

8/1/77 [2]

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THE WHITE HOUSE
WASHINGTON

August 1, 1977

The Vice President
Frank Moore
Hamilton Jordan

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

Rick Hutcheson

Re: Public Financing Bill
Energy in the House

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
	X	MONDALE
		COSTANZA
		EIZENSTAT
	✓	JORDAN
		LIPSHUTZ
	X	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

MEMORANDUM

THE PRESIDENT HAS SEEN.

OFFICE OF THE VICE PRESIDENT
WASHINGTON

done
ok
J

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT 

RE: PUBLIC FINANCING BILL

I talked with Bob Byrd about our prospects for cloture and, as we suspected, it will be very tight. One of our problems is that John Sparkman believes he has fulfilled his commitment to you by having voted for cloture Friday. Without his support on subsequent votes, it will be almost impossible to make it. Bob and I agree that you should call Sparkman today and ask for his support on the votes Tuesday and Wednesday, when we should peak. Meanwhile, I will continue to work on Morgan and Hathaway.

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THE WHITE HOUSE

WASHINGTON

July 29, 1977

*done
J*

MEMORANDUM FOR THE PRESIDENT

FROM: BILL CABLE *Bic*

THROUGH: FRANK MOORE *Fm*

SUBJECT: ENERGY IN THE HOUSE

The House adopted the rules on the Energy bill 235 to 148. Floor consideration will begin Monday. The Leadership currently has a five-part whip count underway:

- Phil Sharp (D-Ind) heads a group working on deregulation.
- Abner Mikva (D-Ill) heads the group working the business use tax.
- Dan Rostenkowski (D-Ill) heads the gas tax group. The gas tax amendment will be 5¢, half for urban mass transit and half for highways that are not part of the Interstate system.

Too rigid

The regular whip system is counting the Republican Substitute and final passage.

We have asked the Leadership to create a task force on the plow back issue. They are trying to get Sam Gibbons (D-Fla) to head the group.

The situation is very fluid at this time. We will try to pin things down in the weekly legislative report.

We recommend that you give the three task force leaders a telephone call complimenting them on their efforts and encouraging them on our behalf. *over the weekend.*

- * ① Phil Sharp: 225-3021 ✓
- Abner Mikva: 225-4835 ✓
- Dan Rostenkowski: 225-4061 ✓

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THE WHITE HOUSE

WASHINGTON

July 29, 1977
12:19 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *Fm*

By a vote of 49 yeas to 45 nays, the Senate has failed to invoke cloture on the campaign financing bill. We needed 60 yeas votes for cloture. The next vote comes Monday.

Senator Byrd had Senator Cranston call me to recommend that you telephone Senator Sparkman, thank him for his vote today, let him know that you understand that he will vote against cloture on Monday and that you hope he will again vote yeas on Wednesday which will be the crucial vote.



THE WHITE HOUSE
WASHINGTON

July 26, 1977

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MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *F.M.*

Senator Byrd wants you to make three calls on public financing:

- > Senator Sam Nunn (D-Ga) 224-3521
- > Senator Milton Young (R-N. Dak) 224-2043
- Senator William Hathaway (D-Maine) 224-2523

*- not 1st, maybe
2nd or 3rd
- maybe*

Senators Nunn and Young are open-minded. Senator Hathaway will be tough.

*Denne H Johnston - not in
present form - Demos vulnerable -
new formula maybe - will try
to keep open mind & think
creatively.*

*Hathaway - agrees w Nunn. Helping
to finance Repub opponent -*

THE WHITE HOUSE

WASHINGTON

July 20, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *Fm.*

I talked with Senator Byrd today and he has requested that you or the Vice President phone the following Senators asking them to vote to invoke cloture on public financing. The calls will need to be made tomorrow, Thursday, July 21.

Sparkman - *Fm*
Morgan - *Fm*
Hollings - *UP*
Nunn - *P*
Johnston - *P ON TRIP*
Long. *P on trip*

Dingell - call - Thank

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THE WHITE HOUSE
WASHINGTON

August 1, 1977

Hugh Carter

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

Rick Hutcheson

Re: Travel

THE WHITE HOUSE
WASHINGTON

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	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

August 1, 1977

Some doubtful

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*
SUBJECT: Travel (Per Your Request)

Listed below is the commercial-tourist travel approved during the month of July:

Name	Date & Time of Dp. & Ar.	Destination	Purpose
Ed Smith (vol. in Costanza's office)	7/6 Shuttle	D.C. Brooklyn, NY D.C.	In behalf of and at the request of Midge Costanza to inspect on-site depressed urban area
Ellis Woodward	7/9 9:30 a 7/11 12:13 a	D.C. Jackson, Mi New Orleans, La D.C.	Survey for Presidentia. trip
Laurie Lucey	7/11 5:45 p 7/12 8:30 p	D.C. Dallas, Tx D.C.	Confer with members of the Southern Baptist Christian Life Comm. on P's legislative program
Anne Edwards	7/14 9:50 a 7/22 open	D.C. Jackson, Mi New Orleans, La D.C.	T.V. advance for P's trip and town meeting
Carroll Rambo	7/15 9:50 a 7/22 5:00 p	D.C. Jackson, Mi D.C.	Press advance for P's trip
Peter Lynch	7/14 4:35 p 7/22 open	Boston Jackson, Mi Boston	Press advance for P's trip
Edward Maddox	7/14 1:50 p 7/22 11:00 p	D.C. Yazoo, Mi D.C.	Advance for P's trip

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Dan Lee	7/14 12:35 p 7/22 open	D.C. Yazoo, Mi D.C.	Advance for P's trip
Douglas Coulter	7/22 open	Return from Charleston, SC	" (trip down on WHCA plane)
James Hall	7/16 10:35 a 7/22 open	Chattanooga Jackson Chattanooga	"
Maria LeGrand	7/22 open	Return from New Orleans	" (trip down on WHCA plane)
Margaret McKenna	7/18 6:35 p 7/19 7:47 p	D.C. Chicago D.C.	Attend American Judicature Society Workshop to Fed. Judicial Nominating Commissions
Barry Jagoda	7/19 shuttle 7/22 3:20 p	D.C. New York Jackson D.C.	T.V. liaison work for televised town meeting - confer w/ TV executives in N.Y.
Greg Schneiders	8/11 8/12	D.C. Chautauque, NY D.C.	To participate in Education Week sponsored by Nat'l Council for Social Studies
Bruce Kirschen- baum	7/22 shuttle 7/23	D.C. New York D.C.	Accompany Secretary Ray Marshall to announce grants for NYC
Greg Schneiders	7/27 8:15 a 4:51 p	D.C. Pittsburgh D.C.	To visit Johnstown Pa. flood site in connection with his dealings with crisis management
Dale Leibach	8/2 8/12	D.C. Plains D.C.	Press Advance
Dan Lee	8/2 8/12	D.C. Plains D.C.	Advance
Richard Pettigrew	8/4	Detroit (One way)	Attend 3rd Annual Mtg. of Nat'l Conf of State Legislatures

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Hamilton Jordan

The attached was returned in
the President's outbox. It is
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Rick Hutcheson

RE: THE INDEX OF LEADING INDICATOR

THE WHITE HOUSE
WASHINGTON

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	WARREN

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

9
1

July 30, 1977

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze

Subject: The Index of Leading Indicators

On Friday, July 29, the Department of Commerce released its June report on the composite index of leading indicators of economic activity. The index decreased 0.6 percent in June, following an 0.2 percent decline in May.

Many observers, including the press, are interpreting this two-month decline as a sign of substantially slower economic growth in the second half. We do not agree with this conclusion. There are uncertainties, and some weaknesses in the current economic picture. But, we think that growth, while slowing, will remain healthy -- about 5 percent or a little better over the rest of this year.

The leading indicators approach to forecasting is a poor substitute for analysis. The index consists of ten series that, in the past, have tended to show a fairly regular relation to future changes in the economy. The ten include series as diverse as the narrowly-defined money stock (M1) and reports from about 200 companies in Chicago on delays in receiving delivery on orders.

Outright recessions in economic activity are typically preceded by a protracted decline in the index of leading indicators. (See attached Chart.) But periods of slow growth that do not culminate in an outright recession are hard to forecast from the leading indicators. The index bounces around because of erratic -- and often meaningless -- movements in one or more of its ten components. It therefore tends to give false signals of weakness when the economy is still doing reasonably well.

The May and June declines in the index illustrate this point. The decline in May reflected mainly the slow growth of M1, which occurred after a huge increase in April. The June decline in the index reflected predominantly a reduction in sensitive raw materials prices -- particularly scrap metals and natural gas.

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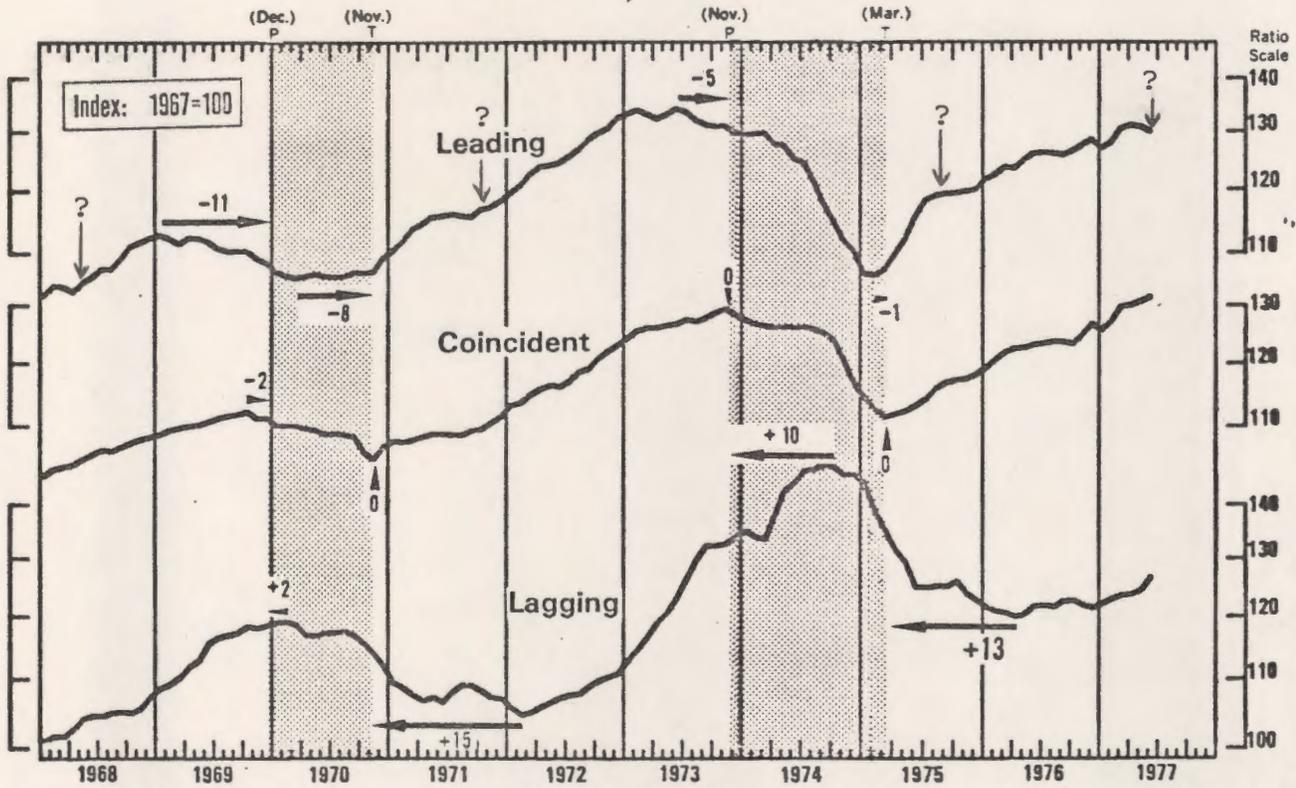
Some components of the index of leading indicators are presently showing signs of weakness that reflect the slowing pace of expansion in the second quarter. For example, the layoff rate in manufacturing increased moderately in both May and June. But movements of these individual economic series must be evaluated in the context of a broad analysis of economic developments, and we see no reason yet to become pessimistic about prospects for the second half.

The Track Record of the Leading Indicators

The index of leading indicators has now declined for two months in a row. On 18 other occasions in the postwar period this has also occurred. In six cases a recession followed. In 12 other cases a recession did not follow. For every three cries of wolf, only one wolf appeared.

Attachment

COMPOSITE INDEXES



Note: P (peak) indicates end of general business expansion and beginning of recession, and T (trough) indicates end of general business recession and beginning of expansion; shaded areas thus represent recessions. Numbers entered on the chart indicate length of leads (-) and lags (+) in months from these business cycle turning dates.

THE WHITE HOUSE
WASHINGTON

August 4, 1977

Hamilton Jordan
Landon Butler

The attached is for
your information.

Rick Hutcheson

RE: LABOR LAW REFORM

8/1

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

August 1, 1977

10
/

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

Stu

SUBJECT:

Labor Law Reform

Our lengthy negotiations with the AFL-CIO and our four separate meetings with the Business Roundtable-Chamber of Commerce group on labor law reform, together with the tremendous work done by Landon Butler and the Secretary of Labor have produced the following situation:

- (1) AFL-CIO issued a very strong statement of support and have privately communicated to us their gratitude at the position we have taken.
- (2) Because we involved the business community and because they achieved a number of compromises, their reaction has been vastly muted. John Post of the Business Roundtable indicated to me that he has avoided all press comment on the matter. While the business community will certainly oppose the bill, they view it as much more acceptable than earlier versions and will therefore be less vociferous in condemning the Administration for its position.

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THE WHITE HOUSE
WASHINGTON

August 1, 1977

Hamilton Jordan -

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Rick Hutcheson

Re: Relief for New York City

THE WHITE HOUSE
WASHINGTON

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ACTION	FYI	
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	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

July 30, 1977

*See Sun.
NYT -
J*

THE PRESIDENT HAS SEEN.

MEMORANDUM FOR: PRESIDENT CARTER
FROM: HAMILTON JORDAN *H.J.*
SUBJECT: Relief for New York City

As I understand it, NYC has requested \$14 million in "disaster relief," and you have already approved \$11 million in financial aid (though that is technically not part of the requested "disaster relief.")

As I understand it, the difference in our "doing everything we can do for NYC" and our being vulnerable to criticism that "we don't care" or "we don't understand the severity of their problem" is \$3 million.

Some of our political critics and some of the New York City press have already made progress in painting a picture of you as a shrewd and uncaring manager who, because of your Southern rural background, don't understand and/or care about cities generally and New York City particularly. If the \$3 million additional monies can be used beneficially, I would strongly recommend that we provide these additional funds to the city.

Everyone who has been there describes the situation as much worse than can be imagined sitting down here in Washington.

I think that we can save ourselves a lot of political problems in the future by proceeding with additional assistance for the city and correct the growing impression that "Carter doesn't care."

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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Zbig Brzezinski

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

Rick Hutcheson

RE: A CRITICAL ASSESSMENT OF
YOUR FOREIGN POLICY

MEMORANDUM

THE PRESIDENT HAS SEEN.

It's fair
Q

THE WHITE HOUSE

WASHINGTON

July 30, 1977

INFORMATION

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZS.*
SUBJECT: A Critical Assessment of
Your Foreign Policy

Enclosed please find the first major assessment of your foreign policy that I have seen in a U.S. magazine. It is written by a left-oriented critic who has obvious axes to grind. The analysis is thus critical, yet it contains such statements as:

"The new global vision was announced four months after Inauguration Day in a remarkable speech at Notre Dame. Not for thirty years has there been so much new music in a Presidential pronouncement on foreign policy . . ."

"The Carter 'grand design' calls for new rhetoric, new priorities, new ways of looking at the world. . . ."

"The most dramatic and significant change has been in southern Africa . . ."

"Jimmy Carter's world order is far more ambitious and high-minded than Nixon's vision of a 'generation of peace,' but it is much less coherent. . . ."

"Without question the Carter foreign policy is more subtle than the Nixon-Ford policy. Had it been followed in the 1960s, the Kennedy-Johnson years might have been less disastrous."

Though critical, the overall impact is positive, in spite of the emphasis on "incoherence."

CARTER'S PATCHWORK DOCTRINE

An ambitious, but incoherent, foreign policy

by Richard J. Barnet

ONCE IN OFFICE, a President has no more than 200 days to launch the "bold, new initiatives" he may have promised in the campaign. Most recent Presidents have made major shifts in policy during their first weeks in office. Eisenhower secretly threatened to use the atomic bomb to end the Korean war. Kennedy moved to escalate the arms race and invade Cuba. Johnson turned the Vietnam involvement into a crusade. Nixon started the wheels of détente grinding. What has Jimmy Carter done?

He has made rather clear what he is trying to do. The Administration's "game plan" seeks to "restore the authority of the President" over foreign policy. Nixon, because of his secrecy and cynicism, had power over foreign relations but not authority; Ford had neither power nor authority. Carter needed to establish an instant reputation as a man with a new vision of America's role in the world. That was a tall order for a one-term Georgia governor, but, fortunately, there were ready-to-wear ideologies available from the Trilateral Commission and from the archives of the Democratic party. The new global vision was announced four months after Inauguration Day in a remarkable speech at Notre Dame. Not for thirty years has there been so much new music in a Presidential pronouncement on foreign policy—talk of our "inordinate fear of Commu-

nism," and the "intellectual and moral poverty" of our "failure" in Vietnam, of responding to "the new reality of a politically awakening world," avoiding "manipulation" through power, rising above "narrow national interests" to solve the global problems of "nuclear war, racial hatred, the arms race, environmental damage, hunger, and disease."

The second task for the first few weeks in power was to restore the American foreign-policy consensus which had been shattered in the Indochina disaster. The American people needed a foreign policy, in Vice-President Mondale's words, that would leave them "feeling good." In the campaign Carter had telegraphed his strategy for lining up a solid majority behind his foreign-policy moves. He would attempt to gather into a bipartisan consensus the two groups that had broken with Kissinger, the liberals who were revolted by his cynicism and double-dealing and the hardliners who thought he had given away too much to the Soviets. To the former he offered a return to morality in foreign policy, a concern with human rights, a promise to scold dictators who ruled by torture, and an acknowledgment that the United States was the leading merchant of death in the Third World. To the latter he vowed that he would make détente a two-way street and be a tougher bargainer than Kissinger. Carter spent his first

*Richard J. Barnet, a former official at the State Department, is co-director of the Institute for Policy Studies and author of the forthcoming *The Giants: Russia and the United States*.*

100 days in the White House making good on both sets of pledges.

Sense of purpose

CRUCIAL TO THE TACTICS for reestablishing the foreign-policy consensus was the human-rights campaign. Proclaiming a universal concern for the rights of man serves social ends as well as political ones. The most important psychological function of the new moralism is to give absolution for the past and a sense of purpose for the future. Jimmy Carter understands sin and guilt. He knows that the "long national nightmare" of the Indochina war and Watergate cannot be dispelled by simply proclaiming it to be over, as President Ford did when he took office. The nation's honor had been stained, its judgment put in doubt, and its effectiveness crippled. Because of the doubt and distrust felt by liberals in Congress, the authority of the Presidency in foreign affairs in the last two years of the Republican Administration had been seriously undermined, as Kissinger him-

self acknowledged after Congress refused him "trivial sums" for a covert crusade in Angola.

Carter could have called for confession as a rite of absolution. He could have encouraged the debate we have never had on the meaning of the war and its lessons for the future. As a master of symbols, he could have dramatized America's break with its interventionist past by honoring Nixon's pledge to seek \$3.5 billion in reparations for the Vietnamese, by not filling the top national-security positions in his administration with such architects of the war as Cyrus Vance, Harold Brown, and Philip Habib; and by giving unconditional amnesty to all draft evaders and deserters. Such a pure moral position, even if he shared it, was not a political possibility for Carter, for it would have lost him the foreign-policy consensus he sought. Therefore, other roads to absolution had to be tried. The sin of Vietnam would be expunged by working for redemption in the rest of the world.

But redemption does not come cheap. The human-rights campaign was greeted with immediate skepticism by European leaders, who squirm when American Presidents preach, and



with fury by Latin-American dictators, who saw it as another instrument of American intervention. Under criticism, Carter moved back from what had at first seemed to be a universal policy of withholding aid and even friendship from countries that do too much torturing and jailing. Human rights would not be a condition of good U.S. relations where the country was deemed important from a national-security standpoint. South Korea and the Philippines were sufficiently strategic to qualify for the exemption. Argentina was not, although Argentine officers are still trained in the U.S. base in Panama. At Notre Dame, the President made it clear that he would not conduct policy "by rigid moral maxims" and that the key weapon of the human-rights campaign was "the power of words." To underscore the point, the Administration opposed legislation that would have required the U.S. representative in multilateral lending agencies such as the World Bank to vote against loans to torturers.

Although the human-rights campaign has purposes more modest than the radical improvement of human rights around the world,

it is crucial to the new global strategy of the Carter Administration. Just as Carter promised the American people a "government as good as you are," he has articulated a national purpose that can make us feel good and possibly look good. Some of the President's advisers say that the Notre Dame speech is as much a watershed as the speech President Truman gave in March 1947, when he launched the Truman Doctrine, a global anti-Communist crusade. Zbigniew Brzezinski told *U.S. News and World Report* that the U.S. now has a chance to set the direction of international politics, just as it did at the end of the war. The Cold War is not over, the advisers say, but we have a new national purpose to take the place of anti-Communism, which no longer inspires us. There is a "trend" in the world, Carter announced at Notre Dame, toward "dramatic worldwide advances in the protection of the individual from the power of the state." The United States would "lose influence and moral authority in the world" if it ignored the trend. "To lead it will be to regain the moral stature we once had."

The human-rights campaign is more than a national cheer, however. It can also be used

"The United States, which acquired the image in the Johnson-Nixon years as an unstable militarist power, will occupy the ideological high ground once again."



Hal Just

to appeal to the population of Western Europe and Japan over the heads of their leaders. The staff of the National Security Council is studying polls that show high public approval of Carter's human-rights stand (79 percent in West Germany; 68 percent in France). As leader of a world movement with bases of support in Europe and Japan, the American President will have increased leverage over European and Japanese statesmen in the tough trilateral negotiations that lie ahead.

The main target of the human-rights campaign, however, is the Soviet Union. The Administration is not so naive as to think that hectoring the Kremlin will produce a liberal revolution in the U.S.S.R. Indeed, there is evidence that some of the early attention to the Soviet dissidents was a diplomatic stumble. Certainly the immediate effect has been increased repression. The human-rights issue is to be used against the Soviet Union less as pressure in behalf of political prisoners than as a weapon of ideological warfare. The "trend" toward human rights which the Administration has discovered makes it possible to reassert an American global revolutionary ideology. If the Soviets see history as a process of freedom from economic exploitation, the new American ideology sees history as a process of increasing individual autonomy and liberation from the state; the United States expresses the spirit of the coming age. America, not the Soviet Union, is marching with history.

Détente, Brzezinski says, must be "reciprocal." The rules of the game must be the same for both parties. The Soviet Union "cannot feel free to proclaim revolutionary principles or certain inevitable laws of history which give it a right to comment on the social order of other societies or even to engage in the direct abetting of revolutionary violence, and then at the same time consider it an act of intervention if the other side affirms its own beliefs, its own fundamental principles." The United States, which acquired the image in the Johnson-Nixon years as an unstable militarist power and thereby gave the Soviets a "free ride" in many parts of the world, will occupy the ideological high ground once again. The United States will take up the challenge of ideological competition and beat the Soviets at their own game.

The third task, according to the Carter game plan, was to redirect the U.S.-Soviet détente. Brzezinski's criticism of Kissinger, which had been spelled out in papers he wrote while director of the Trilateral Commission, rested on two premises. The first was that the U.S.-Soviet relationship was given too much importance. Making détente the centerpiece of foreign policy was anachronistic. The relationship

of the industrialized nations, the uneasy trilateral alliance of the United States, Western Europe (principally West Germany), and Japan, was far more in need of buttressing than the Soviet relationship. The second premise was that it was not necessary to give away so much to get the Soviets to cooperate.

The shift in emphasis on détente reflects a profound philosophical difference between Brzezinski and Kissinger. The last Secretary of State was a Spenglerian pessimist who seemed to believe that the United States was in a process of inexorable decline from the unique position of power it held in 1945. The statesman's task was to slow that process wherever possible. His goal was "stability," the preservation of a status quo still highly advantageous to the United States. Kissinger believed that shifts in power anywhere, except to get rid of revolutionary regimes, as in Chile or Portugal, would portend a decline in American power. It was a conservative policy which required averting one's eyes from what governments were doing to their own people, since those governments—Brazil, Zaire, Iran, and Saudi Arabia—were the pillars of his "structure of peace" and the source of critical raw materials. Brzezinski is an optimist, an idealist, even something of a moralist like Carter himself. The United States, far from being headed for the ashcan of history, can play its most ambitious role yet in the closing years of the century.

The fourth task, according to the Administration game plan, was to take the lead in establishing a new world order to deal with the new global agenda—reestablishing ground rules for the international economy to take the place of the Bretton Woods structure, which collapsed in 1971; assuring access to energy and raw materials; controlling the flow of nuclear materials; and regulating the arms trade. The United States can shed its image as a militaristic, unyielding power by exploiting its unique advantages as the strongest economy in the world and as the symbol of a technological culture almost all nations, even most socialist ones, seem to want. The worldwide decline since 1973 has had the effect of restoring the preeminence of the United States. Western Europe and Japan have been hit much harder than the United States by resource shortages, inflation, and mounting social instability. The two self-inflicted wounds that sapped America's power to act grandly on the world stage, the blunders and moral bankruptcy of Vietnam and the crimes of Watergate, are healing. The Soviet Union, as the new CIA director, Stansfield Turner, noted on taking office, has fundamental weaknesses. The Soviet economy is stagnating. The ideology has lost its appeal. In

Richard J. Barnet

CARTER'S PATCHWORK DOCTRINE

a few years, the old men who rule Russia will be through, and there will be another leadership crisis. Social instability, the consequences of a frozen revolution and the failure to integrate the intellectuals and the non-Russian majority into a cohesive community, is a serious threat to the Kremlin.

All of this means that the United States has much more room to maneuver to reassert its position as world leader, and to promote a world vision. The foreign-policy opposition that developed over the Vietnam war is dormant. Criticism now comes not from the antiwar, antimilitarist bloc in Congress which acted as a restraint on Kissinger but from the jingoist Right, which is demanding higher military budgets and a tougher policy toward the Soviets. While Carter does not share all the assumptions of the Committee on the Present Danger—he would genuinely like to get an arms-control agreement—the rise of hard-line sentiment in the country strengthens his hand in negotiating with the Soviets.

THE CARTER RHETORIC, with its emphasis on “world order,” “peaceful competition,” and “America as a global leader,” is not new. It is a throwback to the era of Harry Truman and John F. Kennedy. Once again a Democratic administration is promising to “get the country moving again.” But this time the Democratic President is a fiscal conservative who has an added incentive to raise expectations in foreign policy as he lowers expectations at home. Like Kennedy, Carter projects moral fervor and a sense of mission. In the tradition of Woodrow Wilson, he believes that America’s destiny is to be the architect of a new world suffused with American values. (Nixon, another Wilsonian, also began his administration by talking about “the lift of a driving dream,” but the dream turned out to be a “generation of peace” based on reactionary alliances and secret deals.)

America’s strongest card is its economic strength. The United States, though increasingly dependent upon imported oil and strategic minerals, is still Number-One Nation, in Lyndon Johnson’s phrase, in its control of two other vital resources—food and technology. The Carter Administration is far more sophisticated than the Kennedy Administration in its understanding that, in many areas of the world, internal political change, including leftist revolutions, cannot be stopped by counterinsurgency wars, military aid, or missile-rattling, and in its confidence that when a Third World nation “goes Communist” it will still come to the U.S. multinational corporations for tech-

nology, just as Vietnam is doing. As long as U.S. companies control critical technology and strategic world distribution and marketing systems, the new regimes of Asia, Africa, and Latin America, however radical, will have to deal with the United States on its own terms. It is cheaper to have them as customers than clients. Some years ago Brzezinski told the Murphy Commission:

What impresses me generally in foreign affairs is that modern, large-scale, internationally active corporations have a far more effective way of operating internationally than the State Department. I would much rather deal with the representatives of IBM than with many of our embassies, in terms of perspicacity of analysis, flexibility of operations, and rapidity of movements.

An administration in which the Secretaries of State, Defense, and Housing and Urban Development are former board members of IBM is especially sensitive to the possibilities of using America’s high-technology corporations to project national power.

This does not mean that military power is to be deemphasized. On the contrary, the cornerstone of the Carter foreign policy is a stronger and more modern NATO requiring increased military commitments in Europe and continuing efforts to maintain a technological lead over the Soviets in the strategic arms race—both traditional bipartisan policies which stir Democratic hearts more than Republican. The military budget is going up, and in the absence of an early SALT III agreement—most unlikely, since SALT II is still stalled—the Administration will approve a major escalation in the nuclear forces, including the cruise missile, B-1 bomber, Trident submarine, and more accurate warheads. Because of the long lead time of weapons systems, the decisions which the Administration takes in the next few months will set the minimum level of military spending through the 1980s.

As to the use of force in the Third World, where the United States in the Truman-Eisenhower-Kennedy-Johnson era intervened with military or paramilitary forces on an average of once every eighteen months to support a client or to dislodge a potential troublemaker, the Carter Administration appears ready to continue the Nixon Doctrine. The responsibility for maintaining order will remain with such regional peace-keepers as Brazil, Zaire, Iran, and Saudi Arabia. Despite the increased tension with Brazil over U.S. efforts to block its access to nuclear technology, and public criticism of the huge Kissinger arms sales to the Iranian shah and to the Arabian king, the Ad-

ministration will continue using Kissinger's structure of peace, but its emphasis will be different. The Administration is making more effort to involve America's traditional allies in world peace-keeping responsibilities to implement what a recent Trilateral Commission document calls "collective leadership." In the first test so far of American attitudes toward military intervention, the insurgency in Zaire, the Carter Administration abstained from a major commitment, and France, Germany, Belgium, and Morocco supplied the money, arms, and troops that saved America's friend, President Mobutu Sese Seko.

The new foreign policies

THE CARTER "GRAND DESIGN" calls for new rhetoric, new priorities, new ways of looking at the world. Most of these conceptual innovations have been spelled out in the documents of the Trilateral Commission and the writings of Brzezinski, C. Fred Bergsten, Richard Cooper, and other theorists of the new administration over the past few years. Kissinger's "structure of peace" was the foil. The United States should be *more* forthcoming in meeting the demands of the Third World, *less* obsessed with détente, *less* ready to ship arms around the world, *more* concerned about the spread of nuclear technology, *more* ready to advance a grand settlement for the Middle East instead of endless shuttle diplomacy, *more* open and moral in projecting America's world vision.

The tone, rhetoric, and mood have changed, but what about the policies? The most dramatic and significant change has been in southern Africa. Kissinger began by assuming the long-term stability of the white regimes in southern Africa and building his structure of peace on their support. The Portuguese revolution of 1974 and the end of colonialism in Mozambique, Angola, and Guinea-Bissau forced Kissinger to shift U.S. policy. The Carter Administration has publicly warned the South African government that it will not rescue it from its folly; accommodations must be made to the black majority. Although far from scoring a diplomatic triumph in either Rhodesia or South Africa, the United States has succeeded in convincing some black leaders in southern Africa that it is no longer on the side of racism. At a time when the Soviets are playing a more active role in Africa, that is important for preserving American power and influence. But the United States continues to oppose sanctions against South Africa and Rhodesia and to promote invest-

ment in South Africa by U.S. multinational corporations. As tension mounts and more blood flows, the U.S. will find it increasingly difficult to develop its new image in southern Africa by continuing to espouse moderate policies.

In Latin America, Carter has expressed a desire to normalize relations with Cuba and to negotiate a Panama Canal treaty. Continuing the Cuban policy of the 1960s makes no sense, as the attempts at diplomatic isolation and a trade embargo have done nothing except increase Castro's dependence upon the Soviet Union. But the Carter Administration's pronouncements on the subject were confused. Andrew Young thought that Cuban troops in Angola were "stabilizing"; Cyrus Vance thought they were destabilizing, but their removal would not be a condition for establishing normal relations; President Carter suggests that normal relations depend not only upon a withdrawal from Africa but upon release of political prisoners in Cuba. Meanwhile, however, there has been some progress toward reestablishing relations.

In the rest of Latin America, traditional U.S. policy continues for the most part. The withholding of aid to Argentina (with exceptions) and Uruguay explicitly on human-rights grounds reflects Congressional sentiment that had been building up in the closing months of the Ford Administration. The coolness toward Chile is also more a continuation of Kissinger's changed position than an expression of the new morality Carter hinted he would adopt in the campaign. Indeed, the Administration wanted to believe in its early weeks that the Chilean junta was going to reform out of fear of Jimmy Carter's righteous wrath, but evidence that prominent trade-union officials have disappeared and that torture continues has dashed such hopes. Vice-President Mondale received Eduardo Frei, and the Deputy Secretary of State talked with Clodomiro Almeyda, once Allende's foreign minister. It is not common to receive opposition and exiled leaders at such a level. At the same time the Administration is sending six military advisers to the junta. The U.S. will support an alternative to the junta should the politics of Santiago make it possible, but not intervene to undo the work of its previous intervention.

The most interesting initiatives concerning the hemisphere relate to U.S. immigration policy. As a concession to Mexico, which has discovered vast oil reserves in Yucatan that may put it in a class with Saudi Arabia, the U.S. is proposing to liberalize its laws with respect to illegal aliens. There are an estimated 8 million Mexicans illegally in the U.S.; the Ad-

"When a Third World nation 'goes Communist,' it will still come to the U.S. multinational corporations for technology, just as Vietnam is doing."

Richard J. Barnet

CARTER'S PATCHWORK DOCTRINE

ministration proposes to let most of them stay and thereby ease a source of chronic tension.

In Asia the Administration has ended the Kissinger hard line on Vietnam; it has decided that Hanoi is not concealing information on Americans missing in action, agreed to back Vietnam for membership in the United Nations, and proposed normalizing relations. But Carter has stoutly resisted anything that would suggest an obligation to pay reparations, and the Vietnamese refuse to proceed to normalization until the U.S. makes some gesture "to heal the wounds of war." The only other new policy in Asia is the proposed step-by-step withdrawal of U.S. troops from Korea, a move proposed in the campaign. The Korean withdrawal is probably the most explicit foreign-policy initiative yet made by the Carter Administration—unlike most of the others it does not appear riddled with exceptions, caveats, and loopholes—and therefore is the most controversial.

A RMS SALES TO THE Third World, another symbol of Kissinger-wickedness in the campaign, are now subject to a new policy designed to convert arms sales from a routine instrument of foreign policy into an "exceptional" one. The \$32 billion in arms sales to other nations now in the "pipeline" will not be affected, but the "burden of persuasion" for new arms sales will be on those who favor them. Embassies will stop pushing arms sales. The U.S. pledges not to be the first supplier of advanced weapons anywhere in the world. Coproduction arrangements for significant weapons, such as the proposed plan to make F-16 fighter planes in Israel and with NATO countries, would presumably be prohibited, but there are "national-security" exceptions in the policy which could make almost any arrangements possible. The restrictions on coproduction seem to be in direct conflict with the strategy to strengthen military cooperation and weapons standardization in NATO. As in Carter's strong stand against nuclear proliferation, the rhetoric in the arms-sales policy is clearer than the content. On the nuclear question, Carter quickly retreated under pressure at the London summit conference. Under the new guidelines which authorize arms transfers "to promote our security and the security of our close friends," there is enough flexibility to continue as "the world's largest arms seller," since about 60 percent of all weapons transfers go to our "close friends."

One of the accomplishments set out in the game plan which Brzezinski emphasizes is "a

more forthcoming attitude" toward the Third World on economic issues. The Ford Administration adamantly opposed price-support arrangements to protect natural commodities from wild price fluctuations that can bankrupt mineral-producing and one-crop poor countries. The Carter Administration has agreed to discuss a "common fund" to meet these concerns, but it is far from agreeing to the specific arrangements the poor countries are calling for. One of the demands of the "new economic order" is debt relief. Here, too, the Carter Administration has made a gesture—\$1 billion to be supplied by the industrial countries to help the poorest countries with their debt burden. But since the debt is so massive, the debt-relief program is another symbol which will change very little, especially since the economic relationships between the rich and poor countries which assure the escalation of the debt burden continue unchanged. Meanwhile, the U.S. is exerting its considerable influence in the World Bank and the International Monetary Fund to promote "austerity" programs for poor countries which require them to cut real wages and to curtail welfare programs.

Such policies, which actually redistribute income from the poor to the rich in poor countries, may have more influence on human rights than anything else the U.S. does. The government of a country such as Argentina with its strong labor movement, cannot cut wages as it is doing without also engaging in merciless repression.

Jimmy Carter's world order is far more ambitious and high-minded than Nixon's vision of a "generation of peace," but it is much less coherent. Nixon wanted to change the symbols of foreign policy and to rebuild the domestic consensus too, but he had a simpler agenda and a clearer idea of what he wanted to do. The Carter Administration has articulated impressive goals—"zero nuclear weapons," "universal human rights"—and in a matter of weeks has nibbled at every major world problem, but anyone who follows John Mitchell's excellent advice for evaluating the last administration—"Watch what we do, not what we say"—will be struck by the contradictions between rhetorical goals and day-to-day policies. It is too early to grade Brzezinski, as the principal architect of Jimmy Carter's new world order once graded Kissinger issue by issue in *Foreign Policy* magazine. Without question the Carter foreign policy is more subtle than the Nixon-Ford policy. Had it been followed in the 1960s, the Kennedy-Johnson years might have been less disastrous. Whether the new policy patchwork is remotely adequate for the 1980s is another matter.

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Bob Lipshutz -

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

Rick Hutcheson

Re: Robert J. Blackwell

*attachment
27 pages*

THE WHITE HOUSE
WASHINGTON

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

*original to Lipshutz except
copy of Pres's note*

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
X		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

United States Senate
WASHINGTON, D.C.

*Sta-
Prepare brief
reply
J*

THE PRESIDENT HAS SEEN.

July 29 , 1977

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

*To P
29 JUL 1977
cc: Schless.*

Dear Mr. President:

We have been following recent developments relative to the proposed routes for the Alaskan gas pipeline with great interest. We are writing to express our deep concern that this issue be resolved in such a way that the safest and most economical and environmentally acceptable pipeline is completed at the earliest possible date.

As we understand the current situation, deliberations in both the United States and Canada are reaching a decisive stage, and both governments will soon announce their preferences for a route. The Canadian government has already received recommendations from the Berger Inquiry and the National Energy Board, both of which were critical of the Arctic pipeline. It is currently awaiting reports from the Lysyk Inquiry, which will address the economic and social costs of the Alcan Route, and from the Environmental Assessment Review Panel, which will assess the environmental impact of the Alcan route. Both of these reports are expected by August 1, 1977.

Here, in this country, the Federal Power Commission and the Administration's Task Forces have also sent final recommendations to you. While the FPC was divided in its judgment about the relative merits of the Alcan and Arctic routes, it clearly found either of them superior to the El Paso proposal. The Alcan proposal received the strongest backing from your own Task Forces, and even more recently the Justice Department issued a report criticizing the Arctic route because of its anticompetitive aspects.

Though in the past many of us have favored the Arctic route, which was the first proposal for bringing Alaskan gas to the eastern half of the country, and still do, it has become clear from reviewing the various reports and recommendations, especially those issued by the Canadian government, that the only viable trans-Canadian option available is the route that follows the Alcan Highway. This is particularly so if the

THE PRESIDENT HAS SEEN.

The attached information will reflect a series of events which have caused concern regarding the intervention of a high level federal official in a competitive bidding process involving a number of private concerns.

Specifically, the State of Alaska advertised for competitive bids to purchase Alaskan royalty oil (approximately 170,000 barrels per day at approximately \$12 per barrel cost for a total potential bid of about \$744,600,000 per year). A number of private enterprises responded including an organization based in New York called Seatrain. As an enclosure will indicate, Seatrain had previously, with the assistance of the Maritime Administration of the U.S. Department of Commerce, entered orders for two large tankers guaranteed by the Commerce Department in the amount of \$200,000,000. In the event of default by Seatrain in repayment of these loans, the Commerce Department would immediately be held liable and find themselves owning two empty and undedicated oil tankers, an increasingly surplus commodity in today's market.

As the documents further show, on March 10, 1977, the Governor of Alaska, the Honorable J. Hammond received a letter from a highly placed official indicating complete and total support on behalf of Seatrain. This could be interpreted to mean that the Commerce Department is willing to do whatever is necessary to prevent public knowledge of an exercise in poor judgment (the guarantee of a loan for more than \$200,000,000 to a company which will likely default without Commerce Department intervention).

It is important to note that the common denominator throughout this unusual series of events--the person who requested federal intervention, the person who went to Alaska on behalf of Seatrain, the person who, in short, represented this company on behalf of the Federal Government--is Robert Blackwell, who now has been offered a \$100,000 job potentially by some of the same people he so effectively spoke for as a Commerce Department official.

The remaining competitors suspect their chances of bid acceptance are slim since it would appear they are in competition with the Federal Government.

It is our position that (1) a branch of the Federal Government should not be involved or interfere with a freely competitive bidding process, regardless of the reason; (2) Mr. Blackwell's subsequent job offer does cause concern for potential quid pro quo practices in the performance of his professional responsibilities; and (3) the Commerce Department could be perceived as trying to prevent public awareness of a simple poor administrative decision (even though it was made by a previous Administration).

In summary, this practice should be brought to light and avoided in the future if possible.

THE WHITE HOUSE
WASHINGTON

7/29

Mr. President -

Frank Moore wanted you to see the attached Senate letter re the upcoming Alaskan natural gas delivery route decision.

Kathy
Kathy Baker

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

ACTION	FYI	
		MONDALE
		COSTANZA
✗		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
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		WATSON
		LANCE
		SCHULTZE

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

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
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	KING

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

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: Alaskan Natural Gas
Transportation

cc: Jim Schlesinger
Frank Moore

The President
July 29, 1977
Page two.

issues raised by the National Energy Board about the Alcan route can be negotiated in a way that does not compromise the technical or financial viability of the Alcan proposal. For this reason, we hope that American representatives at these negotiations will endeavor to resolve these issues so that this proposal, which is in the mutual interest of both countries, will proceed promptly and in a mutually satisfactory manner.

Mr. President, we feel certain that with the demise of the Arctic route, the pressure on you to recommend the El Paso route will become increasingly intense. We respectfully urge you to follow the thoughtful and well documented recommendations of both the Federal Power Commission and your Task Forces which came to the conclusion that the El Paso route is not advisable. The Alcan route is developing as the only acceptable route to the Canadians. It seems to us also to be the route which would be most beneficial to the United States. We hope you will share our conclusions, and we are looking forward to a successful resolution of this important problem.

The Alaskan Natural Gas Transportation Act provides for Congressional approval of your recommendation for an Alaskan gas pipeline. We write with the sincere belief that it would be most unfortunate if a lack of prior consultation between Congress and the Executive Branch led to a difference of opinion at the time you send us your recommendation. Thus, we emphasize our feelings at this time and urge you to make a prompt decision so that Congress will have ample time to act on this crucial issue before it adjourns.

Thank you for your personal consideration of this matter.

Wendell R. Anderson

Wendell R. Anderson

Hubert H. Humphrey

Hubert H. Humphrey

Sincerely,

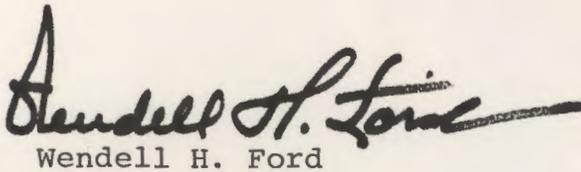
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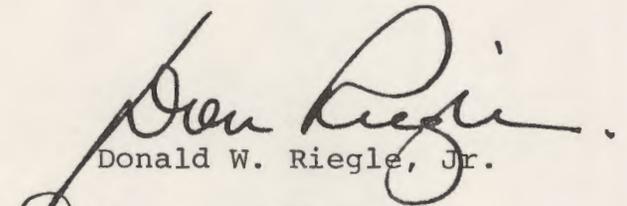
James Abourezk

James Abourezk

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for Preservation Purposes**



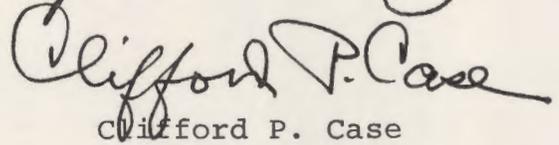
Wendell H. Ford



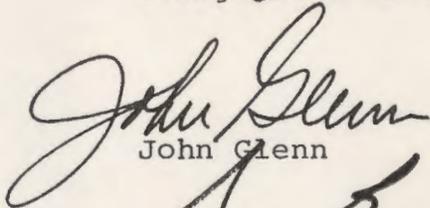
Donald W. Riegle, Jr.



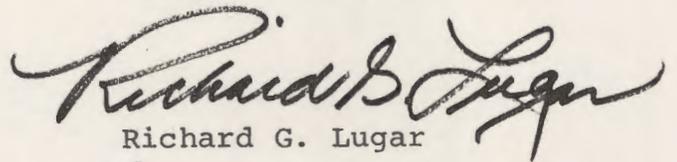
George S. McGovern



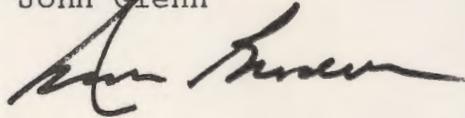
Clifford P. Case



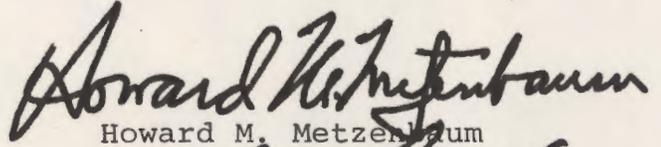
John Glenn



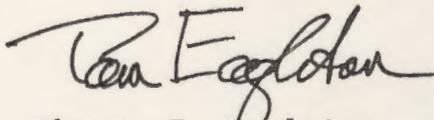
Richard G. Lugar



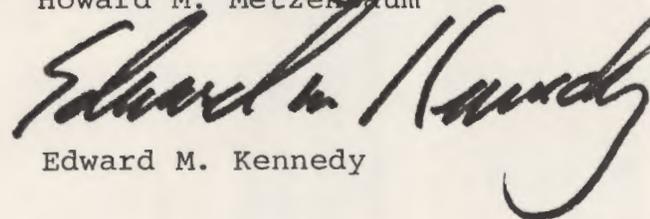
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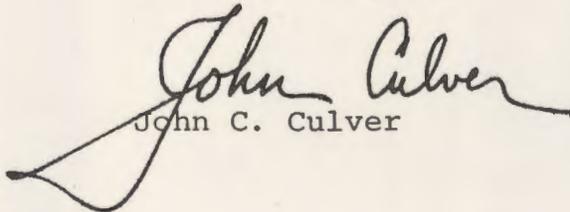
Howard M. Metzenbaum



Thomas F. Bagleton



Edward M. Kennedy



John C. Culver

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United States Senate

WASHINGTON, D.C. 20510

July 25, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM

To: The President

From: Hubert Humphrey

Subject: Alaskan Gas Transportation

Prime Minister Trudeau next week may select Alcan as the Alaskan gas transportation system preferred by his Government. If so, the two most feasible alternatives before you in making your Alaskan gas routing decision on September 1st will be Alcan and El Paso.

These two routes are similar in a number of respects, including total project cost, financing arrangements, and system capacity. Alcan may hold a slight edge with its lower delivery costs to consumers and a projected completion date from 6 to 18 months earlier than El Paso.

There are three areas, however, where Alcan is markedly superior. Selection of Alcan will result in more gas being delivered to the lower 48 than the El Paso line. That gas will be delivered with less environmental risk, as well, and with a far greater degree of certainty.

Gas Supply

Canada now supplies some 5 percent (2.7 billion cubic feet per day) of total U.S. gas consumption. In some states, this constitutes a sizable portion of all supplies (e.g. 65 percent in Washington and Idaho, and 45 percent in Oregon and Northern California).

The most recent Canadian National Energy Board (NEB) analysis of their gas demand/supply outlook reveals that continuation of these exports will shortly curtail domestic Canadian consumer deliveries. To avoid these curtailments, U.S. imports will have to be cut back as early as 1982 or 1983, and will cease altogether by 1989. The NEB presumes that access to frontier reserves by

Memorandum to the President
July 25, 1977
Page Two (2)

1989 will avoid the necessity to curtail Canadian consumers beginning in that year. No Canadian frontier reserves are economically accessible now.

We can expect some Canadian flexibility on the timing of gas export curtailments. Nevertheless, this predictable curtailment and possible cessation of gas exports will have a devastating impact here. And, this impact will be nationwide as priority residential users in the Northern Tier, the West and the Pacific Coast preempt less preferred users everywhere.

The most effective means to avoid import curtailments in the early 1980's is for the U.S. to facilitate Canadian access to frontier reserves. As originally designed, and particularly as modified by the NEB on July 4th, the Alcan route does facilitate such access. In fact, it will open for exploration the McKenzie Delta, Canada's cheapest frontier reserve -- and a reserve not now economically accessible without Alcan. This access via Alcan will delay any import curtailment until at least the late 1980's and even beyond if additional Delta and Polar gas reserves are discovered.

In short, your selection of Alcan offers the most certain way to avoid import reductions or even their cessation in the 1980's -- a cessation (2.7 bcf per day) which, should it occur, would not even be entirely offset by the new Alaskan gas flows (2.4 bcf per day through either system). A choice of El Paso will actually diminish the volume of gas available to our consumers by the mid-1980's from Canada and Alaska combined. And, it will markedly weaken our bargaining position when Canada initiates gas export curtailments. Put another way, within a decade or so, gas supplies totaling 5.1 bcf daily will be available as a result of an Alcan selection; El Paso will only result in 2.4 bcf daily being available.

One final point: The NEB notes that 1.1 bcf per day of Albertan natural gas is going begging now, with depressant effects on domestic exploration. If Alcan is selected, the NEB has suggested it prebuild some necessary pipelines in Alberta and Saskatchewan to make this excess gas available to the U.S. during 1979 and 1980.

Environmental Considerations

By using existing transportation corridors, Alcan minimizes environmental risks.

Memorandum to the President
July 25, 1977
Page Three (3)

The El Paso proposal includes gas liquefaction and gassification facilities of a scale heretofore untried. Both facilities will sit in active fault areas, as well. Finally, some possibility exists that El Paso will not find a gassification facility site acceptable to California officials.

Certainty of Gas Delivery

Alcan involves the use of existing, standard, and widely used technology. Because it will use existing corridors, Alcan's environmental and construction barriers are known factors. The major non-technical barrier is the Yukon native-lands claims. These claims were under negotiation long before Alcan was proposed and have been scheduled for final disposition later this year.

El Paso is subject to more uncertainty. As I've noted, the proposed liquefaction and gassification facilities are of a scale not previously constructed. The use of large LNG tankers subjects the El Paso system to a relatively high risk of interruption. And, the capability exists for State authorities in California to frustrate or at least delay your decision.

The most troublesome feature of Alcan involve its location in Canada.

Canadian Authorities

The NEB demands that the Canadian portion of Alcan be owned by Canadian entities. The NEB will exercise regulatory control over that portion, although American firms can participate in regulatory decisions and in internal Alcan deliberations, as well.

There is some risk that either Canadian entities within Alcan, or the Canadian Government at some future date could disrupt Alaskan gas flows. This would violate our new Hydrocarbon Treaty. In addition, I believe this risk to be small because of our capability to retaliate. Specifically, all Canadian oil imports are landed at Maine, and transported to Canada through the American-owned Portland Pipeline. This oil constitutes a significant portion of Canadian supplies, upwards of 40 percent. Closing the Portland line would be comparable in impact on Canada to a complete cessation of oil imports to the United States.

THE WHITE HOUSE
WASHINGTON

August 5, 1977

Aug 1

Stu Eizenstat
Zbig Brzezinski

The attached is for your
information.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER 

SUBJECT:

Possible Call From Prime Minister Trudeau
Concerning Alaskan Gas Transportation
Systems

I. Background - Canadian Process

During the last two days, the Canadian Parliament has been holding a special session at the request of the Prime Minister for the purpose of debating the Alaskan Gas Pipeline issue. The debate will provide some guidance for a Saturday (and Monday if necessary) Cabinet meeting at which the Ministers will discuss the advisability of reaching a Government decision on the National Energy Board's recommendation to build a modified Alcan project.

The debate and Cabinet meeting follow the issuance earlier this week of the last in a series of independent project reports. Judge Lysyk was asked to assess the socioeconomic and environmental impacts of the Alcan project. He concluded that the project should be built, but that a major effort must be made to mitigate impacts. His most troubling recommendation is a one-year delay in construction of the most sensitive 600-mile section of the 2,700-mile project. He recommends that the construction of this portion of the line in the Yukon be delayed from 1980 to 1981 in order to conduct further socioeconomic impact studies. The Canadian Pipeline Coordinator and other high Canadian officials have indicated that this Lysyk recommendation may be negotiable, although both major parties have endorsed it in the course of the Parliamentary debate.

It appears to us that the Government as well as the political and economic establishment in Canada want a pipeline. One of the purposes of the Parliamentary debate has been to gauge the risk of an anti-American backlash if the Government decides in favor of a joint project. So far, the general tone of the debate has been favorable to the Alcan project, with some sentiment still being expressed

for the original Arctic Gas project. If everything continues to go satisfactorily, and the Cabinet tentatively decides either late Saturday or Monday to proceed, Trudeau will authorize formal negotiations with the United States in an effort to reach agreement by our September 1 deadline.

Prior to issuing any such instructions, I have been informed that the Prime Minister will want to speak with you for the purpose of confirming U.S. interest in, and assessing our degree of commitment to, a joint project. Such a call may come either late Saturday or Monday.

The Canadians feel that once they agree to enter into formal negotiations, they will be under substantial pressure from within and without to agree upon a project that meets our concerns. Before subjecting themselves to that pressure, the Prime Minister wants to minimize the possibility of Canadian embarrassment resulting from a commitment to negotiate and a subsequent U.S. decision to delay or to reject any joint project. A commitment to negotiate by Canada in all likelihood presumes a favorable decision on their part in favor of Alcan.

II. Talking Points - Phone Call

If Trudeau calls, it is likely he will be interested in gaining the best possible commitment. Canadian officials have indicated that the following could suffice to encourage Trudeau to enter into formal negotiations:

- We deeply appreciate the effort of the Canadian Government in matching their decision-making process to our statutorily established schedule;
- Given the rapidly escalating costs of any project, and the parallel course of our decision-making processes, we currently have no intention of asking for a 90 day delay of the September 1 deadline as provided for in our Statute;
- We are very much interested in a joint project that will benefit both nations and allow us together to develop energy resources more efficiently than either of us could separately;

- From our point of view, any such joint project must:
 - o show a clear cost of service and efficiency advantage over any proposed American project;
 - o be privately financiable;
 - o avoid politically sensitive terms and conditions imposed by the other Nation;
 - o be able to move forward on a reasonable time schedule.
- Based on these criteria, the Alcan proposal as modified by the NEB decision and the Lysyk Report raises some serious problems for us.
- In preliminary discussions with officials of your Government, we have suggested a number of possible adjustments that could help restore Alcan's advantage while still recognizing the Canadian sensitivities that necessitated these changes.
- We are hopeful that agreement can be reached, and we believe that it would be mutually beneficial for us to begin the negotiating process.
- While we both recognize there is some possibility that such negotiations will not succeed, we believe that the chances for success and the benefits to be derived are great enough to warrant a firm commitment to good-faith bargaining.

III. Analytical Background

We are currently preparing for your review a detailed decision memorandum outlining the various options for your September 1 decision. This will include a review of the choice of routes as well as a series of other issues relevant to either project.

Further refinement of the analysis with which we provided you last week, indicates:

- that there is a need for an Alaskan gas pipeline as a means for providing supplemental gas supplies that can help reduce oil imports;
- that Alcan has a substantial advantage over the El Paso System in terms of the cost of service, fuel efficiency and national economic benefit, provided that Canada will agree to:
 - o a reasonable cost allocation of Canadian gas entering the system, taking into account the inefficiencies that result from increased volumes;
 - o a series of proposals for improving the Alcan project's financability (producer participation, rate of return related to cost overruns, State of Alaska participation);
 - o a restructuring of the \$200 million socioeconomic impact, perhaps into the form of an impact assistance loan ;
- that Alcan also offers the potential for receiving additional future volumes of Canadian gas while leaving us the flexibility to construct LNG facilities for the movement of natural gas from Southern Alaska to the lower-48 States without overloading the LNG potential of California.
- if the required changes cannot be made to the Alcan proposal, its cost of service advantage is reduced substantially and the fuel efficiency and national economic benefit advantage almost disappear. With El Paso being easier to finance because of the availability of MARAD ship-building guarantees, the choice between projects becomes increasingly difficult for the United States without the requested changes.

In summary, I would suggest that in your conversation with Trudeau you show a deep interest in pursuing a joint project that is clearly superior to El Paso, so as to give him the assurances he needs to proceed with negotiations.

THE WHITE HOUSE
WASHINGTON

August 4, 1977

NOTE TO: Rick Hutcheson

FROM: Jack Watson *Jack*

At the last Cabinet meeting, Jim Schlesinger told the President that it was likely that Prime Minister Trudeau would call him sometime this weekend to discuss the Canadian debate on the Alaskan gas transportation systems. The President asked Schlesinger for a briefing memorandum on the subject.

Jim has just delivered the attached briefing paper to me, and it should be given to the President before his departure today.

Thank you.

bc: Dr. Jim Schlesinger

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

Mr. President:

As you suggested, Secretary Vance called Senator Byrd about AWACS. The Secretary reports back that Byrd feels strongly about this and views it as an institutional confrontation.

The Secretary says that this is a political decision that you will have to make in terms of our future relationship with Byrd and the Senate. Vance continues to think it is bad to pull it down but concedes the likelihood of a decisive defeat.

We recommend a statement or a letter from one of the AWACS supporters (like Humphrey) ^{OR SPACKMAN} who suggest that the AWACS proposed sale be "temporarily withdrawn because of the very heavy schedule facing the Senate and resubmitted in September when this complex and technical issue can receive a full and complete hearing by the Congress".

H. J.
F. M.

THE WHITE HOUSE
WASHINGTON
August 1, 1977

Stu Eizenstat

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

Rick Hutcheson

cc: Hamilton Jordan
Frank Moore
Bert Lance
Peter Bourne

RE: OFFICE OF DRUG ABUSE POLICY
PHASE OUT.

THE WHITE HOUSE
WASHINGTON

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

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

<input type="checkbox"/>	ARAGON
<input checked="" type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	KING

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

July 29, 1977

*Stu -
See me
ASAP
J*

MEMORANDUM TO THE PRESIDENT

FROM: Peter Bourne *P.B.*

SUBJECT: Office of Drug Abuse Policy Phase Out.

There are certain problems including some specific concerns I have relating to the phase out of the Office of Drug Abuse Policy.

1. My top concern is for the people. ODAP staff is probably the most talented that has ever been assembled in the drug field. I persuaded such people as the Police Chief of Berkeley, California to come to work for me as well as the most outstanding young international lawyer in this field who agreed to leave a top position at the U.N. in Geneva to move back here. Now, having moved here with their families, after 2 months they find they are out of a job. You had said that the reorganization would not put anyone out of work, but there is no provision in the current proposal that would not put these people out on the street.
2. The most important formal activities that ODAP has carried out in compliance with its mandate are the reorganization studies. Studies on border management, drug law enforcement, and drug intelligence are nearing completion. However, the second phase on international drug control, regulatory compliance and treatment and rehabilitation will not be completed until the end of the year. I feel that these studies are essential to the future of the drug effort and OMB does not have the knowledgeable and experienced staff that we do to complete these studies. Already because of what is seen as the lack of continuing Presidential support for ODAP, the agencies are slowing down in their cooperation. In one specific instance a carefully negotiated compromise was achieved by my staff between DEA and Customs on the issue of collecting of narcotic intelligence overcoming years of conflict on this issue between the two agencies. As soon as the ODAP demise was announced Customs said they had been ordered by Treasury to withdraw from the compromise as ODAP no longer had any authority.

**Electrostatic Copy Made
for Preservation Purposes**

MEMORANDUM TO THE PRESIDENT

FROM: Peter Bourne

SUBJECT: Office of Drug Abuse Policy Phase Out.

3. There is considerable negative reaction to the phase out of ODAP on the Hill. Much of this could have been avoided had I been briefed by the reorganization team on this decision and had the opportunity to defuse congressional displeasure myself before they and I read about it in the newspapers. Their concern centers around the following:
- . The office was implemented 3-14-77 with a splash to the Congress reversing Ford's previous refusal to implement the office. Even though implemented with only 50 per cent of the intended staff they were pleased.
 - . The swearing in of myself and my deputy did not occur until June 1st - six weeks later the office is abolished.
 - . It is quite unclear what the subsequent mechanism for coordinating drug policy will be.
 - . Signal of deprioritization - public statements and the drug message give high priority to drug abuse - phase out of ODAP seems to refute this.

I have done my best to allay their concerns, but I will have to testify before at least 2 committees next week, and some of the criticisms of the ODAP phase out they will raise are almost unanswerable under the present plan.

4. In effect there will after the ODAP phase out be only one professional person besides myself working on drugs. I believe we can get by with this, but congress is going to give us a hard time.

RECOMMENDATIONS - I would like to lay out the following options and recommendations which I feel will resolve my concerns and those of the congress, at the same time maintaining the impression that you have a continuing concern with the drug problem.

-Current authorization for ODAP expires September 30th, 1978. Present plans call for the reorganization to take effect after 60 congressional work days, probably not before January 1978, but possible as early as late October. It may hardly be worth upsetting some key members of congress for a mere 8 to 10 months of operation. A clear statement that the Office of Drug Abuse Policy would at least continue to function with full authority until January 1st, 1978, would be very helpful in ameliorating congressional

*Sounds
ok*

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Bert Lance
Stu Eizenstat
Jack Watson

Re: Welfare Reform

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

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
	✓	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
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	KING

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



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

THE PRESIDENT HAS SEEN.

JUL 27 1977

MEMORANDUM FOR THE PRESIDENT

FROM: BERT LANCE *BWL*

SUBJECT: Welfare Reform

The attached paper discusses in detail the costing and management issues still unresolved in Secretary Califano's July 25 welfare reform proposal. In summary, I believe you should know the following about the proposal:

1. Benefit Structure and Coverage. The zero cost planning constraint enforced a much needed discipline on the planners. However, this constraint, coupled with the desire to provide fiscal relief and the decision to permit separate filing units for Supplemental Security Income eligibles, has had two effects that will be sharply criticized by liberal groups: (1) the proposed benefit levels are lower than many expected and hoped for; and (2) millions of people now on welfare would be made worse off by the reforms.

2. Costs. The Secretary is now \$3.3 billion over the zero cost base, in 1978 dollars. Moreover, when allowance is made for the inevitable overpayments and less optimistic assumptions, the cost of the current design is at least \$2.5 billion higher than HEW estimates. This is a significant amount for the budget to absorb, and ignores the cost of an expanded Earned Income Tax Credit (+\$7 billion, according to Treasury) and the program enhancements (+\$2.8 billion) that the Secretary asks you to approve. If the cost of the expanded EITC cannot be absorbed within the allowance for tax reform and the program enhancements are added in, you may have a \$16 billion budget problem on your hands. Finally, I believe nearly all the pressure in Congress will be upward (e.g., higher public job wages), thus further increasing costs.

3. Budget Impact. The real issue for you is not the hypothetical 1978 cost of the proposal, but rather the out-year costs in the context of a balanced budget. The planners have made no estimate of how social and economic changes that are likely to occur between now and 1981 (e.g., population shifts, labor force behavior, inflation, etc.) will affect the cost of welfare reform. While this is a very complex task, it simply must be done. Even without these calculations, however, it is clear to me that the added cost of welfare reform could absorb at least half and maybe all of the 1981 balanced budget margin of \$13 billion. (The "high employment balanced budget" margin for 1981 is only \$23 billion.)

I should note that my staff have also identified alternative ways in which the costs of the current proposal could be reduced. These should be considered on the merits, but in any case, they will not enhance the acceptability of the basic structure (p. 5 of the attached paper).

4. Administration. We must be able to demonstrate that our proposed welfare system is more efficient and rigorous than the existing one. As of now we cannot. No serious planning has been done yet on administrative systems for either the cash or jobs component of welfare reform. The jobs component is extremely complex in that it must take account of the Comprehensive Employment and Training Act, the Employment Service, Unemployment Insurance, and the private labor market. There is no reason to believe that welfare reform will lead to a major improvement in efficiency and fraud control, or that the extremely difficult task posed by the jobs portion can be accomplished.

5. Accountability. It is clear to me that the proposed State-administered federally-financed system is wide open to lax administration since the States would have little obvious incentive to police the system.

6. Work Test and Minimum Wage. The proposal would permit States to supplement the public job wage over the minimum wage, and would then tie the definition of acceptable private jobs to the resulting higher wage level. Individuals required to work in States that supplement will only have to take private sector jobs at the supplemented public wage level, not the minimum wage. This is tantamount to an increase in the minimum wage of 10 percent. It could lead to a substantial

loosening of the work test and might lead to individuals abandoning minimum wage private sector jobs for the opportunity to get more attractive public jobs. Analysis of local labor markets in States likely to choose such supplements could give us an estimate of those effects.

Summary

A detailed message for the first week in August can be prepared based on the July 25 proposal, subject to your decisions at the meeting on the 28th. However, I cannot with confidence assure you that the concerns I have noted above and in the attached paper can be dealt with adequately by then.

The key decisions you must make now if we are to meet the August timetable are (1) how much additional money you are willing to commit to this effort, and (2) what enhancements and attendant acceptability do you expect in return. I do not believe the analysis done to date is adequate to allow you to do that.

I therefore recommend that the early August announcement stress the basic structure of benefits and the system of incentives to work, which have been the focus of HEW and Labor Department efforts until now. This will provide the Congress with a major portion of the proposal to discuss during the August recess.

During August, I suggest that the Departments be asked to come back to you with

- * -- better cost estimates including a fuller development of the relation of the welfare system to tax reform, and
- * -- more detailed options on the administration and fiscal management of both the cash and employment and training systems.

Attachment

WELFARE REFORM COST ESTIMATES AND ADMINISTRATIVE ISSUES

This paper discusses: (1) the cost, revenue, and budget impact of the HEW/DOL welfare reform proposal, (2) serious unresolved issues concerning administration of the new welfare system, and (3) major issues that should be resolved before the proposed design is approved.

Welfare Reform Costs

No one can project the cost of the new welfare system with a high degree of certainty. In part, this is because of data limitations that serve as a basis for cost estimates. Mainly, however, the underlying uncertainty is that no one knows how individuals would respond to the new incentives that a reformed welfare system would put in place. We do not know, for example, what impact the proposed welfare system would have on break-ups and family composition, and work incentives which directly affect benefit levels and employment. In each case, one can find incentives in the proposal that work in opposite directions.

Secretary Califano believes the cost range is plus or minus ten percent for the cash side, and at least ten percent for the jobs side.

The estimates below are expressed in 1978 dollars, even though the first full year of welfare reform will be 1981. HEW has not translated these estimates into 1981 budget terms. OMB would expect the estimated cost of the proposed system to be higher in 1981 as a result of increases in the minimum wage, higher prices, and participants' greater familiarity with the new system.

Base Resources Available

* HEW estimates the base Federal resources available for welfare reform at \$25.8 billion in 1978 (see Attachment A). Of the \$25.8 billion only \$17.7 billion is currently dedicated to welfare. The HEW resource base includes \$1.3 billion associated with the earned income tax credit and \$1.3 billion of extended unemployment benefits beyond 26 weeks which we understand you have not yet allocated to welfare reform. Budget projections have not assumed costs for these unemployment benefits in 1981 because of projected drop in unemployment. Inclusion of these amounts in the base would thus have the effect of committing added resources. Should you decide to include the unemployment benefits, we suggest using a \$1.0 billion figure, which is the latest public estimate for FY 1978.

HEW requests increasing this resource base by major prospective savings or revenues from several sources:

- * A. HEW proposes to adjust the base by an additional \$.5 billion to reflect their recent re-estimates of possible fraud and abuse savings in HEW programs by 1981, which could then be allocated to welfare reform. These savings are not yet available and careful budget planning would thus suggest that they not be relied upon.
- * B. HEW proposes allocating \$1.5 billion of wellhead tax rebates to welfare reform funding. Again, it appears premature to commit these funds--since needed legislation has not yet been enacted. If the tax is enacted, our estimate of revenues properly rebatable to welfare recipients and not otherwise accounted for by CPI benefit adjustments is \$.2 billion.
- * C. HEW attributes \$1.3 billion associated with the existing Earned Income Tax Credit which would go to welfare reform recipients.

We do not have any problem accepting HEW's estimates of \$1.25 billion of other automatic offsets.

→ In sum, the most solid resource base for welfare reform is about \$25.6 billion compared to HEW's proposed \$29.2 billion.

Costs

HEW estimates total costs of \$28.9 billion (excluding \$3-4 billion revenue loss from proposed Earned Income Tax Credit reforms) with a 10% range, i.e., ranging from \$25.9 billion to \$31.9 billion. Based on analysis and discussions with HEW staff, we have identified an additional \$9.8 billion which should be included: at a minimum, \$1.5 billion for probable cash overpayments, which is the rate (8%) which has been achieved in AFDC after considerable effort, \$1.0 billion from a re-estimate of the effects of the asset test, and \$0.3 billion for estimating differences with respect to veterans income.

* Our estimates include \$7 billion of revenue loss associated with EITC reform--solely to clarify the impact of the welfare reform decision on the budget, and not to indicate whether it is properly attributable to and possibly absorbed in your tax reform proposal. The EITC estimate is preliminary.

After a detailed review of HEW's estimating assumptions, our estimate indicates a confidence range of \$24 billion to \$37 billion. Attachments A, B, and C provide details of the estimating differences.

The following table summarizes the differing resources and costs of the reform proposal before additional add-ons or economies.

	<u>FY 1978 Estimates (\$ in billions)</u>	
	<u>HEW</u>	<u>OMB</u>
Resources	\$29.2	\$25.6
Costs	<u>\$28.9</u>	<u>\$38.7</u>
Net Fiscal Impact	\$ -.3	\$13.1

Budget margins

The potential welfare reform costs and the decisions on commitment of additional funds need to be considered in the context of the available funds. Based on our earlier budget discussions, the following table summarizes projected budget margins:

<u>Strategy</u>	<u>Budget margins (\$ in billions)</u>		
	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>
I. Balanced budget	\$5	\$8	\$13
II. Balanced high employment budget.	\$10	\$18	\$23

These margins are thin when compared to the potential added costs of welfare reform (at least \$6 billion in 1978 dollars by OMB reckoning), health insurance, and future congressional action. When the estimates are inflated to 1981 dollars, the margin may shrink still more. Nevertheless, the strategy I path also includes tax cuts of \$5 billion in 1979 and 1980, a cumulative total of \$10 billion by 1981, while strategy II reflects tax cuts of \$15 billion in 1979 and \$15 billion in 1980 and \$10 billion in 1981, resulting in a reduction of \$40 billion in the level of individual income taxes by 1981. Moreover, the zero base budget reviews will probably identify opportunities for reductions in the \$400 billion in ongoing programs that could add to the budget margin. Such savings, however, will not come easily, since interest groups may be counted upon to resist them.

Welfare reform estimates only reflect costs if the plan were fully implemented in FY 1978. Phase-in plans have not been developed and estimates for actual outlays or comparison with current program costs in FY 1979-81 are not available. Indeed, the cost uncertainties involved are enormous.

The budget affordability of the welfare reform plan depends on how much of the base or margin you wish to commit. In terms of budget planning, however, it would be preferable, to make no more than modest commitments above a true "no cost" level at this time and then to proceed as funds become available from revenues or economies.



Possible Economies in Reform Proposal

HEW's memorandum discusses a range of options for additional welfare reform funding. Below, are also several major approaches to achieving economies in the proposal which could be developed for further consideration.

→ -- Require State matching. A requirement that States continue to pay part of welfare costs could substantially reduce Federal expenditures without adversely affecting beneficiaries. As discussed later, such financing may also be an essential incentive for effective State program administration and may more equitably distribute limited fiscal relief. (The State contribution could be a percentage of total costs, a per capita contribution, or some combination). (Savings - \$4 billion at a 20% matching rate).

-- Adjust benefits for assistance received from other Federal assistance programs. In addition to offsetting benefits received under the housing subsidy programs (discussed in HEW's memo) half of the value of child nutrition programs could be included in the definition of income. (Savings - \$1 billion).

→ -- Cap the first year (1981) estimate for Public Service Employment and Training. The PSE and training "need" estimates are among the most uncertain in the proposal. No serious planning has yet been done on implementation. A dollar cap at \$6 billion (roughly the stimulus jobs outlays plus WIN) allows for a very large program in this first year and permits subsequent year's levels to be set in the normal budget process. (Savings - \$2.2 billion).

-- Redistribute fiscal relief to the Northeast and Midwest. While New York faces budget problems, forecasts for States and localities generally show annual budget surpluses of \$20-25 billion for FY 1977-81. By modifying the Federal matching rates above the basic benefit, or adjusting other programs, added relief could go to New York, Wisconsin, Massachusetts, etc., without providing general fiscal relief to the States in surplus.

-- Reduce basic benefits. The national benefit level may be considered too high for some States. HEW estimates indicate, for example, that 38 percent of Mississippi's population would be eligible, while the percentage would be 25-30 percent in several other States. (Savings - \$300-500 million).

-- Defer Earned Income Tax Credit Reform. Dropping the HEW proposed EITC reform pending overall review of tax reform proposals would lower cost estimates by \$.3 billion in outlays and an HEW estimated \$3-4 billion in revenue loss (Treasury's initial estimate is over \$7 billion). The revenue cost of the proposal is disproportionate to the small amount of aid for the lowest income groups.

Administration/Accountability

I cannot emphasize too strongly my conviction that our welfare reform proposal must be one that can and will be well administered. The public is rightly concerned about waste, cheating and poor management in the present welfare assistance programs. Unless our reform successfully addresses those problems, poor administration will continue to be the greatest barrier to generous assistance for the needy.

No serious planning has been done yet on administrative systems for either the cash or jobs component. The jobs component is extremely complex, and must take account of the current CETA system, the Employment Service, Unemployment Insurance, and the private labor market.

Moreover, critical issues still need to be resolved about the administrative incentives and financial accountability of the welfare reform plan. Under the proposal, States administer \$25-30 billion of Federal funds, with relatively little State money at stake and few other obvious incentives to good management. Administrators of the welfare reform program must have effective incentives to prevent overloading the welfare rolls, assure accurate payment calculations, and enforce the critical job search and work requirements. These issues are of special concern in light of the highly variable State record in administration of disability and job determinations, and search requirements--even where 100% State funds are involved--and of legitimate questions about the capacity of States to operate a vastly expanded training and public-subsidized jobs program.

There are several major approaches to these issues, in addition to the proposed Federal regulations and standards. One option would be to add the 120,000-200,000 persons needed to administer this system to the Federal payroll--but I have strong reservations about that course. If that alternative is not chosen, however, then there probably

will need to be: (1) strong fiscal penalties for poor State administration which would in turn generate strong incentives for States to opt for Federal administration and/or (2) more State matching of Federal funds. The latter course could have advantages in assuring more generous assistance levels, but would reduce fiscal relief to the States.

Further study is also warranted of the complex interrelations of welfare reform to national health insurance and unemployment insurance. The coordination with health insurance design is necessary because of overlaps in eligibility, filing units, benefits, income tests, accounting periods, and employer costs. Implementation must be coordinated to avoid different eligibility systems for the two proposals. Interface with unemployment insurance requires study of, for example, how eligibility for one system affects benefits under the other.

ATTACHMENT A

HEW PROPOSED BASE COSTS - FY 1978
(\$ billions)

<u>Program</u>	<u>HEW</u>	<u>OMB Staff</u>	<u>Comments</u>
AFDC	\$ 6.6	\$ 6.4	Effect of foster care/adoption legis- lation
SSI	5.7	5.7	
Food Stamps (excluding Puerto Rico)	5.0	5.0	Published estimate is HEW's 5.0 B; actual costs now expected to be 4.7 B
*Unemployment Insurance 27-39 weeks	1.3	--	These amounts will reduce the estimated budget margin if the President now decides to include them. Current public estimate is OMB's 1.0 B
Earned Income Tax Credit	1.3	1.3	
Employment Programs	<u>5.9</u>	<u>5.9</u>	
Subtotal	\$25.8	\$24.3	
*HEW Management Improvements	.4	--	Estimated fraud and abuse savings
*Well-head tax	1.3	--	Availability is questionable. Only \$.2 billion properly rebatable
*Reduce Subsidized Housing Benefits	.4	--	Proposed 15% reduction in cash benefits for housing beneficiaries
HUD Budget Savings	.55	.55	Impact of higher cash assistance. .55 B estimate assumes housing benefits are reduced
Social Security Revenue	.3	.3	Jobs program increase social security revenues
UI Savings	.4	.4	Jobs program reduces unemployment
Total, Proposed Base	\$29.15	\$25.55	

*Major Issue.

PROGRAM COSTS: HEW AND OMB ESTIMATES

(\$ billions)

HEW: July 24	Cash	\$20.7
	Jobs	<u>8.2</u>
		\$28.9 <u>a/</u>
OMB add-ons:		
Overpayments and payments to ineligible (Based on 8% dollar error rate achieved in AFDC in 1976)		+1.5
Asset test (Based on latest HEW staff computations)		+1.0
Veterans pension offset (Based on income levels of veterans pension recipients)		+0.3
Earned Income Tax Credit (Based on initial Treasury Estimates)		+7.0
		<hr/>
OMB Staff Estimates		\$38.7

a/ Excludes Earned Income Tax Credit revenue loss of \$3-4 billion above the cash assistance break-even point.

Detail Costs of Welfare Reform Proposal
(1978 dollars in billions)

	<u>Low Range</u>	<u>HEW</u>	<u>High Range</u>
Computer simulation for 1975	\$ 17.8	\$ 17.8	\$ 17.8
Federal share of State supplements	+1.3	+1.5	+1.7
Labor Supply response			
- movement from private jobs to cash assistance	+ 0.5	+ 0.8	+ 1.0
Inflation from 1975 to FY 1978	+ 3.2	+ 3.4	+ 3.6
Underreporting of income on the current population survey assumes the program will uncover more income than reported in the survey	- 1.1	- 1.1	-1.1
Adjustment for asset test	- 2.2	- 1.6	-1.6
Accounting period adjustment to 6 months from CPS data which reflects annual income	+ 0.2	+ 0.4	+ 0.6
Certification of separate economic status for nuclear families within a larger household	+ 0.5	+ 0.5	+ 1.0
Taxing of veteran's pension at 100% vs. 80%	- 0.6	- 0.6	- 0.2
Adjustment for less than full participation of eligibles	- 4.2	- 2.9	- 2.1
Unemployment rate adjustment to 5.6% (1981 assumption)	- 2.4	- 1.8	- 1.2

	<u>Low Range</u>	<u>HEW</u>	<u>High Range</u>
Overpayments and payments to ineligible (8%)	+ 1.0	--	+ 2.0
Earned Income Tax Credit	1.5	1.6	1.7
Jobs program	5.0	7.8	10.0
Cash program response for jobs change	+ 0.6	--	- 0.6
Emergency assistance	0.6	0.6	1.0
Administration (HEW)	2.1	2.1	3.0
Administration (Labor)	<u>0.4</u>	<u>.4</u>	<u>0.5</u>
Total	24.2	28.9	37.1

Minimum OMB add-ons to HEW

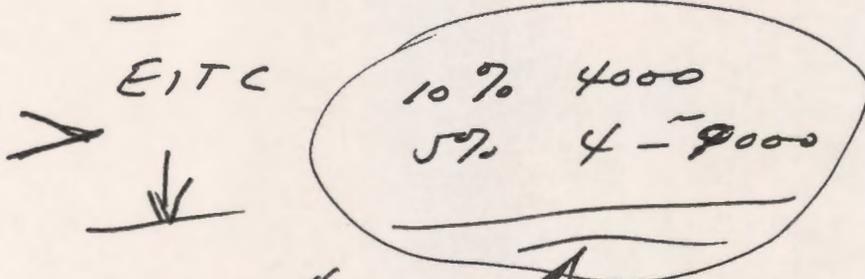
Overpayments	1.5
Assets	1.0
Veterans Pension	<u>.3</u>
	31.7

Note: All estimates exclude Earned Income Tax Credit reform. HEW estimates revenue losses of \$3-4 billion, Treasury \$7 billion.

THE WHITE HOUSE
WASHINGTON

Basic benefit level
vs Supplement
Phase in

\$4200 → \$4700 100%?



\$481 ↑ \$74
\$3 → \$6 Ideal 10

Medicaid?

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Z. Brzezinski -

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

Rick Hutcheson

Re: Daniel P. Moynihan's article
on "The Politics of Human Rights"

*attached
& paged*

X

THE WHITE HOUSE
WASHINGTON

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

ACTION
FYI

	MONDALE
	COSTANZA
	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
<input checked="" type="checkbox"/>	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
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	SCHNEIDERS
	STRAUSS
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	WARREN

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The Politics of Human Rights

Daniel P. Moynihan

THE PRESIDENT HAS SEEN.

There's an ideological struggle that has been in progress for decades between the Communist nations on the one hand and the democratic nations on the other. Mr. Brezhnev and his predecessors have never refrained from expressing their view when they disagreed with some aspect of social or political life in the free world. And I think we have a right to speak out openly when we have a concern about human rights wherever those abuses occur.

—Jimmy Carter
March 25, 1977

IT IS AS simple as that. What needs to be explained is not why the United States has raised this standard, but why it has taken so long. Anthony Lewis remarks of the President:

He is giving not just Americans but people in the West generally a sense that their values are being asserted again, after years of silence in the face of tyranny and brutality.

But again, what needs to be explained is how those "years of silence" came about, and what they signify. For there *were* reasons, and deep ones, and they could reassert themselves far more readily than any—perhaps especially the President—might suppose.

Human rights as an issue in foreign policy was by no means central to Jimmy Carter's campaign for the Presidency. It was raised in the Democratic platform drafting committee, and at the Democratic convention, but in each instance the Carter representatives were at best neutral, giving the impression of not having heard very much of the matter before and not having any particular views.

This is understandable enough, for by 1976 those "years of silence" had done their work. As a tactical or strategic concern of foreign policy, human rights had disappeared so completely from the councils of the West that a newcomer to the field might well never have heard the issue even discussed. Given our celebrated penchant for

promptly forgetting even the most recent history, it may serve to record just how nearly total this blackout on human rights had become.

On November 12, 1975, as Permanent Representative at the United Nations, I introduced to the Third Committee of the General Assembly a United States proposal for a worldwide amnesty for political prisoners. The General Assembly, our delegation argued, had already that year taken two important steps in such a direction. A resolution had been adopted calling for unconditional amnesty for all political prisoners in South Africa. The United States had supported that resolution. Further, a resolution had been adopted calling for amnesty for all political prisoners in Chile. The United States had supported that resolution as well. But, we now asked, was there any reason to stop there? There were 142 members of the UN. Were we not all bound by the same standards that bound Chile and South Africa? There were grounds for a concern with universality in this matter which struck us with special force:

The first is that the selective morality of the United Nations in matters of human rights threatens the integrity not merely of the United Nations, but of human rights themselves. There is no mystery in this matter. Unless standards of human rights are seen to be applied uniformly and neutrally to all nations, regardless of the nature of their regimes or the size of their armaments, unless this is done, it will quickly be seen that it is not human rights at all which are invoked when selective applications are called for, but simply arbitrary political standards dressed up in the guise of human rights. From this perception it is no great distance to the conclusion that in truth there are no human rights recognized by the international community.

This concern was not allayed by examining the list of sponsors of the resolutions already adopted on South Africa and Chile. According to the Freedom House Comparative Survey of Freedom, no fewer than 23 of the sponsors of the South African resolution and 16 of the sponsors of the Chilean resolution were countries which held political prisoners themselves.

Moreover, at the other end of the spectrum, but in a discernibly consistent pattern, that same Gen-

DANIEL P. MOYNIHAN's many contributions to COMMENTARY include "Was Woodrow Wilson Right?" (May 1974) and "The United States in Opposition" (March 1975). Mr. Moynihan is now a United States Senator from New York.

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THE PRESIDENT HAS SEEN.

USS DWIGHT D. EISENHOWER (CVN 69)
FLEET POST OFFICE
NEW YORK 09501

At Sea
North Atlantic
1 August 1977

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Dear Mr. President:

We are returning from the first sea trials of the USS DWIGHT D. EISENHOWER (CVN 69), our third nuclear powered aircraft carrier and our tenth nuclear powered surface warship. The purpose of the trials is to demonstrate the performance of her two reactor propulsion plant which produces about as much power as the eight reactor plants in the first nuclear carrier, the USS ENTERPRISE (CVN 65). The DWIGHT D. EISENHOWER was built by the Newport News Shipbuilding and Dry Dock Company, Newport News, Virginia. She is a sister ship of the USS NIMITZ (CVN 68) which was delivered in 1975 and is now assigned to the U.S. Atlantic Fleet. One more ship of this class, the CARL VINSON (CVN 70), is also under construction at Newport News.

The EISENHOWER has a length of 1,092 feet, a flight deck width of over 250 feet, and a combat load displacement of nearly 95,000 tons, and can provide sustained support for a naval air wing of about 100 aircraft. Her initial nuclear cores will provide her with enough fuel to carry out operations for the next 13 years, thus making her truly independent of propulsion fuel logistic support. These cores contain energy equivalent to over two million tons of coal or 11 million barrels of oil, enough oil to fill a train of tank cars stretching from Washington to Boston.

The ENTERPRISE was delivered in 1961. She operated three years before her first refueling, including a 30,000 mile cruise around the world in 1964 without logistic support. She was accompanied by the nuclear cruisers LONG BEACH (CGN 9) and BAINBRIDGE (CGN 25).

Following her first refueling the ENTERPRISE operated four years, including four deployments to Vietnam, before her second refueling and overhaul in 1970. To date, the ENTERPRISE has steamed almost one million miles. Her present reactor cores are expected to provide fuel for a total of at least 13 years.

We now have seven nuclear-powered guided-missile ships in operation; the cruisers LONG BEACH (CGN 9), BAINBRIDGE (CGN 25), TRUXTUN (CGN 35), CALIFORNIA (CGN 36), SOUTH CAROLINA (CGN 37), VIRGINIA (CGN 38), and TEXAS (CGN 39). Two more are under construction; the MISSISSIPPI (CGN 40) and the as yet unnamed CGN 41. Congress has also authorized advance procurement funds for the first of four nuclear cruisers planned to have the AEGIS anti-air warfare weapons system.

When General of the Army Dwight D. Eisenhower became our 34th President in January 1953, the only nuclear warship under construction was the submarine NAUTILUS. The second nuclear submarine, the SEAWOLF, had been

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authorized by Congress a few months previously. Mrs. Eisenhower christened the NAUTILUS on January 21, 1954. President Eisenhower rode the SEAWOLF while submerged during naval exercises in the Atlantic in 1957. This was the first visit of a President to a nuclear-powered warship.

During President Eisenhower's Administration 27 more nuclear attack submarines were authorized for construction, including eight new designs.

The POLARIS nuclear submarine program, which many believe to be our Nation's greatest deterrent weapon system, was started on a crash basis under him in the 1958 shipbuilding program, and the first 14 POLARIS submarines were authorized in his Administration. President Eisenhower rode the PATRICK HENRY, the second POLARIS submarine, in 1960.

The nuclear surface Navy was also started while President Eisenhower was in office. The cruiser LONG BEACH, the carrier ENTERPRISE, and the cruiser BAINBRIDGE were authorized in 1957, 1958, and 1959 respectively.

Nuclear power in surface warships gives them the ability to operate continuously at high speed which affords them protection not available to non-nuclear ships. This could mean the difference between victory and defeat in battle. As the number of our foreign bases and the size of our Fleet continue to decline and the availability of foreign oil becomes more tenuous, the need for ships not dependent on a logistic umbilical cord for oil will continue to increase.

Next to providing the major deterrent to all-out nuclear war, I believe that the most important mission of our Navy is to insure that our first line naval striking forces can carry out their mission against threats developing from potential enemies. A significant portion of our major surface warships must be nuclear powered or we may end up without a credible deterrent to aggressions which do not warrant escalation to a nuclear war.

For the foreseeable future the aircraft carrier will be the principal offensive striking arm of the Navy in a non-nuclear war. No other weapon system under development can replace the long-range, sustained, concentrated fire power of the carrier air wing. Nuclear submarines and nuclear surface ships with anti-air and anti-submarine capabilities are all needed to supplement and augment the capabilities of the nuclear carrier.

Carriers are vulnerable to attack by Soviet sea-based cruise missiles--as are all surface ships. However, the first line of defense surface ships have against missiles and their launching platforms is carrier based aircraft. Without carriers and their aircraft, other surface warships, replenishment ships, and amphibious forces will all be much more vulnerable. The nuclear carrier task force with its capability of unlimited operation at high speed is the most powerful, least vulnerable surface ship force in the history of naval warfare.

Nuclear ships are often compared in cost with cheaper conventional ships of much less military capability, the argument being that we should build more of the cheaper conventional ships rather than fewer of the nuclear ships. Yet study after study has shown that when all costs are considered nuclear warships cost little more than conventional warships having the same weapons systems--the nuclear warships being far superior militarily.

Further, the cost of war itself far exceeds any cost needed to be prepared to prevent it. The best warships and ultimately the cheapest we can build are those which are never used in combat because they are adequate to prevent war.

With the heavy military and non-military demands on our budget, the United States must spend only where it is necessary and where the value received is clear. The true value of a Navy capable of countering the Soviet threat cannot be measured in dollars alone; survival may also depend on it.

The Soviets have recognized the importance of becoming the world's strongest sea power. We have chosen not to challenge them with numbers of ships. For this reason, I believe it essential that the ships we do build be the most powerful and effective weapons we know how to build. This requires nuclear propulsion for major warships. The penalty for any other approach is the steady erosion of our conventional military forces, with consequent reduction in our influence and in our "options" in world affairs. The alternative is to rely for our security solely on nuclear weapons; their use could mark the supreme failure of mankind.

Respectfully,


H. G. Rickover

The President
The White House

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

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MINUTES OF THE CABINET MEETING

Monday, August 1, 1977

The twenty-fourth meeting of the Cabinet was called to order by the President at 9:03 a.m., Monday, August 1, 1977. All Cabinet members were present except Ambassador Strauss, who was represented by Deputy Special Trade Representative Alan Wolff; and Secretary Vance, represented by Deputy Secretary of State Warren Christopher.

Other persons present were:

Joe Aragon	Bunny Mitchell
Hugh Carter	Dick Moe
Midge Costanza	Frank Moore
Doug Costle	Esther Peterson
Stu Eizenstat	Frank Press
Jane Frank	David Rubenstein
Jim Gammill	Jay Solomon
Rex Granum	Stansfield Turner
Bob Lipshutz	Charles Warren
Gale Matheson	Jack Watson

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

1. Dr. Brown was in Korea most of last week discussing the details of withdrawal of U.S. ground troops. En route back to Washington, he stopped in San Francisco to deliver two major foreign policy addresses. Dr. Brown reported that, by and large, the Koreans are reacting well to our plans and are now preparing to improve their own ground forces. Dr. Brown plans to report on his trip to the Congress on Thursday. He spoke to Senator Robert Byrd on Saturday, and Senator Byrd confirmed that such a report was a good idea and consistent with the recent Byrd amendment to the Defense appropriations Bill requiring annual consultation with the Congress on withdrawal of forces from Korea.

-- Dr. Brown also stopped briefly in Japan where he met with government leaders in an effort to allay their concerns

about U.S. policy in Korea. The Japanese also discussed investment and trade policy. Dr. Brown said that, in general, his Far East trip was productive, although much more remains to be done.

-- This week Dr. Brown will hold a number of meetings and testify on the U.S.-Soviet strategic balance and the SALT negotiations. He will testify before the House Armed Services Committee tomorrow in a hearing on the Administration's budget amendments (deleting the B-1 appropriation and adding money for the cruise missile).

-- Later this week, the President and Dr. Brown will meet at the White House with a group holding more "conservative" views on U.S. weapons systems, strategic balance and related issues.

-- Dr. Brown has discussed with Congressman George Mahon how to proceed with various proposed rescissions, including the Minute Man III production in FY 77 and adjustment of the B-1 program in the FY 78 budget amendment. The Administration was unsuccessful in its efforts to rescind the patrol hydrofoil, and Dr. Brown thinks it is important for us to do everything possible to sustain the President's proposed rescissions. Congressman Mahon is prepared to help us on the House floor even if we are unsuccessful in the Subcommittee.

2. Ms. Kreps reported that the cargo preference issue is beginning to settle down. Congressman McCloskey has apologized for making certain conflict-of-interest allegations regarding an Assistant Secretary of Commerce.

-- She said that a recent story by James Wooten in the New York Times inaccurately stated that no money was reaching farmers under the Administration's drought program. In fact, the Department of Commerce is distributing funds according to schedule, and more than \$40 million has already been spent. Mr. Bergland and Mr. Andrus said that USDA and Interior, respectively, are also on schedule in distributing available drought funds. Deputy Press Secretary Rex Granum said that the Press Office had already corrected the Wooten story, but that the correction has not been printed. The President suggested that a press release be issued based on information supplied by Agriculture, Commerce and Interior.

-- Ms. Kreps noted that her recent statement that the retirement age should be increased from 65 to 68 was made in the context of a discussion of her writings on the subject before she entered the Administration. In light of recent

press accounts, however, she would be happy to issue a joint statement on the matter with Mr. Califano, if such a statement seems advisable.

-- The President described the evolution of his position on cargo preference. Former President Ford vetoed a bill setting the preference at 30%. The Carter proposal sets a 9.5% preference for five years. The President said that he believes it is important to have an American-owned merchant marine, and that his statements to this effect were made early in his primary campaign. He noted that if Congress were to pass a more liberal cargo preference bill, a veto would be likely. The 9.5% preference will result in modest increases in prices.

3. Mr. Adams said that, in coordination with Frank Moore and Dr. Schlesinger, he and other DOT officials had spent a great deal of time on the energy legislation last week. The bill has been given a strict rule in the House which permits amendments to be voted only up or down. The leadership, including the Speaker, ad hoc Energy Chairman Ashley and others, have agreed on the amount and allocation of a gasoline tax, and Mr. Adams said that, if it is to pass, the Administration must maintain a unified position on the gasoline tax amendment. He predicted that if the Administration is divided on the subject, a Republican substitute will pass, and other positive aspects of the legislation may be lost as well. He suggested that the President send a letter to the Speaker indicating Administration support for the leadership's position on the gasoline tax. Dr. Schlesinger said that he has prepared a draft statement on the legislation.

-- The Department of Transportation has prepared a statement on public transportation policy which is being reviewed by OMB. Mr. Adams noted that an excellent article appeared in yesterday's Outlook section of the Washington Post on the subject of mass transit. He said that although we need to control costs, we must also make firm and fixed commitments if any system is to work.

4. Mr. Lance said that he will testify today on the Administration's first reorganization plan.

-- He and Esther Peterson are sending a letter to Congress today identifying twenty-six consumer offices which they recommend be combined. The consolidation and budget cuts would save \$20 million, only \$15 million of which would be devoted to the new consumer agency, for a net savings of \$5 million. The President noted that this savings is more than had been anticipated.

-- Mr. Lance requested ten minutes at a future Cabinet meeting to discuss the problem of calculating agency outlays accurately. The short-fall in FY 77 has increased. Messrs. Blumenthal, Califano and Schultze stressed the need to reduce miscalculation. Mr. Schultze said that miscalculation of federal spending robs Americans of either a tax cut or other needed expenditures. Mr. Blumenthal suggested that the people who make the estimates should be made to understand their importance and should be held responsible for their accuracy.

5. Mr. Wolff said that Mr. Strauss is on a brief vacation with his family.

-- He said that the trade negotiations were back on track after being stalled for four years, and that the staff trip to four European capitals (following Mr. Strauss' recent discussions) was very productive.

-- He reported that the government won the appeal in the Zenith case involving Japanese color television imports.

-- He said that the French have indicated that both the Concorde decision and the recent depreciation of the dollar will adversely affect U.S. trade negotiations with France.

6. Dr. Schlesinger said that the House adopted last Friday an artfully drafted rule to control debate on the comprehensive energy plan. He noted again that he had prepared a statement for the President to the House Leadership on the legislation.

-- A Senate committee will consider natural gas deregulation this week.

-- He noted that the forthcoming negotiations with the Canadians regarding the route for the Alaska gas pipeline will be extremely delicate. He said that Prime Minister Trudeau may want to discuss the matter with the President by telephone on Saturday. The President asked for a briefing memorandum from Dr. Schlesinger on the subject.

7. Ms. Harris said that she visited Johnstown, Pennsylvania on Friday and viewed the mud and stench that remain from the recent flood. She was impressed by the combination of federal, state and local efforts to aid victims of the flood.

-- The House/Senate Conference Committee is still deadlocked on the subject of urban development action grants. Since one such grant is pending for Johnstown, Pennsylvania, Ms. Harris predicted that some progress with the legislation might be made. She commended the Chairman of the House Conferees for his help.

8. Mr. Bergland said that the forest fire season has begun: 300 fires have already occurred, and many more are expected.

-- The Department of Agriculture is undergoing a zero-base budget review, and "asking all the hard questions."

-- After six days of debate, the House passed the Farm Bill last week. All of the Administration amendments were adopted, but also adopted was an amendment on sugar which the Administration opposed strenuously. The Senate/House conference begins today and should conclude by the end of the week. Mr. Bergland has met with Senate Agriculture Committee Chairman Talmadge and four of the Senate conferees, but predicted that deleting the sugar amendment will be "most difficult." The President asked for a memorandum on the subject. Mr. Schultze inquired about a proposed compromise which he heard discussed on the radio and which Mr. Bergland said is the compromise being offered by the industry. Mr. Bergland said that the industry compromise is also not acceptable. He added that Under Secretary of State Jules Katz is in London negotiating an international sugar agreement, and that some progress is being made. According to Mr. Bergland, if an international agreement is reached soon, the House may be persuaded to abandon its amendment.

8. Mr. Blumenthal said that the large trade deficit is adversely affecting our external accounts. He suggested that the deficit is largely attributable to U.S. energy imports, and he predicted that the deficit is likely to continue at a high level. Dr. Schlesinger noted that energy imports have fallen since June, when they reached a peak because of widespread fear of a rise in OPEC oil prices which never materialized. He said the growth of oil imports is now in phase with the growth of the economy. Dr. Schlesinger also said that he opposes a limitation on oil imports because such a limitation would only drive up oil prices in the U.S. Mr. Schultze added that an import quota would also decrease domestic oil stocks and create a shortage problem if next winter turns out to be as severe as last winter.

-- Mr. Blumenthal noted that the decline of the dollar is now more moderate, approximately at 1%. He said that the U. S. will not intervene radically to support the dollar. He will go to Paris at the end of the week for the International Monetary Fund (IMF) meeting on the Witteveen facility. He will also have some bilateral meetings with other finance ministers.

9. The Vice President said that he is receiving "spotty" reports on the Congressional liaison efforts of the various departments. He urged Cabinet members to get their Congressional liaison directors personally involved on the Hill. Mr. Blumenthal said that he would like to know if any complaints have been received about his Congressional liaison staff and suggested that other Cabinet members would like to be similarly informed. The President asked for a memorandum from each Cabinet member on the number of people in their Congressional liaison departments who are actually engaged in lobbying efforts on the Hill for departmental legislative programs.

10. The Attorney General said that he had nothing to report this week.

-- The President asked Mr. Bell about the Sacco case in Buffalo in which a man indicted on numerous federal counts, including attempted murder, was released on \$10,000 bail, despite the vigorous complaint of the U. S. Attorney. The President asked for a memorandum from the Attorney General on what, if anything, can be done in such situations.

11. Mr. Marshall said that the Department of Labor study of OSHA has been widely misinterpreted. The President said that he signed a directive yesterday on the subject which he hopes will put the study in a positive light.

-- Mr. Marshall said that the Administration's public service employment programs have also been widely misunderstood. A recent television broadcast reported erroneously that only 50,000 jobs have been provided. Mr. Marshall suggested that the signing ceremony for the summer youth employment bill will offer a good occasion to clarify the facts.

-- The President urged Cabinet members to take every opportunity to make known the directions and accomplishments of the Administration in a continuing effort to keep the public informed of what we are doing and why. Ms. Harris commented that it is also extremely important for the President himself to express his concern for the problems of the poor and the disadvantaged, and to make clear that public service jobs and similar programs are among his highest priorities. In Ms. Harris' opinion, many people, especially

minorities, are "nervous and uncomfortable" about the Administration's commitment to issues such as these.

-- Ambassador Young added that many Americans view the term "balanced budget" as a code word, similar to the term "law and order" in the Nixon Administration. To them it means anti-poor and anti-black. Mr. Young suggested that we hold a White House conference of leaders of the poor to outline some of the Administration's accomplishments and to discuss our future directions and priorities. Members of the Cabinet and other senior advisers to the President could discuss different aspects of the President's program, and the President could make a brief appearance at the meeting. The President suggested that such a meeting might be held during the August recess.

12. Mr. Young said that he will go to Jamaica on Friday and asked Mr. Bergland if he might have a briefing on sugar before he leaves.

13. Mr. Schultze agreed with Mr. Young about the necessity for a public education strategy to dispel misconceptions and fears about a balanced budget.

-- He said that the Senate Finance Committee may move up to FY 1979 the proposed increase in payroll taxes on employers to finance Social Security. Such a move would add almost 1% to the rate of cost increase in 1978, and even more to ultimate prices.

14. Mr. Califano said that the employer tax concept is unanimously supported by the Senate Finance Committee, although House Ways & Means Committee Chairman Ullman may be more flexible. Senator Long is advocating the concept because he does not want to use general revenues to finance Social Security. Senator Long also wants to attach the reform proposals to H.R. 7200, a move which the Administration strongly opposes. Mr. Blumenthal suggested a meeting with Messrs. Schultze, Califano and Eizenstat on the matter. Ms. Kreps said that she would also like to attend.

-- Mr. Califano asked the President to call Congressman Rogers on the hospital cost containment bill. He said that thanks to Brock Adams' good advice on the personalities involved, other members of the House and Senate are ready to act on the legislation. Senator Kennedy has already moved a stronger bill in the Senate.

-- Mr. Califano has recently reorganized the human services component of HEW.

-- Mr. Califano said that he spent two hours with Senator Long on welfare reform within the last few days, and two hours this morning with Congressman Ullman. He would like to talk to the President about these conversations in some more detail.

15. Mr. Andrus said that he needs guidance on the public works bill. The President said that he has already sent him a note.

-- He said that progress on the satellite project that he outlined at a recent meeting is good. Members of the Cabinet have worked well with him, although he still needs a bit more help from Mr. Califano and Dr. Brown.

-- Interior is proceeding with zero-based budgeting for fiscal year 1979. 390 Decision units have been reduced to 242.

-- Mr. Andrus asked the President to review his memorandum on the Alaska gas pipeline route prior to discussing the issue with the Canadians this weekend. Mr. Adams explained the concerns of Alaska's Congressional delegation.

16. Mr. Christopher said that Mr. Vance left at 10 p.m. last night for Alexandria, Egypt. He will visit all of the Arab capitals and then go to Israel. He will return via London where he will meet to discuss Southern Africa with British Foreign Minister David Owen and South African Minister of Foreign Affairs Botha.

-- Tanzanian President Nyerere will arrive this week for discussions with the President.

-- Mr. Christopher described his own nine-day trip to the Australia, New Zealand and U. S. (ANZUS) meeting in New Zealand. He also stopped in Belgrade, New Delhi and Bangkok. Mr. Christopher said that we are on the verge of better relations with India, thanks to the President's correspondence with leaders there and to their reactions to the moral values implicit in the President's foreign policy. The atmosphere at the ANZUS meeting was cordial. Some concern was expressed about U. S. policy in the Indian Ocean, but major concerns on that subject were allayed. Mr. Christopher said he was received with great warmth and hospitality by the New

Zealanders and that he met with the Prime Minister and members of his Cabinet.

18. The President said he will send three messages to Congress this week: (1) drugs; (2) welfare; and (3) undocumented workers. The comprehensive drug message was prepared by Dr. Peter Bourne, who is working very closely with the President on this subject and also on world health problems, including world hunger. The President is sending a memorandum to Cabinet members on Dr. Bourne's activities and urged their closest cooperation with him. Dr. Bourne has virtually no staff and needs to rely on staff assistance from the Departments to carry out his assignments from the President.

-- The President will meet with Congressman Ullman and Senator Long on welfare reform this week and will announce the welfare reform program on Friday. He has spent scores of hours on the subject and consultations have been extensive. He described the program as well balanced.

-- The message on undocumented workers will be sent up on Thursday. Senators Eastland and Kennedy and Congressman Rodino will sponsor the legislation.

-- Negotiations over clean air standards are stalemated despite efforts of the Senate and House Leadership. The President is eager to break the deadlock and will devote some of his personal time in an effort to do so.

-- The President expressed his concern about recent leaks to the press regarding specific discussions at Cabinet meetings. He urged Cabinet members and White House staff not to characterize to the press what he and others say during the Cabinet meetings and said that Rex Granum should be the person to brief the press on the meetings.

-- The President asked Cabinet members to complete their hiring for regional posts as soon as possible and asked for weekly status reports on their progress in filling remaining vacancies. He commented that at every bi-weekly Leadership breakfast and at other meetings he attends with members of Congress, the subject is constantly raised. He listed several Cabinet departments that still have numerous positions open and asked the Cabinet members to give the matter their immediate attention.

-- The President said that some weekly summaries submitted by Cabinet members are superb, while others contain unnecessary information about travel plans, speeches and related items. He asked Cabinet members to include only those items in their reports which they think are important for him to know. He noted that he will not complain about the brevity of reports.

-- The President said that he is very pleased with the policies we have developed during the last six months and with the general progress of the Administration. He pointed out that there are some extremely difficult issues immediately confronting us in the area of foreign affairs, some of which are as follows:

-- In order to obtain ratification of the Panama Canal Treaty, it will be necessary to establish a broad-based coalition of support, a task which will require tremendous time, skill and hard work.

-- The status of Taiwan continues to be a most sensitive and complex issue. Mr. Vance will go to China shortly after returning from his trip to the Middle East.

-- Tensions in the Middle East continue to be serious. The President has met personally with all the Middle Eastern leaders and devoted substantial time to a personal study of the history of that part of the world. He believes that all of the leaders in the Middle East want peace, and that we now have outlined the general principles of a workable peace settlement. We are presenting the same principles to all of the parties involved and are trying to lay the groundwork for productive talks in Geneva in October.

-- The subject of Rhodesia will be discussed at length when President Nyerere of Tanzania meets with the President this week. The U.S. has been working closely on the matter with British Foreign Minister David Owen, and the President hopes that a transition to a more democratic government in that country can take place. The situation in Rhodesia is, of course, closely related to the situation in South Africa.

-- We are continuing to negotiate with the Soviets on numerous important issues. There has

not been much progress on SALT and Mr. Vance will meet with Minister of Foreign Affairs Gromyko again in September. More progress has occurred on the Comprehensive Test Ban issue and on arms limitation in the Indian Ocean.

-- We are implementing a more restrictive policy on U.S. arms sales and will persist in our efforts to persuade other nations to engage in similar efforts; our success thus far in this area has been limited.

-- We can expect opposition from many quarters on the President's position on nuclear non-proliferation.

-- The President reaffirmed his position on human rights despite some of the problems it causes and the practical difficulties of its specific application.

-- In summary, the President said that he believes in the correctness of our major decisions so far. He stressed that we must constantly reassess our positions and be flexible enough to modify them when wisdom and circumstances require it. The President said that, in his opinion, we are headed in the right direction, and the American people are with us.

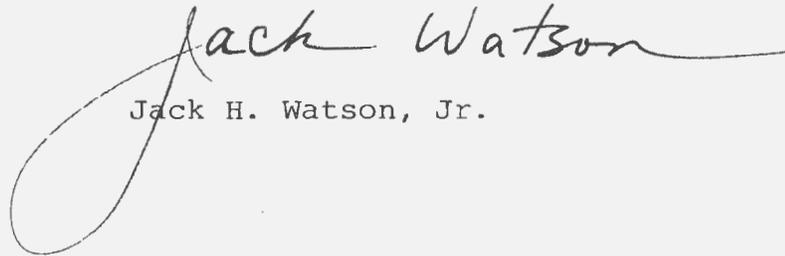
17. Mr. Douglas Costle, EPA Administrator, reported that four agencies, EPA, OSHA, FDA and the Consumer Product Safety Commission, will announce today a joint regulatory reform effort in the area of toxic substances. Henceforth, the agencies will pursue a common approach in seven areas, including testing, risk assessment and enforcement. There will also be monthly meetings of their respective regional coordinators, and the agencies' general counsels are in the process of identifying conflicts in the relevant enabling statutes in an effort to find ways to standardize provisions. Mr. Costle noted various Congressional committees have jurisdiction over the agencies involved, and this will doubtlessly cause some problems.

18. The President said that he will leave Friday for Plains, Georgia, but that he will return to the White House next week and be at the White House or at Camp David during the remainder of August. He would like to have only one or

possibly two meetings of the Cabinet before Congress reconvenes in September and said that Jack Watson will be in touch with the Cabinet members to discuss the most convenient dates for the meetings(s). In all probability, it will not be necessary to have a Cabinet meeting until the last week in August or immediately after Labor Day. The President urged Cabinet members to get some rest, do some reflective thinking, and spend time with their families. He reiterated his pleasure and pride in the Cabinet members and the outstanding work they are doing.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Jack Watson". The signature is written in dark ink and is positioned above the typed name. It features a large, looping initial "J" and a long, horizontal tail stroke.

Jack H. Watson, Jr.

THE WHITE HOUSE
WASHINGTON
August 1, 1977

Bert Lance

The attached was returned
in the President's outbox today
and is forwarded to you for your
information. The signed original
has been forwarded to Bob Linder
for appropriate handling.

Rick Hutcheson

cc: Bob Linder

RE: NATURAL RESOURCES AND THE
ENVIRONMENT

l. 7/25/77

X

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
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	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
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		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
<input checked="" type="checkbox"/>		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
<input checked="" type="checkbox"/>	LINDER - <i>list</i>
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

Mr. President:

Stu Eizenstat and Charles
Warren concur with Lance.

Jim Fallows has edited the
attached proposed memorandum.

Rick



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

JUL 25 1977

MEMORANDUM FOR THE PRESIDENT

Subject: Natural Resources and the Environment

This forwards for your review and approval an issue summary proposing a reorganization study of Federal responsibilities for natural resource management and environmental protection (Tab A).

This proposal has been prepared with the consultation of the heads of those departments and agencies most directly affected, and it has their concurrence. It also reflects preliminary discussions with interested Congressional committee staff members and representative private groups concerned with these activities.

We will be pleased to meet with you on this proposal, if you wish, either before or after your approval.

I have also attached for your signature a memorandum to department and agency heads (Tab B) informing them of your approval of this study and requesting their full cooperation.

A handwritten signature in dark ink, appearing to read "Bert Lande".

Bert Lande
Director

Attachments

PRESIDENT'S REORGANIZATION PROJECT
ISSUE SUMMARY
NATURAL RESOURCES

Issue: What organizational arrangements would be best suited to accomplish Federal responsibilities related to natural resources and the environment.

Summary of Problems and Opportunities

Our natural environment is comprised of finite resources of land, air, water, oceans, minerals, forests and fish and wildlife which interact in complex ways. They are subject to depletion and deterioration as a result of human actions because the satisfaction of many basic needs requires that these resources be used.

The Federal role in natural resource and environmental affairs is influenced by two predominant and continuing conditions:

- the interdependence among the elements comprising our natural environment, and
- the need to balance objectives of preservation and protection vs. those of development and use.

Federal responsibilities are dispersed among 8 departments and agencies with 160,000 employees and more than \$17 billion in annual expenditures. Other departments and agencies have collateral involvement. There is no existing mechanism with the authority to coordinate all their policies and actions. The results include:

- Difficulty in Executing a Comprehensive Policy. Authority in the management of all natural resources and environmental matters is so broadly diffused that great difficulties may be encountered in executing comprehensive policies. The President's Environmental Message illustrates the large numbers of departments and agencies which must cooperate effectively to carry out the President's directives.
- Unnecessary Costs. Even if coherent and sensible policies are achieved, the cost in terms of time, money and disruption of other governmental and/or private activities may be much greater than it needs to be.
- Excessive Presidential Attention to Ad Hoc Conflicts. The situation may cause the limited attention that the President can give to any area to be focused too much on resolving

ad hoc conflicts in the environmental and natural resources field rather than on broad policy formulation.

- Uncoordinated Research and Data Collection. The geophysical and environmental sciences which must support decisionmaking are dispersed among NOAA, Geological Survey, Office of Water Research & Technology, National Science Foundation, EPA, ERDA and others. Overlaps exist and there is no effective system to plan research needs or share results across agency lines. Coal-related research and development activities is but one example of the situation. Ten major agencies are expending \$900 million annually on coal research. Natural resource inventory and environmental data collection is widely dispersed in much the same way as research. At least thirteen major agencies are involved directly in resource inventory work.
- Confusion to the Public. Existing arrangements may be so confusing to citizens that the broad public support which is indispensable to ultimate success in environmental and natural resource efforts may be eroded. Federal programs and goals may be thwarted due to such confusion.

The foregoing problems relate to all natural resource and environmental programs. Specific areas in which important problems result from dispersal of related responsibilities include:

- Water Resources. 25 Federal agencies and 70 appropriation accounts totaling \$12 billion are involved in water programs. The Water Resources Council has not functioned to achieve coordination among agencies or to relate water management issues to other national concerns such as food and energy production and land use. The quality of water strongly affects its use and vice versa, but EPA and the water management agencies do not develop their plans together.
- Ocean and Marine Resources. The oceans, the continental shelf, the deep sea bed, estuaries and coastal zones present the problem of achieving the right balances between use (food energy, minerals, recreation) and protection of the environment and marine ecology, but there is not an effective means for striking these balances. The Federal role in ocean resource matters involves \$1 billion in expenditures administered by 50 bureau-level organizations spread over many departments.
- Land-Related Resources. The public estate, approximately one-third of the Nation's surface, is administered primarily by four agencies in the Departments of Interior and Agriculture; twelve other agencies have smaller land management responsibilities. Users of lands administered

by the Bureau of Land Management (Interior), the U.S. Forest Service (Agriculture), and the Corps of Engineers (Army) and other parties complain of contradictory policies and user fees for lands that are similar and often adjacent. Congress and commercial interests have complained of inadequate review prior to single-purpose "withdrawals" of land from multiple use. Environmentalists, on the other hand, believe decisions are influenced too much by timber, mining, grazing and other economic interests.

In addition to Federally-owned lands the remaining two-thirds of the Nation's surface also constitutes a vital natural resource. The Department of Agriculture and other units administer various support and service programs which contribute to sound resource management practices on these lands. But State and local governments complain that Federal decisions are made with insufficient regard to effects on private and other non-Federal lands.

- Environmental Protection. Programs to prevent or correct environmental pollution are substantially consolidated in EPA. There is, however, duplication and unclear jurisdiction for programs to protect wetlands and endangered species (both plant and animals), and to regulate harmful health effects of toxic substances. Still other agencies are involved in research related to these matters. In addition to jurisdictional matters, other procedural and coordination responsibilities overlap in a conflicting manner.

Current Initiatives

A number of current initiatives deal with limited aspects of resource and environmental matters:

- Several agencies received assignments in the President's Environmental Message, including: water policy reform, EIS process, and toxic substances coordination.
- Interior, EPA, USDA, Commerce have internal reorganization activities under consideration.
- The President has authorized Secretary Kreps to develop an "oceans" policy and has directed Secretary Andrus to develop a management system for outer continental shelf programs.
- Several bills have been introduced dealing with organizational aspects of environmental programs. (Senator Hollings - Department of Oceans and Environment; Senator Brooke - Department of Natural Resources and the Environment; Senator Church - a strengthened Water Resources Council).

- A Presidentially-directed assessment of the potential for redirecting Army Corps of Engineers civil works capabilities is now underway.
- The pending Department of Energy Act would consolidate energy functions, but leave natural resources organization unaffected.

Most of these initiatives do not deal with the whole of the issue; others (e.g., the Hollings and Brooke bills) take a broad approach, but they have not been assessed by the executive branch in relation to other important alternatives.

Prior Initiatives

- The Ash Council proposed a Department of Natural Resources in its 1970 recommendations.
- The EPA was created in 1970 and NOAA was created in the Department of Commerce.
- National Environmental Policy Act was passed in 1969 including the requirement for Environmental Impact Statements.

Recommended Action

We propose a comprehensive organizational study of all natural resource and environmental activities of the Federal Government. A broad approach is recommended to avoid arbitrarily limiting the scope of inquiry or of the alternatives to be considered. The study will:

- Identify and evaluate alternative organizational arrangements for setting broad policy, achieving credible and balanced resource management decisions, providing responsive and coordinated research and technical support and assuring consistent program actions.
- Present options and recommendations for improvement.

This study would be coordinated by the Natural Resources Division of the President's Reorganization Project, with appropriate department and agency participation and with the advice of the Council for Environmental Quality as directed by the President in connection with his EOP reorganization. The study would extend for six to eight months with interim reports to facilitate policy guidance. Intermediate improvements will be effected wherever feasible.

Potential Benefits

- A more comprehensive and integrated system for setting broad environmental policy, managing programs, resolving conflicts and delivering services.
- Better use of research and technological assessment to help resolve problems and permit more informed decisions.
- A simpler and more direct Federal system to encourage and facilitate participation by State, local and regional government, and private parties affected by the Federal role in the natural resource and environmental field.

Constraints and Potential Liabilities

- The benefits of dispersed authority in the environmental area may be substantial: diverse regulatory and management approaches to similar responsibilities may stimulate innovation and fresh insights in this relatively new field of major Federal involvement.
- Many influential interests, including public, private and legislative may feel threatened by the prospect of change to accustomed relationships.
- Any high level study of natural resource programs could be unsettling to the Indian community and inhabitants of the Trust Territories of the Pacific Islands. Careful liaison would be needed throughout to keep these groups informed and supportive.
- Strong commitments to existing arrangements by affected agencies may make it difficult to obtain agreement on possible realignments or methods for improving existing processes.
- Elimination or over-centralization of units could result in lack of adequate attention to one or more important natural resource or environmental areas.

Agencies, Groups and Individuals Concerned

Agencies: Army Corps of Engineers, CEQ, EPA, Interior (all programs), Agriculture, Commerce (NOAA, Coast Guard), Water Resources Council, TVA, National Science Foundation and the proposed Energy Department. Agencies with more limited involvement will be considered as necessary.

Groups: Forestry, farming, ranching, energy industries and others regulated by EPA, water development, mining,

outdoor recreation, commercial fisheries, conservation, environmental, fish and wildlife advocates, and groups representing State, local and regional governments.

Related Issues

1. Water Policy
2. Energy
3. Research and Development Policy
4. Economic Development
5. Regulatory Reform
6. Indian Affairs
7. Historic Preservation
8. Transportation and Pipelines
9. Food Policy

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Comprehensive Review of Natural Resources
and Environmental Programs

I have directed my Reorganization Project staff at the Office of Management and Budget to review the organization of all Federal responsibilities for managing natural resources and protecting the environment.

These responsibilities are now dispersed among 8 Departments and numerous agencies, involving 160,000 employees and expenditures of more than \$17 billion a year. Other Departments and agencies are involved less directly. There is no way to coordinate their policies and actions. This situation has led to difficulties in managing resources and safeguarding the environment; waste of time and money; confusion to the public; and ineffective coordination of geophysical and environmental research and technology.

This organizational review will seek better ways to set policy, make decisions about resource management and environmental quality, improve research and technical support, and assure consistency in programs.

Its success will depend on active participation by members of Congress, the Federal departments and agencies, State, local and regional officials, interested groups, and individual citizens.

Jimmy Carter

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: Jack Watson
Bert Lance
Charlie Schultze
Bunny Mitchell

RE: MINORITY BUSINESS INITIATIVES

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
✓		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
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	ENROLLED BILL
	AGENCY REPORT
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	JAGODA
	KING

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

THE PRESIDENT HAS SEEN.

Stu
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THE WHITE HOUSE
WASHINGTON

July 27, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
BUNNY MITCHELL
JACK WATSON *Jack*
SUBJECT: Minority Business Initiatives

BACKGROUND

In response to a previous memo on this subject you approved a White House meeting of the Interagency Council on Minority Business Enterprise (IAC), a group of Executive Department Under Secretaries responsible for monitoring the federal government's minority business programs. You also asked for a review of these programs to determine in which areas Administration initiatives could be most effective. A general review of these programs has been completed.

Your guidance is requested on possible Administration initiatives to assist minority business development.

DISCUSSION

The federal government has provided the leadership in assisting the development of minority business enterprise. Private sector participation in these efforts appears to vary with the degree of commitment shown by the government to this issue. A recent Senate investigation revealed some abuses in a major federal minority business program, SBA's Section 8(a) Business Development Program, but Congressmen familiar with this matter and Vernon Weaver believe that it is important for the federal government to continue to provide leadership in minority business development.

Weaver's proposals to reform the 8(a) program have been favorably received by these Congressmen. He has placed a temporary moratorium on entries into and graduations from the program and created an 8(a) Reform Committee to advise him on this matter. He intends to make certain that firms participating in the program are, at least, 51% controlled by minorities. A strong statement of Presidential support is the key to the successful reform of the 8(a) program.

**Electrostatic Copy Made
for Preservation Purposes**

Organizational problems diminish the effectiveness of existing minority business programs. These programs arose haphazardly, some by Executive Order and some by statute. The authority of the minority business agencies and their power to implement programs varies depending on the way in which they were created.

Legislation has been introduced by some Congressmen to rationalize the programs. The OMB reorganization team would like to work with the IAC to suggest ways to resolve the organizational problems and to develop recommendations on the Administration position on pending legislation.

Defining achievable goals and a policy focus for minority business development has been lacking in the federal programs. The Executive Orders on this matter are long on asserting general goals but short on specifics. Because of this, participation by federal agencies has been spotty. Federal procurement regulations, for example, require agencies to make "best efforts" to involve minority business, but many agencies totally ignore this provision. With your approval the following actions can be taken to set policy goals and to provide the means to achieve these goals.

We recommend that you:

- Support proposed plans of the Office of Federal Procurement Policy (in OMB) to revise procurement regulations to assure adequate involvement of minority and small business firms by requiring that recipients of major federal contracts show how they will involve minority and small businesses before rather than, after the contract has been awarded;

Yes No

- Instruct all Executive departments to work with the Office of Minority Business Enterprise and the Small Business Administration to devise effective minority business assistance programs;

Yes No

- Instruct Treasury, as an IAC member, to lead a task force to prepare a report on sources of capital and mechanisms for financial assistance for minority business;

Yes No

- Instruct all Executive departments to double their purchases of services from minority firms through the SBA 8(a) program and other procurement activities during the next two fiscal years (this would total nearly \$1 billion according to Commerce estimates) and to report to you on their progress in meeting this goal;

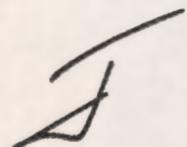
Yes No

- Issue a statement to the IAC (for later release to press) supporting minority business development efforts, emphasizing the above approved initiatives and this Administration's intent to resolve organizational problems and to encourage development in growth potential industries;

Yes No

There are many other problems facing minority business development which the IAC will attempt to resolve, such as the lack of adequate management assistance programs. The initiatives proposed in this memo are designed to provide the policy framework in which more specific action will be undertaken.

OMB, SBA, CEA and Commerce (OMBE) concur with these recommendations. Your decisions on these actions will define the agenda for the meeting of the IAC.



**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

July 29, 1977

The Vice President
Midge Costanza
Bob Lipshutz

The attached is for
your information.

Rick Hutcheson

RE: MINORITY BUSINESS INITIATIVES

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THE WHITE HOUSE
WASHINGTON

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<input type="checkbox"/>	WARREN

THE WHITE HOUSE
WASHINGTON

July 27, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
BUNNY MITCHELL *Bunny*
JACK WATSON *Jack*

SUBJECT: Minority Business Initiatives

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_____ Yes _____ No

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OMB, SBA, CEA and Commerce (OMBE) concur with these recommendations. Your decisions on these actions will define the agenda for the meeting of the IAC.

THE WHITE HOUSE
WASHINGTON

August 1, 1977

Ben Brown -

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

Rick Hutcheson

Re: Visit to Soviet Union

THE WHITE HOUSE
WASHINGTON

cc Ben Brown
Deputy Chairman
Dem. Nat. Committee
(top page)

THE PRESIDENT HAS SEEN.

DEMOCRATIC
NATIONAL COMMITTEE

1625 Massachusetts Ave., N.W. Washington, D.C. 20036 (202) 797-5900

Ben Brown
Deputy Chairman

August 1, 1977

MEMORANDUM

Electrostatic Copy Made
for Preservation Purposes

Good
J

TO: PRESIDENT CARTER
FROM: Ben Brown
RE: Visit to Soviet Union (June 10 - 25)

I was one of twelve members of a delegation traveling under the auspices of the American Council of Young Political Leaders. The Council is backed financially by the State Department.

The delegation was comprised of six Democrats and six Republicans, which included the Lt. Governor of Nevada, (Bob Rose), and Charles "Rocky" Saxbe, Republican State Senator, and son of former Ambassador and U.S. Senator John Saxbe of Ohio. I was the only Black among the members of the delegation.

The visit included sixteen days of sightseeing, cultural activities, discussions, and picture taking. We visited three Republics within the Soviet Union, namely, Russia (Moscow), Ukraine (Kiev), and Kazakhstan (Alma-Ata).

The main feature of the trip was a six-day seminar held at Alma-Ata, Kazakhstan. The Katskh Republic is that part of the Soviet Union which actually lies in Asia. The seminar was organized into three commissions:

1. U.S. - U.S.S.R. Relations
2. The role of youth in society
3. Prospects and perspectives for disarmament

I served as co-chairman of the Commission on U.S. - U.S.S.R. Relations.

The U.S.S.R. was represented by twelve representatives of the Komsomol and the Communist Youth Organization. The C.Y.O is reputed to be comprised of non-official youth groups.

As co-chairman of the Commission on U.S. - U.S.S.R. Relations, I had the opportunity to stress the Human Rights position of the U.S.A. Being the only U.S.A. delegate identified with the President, I seized the occasion to give little known background on your political life and why I think you feel so strongly about the Human Rights issue.

I told my Soviet friends that the Carter Presidency represented, to some degree, the culmination of the Civil Rights struggles of the 1960's. The fact that you served as Governor of Georgia during the period when black and white southerners were seriously working to bring about racial harmony and better understanding provided first hand experience of coping with fundamental human rights which had been systematically denied blacks and women by custom as well as by application of laws.

Furthermore, I stated, "the young political activists who embraced Jimmy Carter were the sit-ins and picketeers of the 1960's. It was the chief spokesmen like Andy Young and Daddy King who felt that Jimmy Carter would be acceptable to the nation because of his commitment to Human Rights, and consequently, they set out to sell Jimmy Carter to Blacks and other elements of the Liberal wing of the Democratic Party".

The point made by this scenario is that in the U.S.A. the problem of Human Rights has been with us for a long time. We have protested and made some gains. We have protested within a system which has been flexible enough to allow for protesters to become establishment without massive bloodshed which characterizes most political revolution throughout world history.

I stressed the fact that many of the key Carter appointees are people who at one time or another were directly involved in civil protests against national and local public policies and practices. To name a few, I cited: Andy Young, former aide to Dr. King; Pat Harris, early sit-in during late 1940's; Sam Brown, new administrator for ACTION, was leader of anti-war movement; John Lewis, former S.N.C.C. chairman.

The bottom line, I intimated, is that these things can happen in the U.S.A. Can they happen in the Soviet Union in a similar manner? That is the question I raised.

The Soviet representatives are quite disturbed by the Human Rights issue. Their argument is that the U.S.A. is interfering in the internal affairs of the Soviet Union when we suggest that there are certain fundamental guarantees that citizens of the world are inherently due, i.e., freedom of speech, assembly, right to information, travel, etc.

I found that the Soviets are more surprised than challenged by the U.S.A.'s heavy Human Rights thrust.

From all indications the Soviets are usually well versed and knowledgeable pursuant to U.S. Presidents. You are still a puzzle to the Communists.

I was special guest at a private session with professors at the U.S.A. - Canada Institute. My presentation was a basic analysis of how Jimmy Carter became President.

Main points were:

1. The significance of your Primary Black support.
2. Solid Southern electoral base.
3. American public's desire for a fresh face who demonstrates a strong executive leadership capability, and the belief that you would bring honest and sincere leadership back to the White House.
4. The Carterization of the National Democratic Party.

General Impressions and Other Comments

1. There is obviously a growing elite in the Soviet Union. This emerging group is made up of the party people and the conforming intellectuals.
2. The Western consumer items such as clothes, cosmetics, music and the like are in great demand among those who have access to the free world.
3. The Soviet system has successfully raised the standard of living for its people, however, the standard is still short of the minimum standard in the U.S.A.
4. The Soviet education system seems to be more effective than our public education system. The Soviets place great emphasis on the cultural and language studies of foreign countries, especially English and French speaking countries. Most people we encountered could speak at least two languages. Specialized training begins after 10th grade.
5. The Soviets are currently undertaking a vast Housing Program. Large apartment complexes are being built throughout the Union. From my layman's perspective, the quality of the housing could be greatly improved based on U.S.A. public housing standards.

I should point out that though the current housing supply in the Soviet is below American standards, it is a vast improvement over what most of the Soviet citizens had before.

6. Bill Davis, former writer for Johnson Publications, gave me the name of a Black American who went to Russia in 1931 and became a Soviet citizen. His name is George Tynes. I met with Mr. Tynes for at least two hours. George had a celebrated career as an Agriculture Specialist. He is now

6. retired. The one thing that George said which struck home was, "I didn't want to wash dishes in New York after receiving my degree from Wilberforce University". He had nothing negative to say about the Soviet system, nor did he say anything negative about the U.S.A.
7. Our group received red-carpet treatment throughout the trip. The young Komsomol leaders took great pride in taking advantage of the perquisites that were obviously available as they showed off their American guests.
8. We visited a polling place in Alma-Ata where we observed the election of members to the Kazakh Supreme Soviet. As usual, none of the races were contested. We were told that competition was eliminated through the nominating process. We were also told that all Supreme Soviet members at the Republic level are not members of the Communist Party.
9. Night life in the Soviet Union is non-existent in U.S. terms. An evening of Ballet or the circus would be a typical evening of fun and relaxation. There are some bars where mixed drinks are sold, however, these places close before midnight.
10. There are very few Blacks in the Soviet Union. The few (maybe 10) Blacks that I saw, other than Mr. Tynes, were students from African nations.
11. I feel very strongly that the young Soviets would like very much to be friendly with the U.S. However, there seems to be an inherent distrust borne out of fear and a sense of inferiority.

It is fair to say that the Soviet system has made significant progress since the "great patriot war" (World War II). I sense that they now recognize that modification in their economic system must be made if they intend to remain the other great power in the world community.

Ironically enough, the U.S. finds itself in a similar position. We must also make significant modification in our economic system if we are going to be the great anchor of the free world.

As the Soviet Union appears to be moving toward more capitalistic approaches to solving their socio-economic problems, the U.S. is being forced to adopt more socialistic approaches toward solving its socio-economic problems.

STATEMENT OF SEMINAR ON U.S. - SOVIET RELATIONS

BY THE AMERICAN AND SOVIET DELEGATIONS

We young people believe that relations are as the word in itself implies; they are relative. Relations between our two great countries can become better or grow worse, depending on what attitudes prevail and what actions are taken by responsible parties in both the Soviet Union and in the United States of America.

We as young, idealistic and practically-minded citizens of both the United States and the Soviet Union resolve that relations between our two countries can and should improve.

We recognize the differences in our philosophies and in our forms of government. We recognize that some of these differences will be difficult to resolve, and that others may never be resolved.

But we also recognize that there exist major areas of economic, social and political interest which commend themselves to cooperation between our two countries; and which benefit both the mutual interests of our two nations as well as the peace and positive political development in all the nations of our planet.

The participants agreed that an adherence to international agreements like the Helsinki Accords, and the strict observance of all international treaties to which our two nations are signatories are the important assurances our nations must have in order for U.S. - U.S.S.R. relations to improve and stabilize.

We also believe that the interests of our peoples to improve and intensify their relations and to contribute in Europe to peace, security, justice and cooperation are well-expressed in the full statement of the Conference on Security and Cooperation in Europe which was finalized and endorsed by our two countries and 33 other nations in Helsinki on July 3, 1975. We believe that these provisions should stand the test of time and be equally applied in each and every of the 35 nations which endorsed the Helsinki Accords.

We as young leaders with different backgrounds, beliefs, and of different nationalities, equally recognize the universal significance of human rights, of fundamental freedoms and of national sovereignties. We recognize these because they are right. We subscribe to these because they are the essential factors for the peace, justice and well-being necessary to ensure the development of friendly relations and cooperation among ourselves as among all nations of the world.

REPORT OF COMMISSION II, THE ROLE OF YOUTH IN SOCIETY (BILL THOMAS)

"Our Commission focused on the place and role of youth in today's society. We initially discussed many specific areas for discussion and agreed upon 3 general areas:

1. "Youth, its role in the political process and the pursuit of peace. Included in the introductory remarks was an explanation of the history of the Komsomol in Soviet political history and the multiplicity of groups in the United States, stressing divergent rather than convergent involvement patterns. The youth movement in the U.S. and its impact on the peace movement, as compared to the involvement of Soviet youth in the quest for world peace was examined. Important and informative explanations of the Soviet youth's involvement in many areas was highlighted by a discussion of youth's role in the ongoing examination of the new Soviet constitution. The Americans discussed in some detail the complex interaction between political parties and interest groups in their society and role of youth in that interaction."
2. "Youth and the question of education and employment. Detailed presentation of education in Soviet system with specific examples drawn from the Kazakhstan experience was presented; much discussion focused on the pre-school programs of both societies and the differences in concepts of the role of family members and differences in family structures. Informative comparisons of schools and colleges in both systems followed with greater understanding of very dissimilar approaches to education. All were in agreement more exchanges should take place to allow for comparisons of this type."

REPORT OF COMMISSION II, THE ROLE OF YOUTH IN SOCIETY (BILL THOMAS)

3. "General category - youths and cultural development, a review of Soviet youth in cultural progress through the Komsomol, beginning at the 3rd Congress in 1920 to present. American discussion concerned the use of free or leisure time; they were quite interesting as we began by describing our own personal use of leisure time and concluded by comparing the similarities and differences over availability of movies, books, newspapers, etc. We enlarged the discussion to include problems over the exchange of peoples as well as information."

"Participants in this Commission came to the unanimous conclusion that the discussions were mutually beneficial in allowing us to better understand each other and each other's societies and that mutual understanding is the most important bridge to peace."

REPORT OF COMMISSION III, PERSPECTIVES ON DISARMAMENT (SEBO)

"The Commission on disarmament was a memorable and informative experience for us. It was a great success and gave us the opportunity to establish friendly contacts and to understand each other better. We shall all return home having learned much. Our profound and mutual commitment to peace is greatly enhanced by such experiences.

"The participants in the Commission included four Americans - Robert Rose, Randal Teague, Katherine Sebo, and Coleman Andrews; and four Soviets - Andrei Philippov, Anatoly Agaryshev, Vladimir Korovin, and Rusina Volkova. In addition, there were two Soviets who served as translators - Igor Romashkevich and Vladimir Nazarov. We are pleased with the friendships which have grown during the meetings of the Commission and look forward to their continuation.

"The Commission's agenda began with introductory statements from each delegation. The opening statement of the Soviet delegation stressed the Soviet commitment to arms control and disarmament and that the Soviet Union is not seeking strategic superiority.

"We then exchanged our views about the impact of events during and after World War II. We talked about the moves toward political detente in the 1960's and 1970's. We noted the progress towards arms control, beginning with the partial nuclear test ban treaty of 1963 and followed by several other treaties on such matters as banning nuclear proliferation and banning the use of nuclear weapons in outer space. We also discussed the major progress which

has been made since 1970 in some areas of arms control, and we discussed how this progress might continue and improve.

"Other items discussed at the meetings of the Commission included the relative military strength and force levels of both countries; the significance of the 1972 interim arms limitation agreement, and the 1972 ABM treaty; the Vladivostok Accords of 1974; additional proposals discussed by representatives of both countries since 1974; and the various American and Soviet proposals for SALT II. The two delegations discussed problems of implementation of the various agreements and accords, and the effect of these problems on the SALT II negotiations. All of us expressed the desire that fruitful negotiations should occur in the immediate future to accomplish a new SALT agreement.

"A dominant theme in our discussion was the need for mutual trust and understanding to facilitate comprehensive detente. The participants discussed the roles of the press and of public opinion in each country in terms of building up mutual trust and understanding.

"Comments were also exchanged about the policies of each country toward other countries of the world and the detrimental effects of an uncontrolled arms race on these countries. These foreign policy actions were touched upon by the group in terms of their effect on mutual trust and attempts for arms control.

"We discussed the importance of youth exchanges in building up trust, as one of the foundations for effective arms control. These exchanges are extremely important for both countries, and they need to continue.

"To sum it up, the participants showed throughout the meetings of the Commission a strong commitment to arms control and disarmament. The current arms race can only lead to a greater probability of war and a greater drain on the financial resources of each country. We need to free these resources for more constructive use and to free the world from the terror of the arms race. Each country needs to match its rhetoric with its conduct and actions. Comprehensive detente depends on mutual trust. Mutual trust comes from actions which truly demonstrate the good intentions of both countries.

"The Commission charged itself at the outset not with the task of solving arms control problems, but with bringing out understanding which might make such solutions possible. This objective has been accomplished, and the Commission has been a great success."

Sebo: We, the American delegates, thank the Committee of Youth Organizations of the Soviet Union for arranging this meeting. We also thank the CYO and the ACYPL for their continued efforts at making such activities possible.

All three Commission reports were joint ones.

LIST OF AMERICAN DELEGATES TO THE SOVIET UNION, JUNE 10-26, 1977

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State Representative
Ohio House of Rep.
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Mechanicsburg, Ohio 43044

Hon. William Thomas
State Assemblyman
State of California
Sacramento, California 95814

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THE WHITE HOUSE
WASHINGTON

C
/

August 1, 1977

MEMORANDUM FOR PRESIDENT CARTER

FROM: HAMILTON JORDAN *HJ*

SUBJECT: Meeting with Ben Brown, Deputy Chairman, DNC
at 1:15 a.m. August 1- Oval Office (5 minutes)

Ben recently completed a visit to the Soviet Union as a member of a delegation travelling under the auspices of the American Council of Young Political Leaders. The Council is backed financially by the State Department.

Ben requested the opportunity to report on his trip to you, particularly with respect to human rights. We asked him to prepare a report which he could present to you. The report is attached. It will be helpful to Ben to be able to report he has had a private meeting with you.

Attachment

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for Preservation Purposes**