

5/10/77

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

INFORMATION

10 May 1977

TO: THE PRESIDENT
FROM: RICK HUTCHESON *RH*
SUBJECT: Memos Not Submitted

- ✓ 1. PATT DERIAN letter passing along a petition signed by 40 participants in the Foreign Policy Conference of Young Political Leaders, held by the Helsinki Commission, in support of your human rights policy. *to CF*
- ✓ 2. HUGH CARTER MEMO informing you that Jody and Hugh have approved a proposal by the Office of the Federal Register to save \$30,000 by combining the two series of published Presidential papers: the Public Papers and the Weekly Compilation. The change involves binding the issues of the Weekly Compilation semiannually. *gk*
- ✓ 3. ARTHUR BURNS LETTER, wishing you luck on your Europe trip, and sending you a copy of his testimony before the Senate Banking Committee on the monetary policy of the Federal Reserve. *C*
- ✓ 4. MARY KING MEMO informing you of the great admiration for you and respect for your human rights policy she observed on a recent trip to Costa Rica, Honduras, and Guatemala. A copy has been sent to Mrs. Carter. NSC comments that the impact of the human rights policy in Central America is more equivocal than it appears in Mary's memo. *to me*
- ✓ 5. BERT LANCE MEMO recommending that Secretary Califano be appointed to the Federal Paperwork Commission. One of the 14 positions is now vacant. Lance points out that only the IRS has greater reporting requirements than HEW; Califano would have insights on HEW's information needs. The Commission goes out of existence in October, 1977. Jordan concurs. *gk*

✓ _____ approve

_____ disapprove

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J


THE WHITE HOUSE

WASHINGTON

INFORMATION

May 5, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER 

SUBJECT: Public Papers of the President

Jody and I have approved a proposal by the Office of the Federal Register to change the manner of publishing Presidential papers that will result in considerable savings.

The OFR currently publishes two series on Presidential papers:

- the Public Papers, which contains only first-person remarks, statements and issuances; and
- the Weekly Compilation, which contains all these plus, statements made in the President's name, full text of news briefings, appointments and nominations, proclamations and Executive orders and supplemental information.

Now they will combine these two series by binding the issues of the Weekly Compilation semiannually. This will result in:

- \$30,000 savings in printing costs
- faster availability
- more complete coverage

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approve
 disapprove

J

THE WHITE HOUSE
WASHINGTON

May 3, 1977

TO:

Rich Hutchinson

For Your Information: _____

For Appropriate Handling: _____

Pres FYI file.

RLD
Robert D. Linder



CHAIRMAN OF THE BOARD OF GOVERNORS
 FEDERAL RESERVE SYSTEM
 WASHINGTON, D. C. 20551



CHAIRMAN OF THE BOARD OF GOVERNORS
 FEDERAL RESERVE SYSTEM
 WASHINGTON, D. C. 20551

May 3, 1977

The President
 The White House
 Washington, D. C.

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Dear Mr. President:

You may be interested in the report that I presented to the Senate Banking Committee this morning on the condition of the national economy and on the monetary policy that the Federal Reserve is currently pursuing.

Sincerely yours,

Arthur F. Burns

Enclosure

Best wishes on your European trip!

1977 MAY 3 PM 5 40

RECEP. AND SECURITY UNIT
THE WHITE HOUSE
WASHINGTON

WHITE HOUSE MAIL
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Statement by

Arthur F. Burns

Chairman, Board of Governors of the Federal Reserve System

before the

Committee on Banking, Housing and Urban Affairs

United States Senate

May 3, 1977

It is a pleasure to meet once again with this distinguished Committee to present the Federal Reserve's report on the condition of the national economy and the course of monetary policy.

When we last met to discuss these subjects in November, the economy was beginning to emerge from a period of relatively slow growth. That fact was not widely recognized at the time. By concentrating unduly on comprehensive measures of economic activity, many people failed to see the gathering momentum of positive economic forces. Then, early this year, the disruptions caused by unusual weather obscured further the underlying strength of the economy.

It is quite apparent today, however, that a reacceleration of economic growth did get under way late last year and that expansion is again proceeding vigorously. As 1976 drew to a close, final sales of goods and services picked up, reflecting primarily a resurgence of consumer buying and a strong advance in homebuilding. The improvement in sales enabled business firms to work off a good part of the excess inventories that had accumulated over the preceding months when buying was sluggish. With sales and stocks coming into better balance, the pace of new orders and production began to quicken. The demand for labor strengthened, and personal income expanded more rapidly.

The inclement winter weather and shortages in fuel supplies disrupted this expansionary process only briefly, and not nearly so severely as was suggested by early reports. As the weather took a turn for the better in the second half of February, industrial and commercial activities snapped back smartly in most parts of the country.

Even with the adverse effects of the weather, the Nation's total production of goods and services rose in the first quarter at about a 5-1/4 per cent annual rate -- twice the pace of the preceding quarter. Conditions in the labor market improved, as is evidenced by the sharp rise in hirings while layoffs remained at a low level. The unemployment rate fell by one-half percentage point as sizable gains in employment more than offset the continued rapid growth of the labor force. At the same time, the rate of utilization of our Nation's industrial plant also edged higher during the first quarter and by March reached 82 per cent in manufacturing.

In all, the recent behavior of economic activity has been encouraging, and the prospects for further economic advance are good. Trends in the consumer sector certainly are favorable. The expansion of jobs and incomes during the past half year has

served powerfully to improve consumer sentiment. During the final quarter of 1976 the percentage of disposable income devoted to consumer spending was the highest in several years; and in the first quarter of this year, the spending percentage rose still further. Our households, viewed collectively, did not let higher fuel bills interfere with other expenditures. In fact, automobile sales rose to the highest level since 1973, as an increasing number of consumers displayed a willingness to incur additional instalment debt in order to finance the purchase of big-ticket items.

The strong pace of consumer buying late in 1976 caused inventories to fall below desired levels in many lines of activity. More recently, inventory investment has picked up as businessmen sought to keep larger stocks to accommodate their customers. The increasing volume of work at manufacturing plants has had a similar effect. Nevertheless, inventories generally remain quite lean, and inventory investment can be expected to continue rising as sales move up in the months ahead.

Homebuilding has also shown strength in recent months -- especially in the single-family sector where new starts apparently reached a record high in March. With credit readily available and consumer confidence improving, sales of new homes were brisk

even during the harsh winter months. Activity in the multi-family sector, meanwhile, has recovered much more slowly from the depression brought on by overbuilding in the early 1970's. But vacancy rates are now generally falling, and it is thus reasonable to expect the construction of apartment units to gather strength as time passes.

The pace of business investment in new plant and equipment, while still lagging relative to earlier business-cycle expansions, is also gaining strength. Business equipment posted the largest advance of any major category of industrial production during the first quarter. The most recent surveys of business plans point to a substantial further increase in spending on plant and equipment this year. So, too, does the trend of orders for business capital goods, which have risen more than 20 per cent over the past year. With corporate profits improving and with rates of utilization of industrial capacity rising, the potential clearly exists for good gains in business fixed investment.

Governmental demand for goods and services also appears to be an expansive influence in the economy at this time. Budget estimates suggest that Federal purchases of goods and services in calendar 1977 will increase at a faster rate in constant-dollar terms than they did last year. In addition, a quickening pace of

spending by State and local governments is likely to take place in the months ahead. In the aggregate, State and local operating budgets have moved during the past two years from deficit to surplus, thanks to the combination of strongly rising tax receipts and relatively subdued expenditure growth. With this turnabout in their budgetary situation, State and local governments are likely to loosen their pursestrings. And the tendency in that direction may well be accelerated if Congress follows through with present plans to enlarge, both this year and next, the flow of Federal grants-in-aid to States and localities.

The only major component of final demand that is not exhibiting strength at present is our foreign trade balance. The dollar value of oil imports increased sharply in the first quarter because of the cold weather, but other imports -- including coffee and other consumer goods -- also rose substantially. Meanwhile, the relatively slow recovery of many foreign economies kept down the expansion of our exports. Only strength of investment income and other nontrade items has held the over-all current account deficit to moderate proportions. Although the deterioration in our trade balance may

be behind us, it is hard to see significant improvement over the remainder of the year.

With the exception of foreign trade, however, demand factors generally seem to point to good growth in our Nation's output of goods and services this year. Buttrussing that expectation is the fact that financial conditions provide a satisfactory foundation for further economic expansion.

The Federal Reserve has continued to pursue a course of monetary policy intended to promote conditions conducive to substantial expansion in economic activity, while guarding against the release of new inflationary forces. During the past two years, the increases that have occurred in the stock of money have proved adequate to finance substantial gains in the physical volume of output and employment. This experience has demonstrated once again that consideration of the stock of money alone is not sufficient for assessment of the adequacy of the economy's liquidity. Money has a second dimension, namely, velocity, or -- in common parlance -- the intensity with which it is being used. Over short periods of time the truly dynamic factor is not so much the stock of money as the willingness of the public to use their money balances. Upswings in business and consumer confidence are commonly reflected in substantial increases of

monetary velocity. Moreover, in the case of the narrowly defined money supply, intensity of use has been increasing with special rapidity since 1975, reflecting numerous innovations in financial technology that serve to reduce reliance on demand deposits for handling monetary transactions.

Supplies of credit have been ample -- perhaps more than ample -- during the past six months, and most rates of interest are near their lowest level in several years. In this environment, many economic entities have been able to achieve a further strengthening of their financial condition.

Large business firms with high credit ratings issued a massive volume of long-term bonds during 1975 and the first half of 1976, and they used the proceeds largely to repay short-term debt and to acquire liquid assets. Such restructuring of balance sheets appears to have abated in the past half year or so, and many companies are now cautiously enlarging their borrowing from banks and through the commercial-paper market. This expansion of short- and intermediate-term liabilities has occurred unusually late in the current cyclical expansion and it has been moderate to date.

Meanwhile, some large corporations -- especially utility and communications firms -- have availed themselves of the attractive financing conditions by selling bonds to refund high coupon issues of earlier years. More important still, many smaller and lower-rated firms have found in the past several quarters a more receptive market for their long-term debt obligations, and they have thus been able to make progress in strengthening their balance sheets. Life insurance companies and other investors in the private placement market have been aggressively seeking lending opportunities and have recently supplied a record amount of credit to small and medium-sized firms. Moreover, the spread between interest rates on prime and lower-rated bond issues in the public market for securities -- which had become unusually wide during the recent recession -- has now narrowed to dimensions that are normal for a business-cycle expansion.

The favorable condition of financial markets has been of help as well to State and local governments during the past half year. Particularly in the final quarter of 1976, the proceeds of substantial issues of new long-term bonds were used to repay outstanding short-term debt, thus continuing a practice that

has prevailed since mid-1975. This process of debt restructuring, together with the progress made in strengthening budgetary positions, has improved dramatically the standing of many States and municipalities with the investment community. Testifying to that is the fact that interest rates on municipal securities have declined more than interest rates on other fixed-income obligations. Not only that, the spread between yields on higher- and lower-quality bond issues has narrowed sharply in recent months. These developments have led to numerous advance refundings of existing debt, thereby lowering the future interest burden on taxpayers.

Despite larger loan demands from businesses and consumers since last fall, commercial banks have been able to maintain their sharply improved liquidity. Indeed, they have added further to their holdings of Treasury securities, which today are more than double what they were at the end of 1974. Many banks have strengthened their equity position during the past six months through earnings retention, and some have also augmented their capital by issuing new stock or subordinated long-term debt.

Savings banks and savings and loan associations too have been able to accommodate heavy credit demands without

reducing liquidity. The relatively low level of market rates of interest has sustained good inflows of consumer time and savings deposits to those institutions. Against this background, outstanding mortgage commitments have risen to record levels and mortgage interest rates have declined. These developments have contributed to the brisk pace of home sales and to the upward thrust of housing construction.

In sum, both general financial conditions and the growth patterns that have been unfolding in key sectors of our economy justify considerable optimism about the immediate future. Even so, there are some uncertainties in the present situation that deserve serious attention. The most important of these relate to energy and inflation.

One of the reasons capital spending has lagged during this economic expansion has been a reluctance of businessmen to undertake long-term investment projects without a clearer view of the future cost and availability of petrochemical feedstocks and various energy sources. The President's proposal of a broad energy program is a long-needed step toward creating a more certain environment for decision making. However, with Congressional action still to be taken and the final shape of any program unknown, the situation at the moment is as uncertain

as ever. Furthermore, in view of the prospect of significant tax or other incentives or disincentives in the not too distant future, there will be a tendency here and there to hold off on major expenditures a bit longer and to see what develops. This could have the effect of retarding the advance not only of business capital outlays in the months ahead, but also of spending by households -- especially on automobiles and energy-saving home improvements.

Because of these possibilities, it obviously is important that Congress lose no time in considering the President's energy recommendations. I fully realize the practical obstacles to quick action in matters so complex, but I also feel bound to observe that significant risks to economic performance will exist as long as businessmen and the general public remain uncertain of what to expect in the energy area.

The course of economic expansion may also be significantly affected by the pace of inflation. Inflation has accelerated in recent months. Both wholesale and consumer prices advanced at an annual rate of about 10 per cent in the first quarter, with the flare-up in food prices only part of the explanation. Particularly worrisome is the fact that we have now experienced three successive quarters of increase at about an 8 per cent

annual rate in the critically important industrial-commodities component of the wholesale price index. This development reflects an upward climb during the past year of close to 6 per cent in the labor cost per unit of output for private business firms; it also reflects an effort on the part of many companies to widen profit margins from the low level to which they had fallen during the recession. With wage increases now showing some tendency to quicken and with the economy at a stage where productivity gains are likely to become smaller than they have been during the past two years, there is no relief in sight for the underlying cost pressures that businesses have been experiencing. This unhappy circumstance inevitably casts a cloud on our Nation's ability to maintain a satisfactory rate of economic growth into 1978 and beyond.

Experience teaches that when serious inflation persists, consumer confidence and purchasing power will ultimately erode. Continuing inflation at high rates likewise tends to work against sustained expansion in business investment activity, for it raises the risk premium that businessmen attach to new undertakings. Forward business planning becomes more hesitant in an environment in which managers are unable to assess cost and profit

prospects with any confidence over the long time horizons that are frequently involved in new investment projects.

Recognizing these difficulties, President Carter has outlined a multi-faceted program to fight inflation. I want to assure this Committee that the members of the Federal Reserve Board fully support the President's determination to bring down the rate of inflation. All of the measures in his projected program can be helpful, but there is no doubt in our minds that the main key to success in the battle against inflation is prudent management of the Nation's finances.

The Federal Open Market Committee was well aware of its heavy responsibility to encourage economic expansion and yet help to curb inflation when it met last month to discuss the longer-run growth of the monetary aggregates. The Committee decided to leave unchanged over the year ending in the first quarter of 1978 the previous growth range of 4-1/2 to 6-1/2 per cent in M_1 , which is a monetary measure confined to currency and demand deposits. For M_2 , and likewise for M_3 , the upper boundary of the growth range was reduced, however, by a half percentage point. Consequently, the growth ranges projected for the coming year are 7 to 9-1/2 per cent for M_2 and 8-1/2 to 11 per cent for M_3 . As the Committee may recall, M_2

includes savings and consumer-type time deposits at commercial banks besides currency and demand deposits, while M_3 is a still more comprehensive aggregate-- since it includes also the deposits at savings banks, savings and loan associations and credit unions.

As you can see, the Federal Open Market Committee has again moved very cautiously in adjusting the projected monetary growth ranges. In addition to taking account of the usual uncertainties about the relationship between money and economic activity, we recognized that the impact of the as yet unsettled energy program on aggregate supply and demand in the period ahead cannot be foreseen with any precision. Nonetheless, we did feel it appropriate to take another small step toward bringing the long-run growth of the monetary aggregates down to rates compatible with general price stability.

Sustained progress in this direction will, I believe, be absolutely necessary if President Carter's publicly announced goal of reducing the pace of inflation by two percentage points by the end of 1979 is to be achieved. The trend of growth in monetary aggregates is still rapid, perhaps much too rapid. To be sure, the Federal Reserve has moved fairly steadily toward lower ranges for monetary expansion during the past

two years. But that movement has been extremely gradual; indeed, at the current pace it would require nearly a decade to reach rates of growth that are consistent with a stable price level.

I must report, moreover, that despite the gradual reduction of projected growth ranges for the aggregates during the past two years, no meaningful reduction has as yet occurred in actual growth rates. That unintended consequence is partly the result of data deficiencies that complicate the already formidable task of adjusting or approximating monetary growth objectives. Initial estimates of the monetary aggregates sometimes differ considerably from estimates made later when fuller data became available.

A factor contributing to the measurement problem has been the inadequacy of deposit data for nonmember commercial banks. While our estimates of nonmember bank deposits -- which constitute a growing proportion of the money stock -- have often been on the mark, on occasions there have been significant errors. Our most recent benchmark revision of M₁, based on nonmember bank data from the call report for last September, raised the estimate of growth over the year ended in the fourth quarter of 1976 from 5.4 to 5.7 per cent;

and this figure is still subject to subsequent revision on the basis of the call report for December.

We at the Federal Reserve are diligently trying to improve the quality of the Nation's monetary data. Last year a committee of distinguished economists, whose aid we had sought, completed a study of the statistics on monetary aggregates. Some of the recommendations of the committee are being implemented with the aid of the Federal Deposit Insurance Corporation. Other recommendations of the consultant committee are being studied by our staff, and further changes are likely to be instituted in the near future. Nevertheless, experience suggests that monetary measurement will continue to lack the precision of science, and so too will the Federal Reserve's actions aiming to influence developments in financial markets.

Events during the past several months have again demonstrated quite clearly that the twists and turns that occur in financial markets often are dominated by developments unrelated to Federal Reserve actions. For instance, from late in 1976 to late April, the Federal funds rate -- the one interest rate over which the Federal Reserve has close control -- traded within a narrow range between $4\frac{5}{8}$ per cent and $4\frac{3}{4}$ per cent; yet,

other market rates of interest in that period fluctuated over ranges as wide as a full percentage point. Those fluctuations in interest rates in large part reflected changing public perceptions of the outlook for the Federal budget. Thus, interest rates moved upward sharply when the Administration proposed a new fiscal policy, including the so-called rebate program; and they fell markedly when the President announced that he had dropped the rebate plan.

What this demonstrates anew is the fact that financial market participants have become acutely aware of the inflationary pressures created by Federal budget deficits and the resultant adverse impact on credit conditions. The caution of the Congress with respect to the tax rebate proposal and the President's willingness to adjust his fiscal program in light of emerging economic developments have done much to enhance confidence that our government is moving toward a more responsible financial posture.

In concluding this morning, I am obliged to observe that we have still a considerable distance to go in putting our financial house in order. Too often in the past, we have lacked the courage or the patience to stay long enough on a monetary and fiscal path that will lead to non-inflationary economic

growth. We cannot afford to backslide once again. Unless we achieve a less inflationary environment, there will be little chance of sustaining the expansion that is now in progress or of significantly reducing the high level of unemployment that is blighting the lives of millions of Americans. That, in a sentence, is the Board's central message to the Congress.

THE WHITE HOUSE
WASHINGTON

INFORMATION

10 May 1977

TO: THE PRESIDENT
FROM: RICK HUTCHESON *RH*
SUBJECT: Memos Not Submitted

1. PATT DERIAN letter passing along a petition signed by 40 participants in the Foreign Policy Conference of Young Political Leaders, held by the Helsinki Commission, in support of your human rights policy.
2. HUGH CARTER MEMO informing you that Jody and Hugh have approved a proposal by the Office of the Federal Register to save \$30,000 by combining the two series of published Presidential papers: the Public Papers and the Weekly Compilation. The change involves binding the issues of the Weekly Compilation semiannually. *gk*
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 ✓ approve disapprove

J



ACTION

WASHINGTON, D.C. 20525

May 3, 1977

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MEMORANDUM

THE PRESIDENT HAS SEEN.

To: The President
From: Mary E. King, Deputy Director

During a recent trip to Costa Rica, Honduras and Guatemala, I was very impressed by the depth of feeling for you. Your trip to Costa Rica is well remembered. The fact that your peach trees are not doing very well, for example, was a subject for discussion among Peace Corps volunteers, villagers, Peace Corps staff and American embassy officials.

Despite the military junta in Honduras which suspended free elections and the legislature, there was receptivity to your human rights position among government officials, hospital administrators and educators. Many individuals said privately to me, "We are so grateful for President Carter's stand on human rights because it has made it easier for us to press for restitution of free elections and the legislature." Several suggested that your position had helped encourage the chief of the military junta, General Melgar, to plan for free elections in 1979. His wife, the First Lady, who is head of the Bureau of Social Welfare, expressed very strong feelings of respect and admiration for both you and Rosalynn. The big news of course is that your Spanish teacher is Honduran.

In Guatemala you were called "el jefe maximo."

Apparently my visit was the first one to be made by one of your appointees to those three countries, and we completely underestimated the positive impact of a visitor from the Carter Administration.

I simply wanted to urge you to visit Latin America as soon as possible. There is phenomenal admiration for you and Rosalynn, and real respect for your human rights position.

If you go, the Peace Corps in those three countries is outstanding. It is particularly exceptional in Honduras which is the second poorest country in the hemisphere. The Peace Corps there is one of the most creative in the region.



PEACE CORPS • VISTA • UNIVERSITY YEAR FOR ACTION • NATIONAL STUDENT VOLUNTEER PROGRAM
FOSTER GRANDPARENTS • RETIRED SENIOR VOLUNTEERS • SERVICE CORPS OF RETIRED EXECUTIVES • ACTIVE CORPS OF EXECUTIVES

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My reading of the situation in Honduras is that you would be able to speak of your concern for human rights, indeed I believe you could mention a hope for free elections without being considered interventionist.

Attachment: Editorial from the principal Honduran newspaper, La Prensa, April 17, 1977

CARTER Y LOS DERECHOS HUMANOS

No está demás seguir insistiendo en que el jalonazo de mayor trascendencia que ha producido el presidente Carter en su política exterior es el de haber enarbolado la efectiva aplicación de los derechos humanos, a pesar de que éstos existen desde su inclusión en la carta de las Naciones Unidas o, si se quiere, desde su primitiva acepción del siglo XVII como una resultante de la revolución francesa, con el título de Los Derechos del Hombre.

A Rusia no le ha parecido muy oportuno la idea de los derechos humanos, puesto que el régimen bolchevique implantado al estilo stalinista, precisamente, mantiene puesto el pie en todo aquello que suene a crítica, controversia, análisis o renovación de las ideas que rigen omnímoda en el territorio ruso. En este país está desechada toda posibilidad de opinión o derecho individual, desde julio de 1925 cuando la "oposición organizada" llamó a los dictadores de Rusia -Stalin y Bujarin- los "terridorianos", acusándolos de sustituir al Partido, a los Sindicatos, a las organizaciones campesinas y a cualquier otra entidad creadora de la revolución rusa, por una burocracia de obediencia ciega a los jefes del Kremlin.

Es natural entonces que a los negociadores rusos del control de las armas nucleares, no les cayó en gracia el hecho de que el líder de la nación más poderosa de la Tierra pusiera el dedo en la llaga, en la íntima de un régimen fundado en la negación de todo lo que pertenece a la dignidad de la persona humana.

En el pasado -en la América Latina- se achacó a los Estados Unidos de tener el afán de aplicar una política exterior protectora de los regímenes de fuerza, como una forma fácil -se decía- de obligar a cada gobierno del Hemisferio a controlar y sofocar la infiltración comunista. Pero luego apareció en este continente la ideología de la democracia cristiana y de ahí provino una nueva y total confusión. Ya no se sabía si con tales organizaciones híbridas se tenía en frente al comunismo clásico, con variantes o disfraces, o sólo era un modelo de un liberalismo o democracia renovados, al aparentar una ideología de formación humanística a la vez que democrática. Surgió entonces una tabla de salvación: Los predicados de la Alianza para el Progreso con todo el apoyo

estadounidense, regando el evangelio de que a los pueblos subdesarrollados se les debía dar tierra, techo, educación y salud y así continuó el continente hasta el día en que la Alianza Popular de Chile instauró el primer régimen afiliado y dirigido por el comunismo internacional. Todavía en 1974, en los momentos en que se discutían las reformas a la Carta de la Organización de los Estados Americanos, se pedía con insistencia introducir en el articulado el reconocimiento y la existencia del pluralismo ideológico, con la clara intención de abrirle campo a los regímenes comunistas en Latinoamérica, garantizándoles su convivencia con los demás estados democráticos y capitalistas.

El presidente Carter, en su discurso ante los gobiernos de la Comunidad hemisférica, el Día de las Américas, ya no repitió las frases del pasado: ni en favor de regímenes militares ni de las alianzas de extremistas hechas gobierno. Al efecto declaró que su nación tratará de estrechar más sus relaciones con los gobiernos que respeten los derechos humanos, que con los olvidados de esas libertades.

Naturalmente que el más elemental de esos derechos es el que se refiere a que cada nación debe darse un gobierno libremente electo por la voluntad mayoritaria del pueblo, mediante el ejercicio del sufragio universal. Si hay equidad, estas son sus palabras: "Ustedes hallarán ansioso a este país de estar junto a aquellas naciones que respeten los derechos humanos y promuevan los valores democráticos en cada nación".

Ninguna manifestación podría contribuir más a la equidad y a la justicia que la que ha hecho el presidente de los Estados Unidos, máxime en los momentos actuales, en donde se confunden a menudo las conquistas sociales con la práctica embozada de dar al traste con los regímenes democráticos. La esperanza es que en nuestros países se imprima el sello democrático y de nuevo rija en nuestras sociedades la ley, el orden, la justicia y la convivencia general bajo el palio protector y responsable de la primera democracia del mundo.

NATIONAL SECURITY COUNCIL

May 5, 1977

MEMORANDUM FOR: MICHAEL HORNBLOW
FROM: ROBERT A. PASTOR *RA*
SUBJECT: Memorandum from Mary King, Deputy
Director of ACTION, to the President
on Recent Trip to Latin America

While I would agree entirely with Mary King that the Central Americans have the greatest respect and admiration for the President and Mrs. Carter, I believe the impact of the Administration's human rights policy is a bit more equivocal than it appears in her memorandum. In the long-term, our policy, if pursued sensitively and flexibly, will, in my opinion, work for the betterment of human rights, broadly defined, in these countries and others. But in the short-term, the policy has caused problems in the countries and in our relations with them. For example, in El Salvador, in March, the losing candidate for the Presidency was so heartened by President Carter's stand on human rights and so certain that the U.S. would come to his support in his campaign to prove electoral fraud that he pushed the Salvadorean government further than they would tolerate. After several riots and a number of deaths, he is now in exile, and the military government is now more firmly entrenched.

Perhaps the lesson to be drawn from Mary King's memorandum is that there is a reservoir of good feeling in Latin America for the President, and we should tap that reservoir carefully lest we find ourselves devastated by a flood.

THE WHITE HOUSE
WASHINGTON

Date: May 3, 1977

MEMORANDUM

FOR ACTION:

The First Lady

Zbigniew Brzezinski *attached*

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Memo to the President from Mary King re her trip to Latin America.

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 4:00 P.M.

DAY: Thursday

DATE: May 5, 1977

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

*Trip to Latin
America*

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| ACTION FYI | <input type="checkbox"/> | MONDALE |
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| <input type="checkbox"/> | ENROLLED BILL |
| <input type="checkbox"/> | AGENCY REPORT |
| <input type="checkbox"/> | CAB DECISION |
| <input type="checkbox"/> | EXECUTIVE ORDER |
| | Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day |

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| <input type="checkbox"/> | FOR STAFFING |
| <input checked="" type="checkbox"/> | FOR INFORMATION |
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| <input type="checkbox"/> | ARAGON |
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| <input type="checkbox"/> | KRAFT |
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| <input type="checkbox"/> | B. RAINWATER |
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| <input type="checkbox"/> | VOORDE |

NATIONAL SECURITY COUNCIL

May 6, 1977

MEMORANDUM FOR: RICK HUTCHESON
FROM: MICHAEL HORNBLOW *MHB*
SUBJECT: Memorandum from Mary King, Deputy
Director of ACTION, to the President
on Recent Trip to Latin America

Attached for your information is a memorandum to me from Bob Pastor (our Latin American specialist) commenting on Mary King's memorandum.

Attachment



ACTION

WASHINGTON, D.C. 20525

May 3, 1977

MEMORANDUM

To: The President
From: Mary E. King, Deputy Director

During a recent trip to Costa Rica, Honduras and Guatemala, I was very impressed by the depth of feeling for you. Your trip to Costa Rica is well remembered. The fact that your peach trees are not doing very well, for example, was a subject for discussion among Peace Corps volunteers, villagers, Peace Corps staff and American embassy officials.

Despite the military junta in Honduras which suspended free elections and the legislature, there was receptivity to your human rights position among government officials, hospital administrators and educators. Many individuals said privately to me, "We are so grateful for President Carter's stand on human rights because it has made it easier for us to press for restitution of free elections and the legislature." Several suggested that your position had helped encourage the chief of the military junta, General Melgar, to plan for free elections in 1979. His wife, the First Lady, who is head of the Bureau of Social Welfare, expressed very strong feelings of respect and admiration for both you and Rosalynn. The big news of course is that your Spanish teacher is Honduran.

In Guatemala you were called "el jefe maximo."

Apparently my visit was the first one to be made by one of your appointees to those three countries, and we completely underestimated the positive impact of a visitor from the Carter Administration.

I simply wanted to urge you to visit Latin America as soon as possible. There is phenomenal admiration for you and Rosalynn, and real respect for your human rights position.

If you go, the Peace Corps in those three countries is outstanding. It is particularly exceptional in Honduras which is the second poorest country in the hemisphere. The Peace Corps there is one of the most creative in the region.



My reading of the situation in Honduras is that you would be able to speak of your concern for human rights, indeed I believe you could mention a hope for free elections without being considered interventionist.

Attachment: Editorial from the principal Honduran newspaper, La Prensa, April 17, 1977

CARTER Y LOS DERECHOS HUMANOS

No está demás seguir insistiendo en que el jalonazo de mayor trascendencia que ha producido el presidente Carter en su política exterior es el de haber enarbolado la efectiva aplicación de los derechos humanos, a pesar de que éstos existen desde su inclusión en la carta de las Naciones Unidas o, si se quiere, desde su primitiva acepción del siglo XVII como una resultante de la revolución francesa, con el título de Los Derechos del Hombre.

A Rusia no le ha parecido muy oportuno la idea de los derechos humanos, puesto que el régimen bolchevique implantado al estilo stalinista, precisamente, mantiene puesto el pie en todo aquello que suene a crítica, controversia, análisis o renovación de las ideas que rigen omnímodamente en el territorio ruso. En este país está desechada toda posibilidad de opinión o derecho individual, desde julio de 1925 cuando la "oposición organizada" llamó a los dictadores de Rusia—Stalin y Bujarin—los "terridorianos", acusándolos de sustituir al Partido, a los Sindicatos, a las organizaciones campesinas y a cualquier otra entidad creadora de la revolución rusa, por una burocracia de obediencia ciega a los jefes del Kremlin.

Es natural entonces que a los negociadores rusos del control de las armas nucleares, no les cayó en gracia el hecho de que el líder de la nación más poderosa de la Tierra pusiera el dedo en la llaga, en lo íntimo de un régimen fundado en la negación de todo lo que pertenece a la dignidad de la persona humana.

En el pasado—en la América Latina—se achacó a los Estados Unidos de tener el afán de aplicar una política exterior protectora de los regímenes de fuerza, como una forma fácil—se decía—de obligar a cada gobierno del Hemisferio a controlar y sofocar la infiltración comunista. Pero luego apareció en este continente la ideología de la democracia cristiana y de ahí provino una nueva y total confusión. Ya no se sabía si con tales organizaciones híbridas se tenía en frente al comunismo clásico, con variantes o disfraces, o sólo era un modelo de un liberalismo o democracia renovados, al aparentar una ideología de formación humanística a la vez que democrática. Surgió entonces una tabla de salvación: Los predicados de la Alianza para el Progreso con todo el apoyo

estadounidense, regando el evangelio de que a los pueblos subdesarrollados se les debía dar tierra, techo, educación y salud y así continuó el continente hasta el día en que la Alianza Popular de Chile instauró el primer régimen afiliado y dirigido por el comunismo internacional. Todavía en 1974, en los momentos en que se discutían las reformas a la Carta de la Organización de los Estados Americanos, se pedía con insistencia introducir en el articulado el reconocimiento y la existencia del pluralismo ideológico, con la clara intención de abrirle campo a los regímenes comunistas en Latinoamérica, garantizándoles su convivencia con los demás estados democráticos y capitalistas.

El presidente Carter, en su discurso ante los gobiernos de la comunidad hemisférica, el Día de las Américas, ya no repitió las frases del pasado: ni en favor de regímenes militares ni de las alianzas de extremistas hechas gobierno. Al efecto declaró que su nación tratará de estrechar más sus relaciones con los gobiernos que respeten los derechos humanos, que con los olvidadizos de esas libertades.

Naturalmente que el más elemental de esos derechos es el que se refiere a que cada nación debe darse un gobierno libremente electo por la voluntad mayoritaria del pueblo, mediante el ejercicio del sufragio universal. Si hay equivocación o interpretaciones mediatizadas, éstas no caben, porque las convicciones del presidente Carter son ajenas a cualquier equivoco. Estas son sus palabras: "Ustedes hallarán ansioso a este país de estar junto a aquellas naciones que respeten los derechos humanos y promuevan los valores democráticos en cada nación".

Ninguna manifestación podría contribuir más a la equidad y a la justicia que la que ha hecho el presidente de los Estados Unidos, máxime en los momentos actuales, en donde se confunden a menudo las conquistas sociales con la práctica embozada de dar al traste con los regímenes democráticos. La esperanza es que en nuestros países se imprima el sello democrático y de nuevo rija en nuestras sociedades la ley, el orden, la justicia y la convivencia general bajo el palio protector y responsable de la primera democracia del mundo.

| | |
|----------------|-----------------------------|
| Canada | Trudeau |
| Belgium | Tindemans |
| Denmark | Torgensen |
| | 1.870/14 Nukes (Harvard) 76 |
| France | Giscard |
| Germany | Schmidt |
| Greece | Karamanlis |
| Italy | Andreotti |
| Luxembourg | Thorn |
| | EC |
| Netherlands | den Uyl |
| | KLM - Brazil Nukes |
| Norway | Nordli |
| | Shipping - Svalbard |
| Portugal | Eanes |
| Turkey | Demirel |
| United Kingdom | Callaghan |

T. Helgrimsen





Trudy - pls send Bert
Lance a note from me
informing him that
The Pres approved
Califano's appointment to
Fed Paperwork Commission.

cc Califano

Jordan

R. L.

THE WHITE HOUSE
WASHINGTON

May 11, 1977

Bert Lance:

Re: Commission on Federal Paperwork

The President approved the suggestion contained in your memorandum of May 5 to appoint Secretary Califano as a member of the Paperwork Commission in place of Mr. Alexander.

Rick Hutcheson

cc: Secretary Califano,
Hamilton Jordan



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

MAY 5 - 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: Bert Lance, Director *BL*
SUBJECT: Appointment to Commission on Federal Paperwork

The Commission on Federal Paperwork consists of 14 members. Of these, six members are named in the legislation creating the Commission: two Senators, two Congressmen, the Comptroller General, the Director of the Office of Management and Budget.

Eight members are appointed by the President. One of these is to be from the executive branch, two are to be from State and local governments, and five are to be chosen from the public.

There is a vacancy on the Commission. Mr. Alexander, the former Commissioner of Internal Revenue, was a member. His place is now vacant.

I recommend that you appoint Secretary Califano to be a member of the Paperwork Commission in place of Mr. Alexander, resigned.

Mr. Califano, as head of the Department of Health, Education, and Welfare, is in charge of the department whose reporting requirements are not exceeded by any other part of the executive branch except the Internal Revenue Service. He can bring to the Commission insights arising out of his own department's information needs and uses which no other member of the executive branch would be likely to have.

The Commission will go out of existence in October 1977.

THE WHITE HOUSE
WASHINGTON

Date: May 6, 1977

MEMORANDUM

FOR ACTION:

Hamilton Jordan *Lowell*

FOR INFORMATION: Jim King *AK*

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Bert Lance memo 5/5 re Appointment to Commission on Federal Paperwork.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Monday

DATE: May 9, 1977

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

Date: May 6, 1977

MEMORANDUM

FOR ACTION:

Hamilton Jordan

FOR INFORMATION: *PER* Jim King ✓

FROM: *PER* M. Cushing

DATE: *06 05*

Action

Return

Info

Destroy

Acknowledge

Forward to:

Other: _____

FROM: Rick Hutcheson, Staff Secretary

COPY SENT TO:

BR

SUBJECT: Bert Lance memo 5/5 re Appointment to Commission on Federal Paperwork.

Action In.

Action In.

Action In.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Monday

DATE: May 9, 1977

ACTION REQUESTED:

Your comments

Other: _____

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

Jim King

(Peggy Rainwater) *PER*

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If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

May 5, 1977

TO: Rick Hatchson

For Your Information: _____

For Appropriate Handling:

RL
Robert D. Linder



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

MAY 5 - 1977

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FROM: Bert Lance, Director *BL*
SUBJECT: Appointment to Commission on Federal
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The Commission will go out of existence in October 1977.

THE WHITE HOUSE

WASHINGTON

May 10, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: FRANK MOORE *FM*
SUBJECT: Energy Report

Energy Department

The Full House Committee on Government Operations completed mark-up on the Department of Energy bill Friday, May 6. The vote to report the bill out was 35 to 2.

Prior to its action to report the bill, the Committee voted to reconsider Conyers' amendment to establish a national oil company for the purpose of purchasing foreign oil. Conyers' amendment, which was opposed by the Administration, was defeated upon reconsideration.

In the Senate, Dr. Schlesinger's office reported that Ribicoff and Jackson resolved their differences over the regulatory provisions and the bill was approved by the Government Operations Committee on Monday, May 9, by a vote of 17-0.

Action on the creation of a Department of Energy is expected to occur on the floor of the House and of the Senate next week.

National Energy Plan

In the House, the Ad Hoc Committee on Energy began its hearings on Thursday, May 4, with Dr. Schlesinger testifying. Hearings will continue this week.

Standing Committees that have jurisdiction over sections of the National Energy Plan are also beginning to schedule hearings. The Ways and Means Committee will hold its first hearing on the tax aspects of the Plan on May 16. Also, Representative Dingell has announced that the Commerce Subcommittee on Energy and Power will begin hearings this week. The schedule for the week is as follows: May 9, 10 - Utility Programs; May 11 - Efficiency Standards for Products, other than automobiles; and May 12, 13 - Natural Gas Policy. Dr. Schlesinger has been asked to testify for this Subcommittee on May 12.

**Electrostatic Copy Made
for Preservation Purposes**

The Energy bill has been referred, by sections, to the following committees in the House:

| <u>Section</u> | <u>Committee</u> | <u>Subject</u> |
|--|---|--|
| 101-121, 201-603 | Interstate & Foreign Commerce | Utility Program, Federal Standby Authority, Auth- orization of Ap- propriations; Financing Program, Amendments to Natl. Housing Act, Federal Home Loan Mortgage Corp. Act, Energy Conservation and Production Act |
| Sub-part 1 of Part A of Title I, Section 101 | Banking, Finance & Urban Affairs | Utility Program: Definitions |
| 701 | Government Operations | Amendment to Energy Policy & Conservation Act |
| 721-746 | Public Works & Transportation | Solar Heating and Cooling in Federal Buildings |
| Title II, Subparts 2-4 | Concurrently: Ways & Means and all Committees listed above | Gasoline Conservation Program, Motorboat Gasoline & Fuels for General Aviation, Re- moval of Excise Tax on Buses |

In the Senate on Tuesday, May 3, Dr. Schlesinger testified before the Energy and Natural Resources Committee for approximately three hours to officially begin hearings on the National Energy Plan. Members present included: Senators Jackson, Metcalf, Johnston, Bumpers, Ford, Metzenbaum, plus all Republican Members of the Committee (Senators Hansen, Hatfield, McClure, Bartlett, Weicker, Domenici, and Laxalt).

White House Strategy

A meeting to discuss coordination of various aspects of the legislative strategy to gain passage of your energy plan is set for 3:00 p.m. Tuesday, May 10. Those attending the

meeting include Dr. Schlesinger and members of his staff, members of the White House Congressional Liaison staff, key officials from Treasury, Commerce, HUD, DOT, and Interior. The Vice President was not able to attend but members of his staff were present.

I will report the results of the meeting to you on Wednesday.

Hearings Scheduled as of May 7

| <u>Date</u> | <u>Committee</u> | <u>Subject</u> | <u>Witness</u> |
|-------------|--|--|--|
| 5/9 | House Interstate & Foreign Comm. Subc on Energy & Power | Utility Program (Title I, Part A Energy Conservation Program for Existing Resid. Bldgs-Subpt I) & general overview of Carter plan (a.m.) | John O'Leary (Hemphill) |
| 5/9 | " | Utility Program (See above) (p.m.) | Panel w/FEA, ERDA, Commerce, NBS, GSA (Hemphill) |
| 5/9 | Senate Energy Subc on Energy Conserv. & Regulation | Alaskan Crude Oil Pricing (a.m.) | John O'Leary |
| 5/10 | House Ad Hoc Energy Committee | Conservation Briefing | Ahearne, Freeman, Hemphill, Richardson, Yohalem |
| 5/11 | " | " | Ahearne, Hemphill, Richardson, Yohalem |
| 5/11 | House Interstate & Foreign Comm. Subc. on Energy & Power | Energy Efficiency Standards for Consumer Products other than Autos (Title I, Part B-Energy Efficiency of Consumer Products-Subpart 1) (a.m.) | Gorman Smith (Martin Seneca) |
| 5/11 | House Pub. Works & Transportation Subc on Surface Transportation | Vanpooling, carpooling & buspooling (a.m.) | John O'Leary (Hemphill) |

| <u>Date</u> | <u>Committee</u> | <u>Subject</u> | <u>Witness</u> |
|-------------|--|--|---|
| 5/12 | House Interstate & Foreign Comm Subc on Energy & Power | Natural Gas (Title I, Part D) (a.m.) | Schlesinger or John O'Leary (Goldman) |
| 5/12 | House Ad Hoc Energy Comm | Coal Conversion Briefing | Goldman, Wright, Speyer |
| 5/13 | " | Oil & Gas Pricing Briefing | Goldman, Nordhaus, Yohalem, Wright, Luedake |
| 5/13 | Joint Economic Comm, Field Hearing in Boston (Kennedy) | Macroeconomic impact of Carter Energy Plan (a.m.) | John O'Leary |
| 5/16 | House Interstate Foreign Comm Subc on Energy & Power | Energy Conservation Program for Schools & Hospitals (Title I, Part C) (a.m.) | David Bardin (Hemphill) |
| 5/16 | House Ways & Means | Tax Provisions (Title II, Subpts 2-4) | Schlesinger, O'Leary, Lance, Blumenthal (requested) |
| 5/17 | " | " | Schultze, Costle, Vance, Adams, Brown, Andrus (requested) |
| 5/19 | House Interstate & Foreign Comm Subc on Energy & Power | Public Utility Regulatory Policies (Title I, Pt. E, Subpts 1-4) (a.m.) Overview | Schlesinger w/ Nordhaus & Freeman (requested) |
| 5/19 | House Interstate & Foreign Comm Subc on Energy & Power | Public Utility Regulatory Policy/ Overview of supply & demand, FEA studies, HR 6660, cogeneration, inter-connection & wheeling | Bardin on panel w/ FPC, ERDA, EPA, (Nordhaus, Freeman, Perry) |

| <u>Date</u> | <u>Committee</u> | <u>Subject</u> | <u>Witness</u> |
|-------------|--|--|---|
| 5/23 | House Interstate & Foreign Comm Subc on Energy & Power | Public Utility Regulatory Poli- cies/Ratemaking Overview (a.m.) | John O'Leary (Bardin, Hemphill) Possible panel w/ EPRI, NERA, EDF, NY PUC |
| 5/24 | " (TENTATIVE) | Public Utility Regulatory Poli- cies/Gas and electric rate regulation (a.m.) | Panel w/FEA, FPC |
| 5/25 | House Interstate & Foreign Comm Subc on Energy & Power | Amendments to ESECA (Title I, Part F) | John O'Leary (Goldman, Hanfling) |