

**6/30/77 [2]**

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 30, 1977

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MEMORANDUM FOR THE PRESIDENT

FROM: Peter Bourne *P.B.*

SUBJECT: Update on International Health Activities

Following my March 29th memo on this subject in which I provided you with a preliminary assessment on a world health initiative, I have formed four informal working groups to identify problems, opportunities and constraints in the health, nutrition and population area (Health Manpower; Private Sector Involvement; Research, Development, Demonstration and Application; and Strategy). We are now three-fourths of the way through an unprecedented government-wide assessment of the more than 15 agencies working in this area. I am confident this will assist State in responding to the GAO reports which have criticized the Executive Branch and particularly State. This report should also provide State/AID with a basis for recommending foreign aid funding in this particular area. I expect to have an overall assessment with specific policy recommendations including legislation ready by September 1 that will outline a specific course of action for you.

At the same time, I continue to pursue our medical diplomacy strategy with particular emphasis on those countries with which we do not have relations.

The Status of Current Activities:

Mongolia: While it has been difficult to initiate specific medical contacts with the Mongolians, two Interior officials are making contact with Soviet officials on fish and wildlife problems in Mongolia as a way to signal interest in communicating with them directly. We are also looking into modifying the existing U.S.-U.S.S.R. environmental agreement to work on Mongolian environmental problems jointly. The Mongolians are planning a wildlife conference for this fall. We expect to be invited to send for the first time a delegation providing a unique opportunity to enhance relations with them on a neutral issue. We are working very closely with Dick Holbrooke on this.

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MEMORANDUM FOR THE PRESIDENT

FROM: Peter G. Bourne, M.D.

SUBJECT: Update on International Health Activities

China: I organized a State, AID, HEW and Science Advisor briefing for four physicians invited by the Chinese to spend one month touring their country, and to discuss long-term medical/scientific exchanges between the Government of China and the private physician group. In anticipation of their receiving a positive offer, I am exploring ways in which the U.S. Government can help facilitate this kind of exchange by granting money to a private medical school.

Iraq: Within the next week, I will be circulating for comment a specific medical assistance proposal prior to forwarding to the Minister of Health.

Soviet Union: As you directed, I have completed a concept paper describing a joint U.S.-U.S.S.R. program to provide medical assistance to Third World nations. State, HEW, DOD all approved, as well as Zbigniew Brzezinski. I will be meeting with State shortly to forward the proposal to the Soviet Union.

Somalia: The final eradication of smallpox has suffered a setback with the development of 1500 cases in Somalia with an indeterminate number in the nomadic area across the border in Ethiopia. We do now have our five U.S. physicians in Somalia and are following the situation very closely.

World Hunger: My international health assessment is being fully coordinated with the Executive Office Working Group on World Hunger.

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

Stu Eizenstat -

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

Rick Hutcheson

Re: IRS Policy Crediting Oil Firms  
for Cartel Taxes Abroad

cc: Frank Moore

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THE WHITE HOUSE  
WASHINGTON

June 29, 1977

MR. PRESIDENT:

The attached letter from Senator Frank Church was hand-delivered yesterday. There is an article concerning this in today's Washington Post.

Frank Moore

THE WHITE HOUSE  
WASHINGTON

June 29, 1977

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Frank Moore

THE WHITE HOUSE  
WASHINGTON

ACTION	FYI
	MONDALE
	COSTANZA
X	EIZENSTAT
	JORDAN
	LIPSHUTZ
X	MOORE
	POWELL
	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE

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HOWARD H. BAKER, JR., TENN.

THE PRESIDENT HAS SEEN.

## United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, D.C. 20510

NORVILL JONES, CHIEF OF STAFF  
ARTHUR M. KUHL, CHIEF CLERK

June 28, 1977

*Stu  
Prepare answer  
as we discussed  
J*

President Jimmy Carter  
The White House  
Washington, D.C.

Dear Mr. President:

I am writing to you to urge that you review the Internal Revenue Service Rulings that permit payments made by the multinational oil corporations to the OPEC cartel countries to be credited against U.S. taxes owed by these companies. The company payments to the OPEC governments are nominally "income taxes;" in reality however, they are fixed per barrel charges and, therefore, should not be credited as income taxes.

As the June <sup>26</sup> ~~15~~, Washington Post story by Hobart Rowen indicated, the amount of the revenue loss to the U.S. Treasury is substantial; for Saudi Arabia alone, that loss is an estimated third of a billion dollars. Equally important, allowing creditability status to such payments is contrary to the Internal Revenue Code, which does not permit royalties or excise taxes to be credited against U.S. tax liability. It is inconsistent, as well, with your declared objective of reducing the dependence of the United States and its major allies upon the OPEC cartel.

Thus, on all three grounds, incompatibility with the tax laws, the revenue loss to the Treasury and reducing dependence upon OPEC, I urge you to reverse the present practice of the Internal Revenue Service and the Treasury of allowing these payments to OPEC to continue to be credited against U.S. tax liability of the multinational oil companies, a practice which has enabled these companies to avoid paying any U.S. tax on their foreign source income derived from their operations within the OPEC cartel countries.

In order to more clearly demonstrate why the time has come to finally end this tax inequity, I have set down below the background of the 1956 tax ruling which forms the

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President Jimmy Carter  
June 28, 1977  
Page Two.

basis for the continuing practice of Treasury and IRS to accord creditability status to these payments.

In the aftermath of the first Arab-Israeli war in 1948, it became politically impossible for an American administration to provide direct foreign aid to the Arab Persian Gulf sheikdoms. The foreign tax credit became the vehicle through which company tax revenues, which would otherwise have gone to the U.S. Treasury, were diverted instead to the sheikdoms at no cost to the companies. According to Ambassador George McGee, then Assistant Secretary of State for Near Eastern Affairs, the Department of State "through the National Security Council made known its views on the overall political situation, and in the council the U.S. policy was put together which led the Treasury Department to making the tax credit concession."\* Thereafter, royalty payments to the oil-producing sheikdoms, which had been treated as deductible expenses, were credited directly against U.S. income tax liability of the oil companies. Other Middle Eastern oil-producing states then followed the Aramco precedent.

The foreign policy rationale for this decision was summed up years later when the Treasury Department initiated an audit of the tax arrangements. Complaining that the audit was unwarranted, John J. McCloy, attorney for the major oil companies, in a letter to the Secretary of State, Dean Rusk, wrote:

I believe that the Department of State has a particular responsibility to make known to the Treasury Department the implications of its proposed attack on crude oil prices because the present system of providing substantial revenues to the oil-producing countries of the Middle East by means of a combination of royalties and of local income taxes on the producing companies (creditable under U.S. tax law) was recommended to the oil companies and to the foreign governments involved in the Department of State and the Treasury Department. These departments

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\*All quotes are from hearings by the Subcommittee on Multi-national Corporations, Committee on Foreign Relations.

President Jimmy Carter  
June 28, 1977  
Page Three.

recognized that it was in the national interest of the United States to keep such nations stable and friendly to the United States and thereby ensure American access to the vast oil reserves there located. If the oil companies did not provide the necessary revenues by paying substantial taxes to producing countries large amounts of direct foreign aid might well be required.

Thus, based upon the historic record there can be no doubt that the oil companies were granted favored U.S. tax treatment in their Middle East oil concessions for foreign policy not tax considerations. But those considerations are no longer, if they ever were, valid. The OPEC cartel countries no longer need foreign aid given through backdoor Treasury channels; countries like Saudi Arabia and Kuwait are today among the richest per capita in the world. Their reliability as assured suppliers of oil in the aftermath of the 1973 Arab oil embargo is, at best, questionable. Moreover, it is hardly in the U.S. national interest to encourage further oil company investment in the cartel countries in view of the 600 percent increase in oil prices imposed by the OPEC cartel since October 1973. Our national interest requires that we redirect the incentives for oil companies to develop non-OPEC oil resources. Hence, the foreign policy rationale for the original tax credit ruling has been completely undermined.

Moreover, the continued treatment of these payments as creditable income taxes is contrary to the facts as established by OPEC itself. It is basic that in order to be creditable, the foreign payment must be an "income tax" within the meaning of the Internal Revenue Code. However, the reason for OPEC's existence is to agree on a fixed per barrel charge for the marker crude (Saudi Arabian light) around which all other pricing decisions hinge. Thus, for example, the OPEC pricing system announced on December 13, 1975, established the rule that "the average 'government take'" from the operating oil companies would be \$10.12 per barrel for the so-called marker or standard crude. This \$10.12 could be made up of any combination of "taxes", "royalties", "buy-back payments", or other payments, "so long as these various elements always total \$10.12 per barrel." (As described in Petroleum Intelligence Weekly, the respected trade journal.)

President Jimmy Carter  
June 28, 1977  
Page Four.

Thus, denominating part or all of this amount as an "income tax" instead of a royalty, has no significance other than to permit United States oil companies to claim foreign tax credits for these payments. Since the amounts denominated as "taxes" are simply part of a worldwide uniform cost of goods established by the OPEC cartel, it is clear such so-called "income taxes" are not income taxes at all but merely part of the total per barrel charge, unrelated to the oil companies' net profit, cost of production, or selling price in a real market.

In effect, then, OPEC itself has, by agreeing on a fixed per barrel charge for the marker crude, defined such payments as a royalty. Dividing the payments into segments and denominating a part of them as an income tax should not disguise this basic fact.

Indeed, the whole tax creditability system for Middle East oil, based as it is upon a notional posted price has been considered artificial for years. In a cable to the company negotiating team, during the 1970-71 Tehran-Tripoli negotiations, the tax attorneys for the major oil companies recognized this basic fact:

The essence of creditability of the income tax under existing arrangements is that companies agree that export sales will be made at the prices on which tax is to be based and sales are so made even though market values might be lower. This has been in terms of published prices less discounts permitted for certain periods. The artificiality of this system is obvious and well known, but it has not been challenged by the IRS. If agreement for future is that companies will make export sales at January 1971 published prices plus or minus adjustments from time to time pursuant to agreed formula, I cannot see why creditability is less secure than if companies agreed prospectively to change the published prices as such from time. In either case the artificiality of the system becomes somewhat greater, but I cannot give any logical reason why tax would therefore become non-creditable. (Hearings before the Subcommittee on Multinational Corporations, Committee on Foreign Relations, Pt. 4, p. 109)

What was true in 1970-71 is even more so today. Under the new arrangements being negotiated by the OPEC countries with the oil companies, notably Saudi Arabia, the producing countries will assume 100 percent ownership of the economic interests of the oil companies in the producing country's oil fields. The multinational oil companies will then be

President Jimmy Carter  
June 28, 1977  
Page Five.

simple purchasers of crude oil from the producing countries; their payments should then be deductible as ordinary business expenses but not creditable as "nominal" income taxes.

The various fee arrangements being negotiated between the oil companies and certain other OPEC countries, including Saudi Arabia, are equally artificial. As noted by the London Economist (April 2, 1977 p. 129) the Inland Revenue Service in the U.K. is considering disallowing such fees as creditable taxes:

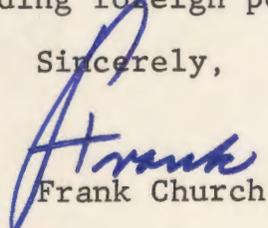
Imagine the Sheikdom of Petrolia has nationalized its oil, but wishes to pay Gigantic Oil Ltd. for managing Petrolia's oil fields. The going rate is 20 cents a barrel. But in a spirit of friendly compromise, the Sheikh pays Gigantic a notional 40 cents a barrel, applies the standard Petrolian corporations tax of 50% to that, and actually hands over 20 cents a barrel. This makes no difference to Petrolia, but Gigantic Oil has 20 cents of tax credit to reduce its British corporation tax.

Certainly, it would seem odd for the UK Inland Revenue to recognize the artificiality of the fee arrangements but for IRS not to do so. And as the Economist further observed, "the money involved is so vast that stopping even a few of the more imaginative schemes could have a significant effect on oil companies' profits."

According to Treasury Counsel (international), the issue of the creditability status of oil company payments made to the OPEC nations has been "kicking around" in IRS and Treasury for some time. I would urge you to direct the IRS and Treasury officials that the issue is too important to be "kicked around" any longer and to come to a conclusion disallowing the creditability of payments to the OPEC countries which are, in reality, royalties or excise taxes.

To sum up, then, to continue to allow tax creditability status to oil company royalty payments to OPEC countries is (a) bad tax policy, (b) inconsistent with your declared policy of reducing U.S. dependence upon the OPEC cartel and (c) justified by no overriding foreign policy rationale.

Sincerely,

  
Frank Church

cc: Michael Blumenthal

# IRS Policy Crediting Oil Firms For Cartel Taxes Abroad Is Hit

By Hobart Rowen  
Washington Post Staff Writer

Sen. Frank Church (D-Idaho) asked President Carter yesterday to "reverse the present practice" of the Internal Revenue Service that permits multinational oil companies to escape U.S. tax liabilities on their operations within oil cartel countries.

In a letter hand-delivered to the White House, Church charged that the IRS policy "is contrary to the Internal Revenue Code" and inconsistent with Carter's "declared objective of reducing the dependence of the United States and its major allies upon the OPEC [Organization of Petroleum Exporting Countries] cartel."

Church, chairman of the Senate Foreign Economic Policy Subcommittee, referred to an article in The Washington Post on Sunday that said that four major oil companies had paid no U.S. taxes on \$2.8 billion in profits derived in 1975 from operations in Saudi Arabia.

The companies are the four in the Aramco partnership—Exxon, Texaco, Mobil and Standard Oil of California. An Aramco spokesman said that no U.S. taxes were paid because payments claimed as income taxes to Saudi Arabia exceeded the U.S. tax liability. U.S. taxes can be reduced dollar for dollar for foreign income taxes paid.

In his letter, Church said that the tax loss to the U.S. Treasury "is an estimated [one] third of a billion dollars."

Church wrote the President that the oil companies should not be allowed a credit because the payments claimed are not income taxes but "fixed per-barrel charges," or royalties.

"I would urge you to direct the IRS and Treasury officials that the issue is too important to be 'kicked around' any longer, and to come to a conclusion disallowing the creditability of payments to the OPEC countries which are, in reality, royalties or excise taxes," Church's letter said.

His letter reviewed the history of an original IRS tax ruling in 1956 that allowed payments to the oil-producing sheikhdoms to be considered income taxes instead of royalties.

He cited testimony before his subcommittee that indicated that the National Security Council at that time directed the Treasury to adopt this procedure as an alternative to foreign aid to Arab countries, which would have been impossible to get through Congress.

"But those considerations are no longer, if they ever were, valid," Church wrote. "The OPEC cartel countries no longer need foreign aid given through backdoor Treasury channels."

American national interest, Church said, is to "redirect incentives for oil

met yesterday with Church staff aides to discuss the issue. In a brief telephone conversation, Kurtz said that a revenue ruling "has been in process for some time, but I've just gotten into it, today."

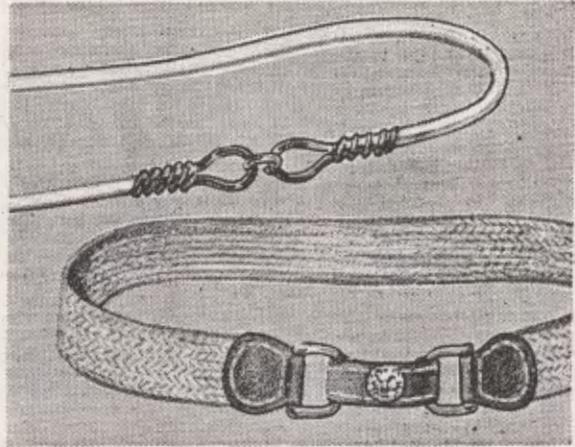
Kurtz said that "this obviously is an important issue." He defined the issue "as whether, in fact, the payments made [by the oil companies] are income taxes. It's not an easy question."

Jerome Levinson, one of the Church aides who met with Kurtz, said he was satisfied that Kurtz is treating the problem "as a serious one that must be addressed."

At the Treasury, officials said the matter was being studied by Laurence Woodworth, assistant secretary for tax policy. White House officials queried by The Post said they had not yet seen Church's letter.

White House deputy press secretary Rex Granum said that although Carter had not yet seen the letter, "I am certain that the President welcomes the senator's concern."

Granum said that Treasury Secretary Michael Blumenthal had told the President after The Post story was published Sunday that the Treasury has the matter under review.



Take your pick of this season's best belts... these from one of America's most famous manufacturers. Both in assorted summer colors. Choose the leather with gold-tone metal closing. Originally \$9, sale 5.90. Stretch-fabric belt with leather closing, famous lion's head trim. Originally \$10, sale 6.90.

**summer sale**

great-looking fashion belts  
originally \$9 and \$10

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**RALEIGH**

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 30, 1977

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MEMORANDUM TO THE PRESIDENT

FROM FRANK MOORE *FM*  
BOB THOMSON *B*

RE: SENATOR WILLIAMS' COMMENTS AT SENATE BREAKFAST

We have looked into Senator Williams' comment voiced at the breakfast yesterday, that HUD might be promising project approval in return for a vote favoring the Administration position on impaction formulas in the Housing Conference. We believe that has not been done, although representations made during the lobbying effort on this question could be misconstrued.

The impaction issue concerns the \$400 million Urban Development Action Grant program and the \$3.5 billion Community Development Block Grant program. The Williams-Brooke approach would increase block grant funding by allowing distribution of some UDAG funds under the block grant formula. The Administration opposes tapping UDAG for additional block grant funds.

Senator Williams claims, with some truth, that depressed areas outside the sunbelt would get more money under his formula. HUD rebuts by saying the UDAG funds that do go to non-sunbelt states under the action grant formula will do more good, since they may be used to leverage a much wider range of developmental projects.

On several occasions, Senators have asked whether cities and towns in their states would qualify for consideration under UDAG. HUD has responded by reading the Senators a list of designated depressed areas in their states that could be eligible for consideration under the UDAG program, assuming all other legal requirements were met. However, in no case, we are told, has HUD promised favorable consideration for any one area or state.

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As always, Senator Williams has ably represented his position in the conference. However, we have been aggressively pursuing our position as well. Consequently, in a close fight, such as this one, it is not surprising that misunderstandings of this nature could occur. Nevertheless, we have relayed to HUD liaison your great concern that project approval never be used as a "carrot" or "stick" in a fight of this nature.

Dear Uncle Jimmy,

*Susan. Type*  
*"It was good to  
hear from you. I wish  
you and Willie well."*  
*LMS J*

Of course, we've never met, yet I already feel as if I know you (because of your new approach to the Presidency and the number of times I've seen you on television.)

I'm not writing to you petitioning for your help on behalf of my husband, William, at all. I understand your position on that and why it is that you are unable to do anything in the matter. I'm sure I would react in exactly the same way, were our roles reversed.

I am writing to let you know how much I admire you and am behind you 100%. I think you're doing a fantastic job as President and I know you will continue to do so.

Also, I'm very proud to have the honor of being in the same family now.

I'd like/<sup>(you)</sup>to know that Willie has told me (during one of our visits at the facility) that he totally concurs with me in his feelings toward you.

Tody and I were married almost a year ago on my birthday which is June 15 (1976, of course). And we continue to be very happy.

I've had two years of college (and as a matter of fact I'm attending at the present time). As soon as my financial situation enables me to be able to do so, I'll begin attending a four-year nursing school. I hope to attain my B.S. and begin my career as an R.N.

I act in my spare time and in two more days the Leavenworth Street Theatre Group, of which I am a member, will come out of its "cocoon" of rehearsals and begin performing "My Fair Lady".

If you should ever decide you'd like us to perform at the White House, I would be very, very honored. We all would, I know. I know that is very presumptuous of me, so please forgive me that, but it is true.

Oh, by the way, I have the role of Eliza Dolittle. And it sure is a lot of fun. This is my fourth lead role, due I think less to my superiority as an actress among the group than to the fact that I always make my presence felt so that I never get overlooked for an audition, and a whole lot of luck in being chosen for the lead, even when (as always) I feel I don't deserve that role.

God bless you, sir!

Sincerely yours,

Karen Spann

(photo attached)

RSM  
6/1/77

May 17, 1977

Dear Uncle Jimmy,  
Of course, we've never met, yet I already feel as if I know you (because of your new approach to the Presidency and the number of times I've seen you on television).

I'm not writing to you petitioning for your help on behalf of my husband, William, at all. I understand your position on that and why it is that you are unable to do anything in the matter. I'm sure I would react in exactly the same way, way, way, were our roles reversed.

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I act in my spare time and  
 in the more days the ~~amount~~ <sup>amount</sup> of work  
 this is a sample of work I am member -  
 will come out of it's career of <sup>work</sup> ~~work~~ <sup>work</sup>  
 and begin performing "My Fair Lady"  
 if you should ever decide  
 you'd like to perform at the White  
 House, I would be very, very honored. We  
 all would, I know. I know that is  
 very presumptuous of me, so please forgive  
 me that, but it is true.

O.K. by the way, I have the  
 notes of Eliza Doolittle, and if you is a  
 lot of fun. This is my little book. I  
 do. I think I'll be my secretary  
 as an actress among the group, than to the  
 fact that I always make my presence  
 felt. I think I'll get a whole lot of fun in  
 position, and a whole lot of work in  
 being there. In the last, when (as always)  
 of people, please thank you.

God bless you, sir!

Sincerely yours,  
 Helen Sparr

June 30, 1977

To Karen Spann

It was good to hear from you. I wish  
you and Willie well.

Sincerely,

Mrs. William Spann  
351 Turk Street, #1214  
San Francisco, California 94102

JC/sc

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

Charlie Schultze -

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

Rick Hutcheson

Re: Labor-Management Committee

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

TO: The Vice President  
Midge Costanza  
Stu Eizenstat  
Hamilton Jordan  
Bob Lipshutz  
Frank Moore  
Jody Powell  
Jack Watson  
Bert Lance

FROM: Rick Hutcheson

RE: Charlie Schultze's memo 6/30/77 -  
Labor-Management Committee

The President has the original memo. A  
copy is attached for your information.

THE PRESIDENT HAS SEEN.  
THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

good  
J

June 30, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze  
SUBJECT: Labor-Management Committee

CLS

This afternoon (Wednesday, June 28), Blumenthal, Kreps, Marshall, Bosworth and I met with a "steering group" from the Labor-Management Committee -- Reg Jones, George Meany, Lane Kirkland, and John Dunlop.

While we did not get into some of the very touchy and delicate matters that must ultimately be discussed, we made good progress.

First, after much discussion we got everyone to agree to three basic propositions, acceptance of which is very important to making further progress.

1. We cannot and should not try to lick inflation by holding down the economy and pursuing a path of sluggish growth. ✓
2. In the absence of specific further action, there is not much likelihood that over the next four years the rate of inflation will fall significantly below its current 6 to 7 percent basic rate. ✓ ~~had~~
3. If we cannot get the rate of inflation below that level, then there is a very high risk that sometime in the next four years the rate of inflation will increase. ✓

Second, we agreed that as initial projects the group will examine three areas of possible private and governmental action: food prices, medical care costs, and means to speed up productivity and capacity growth.

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Finally, John Dunlop made the first approach to a more delicate matter by stating that we would soon have to start talking about wages.

We think that we can gain the trust and cooperation of the group by first working on the less sensitive areas, and then quickly move into the more difficult problem of voluntary wage and price restraint.

We meet with the full group on July 18.

THE WHITE HOUSE  
WASHINGTON

ACTION	FYI
	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
<input checked="" type="checkbox"/>	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE

THE PRESIDENT HAS SEEN.

2 30 PM

THE WHITE HOUSE

WASHINGTON

June 29, 1977

MEETING WITH WEEKLY READER CHILDRENS GROUP  
(XEROX EDUCATION PUBLICATIONS)

Thursday, June 30, 1977 2:30 P.M.  
(15 minutes)  
The Cabinet Room

FROM: MARGARET COSTANZA

mc

I. PURPOSE

To meet with 6 children (ages 10-14) selected on a nationwide basis and representing the approximately 10 million subscribers of Weekly Reader and its companion publications. These children will present you with the results of a nationwide survey of school children aimed at identifying the major concerns of the nation's young people. These concerns include:

Crime  
Pollution  
Energy  
Wildlife Conservation  
Jobs  
High Prices

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: During the past school year Xerox Education Publications has conducted a nationwide educational program about the American electoral process. The presentation of the survey results to you is the final phase of the program. Earlier parts of the program dealt with the process of electing a president, the issues involved in the 1976 election, the candidates and a mock election.
- B. Participants: See TAB A
- C. Press Plan: White House Press-Photo Opportunity

III. TALKING POINTS

1. One of the six children is from Chamblee, Georgia.
2. The winner of the Weekly Reader Presidential Straw Poll last fall was Jimmy Carter with 60 percent of the vote.

IV. SCENARIO

The children and their adult sponsors will be in The Cabinet Room when you arrive at 2:30 P. M. Margaret Costanza will introduce the group's spokesperson, Mrs. Elaine P. Wonsavage, Editor, Xerox Education Publications, to you. Mrs. Wonsavage will very briefly restate the purpose of the children's visit. She will then introduce the children, each of whom will address you for approximately one minute describing one of the six major concerns identified by the nationwide survey.

Following the presentations by the 6 children you will have about 7 or 8 minutes to respond. Your remarks will conclude the meeting.

D. Robbins:erc

PARTICIPANTS

The President

6 Youth Participants: Patricia Caldwell, Jr.,  
Chamblee, Georgia

Andrew Dudley,  
Salt Lake City, Utah

David LaPlante,  
Middletown, Connecticut

\* Benjamin McKinley,  
Chattanooga, Tennessee

Kim Perkins,  
Columbus, Ohio

\* Angela Quayle,  
Ft. Worth, Texas

7 Adult Participants: Mrs. Elaine P. Wonsavage, Editor  
Xerox Education Publications

Mrs. Kathleen Long, Executive Secretary to  
Editor

John Purcell, Editor  
My Weekly Reader

Frank Tarsitano, Associate Editor,  
My Weekly Reader

Robert Quigley,  
Xerox Education Publications

Gerald Isaacson,  
Xerox Education Publications

Margaret Costanza  
Assistant to The President

\* Met with you at the Democratic National Convention

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

Stu Eizenstat  
Frank Moore  
Jack Watson  
Bert Lance

For your information, the attached  
letter was delivered to Secretary  
Califano today.

Rick Hutcheson

Re: Public Health Service

THE WHITE HOUSE  
WASHINGTON

TO CALIFANO

ACTION  
FYI

	MONDALE
	COSTANZA
<input checked="" type="checkbox"/>	EIZENSTAT
	JORDAN
	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
	POWELL
<input checked="" type="checkbox"/>	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
	JAGODA
	KING

	KRAFT
<input checked="" type="checkbox"/>	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE



THE WHITE HOUSE  
WASHINGTON

6-30-77

To Joe Califano

Use your best judgment  
re staffing levels for the  
public health service.

I will take the  
responsibility for any  
deviations from Comm. Hec  
reports.

Jimmy



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

June 27, 1977  
1977 JUN 28 PM 4 00

*C*

FOR THE PRESIDENT

FROM JOE CALIFANO *Joe Califano*

It is the report of the Senate Appropriations Committee on HEW's 1978 budget, not the legislation itself, that directs HEW to set specific staffing levels.

For the Public Health Service, the Committee directs an increase of 666 positions, specifying the precise number for each of the National Institutes of Health, as well as for other segments in the office of the Assistant Secretary for Health.

For the Administration on Aging, the Committee directs that we provide at least 120 full-time, permanent staff positions in the central office. This number happens to be lower than the current authorized 125 staff positions, but is higher than I believe necessary.

Attached is the precise text used by the Senate Appropriations Committee. While the directives are not in the legislation (as I had thought at the Cabinet meeting), they still are so explicit as to be decidedly inappropriate in the context of any balanced legislative-executive relationship.

Attachment

**Electrostatic Copy Made  
for Preservation Purposes**

Text of Senate Committee Report Dealing with Position  
Authorization for the Public Health Service and the  
Administration on Aging

(Senate Report No. 95-283)

Public Health Service (p. 23):

POSITIONS

As in past years, the Committee has found it necessary to mandate specific levels of personnel within the various health programs. This is done primarily to ensure proper management of the increases which the Committee has allowed or to effectively conduct research and training programs. It is imperative that the new programs which the Committee has initiated or existing programs which the Committee has placed a high priority on receive the necessary resources to properly and effectively carry out their mission. It is penny wise and pound foolish to deny personnel necessary for effective implementation and monitoring of such programs and Federal funds.

A recent report by the General Accounting Office points out that personnel ceilings and hiring freezes create serious management inefficiencies and program backlogs and are an inappropriate management tool.

The following is a breakdown of approved position levels:

DISTRIBUTION OF POSITION INCREASES

Program	1978 President's budget	Increased positions	1978 revised level
Health services .....	8,373	250	8,623
National Institutes of Health:			
NCI .....	2,022	20	2,042
NHLBI .....	744	40	784
NIDR .....	281	5	286
NIAMDD .....	586	40	626
NINCDS .....	541	15	556
NIAD .....	618	20	638
NIGMS .....	163	8	171
NICHHD .....	375	12	387
NIA .....	200	25	225
NEI .....	151	20	171
NIHNS .....	331	10	341
DRR .....	76	5	81
NLM .....	470	25	495
OD .....	545	5	550
FIC .....	51	0	51
Central services .....	4,097	100	4,197
Subtotal, NIH .....	11,251	350	11,601
Alcohol, drug abuse, and mental health .....	1,845	21	1,866
Health resources .....	2,142	30	2,172
Assistant Secretary for Health .....	618	15	633
Total .....	24,347	666	24,935

Administration on Aging (p. 126):

In recent years, the overall budget of the Administration on Aging has been significantly increased by Congress in order to serve the needs of older Americans. There is now a need to increase the number of professional and administrative staff who develop and supervise these programs from within the Administration on Aging. The Committee directs that the Office of Human Development provide the Administration on Aging with at least 120 full-time permanent staff positions in the central office.

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

Frank Moore -

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

Rick Hutcheson

Re: Call to Senator Humphrey.

THE PRESIDENT WAS SEEN.

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

*done*  
*J*

*Steve Bryan*  
↓  
*Amintay*

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *Fm.*

In talking to Senator Hubert Humphrey's people this morning enlisting his and Senator Wendell Anderson's vote on the McIntyre amendment to delete eight water projects this afternoon, they confirmed what we already suspected that Humphrey is a little miffed at the way the Mideast letter was handled.

He again came through for the President yesterday and got everything you wanted out of the House conferees on foreign aid.

A telephone call from you to him thanking him for that effort will continue to pay rich dividends. Senator Byrd agrees.

Humphrey's number is 224-3244.

*Express thanks  
to Senators around  
476*

**Electrostatic Copy Made  
for Preservation Purposes**

Table 1

BUDGET TOTALS <sup>1/</sup>  
(in billions of dollars)

	<u>Receipts</u>	<u>Outlays</u>	<u>Deficit (-)</u>
1976 Actual.....	299.2	365.7	-66.5
1977 Estimate:			
February.....	348.5	416.6	-68.0
April.....	358.6	407.3	-48.7
Current.....	358.3	406.4	-48.1
1978 Estimate:			
February.....	400.7	458.5	-57.7
April.....	403.8	461.7	-57.9
Current.....	401.4	462.9	-61.5

---

<sup>1/</sup> Earned income credit payments in excess of an individual's tax liability, formerly treated as outlays, are now classified as income tax refunds. See general note with the Table of Contents.

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

5

JUN 30 1977

THE PRESIDENT HAS SEEN.

INFORMATION

MEMORANDUM FOR: THE PRESIDENT  
FROM: Bert Lance *B. L.*  
SUBJECT: Mid-Session Review of the Budget

We plan to send to the Congress on Friday, July 1, revised budget figures for 1977 and 1978. This "mid-session review" of the budget is required by law to be submitted by July 15. We agreed to send the review up earlier as a courtesy to the budget committees, since they want this information before they begin their work on the second concurrent resolution later this month.

The attached table shows the estimates to be included in the review. The higher 1978 deficit is primarily the result of tax cuts by the Congress (\$-4.0 billion).

We are also showing this Administration's estimates through 1982 publicly for the first time. They differ from other long-range estimates that you have seen for two reasons:

- the economic assumptions -- supplied by CEA -- are different; and
- the long-range estimates include only publicly announced administration policy.

In particular, the numbers differ from those you will be seeing in connection with the upcoming meeting on longer range fiscal policy strategy.

Following our usual practice, the figures reflect Presidential policy unless legislation has been completed by the Congress and signed by the President. Therefore, the figures do not include probable congressional add-ons such as those for the Labor-HEW Appropriations Bill.

Attachment

cc: Vice President Mondale

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

Frank Moore -

The attached was returned in the  
President's outbox. The original  
letter is forwarded to you for  
delivery.

Rick Hutcheson

cc: Z. Brzezinski

*copy to Shipping*

MEMORANDUM

SEE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 30, 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: ZBIGNIEW BRZEZINSKI *ZB.*  
SUBJECT: Letter from Senator Inouye

Senator Inouye has written to thank you for a "most constructive" meeting with the Senate Select Committee on Intelligence and to provide you with his personal views on Intelligence Community reorganization.

Senator Inouye, reflecting the views of his subcommittee on charters, believes that there is a need for a strong Director of National Intelligence assigned a clear and unequivocal authority and responsibility to perform services of common concern for the government as a whole. Under the direction of the President and the NSC, the DNI would set priorities for, allocate resources to, and have responsibility for, the NSC, NRO and CIA although the day-to-day management would remain the hands of their present leadership. Inouye believes that appropriate review groups in both the Executive Branch and the Congress will keep this consolidated power within constitutional bounds.

As you know, the SCC is preparing its review to you on the issues raised by centralization of authority and responsibility as well as other options for reorganization. For this reason I have prepared a non-committal reply.

Finally, as to processing, it arrived at the White House Congressional Liaison Office on June 14; was passed to the NSC on the 23rd and staffed out on the 25th.

RECOMMENDATION:

That you send the letter at Tab A to Senator Inouye.

THE WHITE HOUSE

WASHINGTON

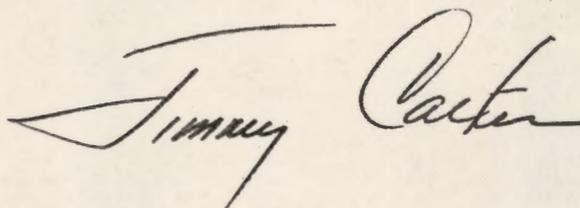
June 30, 1977

To Chairman Daniel Inouye

I read your letter of 13 June with considerable interest. It is particularly valuable for me to have your views as we approach the point of decision on reorganization of the Intelligence Community.

As you know, the various alternatives for reorganization are under intense study within the NSC system. I expect to review the results of this effort soon and shortly thereafter to begin a more intense phase of working with Congress on appropriate charter legislation.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

The Honorable Chairman Daniel K. Inouye  
Select Committee on Intelligence  
United States Senate  
Washington, D. C. 20510

arriv. of  
NSC - 6/23

CONGRESSIONAL LIAISON  
REFERRAL FORM

TO: *NSC*

*Same Ho.  
a non committed  
Reply  
[Signature]*

Draft reply for:

President's signature  
\_\_\_\_\_  
Frank Moore's signature  
\_\_\_\_\_  
Undersigned's signature

\_\_\_\_\_  
Direct reply to:

\_\_\_\_\_  
Congressperson  
\_\_\_\_\_  
Constituent, with copy to Congressperson  
\_\_\_\_\_  
Furnish information copy to C.L.

\_\_\_\_\_  
Memorandum for use as enclosure to reply

\_\_\_\_\_  
Suitable Acknowledgement or other appropriate handling

\_\_\_\_\_  
For your information

\_\_\_\_\_  
For comment

REMARKS: *Please expedite*

SUBJECT: \_\_\_\_\_

FROM *Kathy Baker*

Congressional Liaison  
113 E.W. 456-2755

DANIEL K. INOUE, HAWAII, CHAIRMAN  
BARRY GOLDWATER, ARIZ., VICE CHAIRMAN

BIRCH BAYH, IND.                    CLIFFORD P. CASE, N.J.  
ADLAI E. STEVENSON, ILL.        JAKE GARN, UTAH  
WILLIAM D. HATHAWAY, MAINE    CHARLES MCC. MATHIAS, JR., MD.  
WALTER D. HUDDLESTON, KY.     JAMES B. PEARSON, KANS.  
JOSEPH R. BIDEN, JR., DEL.     JOHN H. CHAFEE, R.I.  
ROBERT MORGAN, N.C.            RICHARD G. LUGAR, IND.  
GARY HART, COLO.                MALCOLM WALLOP, WYO.

WILLIAM G. MILLER, STAFF DIRECTOR  
MICHAEL J. MADIGAN, MINORITY COUNSEL

## United States Senate

SELECT COMMITTEE ON INTELLIGENCE

(PURSUANT TO S. RES. 400, 94TH CONGRESS)

WASHINGTON, D.C. 20510

June 13, 1977

The President  
The White House  
Washington, D. C.

Dear Mr. President:

On behalf of the Intelligence Committee, I want to thank you for the most constructive meeting on the subject of our joint efforts to strengthen the national intelligence system of the United States that we had with you at the White House on May 13. At that meeting you said that the National Security Council would complete in June its PRM 11 study of the organizational structure and functioning of the intelligence community. You indicated that you would then consider the recommendations made to you by the various departments and agencies that make up the intelligence community and decide what steps are needed to strengthen our national intelligence system.

I am fully in accord with your judgment that comprehensive statutory charters and revised Executive Orders are required to assure that the United States has the most efficient and effective intelligence system possible but that functions within the Constitution and the law.

I firmly agree with your view that the Committee and the Executive branch should work closely as partners in the formulation of the statutes and subsidiary Executive Orders that will mandate the changes necessary to bring about a more rational and more accountable intelligence system.

I think this is an appropriate time to share with you my view about the steps that I think should usefully be taken to strengthen our national intelligence system, to make the information it produces more useful, and its organization more rational and accountable to you and to the Congress.

On the basis of the Committee's review of the major studies of the intelligence organizations undertaken since the early 1950's, our examination of intelligence activities of embassies and consulates and elsewhere abroad, scrutiny of the performance of the various key entities that comprise the national intelligence community, namely: NSA, NRO, CIA, the counterintelligence section of the FBI, and the major analytic groups from State, Defense, and Treasury, I have come to the following conclusions:

*ack/draft by NSC  
14 JUN 1977*

cc:  
*Frank Moore*  
*Too much delay*  
*Not sent to NSC*  
*until 6/23*  
*J.C.*

The President  
Page Two  
June 13, 1977

While you have no doubt been presented with a large and perhaps confusing array of proposals -- I certainly have -- in my view, the key issue before you and the Congress for decision is whether:

(1) To give through statutory charters and Executive Orders to the Director of Central Intelligence the authority to allocate resources for, set priorities for, coordinate the activities of, and be accountable for the national intelligence activities of the United States, or

(2) To accept the present structure, and possibly make minor modifications.

✓ In my view, the first alternative is clearly what should be done. There is a need for a strong Director of National Foreign Intelligence assigned clear and unequivocal authority and responsibility to perform "services of common concern" for the government as a whole. While I recognize this centralization will consolidate considerable power in one individual, appropriate review groups in both the Executive branch and the Congress will keep this consolidated power within constitutional bounds.

There is a need for one person to head our national intelligence system who has both the responsibility and authority to make the decisions that must be made and to be kept accountable for his actions. Without such a person, potential for improvement in intelligence management, and the quality of intelligence estimates and analyses will be seriously limited. Unless such responsibilities and authorities are clearly delineated, the various separate entities within the intelligence bureaucracy will continue to be able to challenge, modify, and delay tough decisions. If we continue our present structure, less than optimal managerial performance and poorer quality of intelligence than is possible to achieve will result.

I believe that there is a particular need to assign the Director of National Intelligence responsibility for the coordination of intelligence collection, both technological and human. It is in this area of greatest expenditure, where firmer decisions and more objective judgments must be made.

The President  
Page Three  
June 13, 1977

In my view, there is a vital need to restore a viable national estimates process. I believe it would be useful to the country and a greater service to you and the Congress to strengthen the estimative process by making the Director of National Intelligence responsible for and providing him with the means to produce estimates, current intelligence and analysis. At the same time, I believe that the key analytic groups in the departments and agencies that are served by the national intelligence community such as State, Defense, Treasury, and the NSC, should be kept fully and currently informed of all relevant information. While the national estimative process should be assigned to the Director of National Intelligence, competing centers of analysis are obviously desirable.

As I discussed at our last meeting, over the past five months, the Committee has worked very closely with the Vice President, the NSC, and the various intelligence agencies in developing draft statutes and Executive Orders. These draft statutes are the result of the advice and counsel of many of the major figures who have guided our country's efforts in intelligence, foreign policy and defense, over the past three decades. The draft statutes have also benefited from the advice of the scholarly and legal communities.

The overwhelming opinion we received is that the 1947 Act creating the CIA is now inadequate and that a new statutory framework for national intelligence is required. I believe statutes should establish a Director for National Intelligence subject to the direction of the President and the NSC who would set priorities for, allocate resources to, and have responsibility for, the NSA, NRO, and the CIA. While ultimate authority and responsibility for these entities would be given to the Director of National Intelligence, day-to-day management would remain in the hands of their present leadership. The Director of National Intelligence will need four deputies to assist him in the following tasks: technological collection; overseas operations including counterintelligence, covert action and sensitive collection; current intelligence and national estimates; and budget and evaluation.

The Director of National Intelligence should not have direct management responsibility for CIA. The coordinating function assigned by the 1947 Act to the CIA should be transferred to the Director of National Intelligence. The CIA has failed to perform its assigned tasks of coordinating the activities of national intelligence. The traditional emphasis of the CIA on clandestine activities and the reluctance of major

The President  
Page Four  
June 13, 1977

entities within the intelligence community to respond to CIA leadership which did not have budgetary and management authority over them, explains the failure of the CIA to coordinate national intelligence activities. Therefore, divorcing the Director of National Intelligence from the CIA and transferring the estimative, current intelligence, and analytic functions to the Director of National Intelligence is, in my view, a desirable solution to the problem. It is also a means to ensure better oversight over clandestine activities. I am convinced that reforming the CIA itself to perform community-wide functions is the far more difficult, if not impossible, route.

This divorce of the Director of National Intelligence from line management responsibility over CIA is desirable so that an effective and credible coordinating and analytic structure can be created. Clearly, the major purpose of our intelligence system is to produce the best possible information, estimates, and analysis.

There are some immediate problems that need to be addressed. I believe that you should strengthen Stan Turner's present position. As the Director's position is currently defined, he does not have the requisite power or authority over the intelligence community. At present, he has clear authority only over the CIA. I believe it is in the country's interest to make a prompt decision on this vital issue.

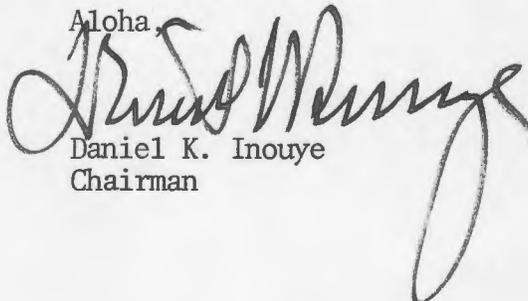
In my view, there is reason to be concerned about further delay of this decision. The longer the delay persists, the stronger the forces will be which desire little or no change. As a consequence, needed reforms will again be set aside.

I recognize that the comprehensive statutory charters that are necessary will require over a year's legislative effort before final passage. In the interim, therefore, it would seem desirable to work together to develop Executive Orders that parallel draft statutes that we jointly agree should govern our national intelligence system.

The Committee stands ready to work with you.

Respectfully yours,

Aloha,



Daniel K. Inouye  
Chairman

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

Frank Moore -

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

Rick Hutcheson

Re: Meeting with Select Committee  
on Aging

cc: Tim Kraft

THE WHITE HOUSE

WASHINGTON

June 30, 1977

*sk*  
*F*

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *F.M.*

SUBJECT:

MEETING WITH SELECT COMMITTEE ON AGING

In your two-week scheduling proposal, there was a recommendation for a meeting with the Aging Committee for Friday, July 15, at 9:30 a.m. for 30 minutes. Your note next to this was "why?"

In one of the first regional House meetings, Congressman Claude Pepper asked you to meet with the Committee. You replied that you would and said to work out the details with my office. I feel we have a commitment.

Rosalynn wishes to attend this meeting, due to her work in this area. I recommend that you approve this for your schedule.

**Electrostatic Copy Made  
for Preservation Purposes**

MEMORANDUM

~~THE~~ PRESIDENT HAS SEEN.

THE WHITE HOUSE

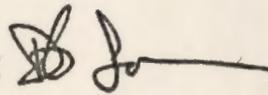
WASHINGTON

UNCLASSIFIED

June 25, 1977

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI SUBJECT: Response to Letter from Dr. W. Montague Cobb,  
President of the NAACP

Dr. Cobb wrote you reporting on his recent trip to South Africa as a member of the NAACP Task Force on Africa Team, and enclosing copies of a lecture which he gave in South Africa and a column on your Inaugural Walk. He also lectured at the University of the Witwatersrand (which does accept non-white students by permission of the Minister of the Interior), and was awarded an honorary Doctor of Laws degree by that University with the citation emphasizing his civil rights activities as well as his scientific work.

Attached at Tab A is a letter in response.

RECOMMENDATION:

That you sign the letter at Tab A.

UNCLASSIFIED

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

Z. Brzezinski -

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

Rick Hutcheson

Re: Response to Letter from  
Dr. W. Montague Cobb  
President of the NAACP

cc: Bunny Mitchell

THE WHITE HOUSE

WASHINGTON

June 27, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *FM.*

Congressman Aspin (#2 man on the Subcommittee on Military Compensation of the House Armed Services Committee) asked that I bring this letter directly to your attention.

THE WHITE HOUSE  
WASHINGTON

July 1, 1977

To Congressman Les Aspin

Frank Moore gave me your June 20th letter.  
I have asked Secretary Harold Brown to  
look into your concerns about the timetable  
for the commission on military compensation.

Sincerely,

*Jimmy*

The Honorable Les Aspin  
U.S. House of Representatives  
Washington, D. C. 20515

*p.s. I doubt that will have  
any definitive recommendations  
from the Commission as early  
as you've asked. J*

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

June 20, 1977

The President  
The White House  
Washington, D.C.

Dear Mr. President:

I understand it is now planned for the Blue Ribbon Panel on military compensation to wrap up its work next March but to try to get retirement recommendations out a little earlier so as to be reflected in the budget presentation next January.

The problem is that the House Armed Services Committee will be devoting all its time to the defense authorization bill during January, February and March. It will not get to any retirement proposals until April. Congress will probably adjourn late in September for the election. Getting something as complicated and as politically sensitive as changes in the retirement scheme through two committees, two Houses and the conference committee in that time with an election coming up is unlikely.

The danger is that the whole issue will go over to the spring of 1979. This will prolong the debate and rumors within the ranks. The longer the issue is bruited about, the lower morale will fall and the longer it will take to recover.

If we want to clear this issue before the 1978 adjournment, we must start early. The House Armed Services military compensation subcommittee is preparing to begin retirement hearings this October, reviewing the essential statistics and broad issues. But if we are to have any chance of clearing retirement reform this Congress, I think it is essential that the Administration's position be before the committee by Nov. 1 at the latest. The legislation can be sent to the floor early in the new year, when the floor schedule is light. The Senate will then have the spring and summer to deal with it.

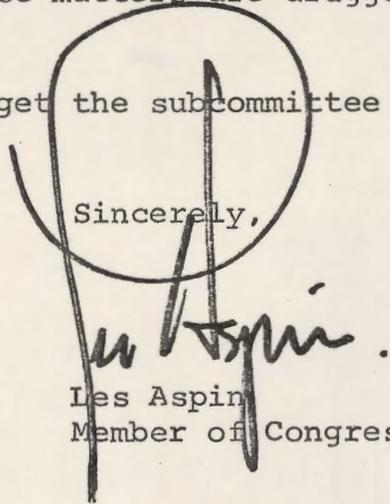
The President  
June 20, 1977  
Page 2

This schedule would put considerable pressure on the panel to move swiftly. It also would require DoD and OMB to review the panel's recommendations while the ink is still wet and not allow them to age in the in-box.

I realize these suggestions call for the Administration to give a priority to the Blue Ribbon Panel's deliberations normally reserved for the operations of a crisis committee. I am certainly not suggesting that anything approaching a crisis is in the offing. But we are not moving with any speed now, the issue is not about to go away, the services are concerned about career morale, and the longer these matters are dragged out, the more morale will erode.

For my part, I shall try to get the subcommittee to move as expeditiously as possible.

Sincerely,



Les Aspin  
Member of Congress

LA/ncw

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

Frank Moore -

The attached letter to Les Aspin  
was signed by the President and  
is forwarded to you for delivery.

Rick Hutcheson

cc: Z. Brzezinski

Re: Military Compensation

*copy to  
Struppeng)*

THE WHITE HOUSE  
WASHINGTON

To Dr. W. Montague Cobb

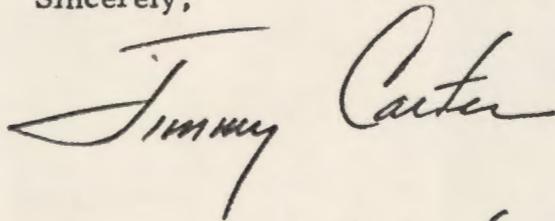
Thank you very much for your letter of May 26 enclosing copies of your column and your lecture on "From the Cradle of Liberty to the Cradle of Mankind", and notifying me of the honor conferred on you by the University of the Witwatersrand.

I was pleased to note the courtesy with which you and your colleagues were treated in South Africa. My Administration is committed to encouraging, by all peaceful means, a progressive transformation of that society. I regard it as one step in the right direction when South Africans grant equitable treatment and recognition to visiting American citizens as they did for you. Our ultimate goal is for all South Africans, of whatever race, to participate fully in their nation's politics.

I do not underestimate the difficulties involved in the transformation of South Africa. For that reason, as Vice President Mondale told Prime Minister Vorster in Vienna, our policy will be permanent, and our determination strong, until basic justice is done in that country.

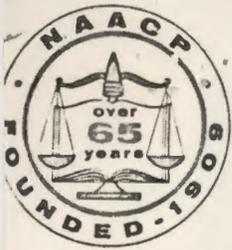
Thank you, once again, for sharing your thoughts and experiences with me.

Sincerely,



Dr. W. Montague Cobb  
President  
National Association for the  
Advancement of Colored People  
1219 Girard Street, N.W.  
Washington, D.C. 20009

*p.s. - Thanks for the  
"walk" editorial.  
J*



NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

SEVENTEEN NINETY BROADWAY •

NEW YORK, N. Y. 10019 • 212-245-2100

Office of the President  
DR. W. MONTAGUE COBB  
1219 Girard Street, N.W.  
Washington, D.C. 20009

W.S., C,

May 26, 1977

Hon. Jimmy Carter  
President of the United States  
The White House  
Washington, D.C.

Dear Mr. President:

I am pleased to enclose herewith copies of my column, "President Carter's Inaugural Walk," as it appeared in our March 1977 issue, page 137. I sent you an advance copy of this before it was off press, which you very kindly acknowledged. I am happy to say that many readers have sent us favorable comments on that column indicating widespread faith in you among our readers.

In April 1977, it was my privilege to be a member of the NAACP Task Force on Africa Team which visited South Africa. Our tour was quite comprehensive and facilitated by the good offices of Minister of Foreign Affairs, Mr. Roelof F. Botha with whom we had previously talked while he was the Ambassador of South Africa in Washington, and the South Africa Foundation, which was most helpful in arranging our schedule.

There might be some interest in the fact that I gave two talks at the University of the Witwatersrand which is one of South Africa's "open" universities, although non-white students have to get permission of the Minister of the Interior to attend there. My first talk was on straight anatomy and well received. The second was to the Luncheon Club of the Department of Anatomy on, "From the Cradle of Liberty to the Cradle of Mankind." A copy this address is enclosed which I believe is a comprehensive statement speaking for itself.

You might also be interested to know that I was awarded an honorary Doctor of Laws degree by the University of the Witwatersrand on April 20. The citation gives emphasis to my civil rights activities as well as to my scientific work. I thought this had a certain symbolic value for the national government in that country.

Sincerely yours,

W. Montague Cobb

THE WHITE HOUSE

WASHINGTON

June 30, 1977

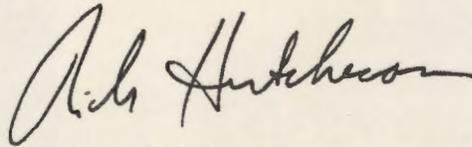
MEMORANDUM FOR  
THE HONORABLE BENJAMIN F. BAILAR  
The Postmaster General

Stamp Series Honoring the Continents

Per our conversation of yesterday, I have checked with the National Security Council to determine whether or not the President mentioned the stamp to President Perez. As far as NSC knows, the subject did not arise.

The President has approved a recommendation from Dr. Brzezinski that the Postmaster General "issue an international airmail stamp series honoring the continents, beginning with Latin America."

A copy of that decision memoranda is attached, and forwarded to you for appropriate action.



Rick Hutcheson  
Staff Secretary

cc: Z. Brzezinski  
R. Linder

THE WHITE HOUSE  
WASHINGTON

ACTION

June 28, 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: ZBIGNIEW BRZEZINSKI *ZB*  
SUBJECT: Issuance of Stamp Series Honoring the  
Continents

The Secretary of State has requested that you use the opportunity of the Perez visit to announce -- perhaps in your toast -- that the Post Office will issue an international airmail stamp series honoring the continents, beginning with Latin America. President Perez is a stamp enthusiast, and Venezuela issued a special stamp series honoring our Bicentennial.

RECOMMENDATION

That the Postmaster General be instructed to issue an international airmail stamp series honoring the continents, beginning with Latin America.

Approve       Disapprove

*J*

MEMORANDUM FOR THE POSTMASTER GENERAL

FROM RICK HUTCHESON

SUBJECT: Stamp Series Honoring the Continents

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The President <sup>has</sup> ~~did~~ approved a recommendation from Dr. Brzezinski that the Postmaster General "issue an international airmail stamp series honoring the continents, beginning with Latin America."

A copy of that decision memoranda is attached, and forwarded to you for appropriate action.

MEMORANDUM

NATIONAL SECURITY COUNCIL

4043

June 29, 1977

MEMORANDUM FOR RICK HUTCHESON

FROM:

Christine Dodson

*Christine*

SUBJECT:

Issuance of Stamp Series Honoring Continents

Attached for your implementation and handling is the President's memo approving the issuance of a series of stamps honoring the Continents, beginning with Latin America, which was recommended by the Secretary of State.

## MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

ACTION

June 28, 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: ZBIGNIEW BRZEZINSKI *ZB*  
SUBJECT: Issuance of Stamp Series Honoring the  
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RECOMMENDATION

That the Postmaster General be instructed to issue an international airmail stamp series honoring the continents, beginning with Latin America.

Approve       Disapprove

*J*

**Electrostatic Copy Made  
for Preservation Purposes**



7716468  
4043

DEPARTMENT OF STATE

Washington, D.C. 20520

June 23, 1977

MEMORANDUM FOR DR. ZBIGNIEW BRZEZINSKI  
THE WHITE HOUSE

Subject: Issuance of Stamp Series Honoring the  
Continents

On June 9, the Secretary of State requested the Postmaster General to issue a series of stamps honoring Latin American heroes.

The Postmaster General suggested that if the President wishes, the Post Office would be willing to issue an international airmail stamp series honoring the continents, beginning with Latin America.

Accordingly, the Department requests the White House to inform Postmaster General Bailar of its interest in the issuance of this series. If it can be done immediately, the President could announce the stamp series in his toast at the State Dinner honoring Venezuelan President Perez, June 28. President Perez is a stamp enthusiast and Venezuela issued a special stamp series honoring our Bicentennial.

*Peter Tarnoff*  
Peter Tarnoff  
Executive Secretary

Attachments:

1. June 9 letter to Mr. Bailar.
2. June 10 memo on conversation with Mr. Bailar.

ARA-4117 20 6268

DEPARTMENT OF STATE  
SPECIAL ASSISTANT TO THE SECRETARY

WHL  
cc: JJ  
FD  
RA

June 10, 1977

Action: ARA/An

MEMO TO: ARA --Mr. Luers

FROM: S - Jacklyn Cahill *JC*

6/

REFERENCE: Issuance of US Postal Stamp Series on Latin America

The Postmaster General called the Secretary this morning and in his absence spoke to me. He had received the Secretary's letter and since time was short, wanted to reply quickly.

The Postmaster General said that stamps honoring both Simon Bolivar and Jose de San Martin have been issued within the last twenty years (1958 and 1959 respectively) as part of a Champions of Liberty series. Because he currently has so many requests pending, he will not be able to accede to this request.

However, Mr. Bailar offers the following suggestions.

1. If the President wishes, the Post Office would be willing to issue an airgram or international airmail stamp series honoring the continents and start the series with Latin America.
2. In 1963 a stamp was issued honoring the Alliance for Progress. If the President wished to give a name to his Latin American policy, the Post Office could issue a stamp honoring the program. For example, the Post Office is currently planning to issue, within the next two years, a stamp honoring the human rights program.
3. If the President wished to give a small gift to Perez, the Post Office would obtain the two stamps previously issued honoring Bolivar (a 4¢ and 8¢ stamp) which could then be mounted and framed, along with a Presidential inscription. The total cost of the stamps would be about \$1.00, but it would make a very presentable gift item.

*17*  
*1-1-1*  
*no-*

Mr. Bailar was trying to be as responsive as possible; we should at some point acknowledge his suggestions, whether we use them or not.

With regard to the gift item suggestion, ARA should discuss this further with Protocol and the White House. If the President can't use this idea, perhaps the Secretary might be interested.

MRS. PATTERSON ARA/ANDV will call  
RF

S/S 7714916

THE SECRETARY OF STATE  
WASHINGTON

June 9, 1977

COPIES:  
ARA  
RF:vhd

Dear Mr. Bailar:

I am writing to you to explore the possibility of the issuance of a U.S. postal stamp series with a Latin American theme, possibly revolutionary heroes, beginning with Simon Bolivar, and including such others as Jose de San Martin and Bernardo O'Higgins.

In his April 14 speech to the Organization of American States, President Carter stated:

I have seen clearly how greatly our country has been blessed and enriched by the people and cultures of the Caribbean and Latin America.

He pointed out that the United States actually has the fourth largest Spanish-speaking population in the world, and expressed his hope and intention that the government can speed up the process of intellectual, social, cultural and educational exchanges.

A stamp series such as this would serve other purposes in addition to implementing the President's speech. It would be one meaningful way to pay homage to the significant role which Latin American culture plays in our own. It would be of historic and cultural interest not only to our own Spanish-speaking population but given the large amount of mail sent to Latin America, one of the best means possible to emphasize to our Latin American neighbors their inherent importance to us. Further, the series would be instructive to all our people regarding a

The Honorable  
Benjamin F. Bailar,  
Postmaster General.

rich part of the history of the peoples of Latin America.

The only Latin American President scheduled to make a State Visit to the United States this year is Venezuelan President Carlos Andres Perez, who honored our Bicentennial last year with a stamp series. It would be most constructive and helpful if you would authorize the series in time for President Carter to announce it when President Perez is in Washington June 28 and 29. Possibly the President could announce that the series would begin with Simon Bolivar, Liberator of Latin America and a figure of special significance in Venezuela.

Thank you very much for your consideration.

Sincerely,

Cyrus Vance

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

Stu Eizenstat  
Z. Brzezinski

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

Rick Hutcheson

Re: Letter from Admiral Rickover  
re: Nuclear Fuel

Washington, 30 June, 1977

THE PRESIDENT HAS SEEN.

cc <sup>She</sup>  
3619

Dear Mr. President-

The enclosed memorandum is in response to your request for my personal views on recent newspaper articles on reports of missing nuclear material dating back to 1959 from a particular reactor fuel fabrication facility.

I hope it is helpful to you in putting the issue of nuclear accountability into clearer perspective. You should realize that these are my personal views, and do not necessarily reflect the official views of the Energy Research and Development Administration or the Nuclear Regulatory Commission.

This may not be exactly what you desire. Please let me know if you desire additional information.

Very respectfully,

H. S. Rickover.

June 30, 1977

Subject: COMMENTS ON NUCLEAR FUEL ACCOUNTABILITY AS CONTAINED IN .  
RECENT NEWSPAPER ARTICLES

This memorandum comments on recent newspaper articles concerning reports of missing nuclear material dating back to 1959 at a particular reactor fuel fabrication facility.

The work being performed by this and similar facilities involves the use of enriched uranium and to a lesser extent, plutonium. These materials were or are used for fabrication of reactor fuel for various purposes including commercial nuclear plants, research reactors and military reactors.

The specific facility, referred to in the newspaper articles, fabricated fuel involving primarily highly enriched uranium for use in the nuclear rocket test reactors as well as naval reactors. The responsibility for the protection against theft or diversion of uranium at this facility is now and always has been assigned to organizations other than Naval Reactors. Thus, I have not been directly involved in that aspect of its operation and do not have a first-hand knowledge of the events described. I have obtained a copy of the reports referred to in the newspaper articles and my comments contained herein are based on a review of these documents and my general knowledge of the subject. Since the articles deal almost exclusively with uranium rather than plutonium I will discuss only that aspect. I believe the situation with regards to plutonium is similar.

The reactor fuel fabrication facility discussed in these reports is a privately-owned chemical processing plant which takes enriched uranium in the form of a gas (uranium hexafluoride,  $UF_6$ ) from an enrichment plant and converts it into a solid form that can be used to manufacture reactor fuel there or at other facilities. As in any complex chemical processing plant the processes used in this plant involve the generation of waste products in various forms in addition to the finished product. Most of these waste products are reprocessed and some are lost in the processing systems. Some are too dilute to be recovered and are discarded. To attempt to determine if uranium has been diverted it is necessary to measure as accurately as practical the amount contained in all forms including the finished product and the various forms of waste. These measurements range from simple scale weighing to elaborate chemical and isotopic analysis techniques. The accuracy of these measurements vary greatly. These measurement uncertainties as well as other low level process losses result in an inability to precisely account for all materials in the fabrication process. Nonetheless, the results of all the analyses are combined to attempt to account for all the material received.

It should be noted that in the 1950's and early 1960's - the time period of most concern in these reports - attempts to control enriched uranium were based primarily on the need to account for material of high intrinsic value. At that time there was apparently little thought given to the problem of potential theft of the material for the manufacture of

clandestine nuclear weapons. The methods used to account for the material were consistent with the objective of minimizing loss of a precious material. For this reason government contracts with fuel fabricators required them to reimburse the government for the value of the material they could not account for (in fact as discussed in the referenced reports, this fabrication facility paid the government over \$900,000 for material losses). Since about 1966 concern has steadily increased over the potential for diversion and increasingly stringent requirements have been invoked for safeguarding the material.

Based on my review of the reports it is not possible at this late date for anyone to determine exactly how the material was lost, where it went, or if the loss was accidental.

The experiences at this plant are not unique; equivalent quantities of material cannot be explicitly accounted for at other installations that have been involved in the handling of large quantities of this material. The quantity of material unaccounted for at these sites depends on the amount of material fabricated, the nature of the operations, (i.e., there are greater losses in chemical processing than in mechanical fabrication), and other factors.

Two basic methods have been used to reduce the possibility of diversion. One is to attempt to account precisely for each gram of material by use of elaborate measuring and material control systems. The other is to provide physical security so that any attempt at diversion would be detected and stopped. The newspaper articles and my comments above address only the accountability approach. As is evident from the above discussion, material accountability can never account for all material. The greater the quantity of material handled, the larger the uncertainty. While the size of the uncertainty can to some extent be reduced by increased accounting and material control efforts, it appears impracticable to reduce the uncertainty to a sufficiently small value as to completely assure that no diversion has taken place.

I understand that for this reason the current emphasis by the Nuclear Regulatory Commission (NRC) is to provide physical security to protect the fuel in these facilities. This is, in my opinion, the correct approach to the problem. The recent change to the law which will permit providing security clearances for all employees in sensitive positions, and the current security upgrading at these sites should provide a high degree of assurance that diversion of material for weapons does not occur.

I understand that both ERDA and NRC plan to release, in the near future, reports detailing the quantities of nuclear material not accounted for from all fuel fabricators in the United States dating back to the start of their operations. For security reasons I understand that some weapons information will not be released. Information concerning nuclear fuel fabricators and laboratories performing work for the Naval Reactor's program will be released. I have not seen these reports; consequently, I cannot offer specific comments. However, I am aware that they will

reveal material discrepancies similar to those already released. In my opinion, these discrepancies are most probably due to the causes I have discussed above rather than to some covert action by groups or individuals intent on illegal diversion. Of course, I have no proof of this.

It is unfortunate that as is so often the case with many modern day problems, there is no simple, absolute technical solution to the problem of safeguarding nuclear material. A balance must be struck between the risks of diversion and the benefits to our national civil and military programs this energy source provides.

THE WHITE HOUSE  
WASHINGTON

June 30, 1977

Stu Eizenstat  
Esther Peterson  
Frank Moore

For your information, the attached  
letters were signed by the President  
and given to Bob Linder for  
appropriate handling.

Rick Hutcheson

Re: Letter to Sponsors of FTC  
Improvement Act

6/30/77  
THE WHITE HOUSE

WASHINGTON

June 28, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT  
ESTHER PETERSON *EP*

SUBJECT:

Letter from Sponsors of FTC Improvements Act

Attached is a letter to you from the sponsors of the Federal Trade Commission Improvements Act of 1977, recently reported out by the Commerce Committees of both Houses. As stated in the draft response we have prepared for your signature, the bill contains various streamlining provisions to expedite FTC procedures. It also contains a provision which authorizes class suits to redress violations of FTC rules and orders. In communications from the Justice Department to the Committees prior to markup, the Administration endorsed this provision.

Our staffs have reached agreement with the Senate Commerce Committee staff and with Congressman Eckhardt to delete provisions in the bill to which OMB objects, if you send a letter endorsing the remainder of the bill. The class action section in particular is under fire from business sources, and your support will be critical.

We urge that you sign the letter, both to secure removal of the offending sections of the bill, and to promote enactment of a consumer bill which is generally sound. If the bill passes, you will have achieved legislation on one of the four points in your consumer message this year.

The class action provisions are consistent with the recommendations made in your Consumer Message to Congress.

WARREN G. MAGNUSON, WASH., CHAIRMAN

HOWARD W. CANNON, NEV.  
RUSSELL B. LONG, LA.  
ERNEST F. HOLLINGS, S.C.  
DANIEL K. INOUE, HAWAII  
AOLAI E. STEVENSON, ILL.  
WENDELL H. FORD, KY.  
JOHN A. DURKIN, N.H.  
EDWARD ZORINSKY, NEBR.  
DONALD W. RIEGLE, JR., MICH.  
JOHN MELCHER, MONT.

JAMES B. PEARSON, KANS.  
ROBERT P. GRIFFIN, MICH.  
TED STEVENS, ALASKA  
BARRY GOLDWATER, ARIZ.  
BOB PACKWOOD, OREG.  
HARRISON M. SCHMITT, N. MEX.  
JOHN C. DANFORTH, MO.

## United States Senate

COMMITTEE ON COMMERCE, SCIENCE,  
AND TRANSPORTATION

WASHINGTON, D.C. 20510

June 9, 1977

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

On April 6, 1977 you released a consumer message to the Congress. Notable attention has been paid to your statements concerning the need for an Agency for Consumer Advocacy, however, we would like to bring to your attention the steps which have been taken in partial fulfillment of your support for efforts to enable citizens to sue as a class to enforce their rights.

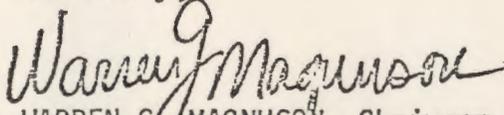
On May 16, 1977, the Senate Committee on Commerce, Science, and Transportation and the House Committee on Interstate and Foreign Commerce reported legislation which partially addresses this need. S. 1288 and H.R. 3816 would establish a limited right for citizens to bring actions as a class for violations of Federal Trade Commission rules and cease and desist orders. The provision has been narrowly tailored and is only a partial step towards your objective.

But the acrimonious opposition and intensive lobbying against these modest citizen action provisions does not bode well for your objective of a broad class action statute.

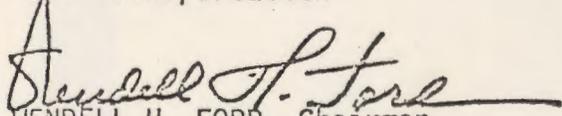
We believe that it is imperative for this initial step to be enacted, if your ultimate goal of a broad class action bill is to be successful. We would like to solicit your support for the citizen action provisions of S. 1288 and H.R. 3816. We are confident that our success in passing these modest provisions will enhance the opportunity for a broad class action statute.

We look forward to hearing from you.

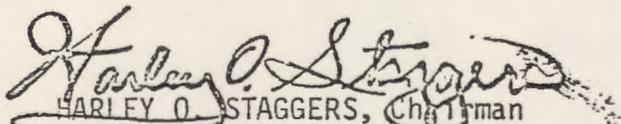
Sincerely,



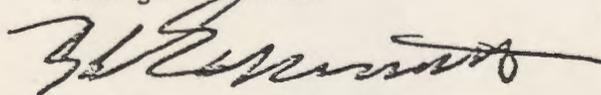
WARREN G. MAGNUSON, Chairman  
Senate Committee on Commerce, Science,  
and Transportation



WENDELL H. FORD, Chairman  
Consumer Subcommittee



HARLEY O. STAGGERS, Chairman  
House Committee on Interstate and  
Foreign Commerce



BOB ECKHARDT, Chairman  
Consumer Protection and Finance  
Subcommittee

To Chairman Harley Staggers

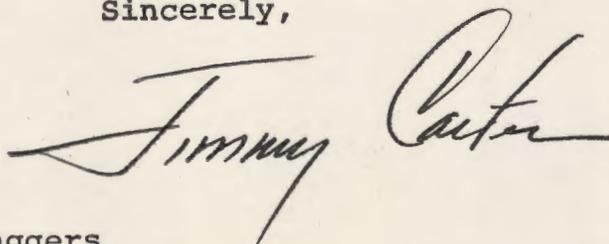
I have received your letter of June 9, 1977, regarding S. 1288 and H. R. 3816, the Federal Trade Commission Improvements Act of 1977. This bill will streamline the procedures of the Commission and enable it to perform its consumer protection functions in a more efficient manner.

One section of this bill, which I regard as particularly important, would supplement the Commission's own enforcement resources by authorizing consumers to bring class suits to redress violations of FTC rules and orders. In the message I submitted on April 4, 1977, on consumer participation in government, I stated my support for responsible measures authorizing consumer class actions. The class action section of this bill is a sound first step in this direction.

While I support the general purpose and most of the individual provisions of this legislation, it contains three sections to which I object. As explained in the letter dated April 8, 1977, from the Office of Management and Budget to Chairman Staggers, Sections 8, 9, and 13 of the House bill (formerly Sections 10, 11, and 14), and Sections 2, 3 and 4 of the Senate bill unduly interfere with the President's authority to manage the government. As recommended in the OMB letter, I urge that these provisions be deleted from the bill.

With these deletions, I support enactment of this legislation, which will provide valuable assistance in the efforts of the Federal government to enforce consumer rights.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

The Honorable Harley O. Staggers  
U. S. House of Representatives  
Washington, D. C. 20515

To Congressman Bob Eckhardt

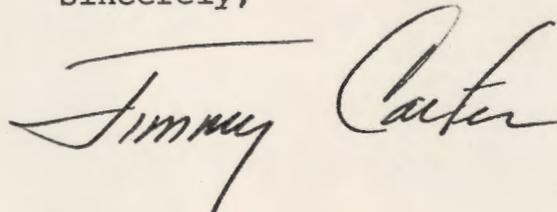
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The Honorable Bob Eckhardt  
U. S. House of Representatives  
Washington, D. C. 20515

To Senator Wendell Ford

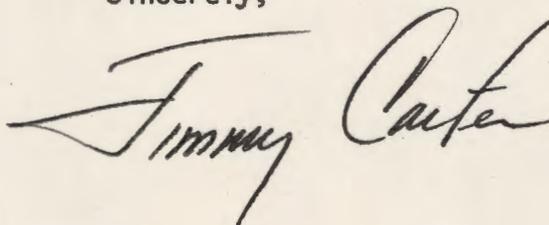
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The Honorable Wendell H. Ford  
United States Senate  
Washington, D. C. 20510

To Chairman Warren Magnuson

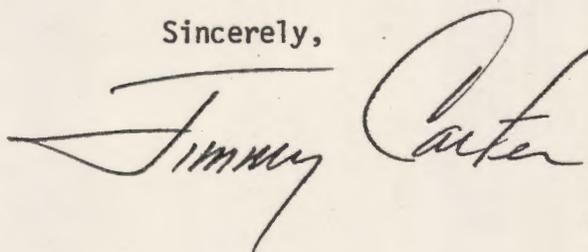
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The Honorable Warren Magnuson  
United States Senate  
Washington, D.C. 20510

NEIL JOHN WELCH  
Special Agent in Charge

AGE: - 50 - born August 9, 1926  
at St. Paul, Minnesota

RESIDENCE ADDRESS: - 225 Colket Lane  
Devon, Pennsylvania 19333  
Telephone: (215) 293-0673

BUSINESS ADDRESS: - Federal Bureau of Investigation  
8th Floor, Wm. J. Green Federal Building  
600 Arch Street  
Philadelphia, Pennsylvania 19106  
Telephone: (215) 629-0800

EDUCATION

<u>School</u>	<u>Years</u>	<u>Degree</u>
University of Nebraska, Omaha	1946-1948	
Creighton University, Omaha	1948-1951	J.D.

MILITARY SERVICE

<u>Branch</u>	<u>Years</u>	<u>Grade</u>
Navy	1944-1946	Fireman Second Class

Conduct rating during military service was 4.0 out of 4.0. Other ratings during military service was never lower than 3.5.

Decorations: Victory Medal  
American Area Medal  
Philippine Liberation Ribbon  
Asiatic-Pacific Medal

EMPLOYMENT

<u>Agency</u>	<u>Location</u>	<u>Dates</u>	<u>Duties</u>
F.B.I.	New Haven, CT	9/51-9/52	Special Agent - general investigative duties.
F.B.I.	Boston, MA	1952	Complex investigative duties, with emphasis on major crimes e.g. Brinks robbery.
F.B.I.	Bangor, ME	1953	Resident agent - all matters within jurisdiction of the Bureau.
F.B.I.	New York, NY	11/53-10/56	Organized crime; beginning supervisory positions.
F.B.I.	Washington-HQ	1956-61	Headquarters supervisor; reviewed and supervised field investigations.
F.B.I.	Washington-HQ	1961	Inspection staff, specializing in organized crime matters.
F.B.I.	Tampa, FL	1962-64	Assistant SAIC - supervised organized crime and general investigative matters.
F.B.I.	Jackson, MS	7/64-10/65	Assistant SAIC - general supervision; emphasis on civil rights matters.
F.B.I.	Washington-HQ	10/65-4/66	Inspector - inspection of field offices with specialization in organized crime investigations.
F.B.I.	Buffalo, NY	4/66-5/70	SAIC - general supervision of a 17 county area. Continued emphasis on organized crime investigations.

EMPLOYMENT CONTINUED

<u>Agency</u>	<u>Location</u>	<u>Dates</u>	<u>Duties</u>
F.B.I.	Detroit, MI	5/70-7/75	SAIC - general supervision of large office.
F.B.I.	Philadelphia, PA	7/75- Present	SAIC - continued as the supervisor of a large office; began the Bureau's "quality case" program with emphasis on organized crime, white collar crime and corruption in government, labor, and business.

POLICE RECORD: None

OTHER: Military medical records indicate that on August 5, 1946, a disability claim was filed in connection with treatment for sore throat, tonsils and dental treatment received in 1944. Claim was filed at the Veteran's Administration, Lincoln, Nebraska, under Claim No. 8501-110. There is no indication of payment. Last examination in August, 1950, showed no defects and fit for duty.

Candidate states that he has no knowledge of the above action.

3:10 PM

THE WHITE HOUSE

WASHINGTON

June 29, 1977

MEETING WITH NEIL WELCH  
CANDIDATE FOR FBI DIRECTOR

Thursday, June 30, 1977

3:10 p. m. (10 minutes)

The Oval Office

From: Mary Lawton, U. S. Department of Justice  
and Robert J. Lipshutz *RJL*

I. PURPOSE

The interviews with the five individuals recommended by the Committee on Selection of the Director of the FBI have been scheduled to begin on June 30. Neil Welch, Special Agent in Charge of the FBI Office in Philadelphia, has been scheduled on that day and is the second of the five to be interviewed. He will meet with Attorney General Bell earlier on the afternoon of the 30th for an extensive interview and will then meet briefly with you.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: Mr. Welch is the only present FBI employee on the list presented by the search committee. He has been an employee of the FBI since 1951, having joined after receipt of his law degree. He rose through the ranks to the position of Special Agent in Charge and has served in that position since 1966, first in Buffalo, New York, and then in Detroit and Philadelphia. He is now 50 years of age. He has a reputation as a tough investigator of organized crime cases. Mr. Welch's resume is attached to this briefing paper.

B. Participants:

Mr. Neil Welch  
The Vice President

C. Press Plan: Due to the short time available for you to talk with Mr. Welch, no press or photographers have been scheduled for the meeting.

THE PRESIDENT HAS SEEN.

C  
/

RESUME - FACT SHEET

BIOGRAPHICAL DATA:

NEIL J. WELCH  
Special Agent in Charge  
Federal Bureau of Investigation  
8th Floor, 600 Arch Street  
Philadelphia, Pennsylvania

Born: August 9, 1926  
St. Paul, Minnesota

EDUCATION:

Public schools at Omaha, Nebraska  
Undergraduate at University of  
Nebraska at Omaha  
Juris Doctor degree, Creighton  
University, Omaha, Nebraska,  
1951

EMPLOYMENT:

United States Navy - 1944-1946  
Federal Bureau of Investigation,  
Special Agent beginning June 25, 1951  
Special Agent in Charge since April  
1966

ASSOCIATIONS:

Nebraska Bar Association  
American Bar Association  
Admitted to practice in Nebraska  
Federal Bar in Nebraska and by  
U.S. Supreme Court

PERSONAL DATA:

Married to GERALDINE E. MCLEOD  
June 25, 1955. Two sons, NEIL, JR.,  
age 20, pre-law student, Washington  
and Lee University, and BRIEN, age  
17, at home.

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RESUME

February 1977

NEIL J. WELCH  
SPECIAL AGENT IN CHARGE  
PHILADELPHIA FIELD OFFICE  
FEDERAL BUREAU OF INVESTIGATION

I have, at the present time, completed nearly 26 years of service as a Special Agent in the Federal Bureau of Investigation, having entered on duty on June 25, 1951. I am, at the present time, the Senior Special Agent in Charge in the FBI, that is from a standpoint of eleven years of service as an Agent in Charge. As a matter of fact, I am third, in order of experience as an Agent in Charge and Senior Official of the FBI.

Following the introductory paragraphs, I have set forth with some particularity the highlights of my personal career in the Federal Bureau of Investigation, which I will briefly outline as follows:

I was born August 9, 1926, at St. Paul, Minnesota, currently age 50. At the age of five, my family moved to Omaha, Nebraska, where I grew up and attended public schools. Enlisted in the U.S. Navy in 1944, at age 17, and served on a Combat Troop Ship in the South and Western Pacific theatre; honorably discharged in 1946. Following Naval Service, I attended the University of Nebraska at Omaha and received my Juris Doctor degree from Creighton University in Omaha in 1951. Admitted to the Nebraska State and Federal Bar Associations and have been admitted to practice before the U.S. Supreme Court. I am a current member of both the Nebraska and American Bar Associations.

I was appointed a Special Agent in Charge in April 1966 at Buffalo, New York. In May 1970 I was transferred as Special Agent in Charge to the Detroit Office and again in July 1975 was transferred to assume the same position at Philadelphia, Pennsylvania.

Beginning in 1966 at Buffalo and continuing on through all of my three Field Offices, I have pursued a quality investigative program, designed to achieve major and significant accomplishments, particularly in the field of Organized Crime, White Collar Crime and Corruption. I believe the records of

the FBI will clearly indicate that in all three offices, record was established during my period of leadership, reflecting innovation as well as excellence in investigative effort and accomplishment, second to no other Field Office in the FBI. The management of these Field Offices, I believe, has been characterized by strength, certainty, sureness of purpose, method and control designed to fully utilize the great resources of the talent and dedication of the FBI personnel serving under me. This record was achieved through fulfillment of my personal philosophy of management, which has always been designed to achieve high morale through a full-time effort to achieve challenging quality investigative results.

Two observations should and must be set forth as regards the record of my performance as an Agent and Agent in Charge. First of all, it needs to be stated on the record that I have been a career-long critic and strong opponent of the philosophy and execution of the Domestic Intelligence and Internal Security programs of the Federal Bureau of Investigation. It is well known throughout the FBI and well documented as well that I have outspokenly opposed consistently and have done all within my ability and authority to oppose first of all the over-broad scope of the Internal Security investigative programs and more particularly the extra-legal methods utilized in these investigations, especially the so-called "Cointel" or Counterintelligence Program. The records of the FBI will clearly indicate that upon assuming responsibilities as a Special Agent in Charge, I refused on all occasions to allow the implementation of the Counterintelligence Program in my Field Offices. I took repeated steps to stop the implementation of this Program in my offices; I took aggressive action to insure that Agents did not participate in these Programs; I refused to permit my Agents to engage in these Programs and I took other aggressive steps to insure that "Cointel" activities were not carried on in my Field Offices.

I have received a number of compliments and encouraging words during my career, but one comment that I prize very highly is a statement made not long ago by a Special Agent assigned to the Detroit Field Office, who for a number of years in the early 1970s was assigned to the investigation of Internal Security cases. He recently said that the first he ever

heard of the "Cointel" program was when he read about it in the newspapers. I treasure this statement because it means I was successful in my effort to prevent the corruption of my offices and my young Agents through their involvement in the "Cointelpro."

Secondly, it must be said that I have also been a career-long, outspoken critic of the general organizational structure of FBI Headquarters operations. I feel that what has developed at our FBI Headquarters over the years is a ponderous, ineffectual, costly, bureaucracy which does not contribute substantially or materially to the essential work of the FBI. I have also been strongly critical of the general philosophy of management at FBI Headquarters in times past, which I would characterize as totally autocratic, dominated by a few individuals of predominantly administrative background, lacking in the total investigative-work experience necessary for top command and generally recognized as such by Field personnel. Some of these individuals, as we now know fully, have ill served both the FBI and the public through personal and official misconduct, thereby establishing a terrible example of leadership which has had a serious adverse effect throughout the FBI.

Some elements of this previous leadership of the FBI can also be characterized as being in all too many instances totally unfair, unfeeling, harsh and repressive in personnel policies which have placed a heavy and unnecessary burden on an organization already struggling with difficult and immense work problems.

My criticism in these two areas, I believe, is widely known throughout the FBI. My opposition in these areas has on occasions in the past incurred for me considerable enmity and brought my FBI career to near ruin. Notwithstanding this, however, I do take pride in the fact that in fulfilling my responsibilities as an FBI leader, I have never lost sight of the fact that my primary responsibility is to show courage and demonstrate proper example.

As FBI Director or in a position to influence a future Director of the FBI, I certainly would vigorously propose the total reorganization and the reconstitution of FBI Headquarters' administrative and personnel organization and functions. To be brief about the matter, the object of a

new design for the Federal Bureau of Investigation would be to place the emphasis on INVESTIGATION and not on Bureau.

I would truly submit that the FBI has not had in recent memory at Headquarters level, strong, knowledgeable, investigative leadership. We need to have strong investigative leaders to develop a totally integrated investigative game plan which will be totally harmonious with the desires of the Attorney General for the implementation of national investigative and prosecutive priorities. The FBI needs to implement this investigative game plan with new effective, investigative leadership and with a new administrative structure designed to achieve for the first time effective control and direction of Field Office operations, which the present organization is grossly incapable of achieving. We need to dedicate all of our auxiliary and support services to achieve maximum positive results in a redesigned quality investigative program. In short, we need strong, effective leadership in the FBI to accomplish a new beginning. We need to give the dedicated, loyal and extremely capable employees in the FBI the opportunity to once again prove themselves and to restore completely the full trust and confidence in the FBI by the public. The work force of the FBI is fully capable of discharging this responsibility. It needs but to have strong and effective leadership in order to achieve its mission - for all of our citizens more full and equal justice under the law.

#### CAREER HISTORY

Entered on duty June 25, 1951. Upon completion of training school September 1951, assigned to the New Haven Field Office and subsequently to the Stamford, Conn., Resident Agency. General overall investigative work experience.

September 1952, assigned to the Boston Field Office. Worked major criminal cases in the City of Boston and metropolitan area thereof, primarily kidnapping, extortion and bank robbery cases. Also worked on the Brinks robbery case and the Danvers armored truck case and had first experience with Organized Crime elements in the investigation of the Italian and Irish mob activities in the New England area. In 1953, served as Resident Agent at Bangor, Maine.

November 1953, assigned to a Criminal Squad in the New York Field Office. For the next three years worked Organized Crime and Criminal cases in the New York Office in the metropolitan New York area. Again had experience with La Cosa Nostra activities and the investigation thereof. Became a Relief then an acting Field Supervisor of criminal cases in the New York Office. Worked many major cases, including the Weinberger kidnapping case.

In October 1956, assigned as a Supervisor in Criminal Section, FBI Headquarters and for the next five years was involved in the supervision of Criminal and Organized Crime investigations at FBI Headquarters and was Unit Chief or Supervisor in Charge of all Interstate Crime cases. Served on Inspection Staff for one year, specializing in the examination of Organized Crime Programs in the Field, particularly at New York and Chicago.

In the Fall of 1962 was assigned as Assistant Special Agent in Charge at the Tampa Field Office. Supervised Organized and General Criminal matters in Central Florida.

In July 1964, reassigned as Assistant Agent in Charge at the new field office at Jackson, Miss. Was involved in the establishment of the new field office at Jackson and in the supervision of criminal cases in the State of Mississippi, particularly those involving the KKK in the State and was involved in the major Civil Rights investigations conducted by the Jackson Office.

In October 1965, assumed duties as an Inspector at FBI Headquarters and for the next seven months was engaged in inspecting FBI Field Office operations, again specializing in the review of Organized Crime activities in the field, particularly at New York and Chicago.

April 1966, assumed duties as Special Agent in Charge at Buffalo, N.Y., covering the 17 counties in Western New York State. Buffalo is a Grade 2 or larger than average Field Office. During my four years at Buffalo, our office was successful in making major break-throughs in the Organized Crime field. We were able to bring about significant disruption and

prosecution of the Organized Crime family in Western New York. This office was the first to make a major contribution to the investigation of Organized Crime through the full utilization of legal wire-tap authority and in the utilization of new Federal gambling jurisdiction. The Buffalo Field Office, during this period of time, received a number of public commendations for its outstanding investigative achievements. I received several citations, one for being "the outstanding citizen" of Buffalo for the year 1968 by the "Buffalo Evening News". Our office and myself were also cited by a University and by the Catholic Diocese in Buffalo for its achievement in the war against Organized Crime. In addition, in 1969, I received a personal citation by the 100 Club of Buffalo as the Police "Hero of the Year" in the Western New York area as a consequence of my personal performance of duty involved in a personal confrontation with one WINSTON MOSELY, the infamous mass psychopathic killer, in the KITTY GENOVESE case, and which involved an hour long gun to gun confrontation when I was fortunately able to successfully rescue a young mother and her baby who were being held as hostages by MOSELY in an apartment at Grand Island, N.Y.

In May 1970, assigned as Special Agent in Charge of the Detroit Field Office. For the next five and a half years, the Detroit Office established an unequalled record of performance, statistically and qualitatively, in the investigation of Organized Crime and Racketeering in the State of Michigan. Many noteworthy achievements could be mentioned, including a gambling raid on May 6, 1971, in 47 cities in the State of Michigan involving over 300 individual defendants in a number of gambling and anti-racketeering cases, including one which involved major corruption in the Detroit Police Department.

Again, these and other related cases were made possible through the full utilization of court-authorized wiretaps and techniques which the Detroit Office successfully utilized in an unparalleled fashion. Also of note was the successful investigation of the Ku Klux Klan in the State of Michigan, who were identified and convicted in a case involving the burning of school buses at Pontiac, Michigan.

While at Detroit, I was also personally involved in the research and development of programs relating to the computerization and modernization of FBI Field Office functions, including the computerization of the handling of major crime cases.

Was assigned in July 1975, as the Special Agent in Charge at Philadelphia. The Philadelphia Office was designated as a pilot office in the full development and utilization of the "quality case" program. Again, as at Buffalo and Detroit, the office at Philadelphia was totally reorganized and designed to produce maximum quality accomplishments in the areas of Organized Crime, White Collar Crime and Corruption in Government, Labor and Business. Again, a record of cooperation with the Department of Justice in these areas and in the development of new investigative programs and successes in achieving indictments was achieved in Philadelphia on an unparalleled basis. In short, new investigative programs were developed and refined at Philadelphia which can, and indeed should, well serve as a model for utilization throughout the whole of the FBI.

Again in Philadelphia as at Buffalo and Detroit, new programs were designed to effectively utilize the capacity the FBI has for undercover and sophisticated penetration of all elements of Organized Crime activities. Program of these three Field Offices in this particular area have been particularly successful over a period of ten years and a record has been achieved in the three Field Offices unequalled in FBI history.

In all of these areas of achievement in the three Field Offices, I claim no personal genius, but only the fact that I have the good judgment to provide the kind of leadership which created an atmosphere of good morale and allowed the fine men and women employed in these offices to realize their full potential. I believe my leadership actions in the FBI have been in addition characterized by innovation and a progressive philosophy.

I have been indeed fortunate in my career to have had the many opportunities to have been of service to my country. In my heart, I feel I have been a true and faithful servant of the people.

# The Philadelphia Inquirer

An Independent Newspaper

Published Every Morning by Philadelphia Newspapers, Inc.  
400 N. Broad Street, Philadelphia, Pa. 19101

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SAM S. McKEEL  
President

EUGENE L. ROBERTS JR.  
Executive Editor

DAVID GELSANLITER  
General Manager

EDWIN GUTHMAN  
Editor

Tuesday, June 28, 1977

Page 6-A

## Choosing an FBI chief: Neil Welch rates high

The new FBI director should have "a commitment to the Constitution in his bones, so that when things are going wrong, no one has to tell him he can feel it in his bones," said Irving S. Shapiro, who headed President Carter's nine-member citizens' panel which has nominated five men for the post.

Mr. Shapiro, chief executive officer of Du Pont, was describing the standards which the panel used in selecting the finalists from among some 230 candidates. Unfortunately, it now appears that the search was something less than thorough.

Los Angeles Times reporters quickly found that one of the finalists, William Lucas, sheriff of Wayne County, Mich. (Detroit), twice accepted free air travel and Las Vegas hotel rooms from a gambling junket operator, vacationed free at a Detroit businessman's home in Puerto Rico and received an expenses-paid trip to California from another Detroit executive. Though Mr. Lucas has a good record in law enforcement, his lack of judgment in accepting the freebies disqualifies him from further consideration as FBI chief.

What is pertinent in judging the Shapiro panel's performance — and what is discouraging — is that it did not find out about the favors Mr. Lucas has admitted he received. Instead of adopting objective criteria and having full investigations made before selecting the finalists, the panel used "gut judgment, really," Mr. Shapiro told the Los Angeles Times, adding, "You can do a pretty good job of judging character by seeing people and talking to them and asking the right kinds of questions."

Obviously, in Mr. Lucas's case, the panel failed to ask "the right kinds of questions" and that raises doubt about the selection process. President Carter's penchant for setting decision deadlines may be partly responsible. Mr. Carter gave the panel 90 days to come up with its nominees. When Mr. Shapiro asked for two more months, Mr. Carter gave only a 30-day extension.

However, the panel can't plead lack of time if the evidence mounts that its search was superficial, and the evidence is mounting that it came up with only one finalist — Neil J. Welch, special agent in charge of the FBI's Philadelphia office — who has the experience, the independence and the qualities of leadership that will be needed to reform the FBI and rebuild it into a crack law enforcement agency.

Any objective study of the FBI has to lead to the sad conclusion that the late J. Edgar Hoover left a shell—not a highly motivated, really effective organization—when he died in 1972; that his enormous public reputation and his ability to hurt those who differed with him blurred the true situation by minimizing criticism and congressional oversight and by blocking reform from within.

History will deal with Mr. Hoover, and not too kindly, we would venture to predict. Now it is time to move on. However, an autocratic, over-staffed bureaucracy that surrounded Mr. Hoover in FBI headquarters in Washington is still largely intact. It needs to be rooted out. One of the strongest points in Mr. Welch's favor is that he would do just that.

FBI full field investigations of the finalists are being completed. Then Attorney General Griffin Bell and President Carter will interview them, so it is prudent to withhold judgment until all the returns are in. It is clear, however, that regardless of how the Shapiro panel did its work, Mr. Welch would be a strong candidate under any selection process.

Mr. Welch's FBI record is one of personal courage and vigorous leadership, particularly in undertaking major campaigns against organized crime, political corruption and white collar crime. In the late 1960s and early 1970s he openly opposed the philosophy and execution of the FBI's extra-legal domestic intelligence activities and is on record as having refused, while heading the FBI offices in Detroit and Buffalo, to let his agents participate in the infamous Cointel program.

What impresses us most about Mr. Welch is that he is a rare Special Agent in Charge, one who opposed Mr. Hoover and the palace guards, going to the wall in the FBI, so to speak, and he survived—or was tolerated—because of his ability as a lawman. He appears to have done his duty as a man who, as Mr. Shapiro put it, had "a commitment to the Constitution in his bones."

Mr. Carter has said it is "likely" he will choose the ~~FBI~~ director from the list of five, but he can select someone else. A credible case can be made for picking a person with a national reputation who does not come from within the FBI—Supreme Court Justice Byron White, U. S. District Judge Frank Johnson of Alabama, New York City District Attorney Robert Morgenthau and former New York City Police Commissioner Patrick Murphy are some well-qualified names that come to mind.

The belief that being an outsider would be an advantage may be an illusion, however. If the FBI is to once again provide effective law enforcement, the fractious bureaucracy in Washington must be dealt with as a matter of first priority. Mr. Welch's record indicates he may be the best qualified person to do so because he has seen close up its repression and its ineffectiveness and he needs no convincing that it should be ousted.

The choice of an FBI director will be one of the most difficult but most important decisions Mr. Carter makes as President. He need not set another deadline for acting. He must be certain he selects a new director who will give the FBI the integrity and leadership which it deserves and which the nation needs.

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MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN.

INFORMATION

30 June 1977

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

1. Note of congratulations on the B-1 decision from your speechwriting staff. ✓
2. ALAN CAMPBELL MEMO describing the goals of the reorganization study of the civil service system ("Personnel Management Project"). Goals include: streamlining personnel management; protecting the system from Watergate-type abuses; making the system more responsive to agency management without aggravating relationships with unions and rank-and-file employees; ensuring equal opportunity without moving toward preferential treatment for any group; and management of paysetting and employment benefit programs. ✓
3. HUBERT HUMPHREY SPEECH on the presidency, given in 1976, and forwarded via Jack Watson. The Senator highlighted, by hand, the following points made in the speech:
  - the proper response to a period of 'presidential autocracy' "...lies not in weakening the Presidency, but in choosing individuals for that office who can be trusted with its vast powers." ✓
  - the presidency "must be conducted openly, by political leaders not afraid to confide in the people." The choice is not between a vigorous presidency conducted behind closed doors, and an open presidency which is inert. Rather, the President must be open and confiding, and also a strong political leader, capable of winning support from other political leaders and from the people. ✓
  - "Congress ought not have to be 'veto proof' to be effective. Our system was not designed for confrontation. It was designed for shared power and responsibility in a spirit of accomodation." ✓

- The presidency is also a vital link in binding together the elements of the federal system. State governments have been growing in competence and importance. "We ought to encourage this important development. Governors should be drawn into closer coordination with one another, and with the federal government, through the establishment of regional Executive Councils, each one including a federal representative appointed by, and reporting directly to, the President." Regional councils should be responsible for planning and administering federal programs in their area.
  
- The President should establish a "Federal Council" consisting of the 50 governors and the President, which would meet regularly to exchange information. "There is no substitute for the personal working relationship between the President and the state executives." ✓

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THE WHITE HOUSE

WASHINGTON

June 30, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: YOUR SPEECHWRITERS

ABOUT: The B-1

We wanted to pass on our praise, congratulations, and thanks for the decision you made.

Jill Fallows

Griffin Smith

Michael Kermith

Susan Battles

Rick Hertzberg

Judy Dordick -

Jean Saar (secretary)

THE WHITE HOUSE  
WASHINGTON

ACTION	FYI
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ENROLLED BILL
AGENCY REPORT
CAB DECISION
EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

FOR STAFFING
FOR INFORMATION
<input checked="" type="checkbox"/> FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND

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THE WHITE HOUSE

WASHINGTON

July 1, 1977

Hamilton Jordan  
Jack Watson  
Stu Eizenstat

Re: Meeting of Governors

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

Rick Hutcheson

cc: The Vice President  
Midge Costanza  
Bob Lipshutz  
Frank Moore  
Jody Powell  
Tim Kraft

THE WHITE HOUSE  
WASHINGTON

7-1-77

To Ham. Jack - Stu

Assess expeditiously  
advisability of quarterly  
2-day meeting of all  
Governors here in Wash-  
ington - as regular  
scheduled affair. Agenda  
would encompass several  
Cabinet ~~meetings~~ offices  
& myself.

J.

**Electrostatic Copy Made  
for Preservation Purposes**

REMARKS OF SENATOR HUBERT H. HUMPHREY  
WESTERN REGIONAL PRESIDENTIAL SYMPOSIUM  
UNIVERSITY OF CALIFORNIA, IRVINE  
IRVINE, CALIFORNIA  
January 11, 1976

I welcome this opportunity to address an issue that should be of vital concern in the United States today -- the crisis of the Presidency.

We meet for these discussions of the Presidency at a dark and confusing hour. Our bicentennial celebration is just beginning and we are proud of our nation's achievement. The United States is not only the most powerful nation on earth. It is also -- and far more importantly -- the most durable republic in human history. We live under the oldest surviving written Constitution in the world.

Yet despite these very real achievements, we are in no mood for self congratulation. Too many of our people are out of work. Too many are hungry and inadequately housed. Too many of our cities and states are near default. And, worst of all, public confidence in our political institutions is at low ebb.

The truth is that this public doubt seems well deserved. The list of problems on the public agenda is long and frightening, but our government is deadlocked, at times almost paralyzed.

The President offers little leadership, and responds to Congressional efforts with a rain of vetoes. Without the cooperation of the executive branch, Congress has been hard pressed to develop a program for the nation.

Our government is simply not working properly, and people are beginning to wonder whether it is possible to summon up the will and strength to make it effective once again.

A generation of young people is growing up in an environment of political cynicism and alienation.

The Constitution has stood the test of time, and it is surely capable of adapting to the present crisis. The problem is not in our institutions. It is ourselves. Like the mythical Pogo, we "have met the enemy and they is us."

The beginning of the way out of our current predicament is the realization that it centers on the crisis of the Presidency. That is why discussions of the Presidency inevitably raise questions about the health of the whole system.

The Presidency, for better and for worse, in good times and bad, has become in Woodrow Wilson's phrase, "the vital place of action in the system." When that office is abused, or left dormant, the system's very life is threatened.

Originally the Framers intended that the powers of government be centered in Congress, the law-making body. The President's powers were outlined in almost cryptic terms, in a brief second article of the Constitution. They centered on his primary responsibility for the conduct of foreign relations, as commander-in-chief of the armed forces, and for the "faithful execution" of laws made by Congress.

There was some mingling of powers. The President could veto legislation. He was directed to report to Congress on "the state of the union" and to recommend measures that he deemed "Necessary and expedient."

-2-

Congress, in turn, had power to deny confirmation to executive appointments, and to withhold appropriations. But the basic division of labor seemed clear enough. Congress, the law-maker, was the primary policy-maker. The President was to administer the laws fairly and justly, and in the case of war to be the commander-in-chief, and to conduct foreign relations.

But the genius of the system, the quality that has enabled it to endure almost 200 years, is its flexibility and adaptability. The major adjustment, the one that has enabled the Constitution to adapt to modern times, has come with the "enlargement of the Presidency," in Rexford Tugwell's graphic phrase.

The phenomenon has not been confined to the United States. Throughout the western world, chief executives are no longer simply administrators of laws adopted by legislatures. The increasing interdependency of nations, and the increasing complexity of social and economic systems, has made expectation to fall on chief executives.

In our system, Congress still makes the laws, and the United States is still fundamentally a nation of law. In fact, the United States Congress is the most creative, most energetic legislature in the developed world, far more effective and independent than the legislative bodies in the great parliamentary democracies of Europe.

However, we live in an age in which positive government has become an inescapable necessity. And in an age of positive government, executive leadership -- leadership that can comprehend the nation's situation as a whole, leadership that can develop a coherent vision of a better future, and then call the national community toward actions that bring that vision to reality -- executive leadership of this kind has come to be expected, even demanded, by citizens of the leading democracy in the world. And the people are right.

Despite the changes wrought by the times, the system framed in the 18th century remains essentially intact. Power is still kept separated, shared among different authorities. It is still a fundamental principle of our system that no single person, no single group can be trusted with power alone.

This separation of power is a great blessing, as we have recently had opportunity to appreciate anew. For when a self-interested faction seizes control over one branch, another branch is there to restore discipline and fidelity to the system.

While there is good reason for keeping power separated, our system is also designed for cooperation and coordination between those separated branches, when the people give their confidence to a single party that is able to win the contest for the Presidency and hold control over both houses of Congress.

When this happens, the stage is set for a vigorous assault on the nation's problems -- provided that the President can take the lead in presenting a strong legislative program and in marshalling the resources of the executive branch in the difficult day-to-day job of governing.

Such vigorous coordination has in fact taken place at crucial times in the Nation's history. It happened under Abraham Lincoln and the Republicans. The great advances of Theodore Roosevelt's New Nationalism and Woodrow Wilson's New Freedom, of Franklin Roosevelt's New Deal and Lyndon Johnson's Great Society likewise took place in moments of Constitutional coordination and presidential initiative.

Some observers question whether the nation is ready now for a similar social and political renewal. After all, the pattern in our history has been for periods of presidential enlargement to be succeeded by periods of pause and reaction.

Thus, after Andrew Jackson's vigorous leadership came the serious failures in leadership by Martin Van Buren and John Tyler. After James K. Polk's solid achievements, reactions set in during the Presidencies of Millard Fillmore, Franklin Pierce, and James Buchanan. Lincoln's boldness was followed by the impeachment of Andrew Johnson and the incompetence and scandals of the administration of Ulysses S. Grant. Woodrow Wilson's energetic efforts were followed by stagnation under Warren Harding and Calvin Coolidge.

Recalling this pattern, some observers conclude that we are in for a period of reaction to the so-called "imperial Presidency." Certainly we have witnessed gross abuses of presidential power in recent years.

We have been lied to. The power of police agencies has been abused. Involvement in war, as in the civil war in Angola, and foreign intervention have been initiated without Congressional knowledge and approval. Funds for domestic programs have been impounded. Domestic agencies for economic development have been dismantled without Congressional approval. In short, we have lived in a period that has verged on presidential autocracy.

It is understandable, in reaction to this pattern, that some people have wanted to weaken the office of the Presidency. But that response is indiscriminating and it is wrong.

The answer lies not in weakening the Presidency, but in choosing individuals for that office who can be trusted with its vast powers, trusted to use them in full and willing conformance with the letter and spirit of the constitutional provisions for sharing power. A Constitutional President must realize that his responsibility is not only to use the power vested in the Presidency, but to exercise self-discipline in its use.

And the answer lies in choosing individuals possessing imagination, courage, and self-discipline, so that the Presidency's vast powers are put to work in the people's behalf.

There are two critical aspects of the Presidency. The first is that it must be conducted openly, by political leaders who are not afraid to confide in the people. As Woodrow Wilson said, the President is "the political leader of the nation ... When he speaks in his true character, he speaks for no special interest. If he rightly interprets the national thought and boldly insists upon it, he is irresistible, and the country never feels the zest of action so much as when its President is of such insight and calibre."

In this spirit, if political battle must be waged, as often it must be, the President must be determined to enlist the people on his side. And he must do so openly and candidly, not by deception.

This openness is essential, but it is not enough. Recent events have seemed to offer the choice between a vigorous Presidency conducted behind closed doors, and an open Presidency that is virtually inert. But that is a false choice. A President must be open and confiding, but he must also be a strong political leader, capable of winning support from other political leaders and from the people.

A President cannot lead alone. He must have the willing cooperation of other political leaders. Our system will not work otherwise. It is sometimes said that James K. Polk was the last President to manage the executive branch all by himself. That is probably an exaggeration, but even so, remember that in 1848, when Polk was President, the Federal budget was around 50 million dollars a year, and the civilian payroll was around 25 thousand employees, four-fifths of them in the postal service. Yet the job of managing a federal government even of this size completely exhausted Polk. He died a broken and bitter man, just a few months after leaving the White House.

If Polk was crushed by the labor of managing the federal government in 1848, it is obvious that the job can no longer be accomplished by direct command.

President Truman once remarked that General Eisenhower would have a hard time adjusting to the presidential office, given his military background. "The General will order 'Do this and do that.' And you know what?" Truman chuckled, "Nothing will happen." For this was precisely the sad experience of another General-become-President, Ulysses Grant.

A President must lead by persuasion. And he must persuade, not just his own staff and people of his own appointment in the federal government, but independently elected public officials throughout the land. There is no other way that our Constitutional system can be made to work. The President must be a person who can win the willing cooperation of independent citizens.

The essence of democratic government does not lie in giving commands, but in gaining consent. The Presidency, said Teddy Roosevelt, "is a bully pulpit." Yes indeed, the President must be the moral leader of the nation. But he must be more than a political philosopher and evangelist. He must be the teacher, the persuader, the advocate, the healer and the counsellor.

Let me illustrate what I mean more concretely.

The Presidency, the vital center of our governmental system, is the link that binds the political branches of the federal government. The President's primary instrument in this task is his political party. It is no coincidence that the recent crisis of the Presidency has been matched by a crisis in the major political parties. One cannot be restored without the other.

Genuinely popular government demands effective political parties. If the President is to rally the people to common purpose, he must first rally his political party.

The great Presidents of both parties have recognized this responsibility, and eagerly met it. Thomas Jefferson, Andrew Jackson, Abraham Lincoln, Theodore Roosevelt, Woodrow Wilson, Franklin Roosevelt, and in our own time, Harry Truman, John Kennedy and Lyndon Johnson -- all have stood forth as leaders of their parties.

The spectacle of the more recent past, by contrast, dramatically illustrates the need for Presidential leadership that does not shrink from the party connection, but rather leadership that is in a position to capitalize on it. Only through this leadership can legislation and administration be brought together behind a program to deal with the challenges facing the country.

Party leadership is one of the President's most difficult, most demanding tasks. American parties are notoriously undisciplined. They are not ideologically narrow or simple. American parties are broad, diverse, complex, and filled with internal tensions. One of the President's first responsibilities is to take the lead in finding common ground, on which all of his party's elements can stand, and to teach them the habit of standing together.

Broad as American parties are, they do present a real constituency for a President who can mobilize it. A President who intends to act positively, to lead the people in common enterprise for the public welfare, will find most of his natural allies gathered in the Democratic Party. If he can rally that party, he can build majorities for his program. The country has been without this kind of leadership for nearly a decade.

The importance of Presidential leadership for the party has been dramatically illustrated during the last session of Congress. In the Congressional elections of 1974, a large new group of Representatives was elected and came to Washington full of bright hopes for a more responsive and active government. Now after a year of dubious battle with a White House that has utterly failed to give clear direction, the "Class of 1974" is understandably discouraged.

A year ago, there was some talk among people who should know better that this Congress might be "veto proof." Now, a cruel disillusion has set in.

✓ | But Congress ought not have to be "veto proof" to be effective. Our system was not designed for confrontation. It was designed for shared power and responsibility in a spirit of accommodation.

The system was designed for cooperation, in the public interest. The new young members of Congress, and many of their elders, have good legislative ideas. They are prepared with bills that address the problems of this nation. They have, in fact, accomplished a great deal. But the utter lack of executive cooperation -- indeed, the prospect that these good ideas would be blocked by vetoes -- has sacrificed much of the promise that existed just one year ago.

One of the most discouraging episodes in the last disheartening year was the recent struggle over the tax cut. Everyone agreed that the tax cut should be extended. Meanwhile, Congress was in the midst of implementing the new Budget Control Act, which requires Congressional discipline in relating revenues and expenditures. Many were skeptical about this Act when it was passed, but even the skeptics now admit that it is working remarkably well.

President Ford, however, refused to recognize this progress. Instead, he set himself against it, insisting that Congress tie a spending ceiling to the tax cut -- a spending ceiling for the fiscal year beginning ten months from now. It was a foolish demand in any case, but particularly so in light of the progress that Congress has been making in disciplining itself on budgetary matters.

✓ | | The Presidency is a vital link in our political system in another sense, too. It is the link that binds the elements of the federal system together. Our national government spends billions of dollars each year on domestic purposes. We most urgently need a more effective way to administer these services. Part of the answer lies in a more creative use of the federal system.

Washington does not have all the answers. The time has come to recognize that there is solid experience and competence, as well as grass-roots knowledge, in our state capitals.

We know that government must be more responsive and efficient. One major step to achieve this is to establish a close relationship between the chief executives -- between the President and the fifty state Governors.

In recent years, partly through revenue sharing and federal grants and loans, state governments have been growing in competence and importance. Also, because of the Supreme Court rule of one-man, one-vote, state legislatures have become much more representative and thereby more responsive to the needs of the people. State legislatures today are filled with young men and women of talent and competence, with imagination and ability. Also, the office of governor has been attracting able men and women, capable of administering complex affairs, and eager to understand the affairs of their states in a broader, regional framework.

We ought to encourage this important development. Governors should be drawn into closer coordination with one another, and with the federal government, through the establishment of regional Executive Councils, each one including a federal representative appointed by, and reporting directly to, the President.

See this

These Regional Councils should be responsible for planning and administering federal programs in their area, on the basis of plans prepared by the Governors of each region, working in cooperation with regional representatives of the federal departments.

But something more is needed to make our federal system cooperative and efficient. Our country is characterized by cultural, geographic and economic differences. These differences can either add to our strength or be a serious problem in the conduct of government.

Therefore, I propose that the modern Presidency should include the establishment of a Federal Council, consisting of the 50 Governors and the President. This council should meet regularly on a systematic basis so that the President may outline to the Governors his proposals and initiatives, and receive from the Governors their advice and counsel in the preparation of the federal budget, the administration of the departments, and the implementation of federal laws.

See this

There is no substitute for the personal working relationship between the President and the State executives. The federal system is not just the government in Washington. It is a national government represented by the President and the 50 State governments represented by the Governors.

We live in a time in which doubts about democracy are very profound. Everyone agrees that government of, by, and for the people is a great dream, but many doubt that it will work for a nation that spans a continent and includes regions of the utmost variety. Certainly, the administration of such a government requires better planning than we have had in this country until now.

Our forefathers struggled against tyranny, against government by birth, by wealth, or class, and against sectionalism. Today, we struggle against confusion, ineffectiveness, waste, bureaucracy, and inefficiency. Our struggle is less glorious than theirs, but just as critical, if the dream of democracy is to be realized. The search now must be for means of coordinating a more decentralized administration. That is one of our primary challenges.

Another basic challenge is for the United States to become a mature world power. We have become a world power but, regrettably, as a representative government we have only a half-world knowledge.

And this is understandable. As Adlai Stevenson once said, "Government is like a pump, and what it pumps up is just what we are -- a fair sample of the intellect, the ethics, and the morals of the people, no better, no worse." And I might add

that while power can come swiftly, knowledge and judgment come through long experience of pain, suffering, study and action.

We must recognize the limits of power in this modern age -- power that recognizes the rights and aspirations of other nations and people; and power that is used with resolution, when vital interests are genuinely at stake, but always with restraint. Above all, it will be power that is shared to promote the benefits of peace and development throughout the community of nations. And, it must be power that is exercised with a constant sense of moral obligation.

However, this mature understanding of the exercise of power by our Nation, recognized as the greatest military and economic power in world history, must begin with a clear understanding of the limits and obligations of power in the Presidency itself, by the incumbent in that office.

The awesome power of the modern Presidency has tempted recent incumbents to dispense with the hard work of sharing their power. It has seemed too difficult, too risky, and unnecessary, at least in the short run, and especially in national security affairs, for the President to share his power with anyone who disagreed with him.

But we have learned that an autocratic Presidency is the greatest danger in our system. We need an active Presidency, but one moderated by the determination to take counsel widely. Our President must be a person to whom cooperation comes naturally, for whom coordination is a deeply ingrained habit and style of operation.

We expect our President to be active.-- to be a leader. But we must remember that the appropriate activity for a President is communication with the people, listening carefully to the voice of the land, and winning popular assent for good and necessary measures. He must not only lead the people, he must also heed their concerns. He must not only be the leader, but also the healer.

We are at the beginning of a critical election year. The leader chosen this year must rally the people to new effort. He must restore confidence in a system that has worked through storm and stress for 200 years, a system that has survived wars and depressions, but is now suffering an acute internal crisis.

No foreign foe, no economic crisis has been able to break the spirit of this nation. But leaders who broke faith with the people have tried its soul. Unless the confidence of the people is won back, the future is bleak. But if the energies of the people can be rallied, we will embark upon the third century with renewed confidence.

I do not accept the conventional assessment that Americans are ready to support a radical dismantling of governmental institutions and programs designed to achieve a higher level of justice and happiness among our citizens. That is not what people are saying when they tell public opinion experts about their disillusionment and cynicism.

No, the people are expressing their natural feelings toward a government that has failed to keep its promises and that has imposed sacrifices without accepting a corresponding obligation to deliver results.

The people are not necessarily asking for something new and revolutionary. They are seeking a return to fundamentals, to standards that are basic and even old fashioned. People want honesty and integrity in public life. They want decency and fair play. They want to be trusted so that they can trust their government. They are seeking character and substance, rather than charisma and image.

The people are crying out for a government that works . . . one that understands their problems and that makes an honest and compassionate effort to help solve them. And when the people once again encounter such a government, they will give it their enthusiastic and loyal support.

Can a system based on free elections, on representation, on open decision-making, persist under modern conditions? The question is perpetual. The jury is out, as it always is. The record of the past inspires confidence. But a great deal depends upon the choice made this year, and on the quality of leadership provided by the person selected as the next President of the United States.

One of the great moral political leaders of our time was my dear and good friend, Adlai Stevenson. Adlai reminded us of the requirements of self-government, in a statement that reads as follows:

"Democracy is not self-executing. We have to make it work, and to make it work we have to understand it. Sober thought and fearless criticism are impossible without critical thinkers and thinking critics. Such persons must be given the opportunity to come together, to see new facts in the light of old principles, and evaluate old principles in the light of new facts, by deliberation, debate, and dialogue. This, as we all know well, though some of us forget from time to time, requires intellectual independence, impenitent speculation, and freedom from political pressure. For, democracy's need for wisdom will remain as perennial as its need for liberty; not only external vigilance, but unending self-examination must be the perennial price of liberty because the work of self-government never ceases."

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5. I am attaching the briefing book on CSA which you requested from Grace Olivarez at your meeting with her last week. I have given a copy of the briefing materials to Frank Raines on Stu's staff for his review and analysis.

6. I am attaching a copy of a speech given by Senator Humphrey a year and a half ago (January 11, 1976) at the University of California. The subject of the speech is 'The U.S. Presidency.' I pass it on to you for two reasons: one, it is a good speech; and, two, Senator Humphrey specifically asked me to do so, "if I did not think it presumptuous on his part." The marks in the margins are Senator Humphrey's and not my own.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN.

INFORMATION

30 June 1977

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

1. Note of congratulations on the B-1 decision from your speechwriting staff. ✓
2. ALAN CAMPBELL MEMO describing the goals of the reorganization study of the civil service system ("Personnel Management Project"). Goals include: streamlining personnel management; protecting the system from Watergate-type abuses; making the system more responsive to agency management without aggravating relationships with unions and rank-and-file employees; ensuring equal opportunity without moving toward preferential treatment for any group; and management of paysetting and employment benefit programs. ✓
3. HUBERT HUMPHREY SPEECH on the presidency, given in 1976, and forwarded via Jack Watson. The Senator highlighted, by hand, the following points made in the speech:
  - the proper response to a period of 'presidential autocracy' "...lies not in weakening the Presidency, but in choosing individuals for that office who can be trusted with its vast powers." ✓
  - the presidency "must be conducted openly, by political leaders not afraid to confide in the people." The choice is not between a vigorous presidency conducted behind closed doors, and an open presidency which is inert. Rather, the President must be open and confiding, and also a strong political leader, capable of winning support from other political leaders and from the people. ✓
  - "Congress ought not have to be 'veto proof' to be effective. Our system was not designed for confrontation. It was designed for shared power and responsibility in a spirit of accomodation." ✓

- The presidency is also a vital link in binding together the elements of the federal system. State governments have been growing in competence and importance. "We ought to encourage this important development. Governors should be drawn into closer coordination with one another, and with the federal government, through the establishment of regional Executive Councils, each one including a federal representative appointed by, and reporting directly to, the President." Regional councils should be responsible for planning and administering federal programs in their area.
  
- The President should establish a "Federal Council" consisting of the 50 governors and the President, which would meet regularly to exchange information. "There is no substitute for the personal working relationship between the President and the state executives." ✓



**PRESIDENT'S  
REORGANIZATION  
PROJECT**

WASHINGTON, D.C. 20503

Personnel Management Project  
c/o U.S. Civil Service Commission  
Washington, D. C. 20415

June 23, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

Alan K. Campbell  
Chairman  
Personnel Management Project

Wayne Granquist  
Vice Chairman

SUBJECT:

Personnel Management Project

1. ISSUES

The Personnel Management Project will deal with issues such as the following:

- How to build public confidence in the integrity of the Federal service and its capacity to respond to the needs of citizens and communities throughout the nation.
- How to streamline a cumbersome personnel management system and, at the same time, provide greater assurance of protecting the system from Watergate-type abuses of merit principles.
- How to be more responsive to the legitimate needs of agency management without unnecessarily aggravating already strained relationships with union leadership and rank and file employees.
- How to develop a meaningful role for collective bargaining in setting personnel rules and policies without severely handicapping legitimate management flexibility.

- How to obtain high productivity, promptness of action, and dignity in dealing with citizens from employees.
- How to assure equal employment opportunity for all segments of American society without moving toward preferential treatment for any groups.
- How to manage the pay-setting and employment benefit programs in the civil service.
- How to bring about constructive interaction between Federal, State, and local governments in personnel management.

## 2. SUMMARY OF PROBLEMS AND OPPORTUNITIES

The Federal personnel system is widely perceived as cumbersome, and time-consuming. Many restrictive features have been built into the system over the years in an effort to assure the selection of people on the basis of qualifications for the work they will do, without regard to political affiliation, race, sex, national origin, or other factors unrelated to the job.

This red tape has hobbled management, and yet the system is still vulnerable to abuse for partisan political reasons, as occurred in the Watergate period. Abuses of the civil service system shake the confidence of the citizens in the integrity of Government. Also very important, the bureaucracy is widely regarded as unresponsive to their problems. Much of this results from the complex paperwork with which both the administrator and the citizen are burdened.

The civil service system has struggled with other major issues since the 1960's - the expanding role of collective bargaining, efforts to assure representative participation of minorities and women in the workforce, manipulation of pay-setting machinery for budget reasons. The system has adjusted to these pressures to some extent, but many major issues are not resolved.

The civil service system has many critics. They tend to agree that the system, or significant parts of it, needs major overhauling. They do not agree on what should be done, and their recommendations would move the system in contradictory directions.

The advent of a new Administration, committed to government-wide review of organizations and operations, and the appointment of a new Civil Service Commission, offer a chance to take a look at the whole personnel system to determine what changes are needed in the governing principles and rules, and in the division of responsibilities for personnel management.

### 3. CURRENT INITIATIVES

The Personnel Management Project includes a new look at the fundamental principles, laws, and rules governing all phases of personnel management - filling jobs, tenure and rights, incentives and discipline of employees, pay and benefits, labor-management relations, equal employment opportunity, senior executive service, and other matters.

### 4. PRIOR INITIATIVES

The last comprehensive system-wide study was the second Hoover Commission (1955).

The Civil Service Commission constantly carries on policy and operational studies. These are typically directed toward specific personnel management functions - staffing, retirement, pay, etc. They usually aim to make technical improvements in specific features of the system.

Many groups inside and outside the Government have studied and reported on some of the problem areas in the civil service in recent years. These have included the National Academy of Public Administration, Ralph Nader's organization, and the Fund for Constitutional Government. These reports have heightened awareness of the problems, but they do not provide a consistent set of recommendations.

## 5. PROGRESS REPORT

The Personnel Management Project has been established, and staff is being assembled to make the studies involved.

- Alan K. Campbell, Chairman of the Civil Service Commission, is Chairman of the Project.
- Wayne Granquist, Associate Director for Administrative Management, Office of Management and Budget, is Vice Chairman.
- There is a Working Group to serve as an advisory body for the Project. It is made up of Assistant Secretaries for Administration from most of the Departments. It is co-chaired by Jule Sugarman (Vice Chairman, Civil Service Commission) and Howard Messner (Office of Management and Budget).
- Dwight Ink is the Executive Director who will run the Project day by day. He and a small staff are on board and at work.
- There will be 8 to 10 full-time Task Forces that will make the substantive studies. The leaders are now being selected and they, in turn, will help select the members. Most Task Forces are to be at work by July 5. They are to complete their studies and submit options and recommendations over the next three to six months.

## 6. POTENTIAL BENEFITS

The Government has almost 2.8 million civilian employees worldwide (including Postal Service), and their pay and benefits run between \$40 and \$50 billion dollars a year. Clearly, changes in the personnel system can have an impact on the size and cost of government, and how people view Government.

A more responsive public service should mean a Government which people regard as more attentive to their concerns, despite our funding constraints.

Cutting the red tape now in the system will enable new Department heads to move far more quickly in selecting their key personnel and in staffing for new Presidential and Congressional initiatives. Better qualified and better trained public servants should improve the operation of Federal programs.

#### 7. CONSTRAINTS AND POTENTIAL LIABILITIES

Civil service laws seem to be encrusted with layers of special provisions that benefit primarily specific interest groups, such as veterans, unions and civil rights groups. Proposing changes in the personnel laws and rules will no doubt appear threatening to some or all of these groups and will arouse opposition from some of them. It will be difficult to demonstrate to these groups the benefits that will flow to the citizens, and there is always the possibility that some of the recommendations will cause important groups to decrease their support of the Administration.

THE WHITE HOUSE

WASHINGTON

Date: June 24, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat Bert Lance  
Hamilton Jordan *nc*  
Bob Lipshutz *concur*  
Jack Watson *nc*  
H. Carter *he does not think it needs to go to the Pres (attached)*  
Richard Harden *The records they study team submitting a written report w/ 60 days clearly defining existing problems to be sure that they are concentrating on most important ideas.*

FOR INFORMATION:

The Vice President  
Frank Moore

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Chairman Campbell/Vice Chairman Granquist's  
memo 6/23/77 re Personnel Management Project

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:  
TIME: 3:00 PM  
DAY: Monday  
DATE: June 27, 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)

6/24

Date: June 24, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat Bert Lance  
Hamilton Jordan  
Bob Lipshutz  
Jack Watson  
H. Carter  
Richard Harden

FOR INFORMATION:

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TIME: 3:00 PM

DAY: Monday

DATE: June 27, 1977

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

*I think it would be good if the study team submitted a report within 60 days clearly defining the existing problems so that we can make sure the initial work is concentrated on the most critical problems.*

*Richard*

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)

MEMORANDUM  
OF CALL

TO: Bill

YOU WERE CALLED BY—  YOU WERE VISITED BY—

Gail  
OF (Organization)

Jack Watson's Office

PLEASE CALL →  PHONE NO. CODE/EXT.  
 WILL CALL AGAIN  IS WAITING TO SEE YOU  
 RETURNED YOUR CALL  WISHES AN APPOINTMENT

MESSAGE

No comment  
on Personnel  
Mgmt  
Staffing

RECEIVED BY	DATE	TIME
<u>Trudy</u>	<u>6/27</u>	<u>5:45</u>

Date: June 24, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat	Bert Lance
Hamilton Jordan	
Bob Lipshutz	
<del>Jack Watson</del>	
H. Carter	
Richard Harden	

FOR INFORMATION:

The Vice President  
Frank Moore

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SUBJECT: Chairman Campbell/Vice Chairman Granquist's  
memo 6/23/77 re Personnel Management Project

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 3:00 PM

DAY: Monday

DATE: June 27, 1977

ACTION REQUESTED:

Your comments.

Other:

STAFF RESPONSE:

I concur.  No comment.

Please note other comments below:

*JS*

**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)

61  
THE WHITE HOUSE  
WASHINGTON

Date: June 24, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat                      Bert Lance  
Hamilton Jordan  
Bob Lipshutz  
Jack Watson  
H. Carter  
Richard Harden

FOR INFORMATION:

The Vice President  
Frank Moore

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Chairman Campbell/Vice Chairman Granquist's  
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Other: \_\_\_\_\_

STAFF RESPONSE:

I concur.  
*Please note other comments below:*

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Date: June 24, 1977

RECEIVED  
MEMORANDUM  
JUN 24 6 04 PM '77  
IMMEDIATE OFFICE  
OF THE DIRECTOR

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Bob Lipshutz  
Jack Watson  
H. Carter  
Richard Harden

Bert Lance

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Other:

## STAFF RESPONSE:

 I concur. No comment.

Please note other comments below:

Unless he specifically requested it, I really  
 don't see why this has to go to the President.  
 It's simply an info memo which explains  
 that a team has been set up to study govt  
 personnel mgmt and should be directed  
 to Bert Lance or Harrison Wellford. The  
 President received a 1 hr briefing on  
 reorganization on June 24.

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 material please telephone the Staff Secretary immediately. (Telephone. 7052)

H. Carter  
 6/27

THE WHITE HOUSE

WASHINGTON

June 27, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT  
STEVE SIMMONS *SS*

SUBJECT:

Personnel Management Project Memo

The Personnel Management Project is off to an excellent start. As the memorandum written by Alan Campbell and Wayne Granquist indicates, the project has a very wide focus and can lead to significant improvement in Federal personnel activity and Government responsiveness. We have been in contact with the Project staff, and they are dedicated to and enthusiastic about the task that lies ahead.

The only comment we would make at this point in time is that the "Working Group" which serves as an advisory body to the Project has only 2 minority members and 2 women out of 16 members. Additional efforts should be made to secure the participation of more minorities and especially more women in the Group, even if it means going beyond Assistant Secretaries for Administration.

THE WHITE HOUSE

WASHINGTON

Date: June 24, 1977

300

MEMORANDUM

FOR ACTION:

Stu Eizenstat Bert Lance  
Hamilton Jordan  
Bob Lipshutz  
Jack Watson  
H. Carter  
Richard Harden

FOR INFORMATION:

The Vice President  
Frank Moore

*Camp*  
*XC*  
*Simmons*

FROM: Rick Hutcheson, Staff Secretary

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Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

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PRESIDENT'S  
REORGANIZATION  
PROJECT

WASHINGTON, D.C. 20503

Personnel Management Project  
c/o U.S. Civil Service Commission  
Washington, D. C. 20415

June 23, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

Alan K. Campbell  
Chairman  
Personnel Management Project

Wayne Granquist  
Vice Chairman

SUBJECT:

Personnel Management Project

1. ISSUES

The Personnel Management Project will deal with issues such as the following:

- How to build public confidence in the integrity of the Federal service and its capacity to respond to the needs of citizens and communities throughout the nation.
- How to streamline a cumbersome personnel management system and, at the same time, provide greater assurance of protecting the system from Watergate-type abuses of merit principles.
- How to be more responsive to the legitimate needs of agency management without unnecessarily aggravating already strained relationships with union leadership and rank and file employees.
- How to develop a meaningful role for collective bargaining in setting personnel rules and policies without severely handicapping legitimate management flexibility.

- How to obtain high productivity, promptness of action, and dignity in dealing with citizens from employees.
- How to assure equal employment opportunity for all segments of American society without moving toward preferential treatment for any groups.
- How to manage the pay-setting and employment benefit programs in the civil service.
- How to bring about constructive interaction between Federal, State, and local governments in personnel management.

## 2. SUMMARY OF PROBLEMS AND OPPORTUNITIES

The Federal personnel system is widely perceived as cumbersome, and time-consuming. Many restrictive features have been built into the system over the years in an effort to assure the selection of people on the basis of qualifications for the work they will do, without regard to political affiliation, race, sex, national origin, or other factors unrelated to the job.

This red tape has hobbled management, and yet the system is still vulnerable to abuse for partisan political reasons, as occurred in the Watergate period. Abuses of the civil service system shake the confidence of the citizens in the integrity of Government. Also very important, the bureaucracy is widely regarded as unresponsive to their problems. Much of this results from the complex paperwork with which both the administrator and the citizen are burdened.

The civil service system has struggled with other major issues since the 1960's - the expanding role of collective bargaining, efforts to assure representative participation of minorities and women in the workforce, manipulation of pay-setting machinery for budget reasons. The system has adjusted to these pressures to some extent, but many major issues are not resolved.

The civil service system has many critics. They tend to agree that the system, or significant parts of it, needs major overhauling. They do not agree on what should be done, and their recommendations would move the system in contradictory directions.

The advent of a new Administration, committed to government-wide review of organizations and operations, and the appointment of a new Civil Service Commission, offer a chance to take a look at the whole personnel system to determine what changes are needed in the governing principles and rules, and in the division of responsibilities for personnel management.

### 3. CURRENT INITIATIVES

The Personnel Management Project includes a new look at the fundamental principles, laws, and rules governing all phases of personnel management - filling jobs, tenure and rights, incentives and discipline of employees, pay and benefits, labor-management relations, equal employment opportunity, senior executive service, and other matters.

### 4. PRIOR INITIATIVES

The last comprehensive system-wide study was the second Hoover Commission (1955).

The Civil Service Commission constantly carries on policy and operational studies. These are typically directed toward specific personnel management functions - staffing, retirement, pay, etc. They usually aim to make technical improvements in specific features of the system.

Many groups inside and outside the Government have studied and reported on some of the problem areas in the civil service in recent years. These have included the National Academy of Public Administration, Ralph Nader's organization, and the Fund for Constitutional Government. These reports have heightened awareness of the problems, but they do not provide a consistent set of recommendations.

## 5. PROGRESS REPORT

The Personnel Management Project has been established, and staff is being assembled to make the studies involved.

- Alan K. Campbell, Chairman of the Civil Service Commission, is Chairman of the Project.
- Wayne Granquist, Associate Director for Administrative Management, Office of Management and Budget, is Vice Chairman.
- There is a Working Group to serve as an advisory body for the Project. It is made up of Assistant Secretaries for Administration from most of the Departments. It is co-chaired by Jule Sugarman (Vice Chairman, Civil Service Commission) and Howard Messner (Office of Management and Budget).
- Dwight Ink is the Executive Director who will run the Project day by day. He and a small staff are on board and at work.
- There will be 8 to 10 full-time Task Forces that will make the substantive studies. The leaders are now being selected and they, in turn, will help select the members. Most Task Forces are to be at work by July 5. They are to complete their studies and submit options and recommendations over the next three to six months.

## 6. POTENTIAL BENEFITS

The Government has almost 2.8 million civilian employees worldwide (including Postal Service), and their pay and benefits run between \$40 and \$50 billion dollars a year. Clearly, changes in the personnel system can have an impact on the size and cost of government, and how people view Government.

A more responsive public service should mean a Government which people regard as more attentive to their concerns, despite our funding constraints.

Cutting the red tape now in the system will enable new Department heads to move far more quickly in selecting their key personnel and in staffing for new Presidential and Congressional initiatives. Better qualified and better trained public servants should improve the operation of Federal programs.

#### 7. CONSTRAINTS AND POTENTIAL LIABILITIES

Civil service laws seem to be encrusted with layers of special provisions that benefit primarily specific interest groups, such as veterans, unions and civil rights groups. Proposing changes in the personnel laws and rules will no doubt appear threatening to some or all of these groups and will arouse opposition from some of them. It will be difficult to demonstrate to these groups the benefits that will flow to the citizens, and there is always the possibility that some of the recommendations will cause important groups to decrease their support of the Administration.