR BILINGUAL PROGRAMS IN THE PAST 3 YEARS. //
3. { LET ME ADD THAT I STAND WITH YOU AGAINST THE ASHBROOK AMENDMENT, //
4. { WHICH WOULD PREVENT THE DEPARTMENT OF EDUCATION
5. { FROM ENFORCING REGULATIONS ON BILINGUAL PROGRAMS --
6. { EVEN AFTER THE SUPREME COURT
7. { HAS RULED THAT CHILDREN HAVE A RIGHT TO SUCH PROGRAMS.
8. { THIS IS A DISGRACEFUL ATTEMPT
9. { TO PLAY POLITICS WITH THE CIVIL RIGHTS OF OUR CHILDREN,
10. { AND I WILL WORK WITH YOU TO DEFEAT IT. //

1. { THE UNDOCUMENTED ~~ALIENS~~ ISSUE
2. { IS ONE OF THE MOST DIFFICULT & IMPORTANT FACING OUR NATION.
3. { THAT IS WHY I HAVE ASKED FATHER HESBURGH
4. { TO HEAD THE PRESIDENTIAL COMMISSION DEVELOPING RECOMMENDATIONS ON THIS SUBJECT
5. { I HAVE NOT SEEN THEIR RECOMMENDATIONS YET,
6. { BUT I CAN ASSURE YOU THAT UNDER MY ADMINISTRATION
7. { THERE WILL NOT BE A BRACERO PROGRAM. #

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1. { I MUST HAVE GOVERNMENT OFFICIALS
2. { WHO UNDERSTAND THE DIVERSE NEEDS OF OUR PEOPLE.
3. { I HAVE APPOINTED MORE THAN 200 HISPANIC-AMERICANS
4. { TO HIGH POSTS IN MY ADMINISTRATION --
5. { MORE THAN ANY OTHER PRESIDENT. /
6. { NAMES LIKE CASTILLO,  
          { HIDALGO,  
          { GARCÍA,   
          { TORRES,  
          { RIOS,  
          { MARRERO,  
          { OLIVAREZ -- MANY OTHERS
7. { ARE HEARD IN THE TOP COUNCILS OF GOVERNMENT,
8. { WORKING WITH ME & WITH HISPANIC CAUCUS MEMBERS
9. { TO GIVE ALL AMERICANS A BETTER LIFE. /

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1. I ALSO MADE A COMMITMENT TO ACHIEVE AN ACCURATE CENSUS,
2. AND NOW WE MUST BEGIN THE NEXT STEP --
3. { ENSURING FAIR APPORTIONMENT OF LEGISLATIVE DISTRICTS
4. { TO ALLOW FULL PARTICIPATION OF HISPANIC CITIZENS IN OUR SYSTEM OF GOVT. --
5. ESPECIALLY IN CONGRESS. *# HISPANIC CAUCUS IS READY TO GROW!*
6. I URGE YOU TO TAKE UP THAT CHALLENGE AT ONCE. /

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1. FINALLY, FOR THE PAST 3½ YEARS, OUR NATION HAS BEEN AT PEACE. /
2. WE HAVE PURSUED PEACE NOT ONLY FOR OURSELVES,
3. BUT FOR OTHER NATIONS.
4. WE TOOK THE HISTORIC STEP TOWARD A NEW RELATIONSHIP,
5. { BASED ON MUTUAL RESPECT,
6. { BY CONCLUDING THE PANAMA CANAL TREATY. #
7. { IN THE MIDDLE EAST,
8. { WE BROUGHT A HISTORIC TREATY TO 2 ANCIENT ENEMIES -- EGYPT & ISRAEL.
9. { WE HAVE ONCE AGAIN RAISED THE BANNER OF HUMAN RIGHTS
10. { AND GIVEN HOPE TO ALL THOSE WHO LOVE FREEDOM. #

1. { OUR PRINCIPLES OF HUMAN RIGHTS
2. { EXTEND TO THE PEOPLE OF PUERTO RICO
3. { AND THEIR RIGHT TO SELF-DETERMINATION.
4. I HAVE MADE MY POSITION CLEAR, & I WILL REPEAT IT TONIGHT. /
5. { I WILL SUPPORT THE DECISION OF THE PEOPLE OF PUERTO RICO
6. { ABOUT THEIR FUTURE STATUS,
7. { AND I WILL URGE CONGRESS TO SUPPORT IT / *THE DECISION WHEN IT COMES.*

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1. WHEN OVER A HUNDRED THOUSAND CUBANS FLED ~~CASTRO'S~~ OPPRESSION,
2. WE TREATED THEM WITH COMPASSION & DECENCY --
3. AT THE SAME TIME TRYING TO ENFORCE OUR LAWS
4. AGAINST THOSE WHO WOULD EXPLOIT THE YEARNINGS OF DIVIDED FAMILIES. /
5. WE HAVE NOT FORGOTTEN
6. THE BURDEN ON COMMUNITIES AFFECTED BY THE SUDDEN INFLUX OF CUBAN REFUGEES.
7. WE ARE COMMITTED TO PROVIDING THE ASSISTANCE
8. NEEDED BY COMMUNITIES TO ENSURE A WORKABLE, HUMANE RESETTLEMENT. /

1. { IN OUR OWN HEMISPHERE,
2. { THE U.S. WAS ONCE IDENTIFIED WITH THE STATUS QUO & WITH DICTATORSHIPS --
3. { MORE INTERESTED IN STABILITY THAN IN JUSTICE.
4. { NOW, WE ARE ONCE MORE IDENTIFIED WITH IDEALS -- { HUMAN RIGHTS,  
SOCIAL JUSTICE,  
PEACEFUL, DEMOCRATIC CHANGE.
5. { BECAUSE WE HAVE SHOWN RESPECT,
6. { WE NOW CAN RECEIVE IT.
7. { THIS HAS DONE MORE TO ENHANCE U.S. INFLUENCE IN LATIN AMERICA
8. { THAN JUST BRANDISHING A BIG STICK. /



1. LET US REMEMBER THE WORDS OF ROBERT KENNEDY, WHEN HE SAID,
2. { "NATIONS AROUND THE WORLD LOOK TO US FOR LEADERSHIP
3. { "NOT MERELY BY STRENGTH OF ARMS,
4. { "BUT BY THE STRENGTH OF OUR CONVICTIONS.
5. { "WE NOT ONLY WANT -- BUT WE NEED --
6. { "THE FREE EXERCISE OF RIGHTS BY EVERY AMERICAN.
7. { "WE NEED THE STRENGTH & TALENT OF EVERY AMERICAN.
8. { "WE NEED, IN SHORT,
9. { "TO SET AN EXAMPLE OF FREEDOM FOR THE WORLD -- & FOR OURSELVES." //

1. WE HAVE NOT YET REALIZED ALL OUR DREAMS FOR THE AMERICAN PEOPLE.
2. YET WE HAVE COME TOO FAR ALREADY TO TURN BACK.
3. WE HAVE WORKED HARD TOGETHER & PUT OUR HEARTS INTO THIS STRUGGLE.
4. LET'S REDEDICATE OURSELVES TONIGHT TO ~~TO THAT STRUGGLE~~.
5. LET'S JOIN TOGETHER IN MAKING THIS GREAT COUNTRY OF OURS EVEN GREATER.

EVEN GREATER... # # #

THE GREATEST NATION ON EARTH! #

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THE WHITE HOUSE  
WASHINGTON

19 sep 80

Stu Eizenstat  
Jim McIntyre  
Gus Speth

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

Rick Hutcheson

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

*Signed document probably to Tom Jones*

ACTION  
FYI

|  |              |
|--|--------------|
|  | ADMIN CONFID |
|  | CONFIDENTIAL |
|  | SECRET       |
|  | EYES ONLY    |

|   |                |
|---|----------------|
|   | 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       |

|   |            |
|---|------------|
|   | 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

September 19, 1980

C

**Electrostatic Copy Made  
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MEMORANDUM FOR

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*  
SANDY HAMILTON

SUBJECT:

Approval of Principles for the Formulation and  
Evaluation of Federal Water and Related Land  
Resources Projects

Attached for your signature is a copy of these principles and a letter from Secretary Andrus, as Chairman of the Water Resources Council, recommending your approval. I also recommend you approve these principles.

In accordance with your water policy message, the Water Resources Council has revised the principles to increase the consideration given to environmental quality and to incorporate consideration of nonstructural alternatives, water conservation, groundwater and in-stream flows in federal water project planning.

The concerned agencies, OMB and CEQ have all participated in their development and approval by the Council.



## UNITED STATES WATER RESOURCES COUNCIL

SUITE 800 • 2120 L STREET, NW WASHINGTON, DC 20037

SEP 17 1980

Dear Mr. President:

I am enclosing for your approval the "Principles for Water and Related Land Resources Planning - Level C."

In your July 12, 1978, memorandum, you directed the Water Resources Council to modify the principles and standards to accomplish the full integration of water conservation into project and program planning and review and to require the preparation and inclusion of a primarily nonstructural plan as one alternative whenever structural project or program alternatives are considered. The Council was also directed to publish a planning manual to ensure that benefits and costs are estimated using the best current techniques and calculated accurately, consistently, and in compliance with the principles and standards and other applicable economic evaluation requirements.

At its October 25, 1979, meeting, the Water Resources Council unanimously approved revisions to the principles, and standards and the procedures for national economic development. These were published in the December 14, 1979, Federal Register (44 FR 72892-72990).

While the documents cited above incorporated the changes noted, the Water Resources Council continued its efforts pursuant to your memorandum and further direction given in Executive Order 12113, issued January 5, 1979, to ensure that it has established a current set of principles, standards, and procedures. These principles are not intended to modify the basic concepts of the 1973 Principles and Standards as revised but to make additional revisions as follows: (1) improve clarity, conciseness, and completeness; (2) integrate the requirements of the National Environmental Policy Act and related Council on Environmental Quality regulations (40 CFR Parts 1500-1508); (3) increase consideration of urban and community impacts as identified in Executive Order 12074, issued August 16, 1978, and OMB Circular A-116; and (4) increase consideration of the effects on groundwater and instream flow in the formulation of water resources plans and projects.

At its September 10, 1980, meeting, the Water Resources Council unanimously approved: (1) the revised principles and standards, (2) procedures for the evaluation of environmental quality, (3) additional procedures for national economic development, and (4) procedures for evaluation of potential impacts from structural failure. These principles, standards, and procedures are to be promulgated as rules and published in the Federal Register.

The Water Resources Planning Act, which established the Council, required that the Council "establish. . . with the approval of the President principles, standards and procedures. . . for the formulation and evaluation of Federal water and related land resources projects." As Chairman of the Council, I have been delegated authority to approve the "standards and procedures" by Executive Order No. 11747 (38 FR 30993, November 7, 1973):

"The Chairman of the Water Resources Council is empowered to exercise, without the approval, ratification, or other action of the President, the approval function for standards and procedures vested in the President by Section 103 of the Water Resources Planning Act as amended."

Although this delegation covers the standards and the procedures, it does not include authority to approve changes in the principles.

Your memorandum of July 12, 1978, stated that "Final approval of the planning manual and the modifications of the Principles and Standards shall be made by the Water Resources Council." However, this directive probably has not effected a delegation of the approval function because it was not published in the Federal Register. The statute permitting delegation of Presidential functions permits such delegations only if in writing and published in the Federal Register (3 U.S.C. Section 301, 65 Stat. 712). Therefore, to ensure effectiveness, I am asking for your approval of the principles.

Sincerely,

  
Cecil D. Andrus  
Chairman

Enclosure

The President  
The White House  
Washington, DC 20500

PRINCIPLES FOR WATER AND RELATED LAND RESOURCES PLANNING -

LEVEL C

INTRODUCTION

Purpose and scope.

These Principles establish uniform requirements to be followed by Federal agencies in formulating and evaluating alternative plans for Level C Implementation Studies.

Level C Implementation Studies are defined as program or project feasibility studies generally undertaken by a single Federal agency and which are expected to result in project authorization, funding, and implementation. These studies are conducted in response to findings and conclusions identified in assessments and regional and river basin studies, or to specific national, regional, State or local problems and opportunities.

These Principles establish the basic process to be followed by the Federal agencies and specify how each phase of the planning process is to be performed.

The accounts established by these Principles encompass and are consistent with the concept of human environment as used in the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, et seq.) and the appropriate portions of the NEPA regulations established by the Council on Environmental Quality (CEQ) in 40 CFR Parts 1500-1508. The national objectives established by these Principles incorporate only those aspects of the total human environment that contribute to national economic development and enhancement of ecological, cultural, and aesthetic attributes of significant natural and cultural resources.

Authority.

These Principles are established pursuant to the Water Resources Planning Act of 1965 (Pub. L. 89-80), as amended (42 U.S.C. 1962a-2). These Principles supersede the Principles for Planning Water and Related Land Resources, 38 FR 24781-24788, September 10, 1973, and revisions in 44 FR 72978-72980, December 14, 1979, as they relate to Level C planning.

## GENERAL PLANNING CONSIDERATIONS

### Federal-State relationship in planning.

The responsible Federal planning agency is to contact the Governor or designated agency for each affected State before initiating a study and enter into agreements as are appropriate to carry out a coordinated planning effort.

The State agency or agencies responsible for water planning are to be provided with appropriate opportunities to participate in defining the problems and opportunities, in scoping the study, and in review and consultation.

### General public participation.

Interested and affected agencies, groups, and individuals are to be provided opportunities to participate throughout the planning process. The responsible Federal planning agency is to contact and solicit participation of: other Federal agencies; appropriate regional, State, and local agencies; national, regional, and local groups; other appropriate groups such as affected Indian tribes; and individuals. A coordinated public participation program should be established with willing agencies and groups.

### Review and consultation.

Review and consultation with interested and affected agencies, groups, and individuals are required in the planning process. Reviews are to be consistent with the requirements of the CEQ NEPA regulations (40 CFR Parts 1500-1508). The planning process described in these Principles and the CEQ NEPA regulations are complementary.

### Interdisciplinary planning.

An interdisciplinary approach is to be used in planning to ensure the integrated use of the natural and social sciences and the environmental design arts. The disciplines of the planners are to be appropriate to the scope and issues identified in the scoping process.

### Agency decisionmaking.

Decisionmaking is a dynamic and iterative process that leads to selection of a recommended plan. Decisionmaking begins at the field level and occurs at different levels through subsequent reviews and necessary approvals as required by the agency until it reaches the level having authority to approve the project (final level). The individual in the responsible planning agency making the decisions at each level is referred to as the "agency decisionmaker."

### Scoping.

Planning is to include an early and open process termed "scoping" to identify both the likely significant issues to be addressed and the range of those issues. The agency is to begin scoping as soon as practicable after a decision to begin planning and prior to completing the inventory. The scoping process includes affected Federal, State, and local agencies and other interested groups or persons. Scoping is to be used as appropriate throughout planning to ensure that all significant decisionmaking factors are addressed and that unneeded and extraneous studies are not undertaken.

### Forecasting.

Formulation and evaluation of alternative plans are to be based on the most likely conditions expected to exist in the future with and without the plan. The without-plan condition is the condition expected to prevail if no action is taken. The with-plan condition is the condition expected to prevail with the particular plan under consideration.

### Prices.

Relative price relationships for outputs and inputs prevailing during or immediately preceding the period of planning are generally to be used to represent the price relationships expected over the period of analysis, unless specific considerations indicate real exchange values are expected to change.

The general level of prices for outputs and inputs prevailing during or immediately preceding the period of planning is to be used for the entire period of analysis. Deviation is permitted only to the extent that specific price changes reflecting changes in real values need not be accompanied by an offsetting adjustment of other prices.

### Discount rate.

Discounting is to be used to convert future monetary values to present values.

### Period of analysis.

The period of analysis is to be the same for each alternative plan.

### Risk and uncertainty - sensitivity analysis.

Plans and their effects are to be examined to determine the uncertainty inherent in the data or various assumptions of future economic, demographic, social, attitudinal, environmental, and technological trends.

The planner's primary role in dealing with risk and uncertainty is to identify the areas of sensitivity and describe them clearly so that decisions can be made with knowledge of the degree of reliability of available information.

#### Documentation.

Planning studies are to be documented in a clear, concise manner that explains the basic decisions that were made and the reasons for them.

### NATIONAL OBJECTIVES

Two coequal national objectives provide the basis for water and related land resources planning. These objectives are protection and enhancement of national economic development (NED) and protection and enhancement of environmental quality (EQ), as defined below.

Water and related land resource plans are to be formulated to alleviate problems and take advantage of opportunities that occur at the national, regional, State, and local levels in ways that contribute to the NED and EQ objectives.

Contributions to national economic development are increases in the value of the national output of goods and services.

Contributions to environmental quality are favorable changes in the ecological, cultural, and aesthetic attributes of natural and cultural resources that sustain and enrich human life.

### THE WITHOUT-PLAN CONDITION

An inventory is to be made to determine the quantity and quality of water and related land resources of the planning area and to identify opportunities for protection and enhancement of those resources. The inventory is to include data appropriate to the identified problems and opportunities, as determined by scoping, and the potential for formulating and evaluating alternative plans. The inventory does not necessarily include an exhaustive listing of resources of the area. This inventory is to describe the existing conditions and shall be the baseline for forecasting with- and without-plan conditions.

An analysis is to be made of both existing and forecasted significant economic, ecological, cultural, aesthetic, and social conditions without any of the alternative plans. This without-plan condition is to be used for evaluating the effects of each of the alternative plans.

## ALTERNATIVE PLANS

### General.

An alternative plan consists of a system of structural and/or nonstructural measures, strategies, or programs formulated to alleviate specific problems or take advantage of specific opportunities associated with water and related land resources in the planning area.

The various alternative plans are to be significantly differentiated from each other in terms of their effects on the NED and EQ objectives.

Alternative plans are not to be limited to those the Federal planning agency could implement directly under current authorities.

Alternative plans are either: to be in compliance with existing statutes, administrative regulations, and established common law; or to propose necessary changes in such statutes, regulations, or common law.

Water conservation is to be fully integrated into plan formulation as a means of achieving NED and EQ objectives.

Nonstructural measures are to be considered for all problems and opportunities.

Consideration is to be given to mitigation of the adverse effects of each alternative plan.

Other existing water and related land resources plans, such as State water resources plans, are to be considered as alternative plans if within the scope of the planning effort.

### Formulation.

Alternative plans are to be formulated in a systematic manner in accordance with the process outlined in Summary of the Planning Process.

### Candidate plans.

Alternative plans that could be selected are identified as the candidate plans. It is from these candidate plans that the recommended plan is selected for approval and implementation or a decision is made to take no action.

## Required alternative plans.

Alternative plans are to include: a national economic development plan, an environmental quality plan, and a primarily nonstructural plan, except as noted below. These plans are required to ensure that reasonable consideration is given to the widest practical range of alternative plans. The concept of a practical alternative plan means that the NED or EQ plan may include elements that address the other objective. It is recognized that the primarily nonstructural plan may, in some cases, be the same as the NED or EQ plan, in which case it should be so designated.

A plan that is judged to reasonably maximize net contributions to the NED objective is to be included as one alternative, if possible.

A plan that is judged to reasonably maximize net contributions to the EQ objective is to be included as one alternative, if possible.

A "primarily nonstructural" plan is to be formulated and included as a candidate plan whenever structural project or program alternatives are considered.

## Other alternative plans.

Other alternative plans are to be formulated to adequately explore opportunities to contribute to various mixes of the objectives.

Additional alternative plans may be formulated to achieve specified beneficial effects for human life, health, and safety as long as they do not unreasonably reduce net beneficial effects to the NED and EQ objectives of the plans identified above, or to achieve other specified beneficial effects outside the NED and EQ objectives as specifically directed by the Secretary of a Department or head of an independent agency.

## ACCOUNTS

Four accounts are to be used to organize information on the effects of candidate plans. These accounts are: national economic development (NED), environmental quality (EQ), regional economic development (RED), and other social effects (OSE). These four accounts encompass all significant effects of a plan on the human environment as required by the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, et seq.). They also encompass social well-being as required by Section 122 of the Flood Control Act of 1970 (Pub. L. 91-611, 84 Stat. 1823). Each account shows particular aspects of effects on the human environment. The EQ account shows effects on ecological, cultural, and aesthetic attributes of significant natural and cultural resources. The OSE account shows urban and community impacts and effects on life, health, and safety. The NED account shows effects on the national economy. The RED account shows the regional incidence of NED effects, income transfers, and employment effects. Effects in the NED and EQ accounts are to be mutually exclusive.

## DISPLAYS

Displays are graphs, tables, drawings, photographs, summary statements, and other graphics in a format that facilitates the analysis and comparison of alternative plans. Concise, understandable displays are needed during the planning process and to provide documentation in compliance with NEPA.

## COST ALLOCATION

The need for cost allocation stems from pricing and cost-sharing policies that vary among purposes. Purposes are defined in either generic or specific authorizing statutes. Cost allocation is the process of apportioning financial costs among purposes served by a plan. Costs are to be allocated only to purposes for which participants in plan implementation have cost-sharing authority unless the plan proposes a change in cost-sharing policy. Cost allocation among purposes and the apportionment of cost shares to Federal and non-Federal public and private interests are necessary for preparation of RED and OSE accounts.

Financial costs are implementation outlays plus transfer payments such as replacement housing assistance payments as specified in 42 U.S.C. 4623 and 4624.

Financial costs are to be allocated to those authorized purposes intentionally served by a plan. By definition, purposes do not include external economies and use of otherwise unemployed or underemployed labor resources. All purposes are to be treated comparably.

## PLAN SELECTION

General.

The planning process leads to the identification of alternative plans that could be recommended or selected. These plans are referred to as candidate plans. The culmination of the planning process is the selection of the recommended plan from among the candidate plans, or the decision to take no action.

Net beneficial effects rule.

A recommended plan (when considered on the basis of the with-plan versus without-plan comparison) must have combined beneficial NED and EQ effects that outweigh combined adverse NED and EQ effects. For example, a plan lacking net NED benefits may be recommended if net EQ beneficial effects are sufficiently large, even though EQ effects are not stated in monetary terms.

The Secretary of a Department or head of an independent agency may make an exception to the net beneficial effects rule in accordance with the rules promulgated by the Secretary of the Department or the head of the independent agency, if circumstances warrant such exception. The reasons for granting an exception are to be given and appropriately documented.

#### SUMMARY OF THE PLANNING PROCESS

The planning process consists of the following major steps:

(1) Specification of the water and related land resources problems and opportunities (relevant to the planning setting) associated with the NED and EQ objectives.

(2) Inventory, forecast, and analysis of water and related land resource conditions within the planning area relevant to the identified problems and opportunities.

(3) Formulation of alternative plans.

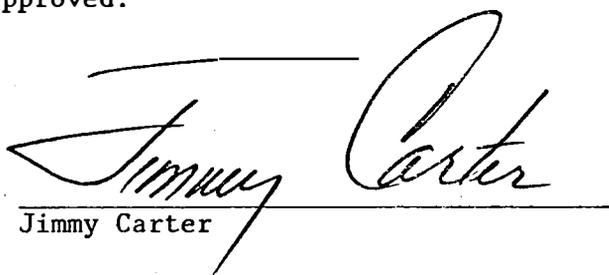
(4) Evaluation of the effects of the alternative plans.

(5) Comparison of alternative plans.

(6) Selection of a recommended plan based upon the comparison of alternative plans.

Plan formulation is a dynamic process with various steps that should be iterated one or more times. This iteration process, which may occur at any step, may sharpen the planning focus or change its emphasis as new data are obtained or as the specification of problems or opportunities changes or becomes more clearly defined.

These Principles are hereby approved:



Jimmy Carter

September 18, 1980

C

MEMORANDUM FOR THE PRESIDENT

FROM:

ANNE WEXLER *AW*

SUBJECT:

Attached Letter to Small Business Participants  
in the White House Conference on Small Business

I have attached, for your information, a letter sent from GOP Chairman Bill Brock to the 30,000 small business attendees to the state and regional meetings of the White House Conference on Small Business.

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for Preservation Purposes**



# Republican National Committee

**Bill Brock**  
Chairman

September 5, 1980

Dear Friend of Small Business:

It has now been over six months since the delegates to the White House Conference on Small Business met in Washington. As a participant in either that meeting or one of the regional sessions, you are probably following with interest the progress being made on implementing the recommendations of the delegates.

While the Conference was a Democratic initiative, one which we applauded, Republicans are now taking the lead in ensuring that your recommendations do more than sit on a shelf in the President's office.

Shortly after the Washington meeting, Republican members of the House Committee on Small Business introduced the Small Business Development Act of 1980 (H.R. 6734), which addressed many of the concerns you expressed. And to further strengthen our commitment, we developed in Detroit an extremely strong, growth-oriented set of platform proposals to aid small businesses and, at the same time, backed them up with a pledge of "immediate attention from a Republican Administration".

Let me then outline the policies that a Republican Administration would seek to enact in order to guarantee a healthy small business sector:

## CAPITAL FORMATION AND RETENTION

- \* A substantial increase in the surtax exemption.
- \* Simplified and accelerated depreciation schedules.
- \* Incentives for modernization of industrial plants.
- \* Across-the-board reductions in personal tax rates.
- \* Deferment of tax gains when proceeds from sale or exchange of small business stock are invested in another small business.
- \* Establishment of a youth differential for the minimum wage.
- \* Elimination of excessive inheritance taxes.

Small Business  
September 5, 1980

### REGULATORY RELIEF

- \* Exemptions for small business wherever feasible; elsewhere a multi-tier regulatory system.
- \* Require federal agencies to analyze impact on small business of proposed regulations and paperwork.

### INNOVATION AND PRODUCTIVITY

- \* Increase the small business share of government R & D budget.
- \* Permit small businesses to receive exclusive license to develop patents discovered under Federal contract.

### MINORITY BUSINESS DEVELOPMENT

- \* Open new opportunities for minorities and women to begin or expand small businesses by removing excessive regulation, disincentives for venture capital, and other barriers erected by government.
- \* Designation of "enterprise zones" within depressed areas to promote jobs and new and expanded business.

### EQUAL ACCESS TO JUSTICE

- \* Reimburse small business men and women who successfully challenge the federal government in court.

### GOVERNMENT REFORM

- \* Balance the budget.
- \* Adopt "sunset" laws requiring periodic evaluation of government programs.

In stark contrast to these specific, constructive proposals, our opponents offered only to "review and respond" to the recommendations of the Conference. They suggest they are offering the "first comprehensive program for small business in American history", but ignore the issues of capital formation and retention, overwhelmingly selected by the Conference delegates as their number one priority.

Republicans, on the other hand, reviewed your recommendations long ago and found that the vast majority are right in line with the program we offer for revitalizing the private enterprise system. In May, the Republican leadership outlined a five-point economic plan, reinforced by our Platform, that calls for increased economic growth, decreased growth in government, added incentives

page 3

Small Business  
September 5, 1980

for savings, tax reduction and reform, and reduced growth in money supply coupled with reductions in the regulatory burden. In conjunction with this plan, we have said that job creation -- creation of meaningful jobs -- is our primary economic objective, and we recognize that growth in the small business sector is the most effective means of achieving that objective.

As a businessman or businesswoman, you know that we are in desperate need of stability in our economy. Republicans do not claim that we can stimulate growth and increase productivity overnight or that we can implement every facet of our program instantaneously. We do, however, make this commitment: to establish constancy in our economy, no more quick fix -- no more fine tuning -- but constancy. Only then can businesses, especially small businesses, be freed from the frustrating uncertainties of inconsistent economic policies.

In 1956, the Cabinet Committee on Small Business, appointed by President Eisenhower, reported to the President:

The most important contribution that the Federal Government can make to the economic health of small businesses is, therefore, to pursue monetary, fiscal and housekeeping policies that foster sustained expansion of aggregate economic activity and that avoid the illusions of well-being that are sometimes produced by price inflation.

We remain dedicated to those principles. Ronald Reagan and George Bush are dedicated to those principles, as are Republican candidates at all levels. I urge you to consider this commitment during this crucial election year.

Very truly yours,



BILL BROCK

BB:wmmw

THE WHITE HOUSE  
WASHINGTON

*Cutler  
has orig*

September 18, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD N. CUTLER

*LNC*

SUBJECT: Joint Fundraising Letter for the USOC

As you recall you agreed to serve as co-chairman with Governor Reagan in a fundraising drive for the United States Olympic Committee. Your staff, the USOC and Reagan's office have approved the attached joint letter for use in a USOC mail fundraising drive. There will be no pictures of you and Governor Reagan and no mention that you are both candidates for the Presidency.

*Jimmy Carter*

*Jimmy Carter*

Dear Fellow Americans:

At this moment, thousands of American amateur athletes are dreaming of Olympic gold in 1984. And they are working hard to make that dream a reality.

Athletes must devote many long and lonely hours to developing the skills that result in remarkable athletic achievements. The rest of us cannot participate directly in these efforts. But we can help. We can help by supporting the United States Olympic Committee.

The United States Olympic Committee supports grassroots programs where young men and women of all ages and levels of ability can discover their potential. It supports training programs for those who decide to develop that potential to the maximum. It underwrites world-class competitions so that our athletes can test themselves against the best athletes from other nations. It selects the United States team for the Winter and Summer Olympic Games.

The Olympic Games take place only once every four years. But the process of maintaining a national amateur athletic program

and developing an American Olympic team is a continuous one. You can encourage the very best efforts of America's athletes in the coming years by supporting the United States Olympic Committee now.

Sincerely,

Jimmy Carter

Ronald Reagan

Co-Chairmen  
USOC Operation Gold