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THE PRESIDENT'S SCHEDULE

Monday - August 1, 1977

7:45 Dr. Zbigniew Brzezinski - The Oval Office.

8:15 Mr. Frank Moore - The Oval Office.

8:30 Senior Staff Meeting - The Roosevelt Room.

9:00 Meeting of the Cabinet. (Mr. Jack Watson).
(2 hrs.) The Cabinet Room.

11:00 Mr. Jody Powell - The Oval Office.

12:00 Lunch with Vice President Walter F.
Mondale - The Oval Office.

1:15 Mr. Ben Brown, Deputy Chairman,
(5 min.) Democratic National Committee.
(Mr. Hamilton Jordan) - Oval Office.

1:30 Mr. Bert Lance - The Oval Office.
(20 min.)

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Jack Watson -

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

Rick Hutcheson

Re: Minutes of Cabinet Meeting

- July 25 -

THE WHITE HOUSE
WASHINGTON

1st page only

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

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

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

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

To me sooner
C
—

THE PRESIDENT HAS SEEN.

MINUTES OF THE CABINET MEETING

Monday, July 25, 1977

The twenty-third meeting of the Cabinet was called to order by the President at 9:54 a.m., Monday, July 25, 1977. All Cabinet members were present except Dr. Brown, who was represented by Deputy Secretary of Defense Charles Duncan; Ms. Kreps, represented by Under Secretary of Commerce Sidney Harman; and Mr. Lance.

Other persons present were:

Joe Aragon	Bunny Mitchell
Landon Butler	Dick Moe
Zbigniew Brzezinski	Frank Press
Hugh Carter	David Rubenstein
Doug Costle	Charles Schultze
Walt Duka	Jay Solomon
Stu Eizenstat	Stansfield Turner
Jane Frank	Charles Warren
Jim Free	Patricia Yarham
Tim Kraft	

The President said that he had just returned from making opening remarks to the 67th Annual Conference of the National Urban League, in which he outlined what this Administration has done and will do for the disadvantaged people in our country. He described Vernon Jordan, Executive Director of the Urban League, as a good friend and a fine man, but said that Mr. Jordan's recent criticism of the Administration's record is unjustified. This Administration and the Democratic Congress have shown a deep commitment to people who have not had an adequate chance in our society--and Mr. Jordan's remarks to the effect that the Administration does not care cause people to lose the last hope they have. The President said that he has invited Mr. Jordan to meet with him in the near future and urged the Cabinet not to be timid or reticent in communicating the record of this Administration on issues of interest to the Urban League. Ms. Harris said that she will

speak to the Urban League later this week on the Administration's record and on the plans for the Urban and Regional Policy Group. The President added that there is much legislation on the books and more pending, but that implementation of this legislation--for example, public service jobs--takes time.

The President asked for comments from Cabinet members beginning with the Secretary of State:

1. Mr. Vance described the meeting on Saturday with British Foreign Minister David Owen on Rhodesia. The group discussed a set of specific proposals for the settlement of problems in that area, and for the peaceful transfer of power in the near future. Mr. Vance noted that Mr. Owen was very supportive of the President in his appearance on Face the Nation on Sunday.

-- Mr. Vance is leaving for the Middle East at the end of the week to attempt to work out the general framework for convening and conducting another Geneva Conference. He said that the most difficult question is Palestinian representation.

-- He said that the Administration has decided not to withdraw notice of intention to sell the Airborne Warning and Control System (AWACS) to Iran and is prepared to fight against postponement of the decision. Mr. Vance will testify Thursday on this subject before Congressman Zablocki's House International Relations Committee, as will DOD Deputy Secretary Charles Duncan.

-- Italian Prime Minister Andreotti arrives this evening and will meet with the President on Tuesday and Wednesday.

-- The President said that his meeting last week with Israeli Prime Minister Begin went well. He described Mr. Begin as a man of "deep feelings, commitments, integrity and honesty." He noted that a recent Harris Poll shows flexibility on the part of Israelis on the specific terms of a peace settlement.

2. Mr. Andrus said that he had nothing to report this week.

3. Mr. Califano said that the Labor/HEW appropriations bill reported by a Senate/House conference will be close to the Administration request. The reduction in the Senate's original figures derives from re-estimation of certain uncontrollable expenditures. Prospects for the legislation are good.

-- HEW will issue regulations on funding of abortions depending on the outcome of an action pending before Judge John Dooling of the U.S. District Court in New York.

-- Mr. Califano said that HEW will probably move to ban Phenformin, a drug used by diabetics.

-- He speaks to the Urban League on Wednesday. Last weekend he spoke two or three times to Vernon Jordan and reminded him that the Administration needs help from civil rights groups in fighting restrictive riders to various bills--for example, the HEW/Labor appropriations bill. The President suggested that Mr. Califano make this point in his remarks on Wednesday, and he agreed to do so.

4. The President noted that Mr. Lance had to leave the Cabinet meeting early to testify in the Senate. He said that Mr. Lance did not seek a job in the Administration and has been through a hard time. Like other financiers, he has had large deficits and assets. The President said that he hopes full information will come out immediately and wants the issue handled in a manner fair to Mr. Lance and the public.

5. Mr. Schultze said that he had nothing to report.

6. Dr. Brzezinski said that the NSC is meeting on North/South issues and hopes to develop a program by the fall.

-- He described various problems--political, financial, and legal--involving Soviet intercepts of U.S. communications.

7. Mr. Young said that he has spent the last two weeks trying to learn what eighty percent of the U.N. outside New York does. While in Geneva he visited the World Health Organization, four food and agricultural organizations, and learned about several others--United Nations Educational, Scientific, and Cultural Organization (UNESCO) and the World Meteorological Institute. He noted that while we put most of the money in these organizations, we do not have the majority of the votes. We need to work with the Directors General of these organizations to persuade them that it is important to develop policy based on a consensus of their membership. He said that our new Ambassador to the U.N. in Geneva, William Vanden Heuval, is very impressive and intends to pursue an active role in overseeing the U.N. specialized agencies.

-- The President suggested that Mr. Vance and Mr. Young arrange for a Cabinet briefing on the U.N. specialized agencies and asked the Cabinet Secretary to set up a time.

8. Mr. Marshall addressed Jesse Jackson's People United to Save Humanity (PUSH) group in Los Angeles on Friday and said that the United States is carrying out the fastest build-up in history in public service employment. Six weeks ago there were 285,000 public service jobs. Since enactment of the new legislation, there are over 400,000 public service jobs--four times previous rates of increase. By next year there should be 725,000 jobs which, because the average duration of a job is eight months, means over one million jobs on an annual basis. This is in addition to summer jobs for youth. Mr. Marshall said that the Labor Department is trying to assure that fraud and abuse do not occur in the administration of the jobs program. He noted the importance of minimizing inflation since the poor lose more from inflation than anyone else because they cannot hedge. As important, we must keep unemployment down when we get it down. In sum, he said that we are ahead of schedule and are putting 20,000 unemployed people to work each week.

-- Last week the Comprehensive Employment and Training Act (CETA) of 1977 was approved by the Congress--and provides \$1.5 billion for youth unemployment. The legislation is crucial because half of the unemployed are under twenty-four years old. He regretted that the bill did not pass before this summer season.

-- Mr. Marshall testifies this morning on labor law reform. He noted that the President's proposals are the subject of some favorable editorials and that nothing in them should arouse the emotionalism of such issues as situs picketing and repeal of 14-B. In his view, the procedures used to work out the program were excellent--involving extensive consultations with outside groups as well as the White House.

-- The United Mine Workers have voted to seat Arnold Miller, which may mean that negotiations start earlier than anticipated and that a strike in December is less likely.

9. Mr. Bell said that the Korean CIA investigation now covers 110 Congresspersons. The Justice Department will brief the Speaker and others this week on the status of the investigation.

-- Mr. Bell will also talk to House Judiciary Committee Chairman Peter Rodino on the undocumented workers proposals and meet with Members of Congress on several other issues.

-- The President said that he talked with Congressman Rodino last week and promised that the Attorney General would come to see him and that thereafter he would meet with him. The President told Mr. Rodino that the Administration used his previous work as the basis for its own proposals on undocumented workers and would not make those proposals public until he had been fully consulted. The President said that he anticipates that there will be some disagreements between him and Mr. Rodino on the proposals but hopes that Mr. Rodino will be able to sponsor our legislation.

10. Mr. Blumenthal asked for comments from Mr. Vance and other interested Cabinet members on provisions in the 1976 Tax Reform Act concerning taxation of U.S. citizens abroad. He said that companies are complaining that the provisions make it even tougher to get U.S. citizens to work abroad. On tax theory grounds, there is little argument in favor of laxer tax treatment of these people--but policy arguments may cut the other way. The 1976 changes are not yet in effect, and we can ask to postpone them. The IRS Commissioner can also make rulings on fringe benefits available to U.S. citizens abroad.

-- There has been a good deal of comment in the press about the decline of the dollar. The modest decrease in value of 1.5% is not dramatic in a floating exchange rate system and relates to the long overdue increase in the Deutsche mark and the Japanese yen. The U.S. economy is stronger than most others and is developing faster than most others. Of course, we need to watch for any precipitous decline and the speculation and "snowballing" effect that could be associated with it.

11. Mr. Bergland said that the House is considering the farm bill and should complete work on Wednesday. He said that we are "winning all the big fights." He described the circumstances surrounding the adoption of an amendment on sugar in the House.

12. Ms. Harris said that the House/Senate Conference Committee on the HUD authorization is still deadlocked on the subject of urban action development grants. Congressman Ashley is supporting the Administration, but the President may need to send a statement of support. The issue may not be resolved until after the August recess, in which case HUD will need to extend its existing authorization.

-- She described efforts HUD is undertaking to provide temporary housing for those whose homes were damaged or destroyed by the Johnstown, Pennsylvania, flood. Several

high-level HUD representatives have already visited the area; forty HUD aides are on the scene with sixty more coming; and she will probably pay a personal visit to the area on Thursday. Two "one-stop" centers have been set up, with three more to be added by the end of today. Mobile homes are being located on or near the scene. The timetable for completion of HUD's efforts is not yet clear because the damage is not yet known.

-- The President said that he talked to Jack Watson and Greg Schneiders about the situation, and Mr. Schneiders, who visited the site last week, was very complimentary about HUD's efforts. The President described the "one-stop" centers set up in Georgia while he was Governor. He added that he or Mrs. Carter or Chip Carter would be willing to visit the area if necessary.

-- Ms. Harris said that Johnstown had taken precautions to prevent the river from flooding. In this case, the flood was due to run-off from a very heavy rain which created a new flood plain. Local residents had a good deal of disaster insurance--far more than victims of the recent West Virginia flood and more than is typical. The President said that he is opposed to efforts by some in Congress to make all flood insurance voluntary.

13. Dr. Schlesinger said that the House/Senate Conference Committee reported the Department of Energy (DOE) bill on Friday. He plans to talk to the President concerning measures to be taken prior to establishing the DOE on October 1.

-- The House ad hoc Energy Committee reported the comprehensive energy plan on Friday. On the Senate side, Senator Jackson has acted on the coal conversion section of the legislation and will consider natural gas deregulation and utility rate reform next week.

-- A study is now underway concerning compliance with FEA price regulations. A report to be released this week will show lax enforcement of FEA requirements--as much as \$2 to \$10 billion is yet to be collected. The major refiners are probably the largest violators, and Dr. Schlesinger is talking to the Attorney General about ways to compel compliance.

-- He showed the President a sample of oil from the first strategic petroleum reserve and said that as much as 33,000 barrels of oil may soon go into storage. Mr. Blumenthal

asked whether seepage would occur in the storage facilities, and Dr. Schlesinger responded that the private sector has used these storage procedures successfully for thirty years.

14. Mr. Strauss described the attempt of Governor Shapp of Pennsylvania to land his helicopter at the White House on the day that the Johnstown flood occurred.

15. The President described his visit last week to South Carolina, Mississippi, and Louisiana. In Charleston, South Carolina, he made a major speech on foreign affairs. The Town Hall meeting in Yazoo City, Mississippi, went well--despite the extraordinary heat--and he wants to participate in such events every three or four months. In Louisiana he visited a "beautiful machine" used for drilling in the outer continental shelf. He noted that in the last two to three years superb control devices have been developed to prevent underwater oil spills and blow-outs, a fact which makes him more enthusiastic about offshore drilling on the East Coast. He said that Senator Long and Dr. Schlesinger, who were among those accompanying him, had never been on a drilling rig. The crew consists of seventy-five men on twelve hour shifts who "really work."

16. Mr. Adams said that DOT is trying to assure that the 4¢ gas tax added to the energy plan by the ad hoc House Committee will be adopted by the House and that revenues collected will be allocated to priority projects.

17. Dr. Harman said that Ms. Kreps was pleased with her trip to Louisiana where she accompanied the President.

-- He briefly described Ms. Kreps' initiative on the quality of working life--a very high priority for the Department of Commerce. Change can only occur if workers genuinely participate in the design of the project and will not occur if directives are issued from the top down.

-- The President noted that business can help secure enactment and implementation of the Administration's programs. He is pleased with the efforts of one oil company--and displeased with another--in running advertisements about the Administration's energy program. He commended Ms. Kreps for her efforts to get business to help the Administration.

18. Mr. Duncan said that Dr. Brown will return from Korea at the end of this week.

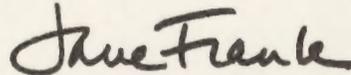
-- The DOD appropriations bill goes to Conference tomorrow. A total of 336 items are in dispute, but the final

budget figure is likely to be very close to the Administration's request--approximately \$110 billion. Funds for the B-1 are being deleted and an add-on of approximately \$450 million for the cruise missile is being debated.

19. Mr. Bergland asked whether the burning of coal will create a change in climatic conditions--an allegation in recent press reports. Dr. Schlesinger responded that there is some speculation concerning a "greenhouse effect" which might raise the temperature by 6° within the next several decades, and this possibility will be watched carefully. The President said that there is only a slight difference in the carbon dioxide blanket that results from burning coal compared with burning oil. The difference is much greater when atomic power is involved. The President said that the trend during the first part of the century was toward a slight increase in temperature, but Dr. Schlesinger noted that there is some evidence to support the opposite conclusion.

The meeting was adjourned by the President at 11:05 a.m.

Respectfully submitted,



Jane L. Frank
Deputy Secretary to the Cabinet

THE WHITE HOUSE

WASHINGTON

PLEASE ATTACH TO JULY 25 CABINET MINUTES

Clarification of Statement Made by Attorney General
Bell at the July 25 Cabinet Meeting

The statement made by Attorney General Bell at the July 25 Cabinet meeting concerning the Korean CIA investigation (page 4, item 9) failed to reflect the context in which it was given. Mr. Bell's comment was with reference to an article in the Washington Star which erroneously reported that 110 persons were under investigation by the Department of Justice.

August 31, 1977

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Stu Eizenstat

The attached was returned
in the President's outbox.
Please inform Woodworth of the
President's decision.

Rick Hucheson

cc: The Vice President
Frank Moore
Jack Watson
Jim Schlesinger

THE WHITE HOUSE
WASHINGTON

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*SM - PLS INFORM WOODWORTH
OF PRES DECISION*

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		POWELL
	<input checked="" type="checkbox"/>	WATSON
		LANCE
		SCHULTZE

ENROLLED BILL
AGENCY REPORT
CAB DECISION
EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

ARAGON
BOURNE
BRZEZINSKI
BUTLER
CARP
H. CARTER
CLOUGH
FALLOWS
FIRST LADY
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SCHNEIDERS
STRAUSS
VOORDE
WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

July 27, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Tax Reform and Energy Legislation:
Immediate Expensing of Intangible
Drilling Costs

Background

The Tax Reform Act of 1976 made the immediate expensing of intangible drilling costs (IDC) an item of preference income for purposes of the minimum tax applicable to individuals. As part of our energy program the Administration has, in effect, proposed repeal of this provision for those individuals who are engaged in the oil and gas business. The Administration position, which was developed in consultation with Majority Leader Wright and others, was based not on the ground that IDC is a good thing but on the notion of equality of treatment as to the IDC between individuals and corporations (which, under the 1976 Reform Act, would still get the full benefit of IDC). I recall you stating that you were looking only at the temporary inequality of treatment between individuals and corporations and that you were not relinquishing your right to deal with IDC on a unified basis in the future.

Current Legislative Considerations

The IDC preference provision has passed the House Ad Hoc Energy Committee but will probably come to a separate vote on the House floor. Congressman Vanik and others want a vote on an amendment which would retain the preference only through the 1978 tax year. Their amendment would enable the Administration to take a fresh look at IDC for both individuals and corporations in the context of tax reform. (Restoration of the IDC preference will probably be included in the Senate-passed bill by Senator Long. Accordingly, if the IDC proposal passes the House in its present permanent form, it will most likely be officially restored to its favored status on a permanent basis. That will make it much more difficult for us to eliminate it in our tax reform bill.)

Congressman Vanik called me at 6:00 p.m. and stated that he wants to seek a rule from the Rules Committee by noon tomorrow permitting a House vote on his amendment. He is anxious to

get the support of Speaker O'Neill and knows he can do so only if the Administration at least passively supports his position.

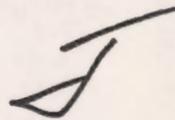
Recommendation

Dr. Schlesinger, Frank Moore, Larry Woodworth and I all recommend that the Administration indicate that Congressman Vanik's amendment providing for the temporary, as opposed to permanent, retention of the IDC preference is not inconsistent with the Administration's energy and tax reform goals. (You should know that Congressman Wright and Senator Long will be upset over this and that the independents will accuse the Administration of having changed its position on IDC.) Thus, we would indicate that we support his obtaining a rule to limit the extension to the 1978 tax year.

Approve

Disapprove

See me



~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Bob Lipshutz
Hamilton Jordan

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

Rick Hutcheson

Re: Joe Mitchell

"DETERMINED TO BE AN ADMINISTRATIVE MARKING
CANCELLED PER E.O. 12958, SEC. 1.3 AND
ARCHIVIST'S MEMO OF MARCH 16, 1993"

FOR INFORMATION TO THE PRESIDENT AND VICE PRESIDENT
AND MEMBERS OF THE CABINET AND STAFF
AND OTHERS AS APPLICABLE

THE WHITE HOUSE
WASHINGTON

Confidential

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	FOR INFORMATION
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		COSTANZA
		EIZENSTAT
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X		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
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	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

July 13 1977

*No prior
Commitment
J*

MEMORANDUM FOR THE PRESIDENT

FROM: Robert J. Lipshutz
Hamilton Jordan *RJL*

SUBJECT: Joe Mitchell

As you are aware, Joe Mitchell has been working on a temporary assignment with the White House Office of Congressional Liaison.

We wish to make the following recommendation concerning his permanent association with the Administration:

Joe has expressed a very strong interest in becoming involved on a full time basis with the Ethics Program of the Government, preferably with the White House itself.

In view of the ethics legislation which has now passed the Senate, it appears that we may have very soon the Office of Government Ethics within the Civil Service Commission; as proposed by us, the Director of this office would be a Presidential appointee, subject to Senate confirmation, and he would be accountable to the President, the Chairman of the Civil Service Commission, and the Congress.

Assuming that this legislation is enacted, we recommend that you authorize a commitment to Joe at this time that he would be appointed by you to become Director of this office.

For very obvious personal reasons, he has a great desire to "firm up" his personal career commitment. It is our opinion that this position not only would be very suitable for Joe himself, but also would be an excellent appointment for the Administration.

_____ Approve _____ Disapprove _____ Further Discussion

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Stu Eizenstat -

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

Rick Hutcheson

cc: Richard Harden

Re: Idea on Tax Reform

THE WHITE HOUSE
WASHINGTON

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ACTION
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	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

July 20, 1977

*Stu -
good ideas
for info summary
J*

MEMORANDUM FOR: THE PRESIDENT
FROM: RICHARD HARDEN
SUBJECT: Ideas on Tax Reform

Richard

I have been working with Stu a little bit on the Tax Reform issue and have developed a few ideas that he suggested I convey to you. After reviewing the material submitted to date and sitting through the meeting last Friday, I would like to offer some comments in regard to the following four areas:

- Summary of Proposed Changes
- Explanation of Existing Law
- Zero-Base Tax Analysis
- Detailed Work Plan

Summary of Proposed Changes

The main thing that seemed to be missing from the material provided by the Treasury Department was some type of summary or overview of what they are proposing. In addition to making the material more difficult to comprehend, the lack of such a summary makes it difficult to evaluate the impact of changes made from meeting to meeting.

While I have had to make rough calculations on many of the figures, I have tried to develop a single chart that pulls together the essential information. The chart (included as Attachment 1) spreads the tax brackets across the top and the following variables down the side:

- Number of taxpayers
- Gross Income
- For the existing and proposed law
 - o taxes paid
 - o percent of total taxes
 - o effective tax rate
- Proposed changes
- Effective tax rate with imputed corporate changes

It would be my suggestion that you ask the Treasury Department to prepare such a chart containing accurate figures. You might also ask them to try to develop a similar chart on the corporate changes.

Explanation of Existing Law

I agree with the statement you made in the meeting that we need to emphasize tax reform and not tax reduction. In that regard I have developed a second chart (included as Attachment 2) that attempts to summarize some information about the existing law. Like the first chart, it has the income brackets across the top. Down the side, it contains the main elements used in computing the income tax. While I only had the total figures, I think a completed chart will show that many of the elements offer the most benefit to the wealthy.

The elements are:

- Number of taxpayers
- Gross income
- Adjustments to gross income
- Other deductions
- Taxable income
- Tax before credits
- Credits
- Minimum tax
- Total tax
- Effective tax rate
- Maximum tax rate
- Minimum tax rate

Again, I would suggest that you ask the Treasury Department to develop a chart along the lines of the one attached and also ask them to provide you with 10 to 15 easy to understand examples of inequity and complexity in the existing law.

Zero-Base Tax Analysis

It is my feeling that one of the reasons you were able to so effectively re-organize the government in Georgia is that the zero-base budgeting analysis provided the detail information needed to fully evaluate the impact of a proposed change. It is my recommendation that you use some of these same techniques to analyze and change the existing tax law.

The process would begin with the development of decision packages for each provision in the existing law. Each package would be two to three pages and would provide the following type of information for each:

- Purpose
- Alternative ways of achieving that purpose
- Impact if the provision were eliminated
- Revenue effect
- Impact on effective tax rates
- Political implications

The Treasury Department and the Domestic Policy staff would then conduct a detailed analysis and recommend to you which provisions can be eliminated either outright or by restructuring and consolidation.

The organization of the analysis in this manner also greatly facilitates the review of the material. A Cabinet Secretary could review the overall chart discussed above to identify general areas of interest. If he needs additional information, he could then go to the detailed analysis in the decision package.

The Treasury Department has begun to move in this direction with the development of the one-page summaries on each of the proposed changes included in their last package of material.

The main point I would like to make, however, is that tax reform is going to be a long and tedious process, and it would be helpful to get the base information in a manageable form as soon as possible.

Detailed Work Plan

Consistent with recent discussions concerning an improved decision process for domestic issues, I would suggest you consider asking the Treasury Department to develop a work program for the overall tax reform effort. Some points which need special attention are:

1. Overall Time Schedule

Because most tax matters evolve around the April 15th filing date, it is important to develop an overall time schedule that does not create a significant amount of confusion in regard to filing tax returns for a given year. Not only do you have to take into account passage of the law, but also the development of regulations and the education of tax advisors on the new provisions. The overall reform should be timed such that it provides for a systematic and logical implementation.

Part of the importance of this point lies in the fact that Congress may try to make some tax cuts before the elections in November.

2. Inter-Agency Analysis

I would suggest that you discuss the tax reform proposal in general terms at one of the Cabinet meetings in early August, and ask the Cabinet members to discuss their concerns individually with Blumenthal and send Stu a memo on any unresolved questions. Such an approach would prevent the problems normally associated with large interagency committees.

3. Congressional Plan

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4. Interest Group Support Plan

The special interest groups are going to be out in great numbers lobbying against particular portions of the tax reform proposals. It is, therefore, of particular importance to identify the groups that are likely to give broad-based support and to insure that these groups are kept abreast of the benefits of the proposed changes. In addition, the Administration could assist them in developing material for distribution to their members. Also, it would probably be helpful to develop a more or less standard speech for use by Administration officials in speaking to such groups.

I hope you find these ideas useful. Let me know if you have any questions.

P.S. Sorry this memo ran over my normal two-page limit.

cc: Stu Eizenstat

PROPOSED TAX CHANGES

	42 TO 5	5 TO 10	10 TO 15	15 TO 20	20 TO 30	30 TO 50	50 TO 100	100 TO 200	200+ AND OVER
NUMBER OF TAXPAYERS (000,000)	380	19.5	13.9	12.1	15.0	2.1	23	1	
GROSS INCOME (000,000)	1876	131.6	143.6	174.5	299.4	224.1	138.3	50	21
EXISTING TAX LAW									
TAXES PAID (000,000)	500	19,700	23,600	33,500	22,200	16,100	6,400	8,100	6,400
PERCENT OF TOTAL	27	11	10	12	10	10	10	10	10
EFFECTIVE TAX RATE	27	11	10	12	10	10	10	10	10
PROPOSED CHANGES (000,000)									
TAX CREDIT	<352>	<1405>	<1429>	<5857>	523	994	640	154	43
RATE REDUCTION	<23,969>	<952>	<2,414>	<3,529>	<5,705>	<4,653>	<3,853>	<1,511>	<1,292>
WORKING SPOUSE	<1,688>	<31>	<313>	<491>	<535>	<224>	<73>	<17>	<4>
CAPITAL GAINS	5,119	43	35	102	3	673	112	1109	1,980
ITEMIZED DEDUCTIONS	3,716	83	332	644	1,164	786	440	166	96
TAX SHELTERS	353	11	15	18	30	72	80	54	56
ELDERLY	614	15	13	37	215	219	96	17	2
TAXATION OF VETERAN BENEFITS	221	-	3	13	107	71	22	5	-
EMPLOYEE EXCLUSIONS	583	9	14	27	192	146	111	39	36
OTHER EXCLUSIONS	1,445	188	112	94	171	198	201	156	190
WITHHOLDING ON INTEREST INCOME	1,362	104	149	132	226	241	224	127	148
TAXABLE BOND OPTION	173	23	31	27	46	33	4	2	5
TOTAL	<13,488>	<1,9027>	<3,4527>	<3,5111>	<3,563>	<1,4444>	<946>	301	1,260
PROPOSED TAX LAW									
TAXES PAID (000,000)	127,312	8,190	16,248	20,089	29,937	20,206	15,654	8,401	7,660
PERCENT OF TOTAL	100	6.4	12.7	15.8	23.5	16.3	12.3	6.6	6.0
EFFECTIVE TAX RATE (IND. TAX ONLY)	11.3	4.3	7.3	9.6	12.4	16.9	24.0	32.6	40.8
EFFECTIVE TAX RATE MINIMIZED CORP. TAX									
EXISTING LAW	14.7	6.1	9.5	11.6	14.3	18.2	23.3	26.2	27.2
PROPOSED LAW	13.3	4.7	7.7	9.8	12.8	17.0	22.3	26.5	28.8
IMPACTED IMPACT OF CORPORATE CHANGES	<233>	<150>	<114>	<74>	<117>	<122>	<125>	<143>	<153>

* All figures are included for illustrative purposes only

ANALYSIS OF SAVING TAX CASH

ATTACHMENT 2

	TOTAL	15% 105	5% 210	10% 215	15% 220	20% 230	30% 240	50% 250	100% 260	200% 270
NUMBER OF TAXPAYER'S (000,000)	108.6	38.0	19.5	13.9	12.1	15.0	7.1	2.3	4	1
GROSS INCOME (000,000)	\$1,269	\$876	1316	1434	1745	2984	2241	1383	520	210
ADJUSTMENTS TO GROSS INCOME:										
EMPLOYEE FRINGE BENEFITS	87									
TREASURY PAYMENTS	104									
CAPITAL GAINS DEDUCTIONS	18	.1	.7	.3	.9	.2	3.7	4.6	3.9	6.2
STATE AND LOCAL BOND INTEREST	4									
ACCELERATED DEPRECIATION	2									
Taxable Depletion Cost & Depletion	1									
ADJUSTED GROSS INCOME	\$1,066									
OTHER DEDUCTIONS										
PERSONAL EXEMPTIONS	166									
STANDARD DEDUCTION	119									
TAXES PAID	48									
INTEREST PAID	39									
CONTRIBUTIONS	18									
MEDICAL EXPENSES	13									
ALL OTHER	14									
TAXABLE INCOME	\$ 678									
TAX BEFORE CREDITS	153									
CREDITS	13									
MINIMUM TAX	1									
TOTAL TAX	\$ 141									
EFFECTIVE TAX RATE	11.1	5.27	4.3	7.3	9.6	12.4	16.9	24.8	32.6	40.0
MAXIMUM TAX RATE	70	21	27	31	38	45	62	70	70	70
MINIMUM TAX RATE	14	14	21	27	31	38	45	62	70	70

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THE WHITE HOUSE

WASHINGTON

fil mg

Date: July 21, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat *concur*
Jack Watson *no comment*

FOR INFORMATION:

Hamilton Jordan *nc*
Charlie Schultze *nc*

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Harden's memo dated 7/20/77 re Ideas on Tax Reform.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 4:00 P.M.

DAY: FRIDAY

DATE: JULY 22, 1977

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

THE WHITE HOUSE
WASHINGTON

THE WHITE HOUSE
WASHINGTON

due 4:00 PM Fri

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

*Watson - NO
comment on
Tal [unclear]*

ACTION	FYI	
		MONDALE
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<input checked="" type="checkbox"/>		EIZENSTAT
	<input checked="" type="checkbox"/>	JORDAN
		LIPSHUTZ
		MOORE
		POWELL
<input checked="" type="checkbox"/>		WATSON
<input checked="" type="checkbox"/>		LANCE
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SCHULTZE

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

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<input type="checkbox"/>	BRZEZINSKI
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<input type="checkbox"/>	WARREN

Date: July 21, 1977

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Jack Watson

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TIME: 4:00 P.M.

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DATE: JULY 22, 1977

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 Your comments

Other:

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THE WHITE HOUSE

WASHINGTON

July 20, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: RICHARD HARDEN *Richard*
SUBJECT: Ideas on Tax Reform

I have been working with Stu a little bit on the Tax Reform issue and have developed a few ideas that he suggested I convey to you. After reviewing the material submitted to date and sitting through the meeting last Friday, I would like to offer some comments in regard to the following four areas:

- Summary of Proposed Changes
- Explanation of Existing Law
- Zero-Base Tax Analysis
- Detailed Work Plan

Summary of Proposed Changes

The main thing that seemed to be missing from the material provided by the Treasury Department was some type of summary or overview of what they are proposing. In addition to making the material more difficult to comprehend, the lack of such a summary makes it difficult to evaluate the impact of changes made from meeting to meeting.

While I have had to make rough calculations on many of the figures, I have tried to develop a single chart that pulls together the essential information. The chart (included as Attachment 1) spreads the tax brackets across the top and the following variables down the side:

- Number of taxpayers
- Gross Income
- For the existing and proposed law
 - o taxes paid
 - o percent of total taxes
 - o effective tax rate
- Proposed changes
- Effective tax rate with imputed corporate changes

It would be my suggestion that you ask the Treasury Department to prepare such a chart containing accurate figures. You might also ask them to try to develop a similar chart on the corporate changes.

Explanation of Existing Law

I agree with the statement you made in the meeting that we need to emphasize tax reform and not tax reduction. In that regard I have developed a second chart (included as Attachment 2) that attempts to summarize some information about the existing law. Like the first chart, it has the income brackets across the top. Down the side, it contains the main elements used in computing the income tax. While I only had the total figures, I think a completed chart will show that many of the elements offer the most benefit to the wealthy.

The elements are:

- Number of taxpayers
- Gross income
- Adjustments to gross income
- Other deductions
- Taxable income
- Tax before credits
- Credits
- Minimum tax
- Total tax
- Effective tax rate
- Maximum tax rate
- Minimum tax rate

Again, I would suggest that you ask the Treasury Department to develop a chart along the lines of the one attached and also ask them to provide you with 10 to 15 easy to understand examples of inequity and complexity in the existing law.

Zero-Base Tax Analysis

It is my feeling that one of the reasons you were able to so effectively re-organize the government in Georgia is that the zero-base budgeting analysis provided the detail information needed to fully evaluate the impact of a proposed change. It is my recommendation that you use some of these same techniques to analyze and change the existing tax law.

The process would begin with the development of decision packages for each provision in the existing law. Each package would be two to three pages and would provide the following type of information for each:

- Purpose
- Alternative ways of achieving that purpose
- Impact if the provision were eliminated
- Revenue effect
- Impact on effective tax rates
- Political implications

The Treasury Department and the Domestic Policy staff would then conduct a detailed analysis and recommend to you which provisions can be eliminated either outright or by restructuring and consolidation.

The organization of the analysis in this manner also greatly facilitates the review of the material. A Cabinet Secretary could review the overall chart discussed above to identify general areas of interest. If he needs additional information, he could then go to the detailed analysis in the decision package.

The Treasury Department has begun to move in this direction with the development of the one-page summaries on each of the proposed changes included in their last package of material.

The main point I would like to make, however, is that tax reform is going to be a long and tedious process, and it would be helpful to get the base information in a manageable form as soon as possible.

Detailed Work Plan

Consistent with recent discussions concerning an improved decision process for domestic issues, I would suggest you consider asking the Treasury Department to develop a work program for the overall tax reform effort. Some points which need special attention are:

1. Overall Time Schedule

Because most tax matters evolve around the April 15th filing date, it is important to develop an overall time schedule that does not create a significant amount of confusion in regard to filing tax returns for a given year. Not only do you have to take into account passage of the law, but also the development of regulations and the education of tax advisors on the new provisions. The overall reform should be timed such that it provides for a systematic and logical implementation.

Part of the importance of this point lies in the fact that Congress may try to make some tax cuts before the elections in November.

2. Inter-Agency Analysis

I would suggest that you discuss the tax reform proposal in general terms at one of the Cabinet meetings in early August, and ask the Cabinet members to discuss their concerns individually with Blumenthal and send Stu a memo on any unresolved questions. Such an approach would prevent the problems normally associated with large interagency committees.

3. Congressional Plan

I would suggest that you ask Frank Moore to begin working with Blumenthal's staff in developing a Congressional strategy. If you like, we can use the new computer system to try to identify the individuals who are likely to support your proposals and begin to get a feel for how much work has to be done. You can also begin to tell some of the likely supporters that you are going to be depending on them for their strong support in helping to pass the package.

4. Interest Group Support Plan

The special interest groups are going to be out in great numbers lobbying against particular portions of the tax reform proposals. It is, therefore, of particular importance to identify the groups that are likely to give broad-based support and to insure that these groups are kept abreast of the benefits of the proposed changes. In addition, the Administration could assist them in developing material for distribution to their members. Also, it would probably be helpful to develop a more or less standard speech for use by Administration officials in speaking to such groups.

I hope you find these ideas useful. Let me know if you have any questions.

P.S. Sorry this memo ran over my normal two-page limit.

cc: Stu Eizenstat

	2011L	ND 70 5	5 70 10	10 70 15	15 70 20	20 70 30	30 70 50	50 70 100	100 70 200	200 70 500	500 70 1000	1000 70 2000	2000 70 5000	5000 70 10000
NUMBER OF TAXPAYERS (000,000)	108.6	380	19.5	13.9	12.1	15.0	2.1	2.7	2.1	2.1	2.1	2.1	2.1	2.1
GROSS INCOME (000,000)	1,282	876	131.6	143.6	196.5	297.4	224.1	138.3	138.3	138.3	138.3	138.3	138.3	138.3
EXISTING TAX LAW	140,800	500	70,100	19,200	23,600	33,500	22,200	14,600	14,600	14,600	14,600	14,600	14,600	14,600
TAXES PAID (000,000)	100	4	7.2	14.0	16.7	23.8	15.8	11.8	11.8	11.8	11.8	11.8	11.8	11.8
PERCENT OF TOTAL	11	1.1	6.8	9.9	11.4	14.1	18.1	25.4	25.4	25.4	25.4	25.4	25.4	25.4
EFFECTIVE TAX RATE														
PROPOSED CHANGES (000,000)														
TAX CREDIT	<1,417>	<332>	<1,405>	<1,429>	<5857>	<573>	<1,994>	<640>	<1,511>	<1,511>	<1,511>	<1,511>	<1,511>	<1,511>
RATE REDUCTION	<23,969>	<59>	<9527>	<7,414>	<3,529>	<5,705>	<4,653>	<3,053>	<3,053>	<3,053>	<3,053>	<3,053>	<3,053>	<3,053>
WORKING SPOUSE	<1,688>	-	<31>	<313>	<4917>	<5,335>	<2,244>	<173>	<173>	<173>	<173>	<173>	<173>	<173>
CAPITAL GAIN	5,119	13	43	35	102	3	673	1109	1109	1109	1109	1109	1109	1109
ITEMIZED DEDUCTIONS	3,716	2	83	332	644	1164	786	440	440	440	440	440	440	440
TAX SHIELDERS	353	14	11	15	18	30	72	80	80	80	80	80	80	80
ELDERLY	614	1	15	13	37	245	219	196	17	17	17	17	17	17
TAXATION OF VETERAN BENEFITS	221	-	-	3	13	107	71	22	5	5	5	5	5	5
EMPLOYEE EXCLUSIONS	583	4	9	14	27	192	146	111	39	39	39	39	39	39
STATE EXCLUSIONS	1,445	125	198	112	94	171	198	201	158	158	158	158	158	158
WITHHOLDING ON INTEREST INCOME	1,362	11	104	149	132	226	244	224	127	127	127	127	127	127
TAXABLE BOND OPTION	173	3	23	31	27	46	33	4	2	2	2	2	2	2
TOTAL	<13,408>	<236>	<1,927>	<3,452>	<3,511>	<3,563>	<1,444>	<946>	<946>	<946>	<946>	<946>	<946>	<946>
PROPOSED TAX LAW	127,312	264	8,190	16,248	20,089	29,787	20,786	15,654	15,654	15,654	15,654	15,654	15,654	15,654
TAXES PAID (000,000)	100	0.2	6.1	12.7	15.8	23.5	16.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3
PERCENT OF TOTAL	11.3	5.27	4.3	7.3	9.6	12.4	16.9	24.0	24.0	24.0	24.0	24.0	24.0	24.0
EFFECTIVE TAX RATE (IND. INC. ONLY)														
EFFECTIVE TAX RATE WITH PROPOSED TAX LAW	14.7	10	6.1	9.5	11.6	14.5	18.2	23.3	23.3	23.3	23.3	23.3	23.3	23.3
EXISTING LAW	13.3	4	4.7	7.7	9.8	12.8	17.0	26.5	26.5	26.5	26.5	26.5	26.5	26.5
PROPOSED LAW	<233>	<225>	<150>	<141>	<104>	<1012>	<112>	<105>	<105>	<105>	<105>	<105>	<105>	<105>

* All figures are included for illustrative purposes only.

ATTACHMENT 2

ANNUAL OR ANNUAL TAX CASH

	TOTAL	65-70.5	70-75.5	75-80.5	80-85.5	85-90.5	90-95.5	95-100	100-105	105-110	110-115
NUMBER OF MONTHS (000,000)	1086	579.5	1070.5	1503.0	2073.0	2770.0	3570.0	4470.0	5470.0	6470.0	7470.0
GROSS INCOME (000,000)	11269	589	129	15.0	224.1	310	400	500	600	700	800
ADJUSTMENTS TO GROSS INCOME:											
EMPLOYER'S SHARE BENEFIT	87										
TRANSFERS PAYMENTS	104										
CAPITAL GAINS DEDUCTIONS	18										
STATE AND LOCAL BOND INTEREST	4										
ACCELERATED DEPRECIATION	2										
Intangible Drilling Cost & Depletion	1										
ADJUSTED GROSS INCOME	11066										
OTHER DEDUCTIONS											
PERSONAL EXEMPTIONS	166										
STANDARD DEDUCTION	119										
TAXES PAID	48										
INTEREST PAID	39										
CONTRIBUTIONS	18										
MEDICAL EXPENSES	13										
ALL OTHER	14										
TAXABLE INCOME	10679										
TAX BEFORE CREDITS	153										
CREDITS	13										
MINIMUM TAX	1										
TOTAL TAX	141										
EFFECTIVE TAX RATE	1.1	5.27	4.3	7.3	12.4	16.9	24.8	32.6	40.0	47.0	54.0
MINIMUM TAX RATE	70	21	31	45	62	70	70	70	70	70	70
MINIMUM TAX RATE	14	14	21	27	38	45	62	70	70	70	70

TO BE COMPLETED BY THE TAXPAYER

Date: July 21, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jack Watson

FOR INFORMATION:

Hamilton Jordan
Charlie Schultze

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Harden's memo dated 7/20/77 re Ideas on Tax Reform.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 4:00 P.M.

DAY: FRIDAY

DATE: JULY 22, 1977

ACTION REQUESTED:

 Your comments

Other:

STAFF RESPONSE:

 I concur. No comment.*Please note other comments below:***PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

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

Date: July 21, 1977

MEMORANDUM

FOR ACTION:

~~Stu Eizenstat~~
Jack Watson

FOR INFORMATION:

Hamilton Jordan
Charlie Schultze

418 ✓
X c Corp
Ginsburg
JH ✓

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Harden's memo dated 7/20/77 re Ideas on Tax Reform.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 4:00 P.M.

DAY: FRIDAY

DATE: JULY 22, 1977

ACTION REQUESTED:
 Your comments
Other:

STAFF RESPONSE:
 I concur. No comment.
Please note other comments below:

MY STAFF WORKED WITH RICHARD IN PREPARING THIS MEMO, AND
I FEEL IT IS AN INNOVATIVE APPROACH.

Stu

THE WHITE HOUSE
WASHINGTON
August 1, 1977

Stu Eizenstat

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

Rick Hutcheson

RE: PECHMAN MEMO ON REMAINING
ISSUES IN THE TAX REFORM
PACKAGE

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
	K	EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

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

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

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

11:30 AM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

July 27, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT

Stu

SUBJECT: Meeting With Joe Pechman

Attached is a memorandum to you from Joe Pechman outlining some talking points for your meeting tomorrow. Also attached is his testimony before the Subcommittee on Economic Growth and Stabilization.

**Electrostatic Copy Made
for Preservation Purposes**

THE PRESIDENT HAS SEEN.

July 26, 1977

*Stu
info*

MEMORANDUM TO THE PRESIDENT

FROM: Joseph A. Pechman

SUBJECT: Remaining Issues in the Tax Reform Package

The tax reform package has been greatly improved. It has become more comprehensive and more progressive, and certainly qualifies as a major structural reform of the tax system. Nevertheless, a number of issues remain.

7

1. The Business Tax Cut. The revised integration proposal would provide relief for 20-30 percentage points of the corporate tax paid by individuals. It would have less stimulating effect on investment than liberalization of the investment credit or increases in depreciation allowances. To achieve a uniform "gross up" factor for shareholders, the plan would require corporations to pay a special withholding tax to bring their effective rates up to the 20-30 percent level, thus nullifying the effect of such provisions as the investment credit and the foreign tax credit which account for low corporate effective rates. In my opinion, consideration should be given to methods of improving investment incentives directly to the extent that there is room for business tax cuts (see attached testimony).

2. Simplification. Although the number of itemizers is reduced, the proposal will not greatly simplify the tax return for the average taxpayer. The taxpayer will still be faced with a formidable tax return and four different tax rate schedules (or four columns in the tax table) even if the standard deduction is used. These problems can be alleviated by substituting one rate schedule for the four and devising a special, or lower, schedule for those who itemize and do not claim tax credits (other than the earned income credit).

The use of one rate schedule would help to raise the tax reductions for low- and middle-income single people (now planned to average less than \$52). An alternative would be to lower the rates for single people, which would move in the direction—but would not achieve the simplification—of one rate schedule. The "marriage penalty" implicit in the one rate schedule can be eliminated by liberalizing the proposed special deduction for married couples with two earners.

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for Preservation Purposes**

3. The Per Capita Credit. Assuming the decision is made to substitute a per capita credit for the present exemption and credit, the size of the credit is still an issue. The larger the credit, the more difficult it is to provide suitable tax cuts for single persons and small families. Moreover, the credit raises the tax-free income levels well above the estimated poverty levels, particularly for large families. (See Table 1.) For these reasons, the \$250 per capita credit now being considered can be cut back to \$225 or even \$200 without violating the rationale of the credit.

4. Expense Accounts. It is difficult to justify an allowance for half of business meals. A limitation on the amounts spent per meal would be fairer and more defensible. Also, consideration should be given to placing a limit on deductible per diem expenses and to limiting deductions for business air travel to coach fare.

7
4
5. Industrial Development Bonds. The use of the exemption for state-local bond issues to finance industrial plants is unwarranted. The present tax exemption for such bonds should be eliminated and they should not be included in issues eligible for the subsidy under the taxable bond option.

TABLE 1. Comparison of Tax-Free Income Levels under a Per Capita Exemption of \$1,000 and Per Capita Credits of \$200 and \$250 with Poverty Levels, 1978

Family size	1978 poverty levels ^a	Tax-free income levels		
		\$1,000 exemption	\$200 credit ^b	\$250 credit ^b
1	\$ 3,262	\$ 3,200	\$ 3,633	\$ 3,935
2	4,219	5,200	6,067	6,671
3	5,008	6,200	7,259	8,141
4	6,416	7,200	8,435	9,589
5	7,581	8,200	9,589	10,978
6	8,534	9,200	10,700	12,358
7	9,487 ^c	10,200	11,811	13,674
8	10,440 ^c	11,200	12,844	14,989

a. Assumes a 5 percent increase in consumer prices between 1977 and 1978.

b. Assuming tax rates proposed by the Treasury.

c. Assumes cost of additional dependent is the same as the cost increase from family size 5 to 6.

EITC

Poverty level?

TAX REFORM AND INVESTMENT

by

Joseph A. Pechman*

Statement Before the
Subcommittee on Economic Growth and Stabilization
of the
Joint Economic Committee

July 19, 1977

I am glad to have this opportunity to discuss with the subcommittee the relation between tax reform and the rate of capital formation.

I believe that the major focus of tax reform in the next year should be to broaden the individual income tax base and reduce the individual income tax rates substantially. The primary objective should be to improve the equity of the tax system--both horizontal and vertical--and to simplify it so that the ordinary taxpayer will be able to fill out his own tax return and the average businessman will be able to conduct his affairs without worrying about the tax-implications. The goal should be to reduce the individual income tax rates from the present range of 14-70 percent to 10-50 percent.

I do not believe that drastic changes in the tax system are needed to promote saving and investment. Special preferences to relieve the tax burdens of so-called small businesses complicate the tax law, enrich the wealthy people who are the primary owners of such businesses, and waste federal funds that are urgently needed for other purposes. Proposals

*Director of Economic Studies, the Brookings Institution. These views are my own and should not be attributed to the officers, trustees, or any of the staff members of the Brookings Institution.

to "integrate" the individual and corporation income taxes would not raise business investment and would reduce the taxes of corporations and high income recipients. If, as I expect, there will be room for net tax reductions over the next few years, the corporate as well as individual income tax rates could be reduced. Additional investment incentives, if needed, could be provided through the investment tax credit.

Whatever is done through the tax structure, however, will not be nearly as potent as the overall monetary and fiscal policies that will be pursued. Business investment is lagging today because the economy is still suffering from the aftermath of the deepest recession since 1938. Instead of adding special tax gimmicks for investment, Congress should continue its efforts to restore high levels of employment and income as quickly as possible. This is the best contribution it can make to promote investment and a satisfactory rate of economic growth.

In my opinion, the key to tax reform is the elimination of the special provisions for capital gains and taxation of capital gains transferred by gift or at death. These changes alone would permit a reduction in the top bracket individual income tax rates to 50 percent. At the same time, they would bring about a great simplification in the tax law.

The taxation of all property income at a maximum rate of 50 percent should have a healthy effect on investment incentives and on financial arrangements. While the average tax rate on capital gains will be increased, the tax rates on dividends, interest, and rents will be reduced substantially. The attractiveness of investments will depend on their relative rates of

return, and not on whether they can be made to yield incomes that are taxable at preferential rates. When the tax rate on earned income was reduced to a maximum of 50 percent, there was a substantial increase in cash salaries and a corresponding reduction in the attractiveness of alternatives like stock options and deferred compensation plans. I expect that the investor will also welcome straight income, without preferential rates, if he is assured that he can keep half or more after taxes.

Capital gains are not the only preferences in the tax law. The major business tax preferences are (a) percentage depletion for small producers of oil and gas and for all minerals producers; (b) deduction rather than capitalization of intangible drilling costs for oil and gas; (c) deferral of tax on income of foreign corporations controlled by U.S. shareholders; (d) deferral of tax through the Domestic International Sales Corporation (DISC); and (e) tax shelters which remain despite the revisions in the 1976 Act. In addition, business expense accounts are still being abused despite the effort made to tighten the law in the 1960s. Elimination of these preferences, which would increase tax receipts by about \$6 billion a year, could be used to finance a reduction in the corporate rate. The cost of one percentage point in the corporate rate is about \$1.3 billion a year, so that these reforms alone would provide the funds for a cut of almost 5 percentage points. Assuming there is enough elbow room in the budget for a net reduction in business taxes, I would also make the investment credit refundable and apply it to business plants as well as equipment.

Any form of integration of the corporation and individual income taxes would be costly and would reduce progressivity. If integration were in the form of dividend relief, corporations would be under great pressure to pay out more in dividends, and national saving (and investment) might be reduced. A more certain method of stimulating investment incentives would be to provide a direct incentive through the investment credit.

In summary, I believe that it would be unwise to introduce new devices into the tax law to help increase saving and investment incentives. It would be much better to clean up the tax system by eliminating preferences and use the funds to improve the investment credit and to lower the individual and corporation income tax rates.

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

August 1, 1977

The Vice President -

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

Rick Hutcheson

Re: Strategy for 1978 Senate Races

bcc: Hamilton Jordan
Frank Moore

"DETERMINED TO BE AN ADMINISTRATIVE MARKING
CANCELLED PER E.O. 12958, SEC. 1.3 AND
ARCHIVIST'S MEMO OF MARCH 16, 1983"

RECEIVED THE WHITE HOUSE
 WASHINGTON

confidential

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

do not indicate copies on copy to VP

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

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

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

KRAFT
LINDER
MITCHELL
MOE
PETERSON
PETTIGREW
POSTON
PRESS
SCHLESINGER
SCHNEIDERS
STRAUSS
VOORDE
WARREN

THE PRESIDENT HAS SEEN.



THE VICE PRESIDENT
WASHINGTON

To VP
J.C.

August 1, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: THE VICE PRESIDENT
SUBJECT: STRATEGY FOR 1978 SENATE RACES

As you know, the Congressional races next year will be very critical to the Administration's success in 1979-80, and I believe we got off to a good beginning with the two campaign committees Thursday morning in demonstrating our willingness to cooperate fully with their efforts. I am particularly concerned about the Senate contests, however, because of the potential impact that the loss of even a few seats could have on our relatively thin working majority there. Due to retirements and other factors, there is an unusually high number of Senate seats up for grabs next year. Of the 33 seats that will be contested (16 of which are presently held by Democrats, 17 by Republicans), our preliminary analysis shows that 10 are fairly certain to remain Democratic, 11 are fairly certain to remain Republican, and 12 very easily could go either way.

Given this fluid and potentially dangerous situation, I think there are three things the Administration can and should do at this point to maximize Democratic chances in the 1978 Senate races.

- 1) Attempt to persuade Democratic incumbents considering retirement to run again.
- 2) Attempt to recruit the most attractive candidates to start running early for those seats that are (a) open, and (b) held by Republicans who may be vulnerable. If necessary and if it would not be regarded as meddling, this should be done by calls from you and/or me.

3) Design individual plans of assistance to those Democratic incumbents who may be vulnerable, primarily early fund-raising assistance.

I. Democratic Incumbents Considering Retiring. There are currently three in this category who have not yet announced their intentions.

do so
A. West Virginia (Randolph). If Randolph retires, this seat could easily go Republican, especially if former governor Arch Moore runs and there is every sign that he will. He would be a very formidable candidate and probably the favorite to beat any Democrat. Jay Rockefeller agrees with this analysis and is strongly urging Randolph to run again. Recommendation: I should have lunch with Jennings very soon and try to persuade him to run. If he's still reluctant, you should ask him down for a chat.

B. John Sparkman and John McClellan are also undecided about running again, but the internal situation in both Alabama and Arkansas is very sticky and regardless of what happens both states are almost certain to elect Democratic Senators. Nothing should be done at this point.

II. Open Seats. There are currently seven seats in which there will be no incumbent running for re-election:

A. Michigan (Griffin retiring). Everything is uncertain here and will remain so until Governor Milliken announces his intentions in October or November. The field on both sides will be substantially determined by his decision. Right now there are several minor candidates announced on the Democratic side, but the major contenders such as Bill Ford and Frank Kelly are waiting on Milliken. The State Party people urge that nothing be done from here right now until things become clearer. Regardless of what happens, there is bound to be a large and confusing field of Democratic contenders.

B. Montana (Metcalf retiring). Representative Max Baucus is already running hard and is the clear favorite

for the nomination. There's a chance Governor Tom Judge may run, but Baucus is trying to head him off. Baucus is very popular and offers our best chance. There's not much to be done at this point.

C. Nebraska (Curtis retiring). Governor Jim Exon is privately committed to running but won't formally announce until the end of the year. This is probably our best chance for a new seat and there's little we can or should do at this point. Exon's main problems are overconfidence and the Administration's farm bill, and he's already putting a lot of distance between himself and the latter.

D. South Dakota (Abourezk retiring). Governor Dick Kneip has definitely taken himself out of the race. The clear frontrunner for the Democratic nomination at this point is Don Barnett, former mayor of Rapid City. He was mayor during the Rapid City flood and got very high marks for his performance. He's a very good campaigner, having almost defeated Abourezk in his first try for Congress, and is already working hard to try to pre-empt the field. There are several lesser candidates interested, but Barnett may scare them out. This is not a hopeless seat as some think. There's a good chance of a bruising GOP primary between Representatives Abdnor and Pressler which could leave them in a shambles. Nothing to be done here now.

E. Oklahoma (Bartlett probably retiring). If Bartlett retires, as most regard as certain, Governor David Boren will almost certainly seek the seat, even if it's in a special election. He will probably pre-empt the field. With the continuing uncertainty surrounding Bartlett's health, there's little or nothing to be done here now.

F. Virginia (Scott retiring). This situation is hopelessly confused and certain to remain so until the gubernatorial election is over. Everything turns on the outcome of that race and no one is even willing to talk about the Senate race until it's over.

G. Wyoming (Hansen retiring). We have a good shot here but only if Representative Teno Roncalio can be persuaded to run. Teno is simply tired of Washington and

anxious to go home and either run for governor or make some money (he has a young family). The governor, a Democrat, is almost certain to run again so that option won't be open to him. The State Party people are very anxious to have Teno run for the Senate and would like our help. Recommendation: I should ask Roncalio down for lunch soon and try to persuade him to run. If he's still reluctant, you should see him.

III. Priority Republican Seats. There are seven seats where Republican incumbents will be running again and where we have at least some chance of picking up the seat, at least enough of a chance to warrant trying to get a strong candidate into the race.

A. Massachusetts (Brooke). Brooke will be tough to beat but many in the state think that he may be vulnerable. The two strongest candidates would be Lt. Governor Tommy O'Neill and Attorney General Francis Bellotti. O'Neill apparently would rather be governor but may be unwilling to wait four years. If he sees Dukakis in trouble he may cut loose (the lieutenant governor is elected as a ticket with the governor) from him and go for the Senate. Bellotti is floating his name as a possible candidate and raising money but it's very doubtful that in the end he will run because he's not enamored of Washington and being a Senator just isn't his style. This will hopefully sort itself out during the fall and there's nothing we can do directly about it now. Recommendation: at an appropriate point, ask the Speaker in a very low key way how he assesses the situation and indicate our interest in helping.

do so

B. New Jersey (Case). Case is privately saying that he will run for another term but most people think he's just being cagey and trying to keep his options open. If he could name his successor he would probably quit, but that won't be possible because Representative Matt Rinaldo is dying to run and Case doesn't like him. Representative Andy Maguire is very anxious to run on the Democratic side and basketball star Bill Bradley may also go. In short, nothing will settle out here until the gubernatorial race is over and until Case's intentions are known.

C. North Carolina (Helms). There is definitely going to be a hotly contested primary here between Attorney General Rufus Edminsten, Luther Hodges, Jr., and several other candidates possibly including Representative Bill Hefner. This will be a tough race, but there's nothing much to be done now.

not now

D. Oregon (Hatfield). By far the strongest candidate would be Mayor Neil Goldschmidt but he is very disinclined to run. A recent poll showed him trailing Hatfield only 46-40, and that has led most State Democrats to believe that Hatfield is vulnerable. Neil should be encouraged until he completely closes the door, as I have already tried to do, but chances of persuading him are less than 50-50. The next best candidate may be Representative Les AuCoin. Neil is sending me a more detailed analysis and his recommendations, which can serve as the basis for further action. Recommendation: you should call Neil and urge him to seriously consider the race.

E. South Carolina (Thurmond). Pug Ravenal announced for the seat last week and he offers our best hope. Nothing to be done here in terms of recruitment.

✓

F. Tennessee (Baker). Probably the strongest candidate here would be House Speaker Ned McWhorter but he's not eager to take on Baker, who has gotten a lot stronger in recent months, and is probably more inclined to run for governor. I know you have already urged McWhorter to run, as I did Saturday, but keeping Baker pinned down is so important that we shouldn't give up. Recommendation: invite McWhorter to Washington and give him the full treatment.

G. Texas (Tower). Representative Bob Krueger has already announced and is running an aggressive, well-financed campaign. Others may join the race but Krueger is the winter-book favorite and would probably have the best chance of taking Tower. Nothing to be done here.

H. Other Republican incumbents who are presently regarded as safe include:

- a. Ted Stevens (Alaska)
- b. Charles Percy (Illinois)

- c. James McClure (Idaho)
- d. James Pearson (Kansas)
- e. Pete Domenici (New Mexico)
(more information needed)

do so

IV. Democratic Incumbents. While most are fairly safe, a few are in real trouble and can use early help with fund-raising appearances. Recommendation: I offer to help each of the following with a major fund-raising event either here in Washington or in their home states before the end of the year:

- a. Floyd Haskell (Colorado)
- b. Bill Hathaway (Maine)
- c. Tom McIntyre (New Hampshire)
- d. Claiborne Pell (Rhode Island)
- e. Dick Clark (Iowa)
(I have already done a dinner for him)

Recommendation: I offer to do a fund-raising or campaign appearance for each of the following Democrats before next summer:

- do so
- a. Joe Biden (Delaware)
 - b. Sam Nunn (Georgia)
 - c. Dee Huddleston (Kentucky)
 - d. Bennett Johnston (Louisiana)
 - e. Wendell Anderson (Minnesota)
 - f. James Eastland (Mississippi)

The theory behind the early offers to help is that it will accrue more good-will to the Administration than if we just sit back and wait to be asked. It's important also that the offers be extended across the board so that no one feels left out. None of this would preclude further campaign visits by either you or me during the '78 fall campaign, but rather it is an effort to give as much early help as possible. Obviously all of this should be closely coordinated with Frank Moore and Ham.

Finally, we should offer similar help to non-incumbent candidates like Exon and Ravenal where they have the Democratic field clearly to themselves and where we wouldn't ruffle any feathers by going in.

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

August 1, 1977

The Vice President -

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

Rick Hutcheson

Re: Strategy for 1978 Senate Races

bcc: Hamilton Jordan
Frank Moore

"DETERMINED TO BE AN ADMINISTRATIVE MARKING
CANCELLED PER E.O. 12958, SEC. 1.3 AND
ARCHIVIST'S MEMO OF MARCH 16, 1983"

THE WHITE HOUSE
WASHINGTON

Carp

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

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

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

	ARAGON
	BOURNE
	BRZEZINSKI
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	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

*Ham -
Monitor Weekly
reports
J*

~~CONFIDENTIAL~~

TO: THE PRESIDENT
FROM: HAMILTON JORDAN *H.J.*
RE: STATUS REPORT ON PERSONNEL

You asked Friday that I provide you an update on the personnel situation so you could address the general and specific problems at the Cabinet meeting Monday.

I have tried to avoid giving you all the back-up data, but have attempted here to summarize the information, the main problem areas and recommendations as to how we can deal with the major problems.

We have, I believe, three basic problems that manifest themselves in Congressional complaints and criticism:

- 1) The Cabinet has been very slow in filling key non-Washington positions that are politically important to the Congress.
- 2) At the regional and state level and in some instances in Washington, Democratic members of

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CONTAINED IN THE RECORDS OF THE
PRESIDENT OF THE UNITED STATES

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Congress find themselves working with
Republican appointees/holdovers who are
either not supportive or perceived as being
not supportive of the new Administration.

- 3) The Cabinet has been unresponsive to political requests - in many instances with good reason; in many other instances they have simply failed to respond or to offer an explanation for their action(s).

I would like to deal with each of these areas separately.

SUMMARY RECOMMENDATIONS

1. Prod Califano and Marshall to make bulk of regional appointments before Congress recesses. Request written report end of this week on these regional appointments.
2. Ask Bell and Bergland to expedite state positions in their respective departments. Ask them both for weekly reports until they have completed with all appointments.
3. Advise Cabinet members that their Personnel offices will be receiving forms which will be used to "track" NEA positions in each department.
4. Describe to them the political problems created for everyone when one Cabinet member offends a member of Congress. Without sacrificing their own principles and objectives, ask them to be more politically sensitive. And that a "no" is better than no response or a long delay.

1. The Cabinet has been very slow in filling key non-Washington positions that are politically important to the Congress.

This allegation is true. It is particularly true with the departments that are politically most important to the Congress. HUD made all ten regional appointments in June. HEW has made one regional appointment and Labor has made none. A full report follows:

<u>HEW</u>	-one (1) regional appointment made -three (3) expected this week -six (6) should be done in next two weeks
<u>LABOR</u>	-None made; in spite of Marshall's report to you last week, they don't expect to complete regional appointments until late August;
<u>HUD</u>	-All ten regional directors announced
<u>COMMERCE</u>	-All ten regional representatives have been named
<u>EPA</u>	-six (6) regional directors named -four (4) to be made in next two weeks
<u>SBA</u>	-six (6) regional directors named -two (2) career appointees -two (2) new directors to be named soon

USDA

FHA State Directors/Total 42

Ready for announcement:	<u>3</u>
Candidates in clearance process:	15
Republican Incumbents with veterans preference:	17
State with unfilled vacancies:	<u>7</u>
	42

ONLY 3 ANNOUNCED -
THIS IS WHAT CONGRESS
SEES. H.P.

ASCS State Committees

State Committees appointed:	40
State Committees in process:	5
States with no decision/action:	<u>6</u>
	51

ASCS State Directors

Appointed:	6
In process:	11
Republican incumbents with veterans preference:	15
Retention planned	8

ASCS State Directors (Continued)

Open - state committee not appointed:	7
Vacancies:	<u>4</u>
	51

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

*Ham - Give
me an update
report as of
7/29/77 - before
Mon cabinet mtg
J*

Mr. President:

Mike Kelly of the AG's office just phoned the following information:

Circuit Courts

there are 11 vacancies
Justice has reports from nominating panels. as to 7 of the 11
vacancies; of the 7:
2 are at DoJ, which has not yet made a recommendation
on the reports
5 have been sent to the White House; the White House
has cleared 4 of the 5

District Courts

6 new judges are in place
25 vacancies remain
5 nominations are at the Senate, awaiting confirmation
2 nominations are at the White House
6 proposed nominees are being processed by DoJ (e.g., FBI checks)

Special Courts (Claims, Customs...)

2 vacancies - no action yet.

94

US Attorneys

32 new US attorneys are in place
10 are awaiting Senate confirmation
none are pending at the White House
12 are being processed at Justice; the White House has given
preliminary "OK," while Justice is working on FBI checks,
etc.

40 US Attorneys - no replacement of the incumbent is contemplated;
or political problems are holding up the
replacement process

94

US Marshalls

17 new Marshalls are in place
11 are awaiting Senate confirmation
2 are pending at the White House
37 are being processed by DoJ, and have received preliminary
White House clearance

for 22 other US ~~Marshalls~~ Marshalls, either no replacement is con-

Let me summarize the major problems here and recommend an appropriate action:

1. HEW Regional Directors - Califano should move to fill several more and publicly announce them before Congress adjourns;
2. Labor Regional Directors - Marshall does not need three more weeks to make these appointments; some can certainly be done before the Congress adjourns;
3. Agriculture State Positions - We are really being criticized for the delay in appointing ASC and FHA State Directors. You should ask Bergland for weekly report on progress until they have all been named.
4. Justice/District Attorneys/Marshals - Judge Bell should be encouraged to resolve difficult decisions which remain and generally expedite their process. Also an area where we are being politically criticized. I would ask Judge Bell for weekly report until all these appointments are completed;

2. At the regional and state level and in some instances in Washington, Democratic members of Congress find themselves working with Republican appointees/holdovers.

Some of these complaints will cease when the Cabinet Secretaries make regional and/or state appointments.

However, there is no denying the fact that a large number of the decision makers in the Federal government at present are holdovers and/or Republicans.

I got an update from the Civil Service Commission. Out of the 406 NEA appointments which are allocated to the major departments and agencies, 132 are vacant and 112 are holdovers. This means that over 60% of the key positions in the government are either vacant or occupied by persons from the previous Administration.

The question to be posed here relates as much to policy as it does to politics. To what extent can

these persons be relied upon to enthusiastically support and implement your programs and policies?

My own hunch is that many of these people have technical skills and no political affiliation, but it is certainly not inappropriate for you to ask your Cabinet members to tell you who these people are and on what basis they are being continued on over other persons who are committed to your goals and policies. We would like to monitor this through the White House Personnel Office. If the Cabinet just knew we were interested in this and tracking it, they would probably be more sensitive to the problems created by the "holdovers".

3. The Cabinet has been unresponsive to political requests - in many instances with good reason; in other instances they have simply failed to respond or to offer an explanation for their action(s).

When you were Governor of Georgia, we successfully developed among the department heads a feeling politically that "we are all in this together". Maybe it is not possible to duplicate that same feeling at the Federal level. But we lack a political "esprit de corps" among the Cabinet and a sense or awareness that a legislative victory benefits us all and a defeat hurts us all.

I know that the Cabinet members get a lot of unreasonable requests from the Congress. They could save themselves a lot of trouble (and us) if they would just give the Congressmen answers on the requests - even if it is negative. No answer at all is worse than a "no".

On the subject of patronage, I am sure that they have been unresponsive to Congressional requests. They have certainly been unresponsive to requests from me - oftentimes applying a different or more stringent criteria to someone because they were in the campaign. By and large, people that helped you get elected have been treated poorly by the departments and agencies - I could document that in ~~a~~ dozens of cases.

You need to try to engender the feeling in your Cabinet that we had in Georgia; and make them realize that when one Cabinet officer offends a member of Congress, that grudge will probably be carried over to other things. They just need to ~~understand the need to~~ be politically sensitive which can be done without compromising their own principles or objectives.

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Hamilton Jordan
Zbig Brzezinski
Jim King

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

Rick Hutcheson

RE: APPOINTMENT OF US COMMISSIONER,
US-SOVIET STANDING CONSULTATIVE
COMMISSION

u. 013d77

THE WHITE HOUSE
WASHINGTON

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

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

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

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

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE

WASHINGTON

July 30, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *with for*
SUBJECT: Appointment of US Commissioner, US-Soviet
Standing Consultative Commission

The SALT ONE agreements created a US-Soviet Standing Consultative Commission (SCC) with the responsibility for reviewing and implementing the provisions of the SALT ONE agreements. The SCC meets at least twice a year; the US delegation is led by a Commissioner designated by the President. This appointment does not require Senate confirmation.

Since January 1977, Dr. Robert W. Buchheim of the Arms Control and Disarmament Agency has been serving as Acting US Commissioner for the SCC. In this capacity, he has been very effective. He also has had substantial experience in managing similar delegations and in dealing with the Soviets on both policy and technical matters.

All of the SALT Special Coordination Committee principals (Cy Vance, Harold Brown, Paul Warnke, Stan Turner, and myself) endorse the designation of Dr. Buchheim as US SCC Commissioner. We recommend that you so designate Dr. Buchheim.

RECOMMENDATION

That you approve the designation of Dr. Robert W. Buchheim as US Commissioner for the US-Soviet Standing Consultative Commission.

APPROVE ✓

DISAPPROVE _____

JC

THE WHITE HOUSE

WASHINGTON

Date: July 30, 1977

MEMORANDUM

FOR ACTION:

Hamilton Jordan

FOR INFORMATION:

Jim King

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Brzezinski memo dated 7/30/77 re Appointment to US
Commissioner, U.S.-Soviet Standing Consultative
Commission.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Monday

DATE: August 1, 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 require a delay in submitting this material,

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Hamilton Jordan -

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

Rick Hutcheson

Re: Office of Rail Public Counsel

THE WHITE HOUSE
WASHINGTON

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

ACTION
FYI

	MONDALE
	COSTANZA
	EIZENSTAT
X	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	LANCE
	SCHULTZE

	ENROLLED BILL
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	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE

WASHINGTON

July 28, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN *HJ.*

SUBJECT: OFFICE OF RAIL PUBLIC COUNSEL

The Office of Rail Public Counsel is an independent agency created by the Congress to provide for public representation and participation in the regulation of railroads and in the formulation of rail transportation policy. Although the law states that the Director should be appointed by April 5, 1976, President Ford failed to make the appointment and the Office was never established. In the meantime, its functions to some extent are carried on by the Office of Public Counsel within the ICC.

This office has been studied extensively by the Reorganization Group. Originally, Harrison requested the appointment be deferred pending passage of the Consumer Protection Agency bill and the accompanying reorganization of certain consumer-related functions. The intention being to fold this into the CPA. However, it is now obvious we will face a long delay in passage of the CPA legislation, and we are under increasing consumer and Congressional pressure to appoint the Director of the Office of Rail Public Council. Esther Peterson strongly recommends we move ahead, and you have a letter signed by some 25 members of the Congress to this effect. The industry is also pressing for us to make the appointment.

The principal candidates who have been identified are Howard Heffron, a lawyer in Washington; John O'Brien, presently on the staff of ICC; and A. Grey Staples, currently the person managing the Office of Public Counsel within the ICC. Biographical information and comments on all three are attached, as well as a profile on the Office.

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for Preservation Purposes**

BACKGROUND

PROFILE

OFFICE OF RAIL PUBLIC COUNCIL

Established by P.L. 94-210, Railroad Revitalization and Regulatory Reform Act of 1976.

The ORPC is the statutory successor of the Office of Public Counsel established in 1974 as part of the ICC's Rail Services Planning Office. It is to be a new independent office affiliated with the ICC, and has the authority to go beyond the work of its predecessor in promoting public participation in the Commission's deliberations. In creating ORPC, Congress recognized that public counsel should be an affirmative element in the development of rail transportation policy.

Specifically, ORPC is authorized to participate in and seek judicial review of Commission proceedings for the purpose of protecting the public interest and the interest of users and providers of rail services and to otherwise assure that the public will be able to participate effectively in the formulation of Commission policies and decisions.

The concept of Public Counsel in the transportation area has so much support in Congress that legislation expanding the ORPC to other modes is already being considered.

The position of the Director of ORPC is for a term of four years, and is a Presidential appointment subject to Senate confirmation (Senate Committee on Commerce-Magnuson). The salary cannot be at a rate in excess of the maximum for a GS-18 (\$54,410).



HEFFRON,
Howard, A.

HOWARD A. HEFFRON

Comments:

Thomas Allison, Chief Counsel, Senate Commerce Committee:

I hear he's really good all around. Have received positive signals.

Donald Beattie, Director of Government Affairs, Railway Labor Executive Association: Know nothing about him. Would be against a highway man in this job.

Joan Claybrook, Director, National Highway Traffic Safety Administration: Think highly of him. Tough advocate.

Ralph Nader: Strongly recommend him. Very thorough and accurate; oriented toward public interest.

Esther Peterson: He is trained and disciplined and also fair and even-handed.

Robert Stein, Attorney/Consultant who set up the Public Counsel in the ICC: I don't know him personally, but have heard good things about him.

Jim Snyder, United Transportation Union: Capable, but does not have enough experience or knowledge for this job. Would not be supportive of him.

HOWARD A. HEFFRON

Address 8311 Westmont Terrace, Bethesda, Maryland, 20034

Born October 3, 1927, New York, New York

Education

A.B., Economics, Columbia University, 1948

LL.B., Harvard Law School, magna cum laude, member-Law Review, 1951

Experience

1969 - present and 1960 - 1966 Private practice in Washington, D. C. and New York representing clients in international and general corporate transactions before administrative agencies and in federal district and appellate courts

1975 - present Consultant on Criminal Justice, German Marshall Fund of the U. S.

1969 - 1970 Consultant, National Commission on Product Safety (directed study of the scope and adequacy of the automobile safety programs)

1967 - 1969 Chief Counsel, Federal Highway Administration, Department of Transportation (directed staff of 57 lawyers providing full range of legal services to agencies administering the automobile and motor carrier safety regulatory programs)

1965 - 1967 General Consultant, President's Commission on Law Enforcement and the Administration of Justice

1959 - 1961 First Asst. to the Asst. Atty. General - Tax Division/Special Asst. to the Atty. General, Department of Justice

1953 - 1957 Asst. U. S. Atty. for the Southern District of New York

1951 - 1952 Law Clerk, U. S. Circuit Judge William E. Orr - 9th Cir., San Francisco, California

Teaching

1966 - 1967 Prof. of Criminal Law and Torts, University of Washington

O'BRIEN,

John H.

JOHN H. O'BRIEN

Comments:

Thomas Allison, Chief Counsel, Senate Commerce Committee. Never worked with him directly, but hear good things about him.

Donald Beattie, Director of Government Affairs, Railway Labor Executives Association: He would be our third choice after Staples and Cunningham. (Note: Cunningham was an early candidate who has withdrawn himself from consideration)

George Chandler (former Director, Rail Services Planning Office, ICC: Gets high marks from O'Neal. Really a maverick.

Edward Margolin, Director, Center for Transportation Studies, American University: Don't know him well - very political. Might be too close to ICC and Chairman O'Neal.

Dan O'Neal, Chairman, ICC: He is as competent as anyone associated with the ICC. He's a Massachusetts Irishman who knows how to get along with everyone. Many of the Commissioners don't like him, but the ICC staff does.

Woody Price, Special Assistant to Secretary Adams: Would rate Staples and Cunningham better.

JOHN H. O'BRIEN

Address 12420 Seabury Lane, Bowie, Maryland, 20715
Born July 14, 1927, Boston, Massachusetts

Education

Engineering and Economics, Massachusetts Institute of Technology,
1945 - 1948
B.S., Radio Broadcast Adm., School of Public Relations, Boston
University, 1951
LL.B., Boston College Law School, 1954
LL.M., Georgetown University Law School, 1958

Experience

1956 - Present Served the Interstate Commerce Commission in
numerous capacities:
1973 - present Staff Atty., Office of Commissioner/Vice
Chairman O'Neal
1967 - 1973 Asst. Director (trial atty.), Bureau of
Enforcement
1966 - 1967 Staff Atty., Office of Vice Chairman Tucker
1964 - 1966 Member of Review Board No. 2 (deciding cases
on appeal from decisions of hearing examiners)
1961 - 1964 Staff Atty., Office of Commissioner Tucker
1956 - 1961 Atty./Supervisor, Operating Rights Area
(writing reports, reviewing decisions, and
supervising 7 - 10 attys)
1954-1956 Private general practice in Arlington, Mass.
trying cases before the courts and admin-
istrative agencies of State and three
counties

Public Positions

1966 - 1970 Elected Member, City Council, Bowie, Maryland
1963 - 1966 Appointed Member/Chairman, Bowie Advisory
Planning Board, Bowie, Maryland
1955 - 1956 Appointed Member, Planning Board of Arlington,
Massachusetts

John H. O'Brien - page 2

1949 -- 1956 Elected Rep./Precinct Chairman, Town Meeting
of Arlington, Mass.
1952 -- 1956 Elected Member, Democratic Town Committee,
Arlington, Mass.
1948 -- 1949
1952 -- 1954 Delegate, Mass. State Democratic Conventions

Publications

"Twenty-five Years of Federal Motor Carrier Licensing-The
Private versus For-Hire Carrier Problem", New York University
Law Review, June 1960.

"The Public Interest in Railroad Mergers", Boston University
Law Review, Spring, 1962. (Co-author)

Memberships

Massachusetts State Bar Association
Federal Bar Association
Bar of the U. S. Supreme Court

STAPLES,
A. Grey

A. GREY STAPLES

Comments:

Thomas Allison, Chief Counsel, Senate Committee on Commerce: Would not be a bad choice. Did a good job as Public Counsel in the ICC.

Donald Beattie, Director of Government Affairs, Railway Labor Executives Association: First choice for the job. Has plenty of experience. Strongly recommend him.

George Chandler (former Director, Rail Services Planning Office, ICC): He is exceedingly enthusiastic about the Public Counsel concept.

Aaron Gellman, President Gellman Associates (served on the Task Force on Transportation during the campaign): Recommend him highly. Number one. Best candidate.

Fairfax Leary, Jr., Professor of Law, Temple University: Terribly good. Strong plus.

Edward Margolin, Director, Center for Transportation Studies, American University: Impressed by his dedication. Public-interest minded.

J. Robert Morton, President, National Industrial Traffic League: Our reaction in observing his performance is favorable.

Daniel O'Neal, Chairman, ICC: He probably could do the job, but I believe O'Brien would be better choice.

Woody Price, Special Assistant to Secretary Adams. He deserves consideration; no one has faulted his work.

Robert Stein, Attorney/Consultant who set up the Public Counsel for the ICC. Staples is my choice for the job. He's well qualified.

Jim Snyder (United Transportation Union): Best choice for the job. Support him completely.

A. GREY STAPLES, Jr.

Address 1007 North Vail Street, Alexandria, Virginia, 22304
Born January 17, 1935, Richmond, Virginia

Education

B.S., Business Adm. - Virginia, Polytechnic Institute, 1957
M.S., Business Adm., University of Richmond, 1962
J.D., University of Richmond, 1966

Experience

1974 - present Chief, Office of Public Counsel, Rail
Services Planning Office, Interstate Commerce
Commission
1973 - 1974 Staff Attorney, U. S. Atomic Energy Commission
1972 - 1973 Assistant General Counsel, U. S. Price Commission
1972 Legal Consultant, U. S. Price Commission
1967 - 1972 General Counsel, Virginia State Corp. Commission
1966 - 1967 Executive Development Trainee, Office of the
Comptroller of the Currency, U. S. Treasury
Dept.
1961 - 1963 Asst. Auditor, Bank of Virginia
1960 - 1961 Cost Accountant, Albermarle Paper Manufacturing
Company
1959 - 1960 Commercial Representative, Virginia Electric
and Power Company
1958 - 1959 Salesman, Pittsburgh Plate and Glass Company

Memberships

Virginia Bar Association

SUMMARY

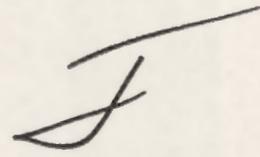
SUMMARY

We are under pressure that won't go away on this one. We should fill this job with the clear understanding that it would be incorporated into the new Consumer Protection Agency when it is established.

The two best candidates are Howard Heffron and A. Grey Staples. Staples wants the job, Heffron would be willing to leave his law practice to take it, but given the fact that it will eventually go into the CPA is not as enthusiastic as he was previously. I would be comfortable with either choice, but Staples is already familiar with the job and has strong Congressional support (Senator Humphrey spoke to you about him on July 26th I understand); and he has strong industry support. Heffron has a good reputation and consumer support, but no experience with rail issues, and no active Congressional support. I do not feel we would gain anything by recommending the third candidate, John O'Brien.

STAPLES:	Approve _____	Disapprove _____
HEFFRON:	Approve <u>✓</u>	Disapprove _____
O'BRIEN	Approve _____	Disapprove _____

Give me other names _____



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for Preservation Purposes**