

**11/16/77**

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THE PRESIDENT'S SCHEDULE

Wednesday - November 16, 1977

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- 8:15 Dr. Zbigniew Brzezinski - The Oval Office.
- 8:45 Mr. Frank Moore - The Oval Office.
- 9:00 Mr. Dick Denny, Jr. (Mr. Jack Watson).  
(5 min.) The Oval Office.
- 10:00 Mr. Jody Powell - The Oval Office.
- 10:30 Meeting with His Imperial Majesty  
(60 min.) The Shahanshah of Iran. (Dr. Zbigniew  
Brzezinski) - The Oval Office  
and the Cabinet Room.
- 12:30 Lunch with Secretary Brock Adams.  
The Oval Office.
- 1:30 Mr. James McIntyre - The Oval Office.
- 2:00 Mr. Charles Schultze - The Oval Office.
- 2:30 Mr. Heath Larry, President, National Association  
(10 min.) of Manufacturers. (Mr. Hamilton Jordan).  
The Oval Office.

THE PRESIDENT HAS SEEN.

2:30 PM

C

THE WHITE HOUSE

WASHINGTON

November 15, 1977

MEETING WITH HEATH LARRY, PRESIDENT, NATIONAL ASSOCIATION OF MANUFACTURERS

Wednesday, November 16, 1977

2:30 P.M. (10 minutes)

The Oval Office

From: Hamilton Jordan

I. PURPOSE

To discuss opportunities which may exist for the National Association of Manufacturers and Mr. Heath Larry, personally, to be of assistance to the administration.

II. BACKGROUND, PARTICIPANTS, & PRESS PLAN

A. Background: The National Association of Manufacturers is the second largest association representing business in Washington. Member companies are responsible for 78% of all goods manufactured in the United States. They represent 13,850 manufacturing firms including all the Fortune 1,000 except one (Ford Motor Company), as well as 120,000 additional manufacturing firms through their various state affiliations.

Heath Larry was Vice Chairman of the Board of U. S. Steel from 1966 to 1977. Prior to that he was Vice President of U. S. Steel for Industry and Labor Relations and helped establish the National Labor Relations Board. He is well respected by labor leaders, including George Meany and I. W. Abel, and helped establish liberal labor contracts which gave labor many of its benefits and advantages in the steel industry. He is active in the arts and believes in social responsibility for corporations.

He became President of the National Association of Manufacturers in 1977.

B. Participants: Mr. Heath Larry  
President  
National Association of Manufacturers

C. Press Plan: White House photo

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III. TALKING POINTS

The following topics will be discussed:

1. Heath Larry was one of the earliest public supporters of the Panama Canal Treaties and has, in fact, taken this position in the face of strong board opposition. This would be an excellent opportunity to thank him and urge him to continue his support, as well as solidify this excellent bridge to the business community.

2. It has been learned that the National Association of Manufacturers would like to endorse, in principle, the compromise version of the Humphrey-Hawkins Bill but feel that their endorsement may hurt the administration by making it appear that we backed up too far.

NOTE: Charlie Schultz and Bert Carp feel we would welcome this statement provided it is said in a positive manner.

3. Because of his excellent contacts in the business community and with labor leaders, he would like the administration to consider him a resource in this regard. He wants to suggest a regular monthly meeting for an ad hoc business group consisting of members of the National Federation of Independent Businesses, Business Roundtable, U. S. Chamber of Commerce and the National Association of Manufacturers. NOTE: Jack Watson is already holding these types of meetings and, perhaps, this idea should be coordinated with him.

4. He wants to discuss his perception of the various attacks leveled against American industry, culminating with the attack on the oil industry. He will offer his suggestion that all the tough issues need to be tackled immediately, as you are doing, and get them out of the way as quickly as possible.

5. He wants to offer his personal support and cooperation in any way you might be able to use them.

THE WHITE HOUSE

WASHINGTON

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5. He wants to offer his personal support and cooperation in any way you might be able to use them.
6. Although he will probably not bring it up, Heath Larry is very anxious for you to speak to the Annual Congress of American Industry which will meet in Washington on February 21, 1978, for which you have previously received an invitation.

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THE WHITE HOUSE  
WASHINGTON

11-16-77

To Jack Watson

Don't add anyone  
to Cabinet meetings.  
If we change, it  
will be to reduce  
the crowd -

J.C.

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THE WHITE HOUSE  
WASHINGTON  
November 16, 1977

Hamilton Jordan

The attached letter was returned in the President's outbox today and is forwarded to you for your information. The signed original has been sent to Stripping for mailing.

Rick Hutcheson

cc: Stripping

RE: LETTER FROM AILYSE BAIER

THE PRESIDENT HAS SEEN.

*Hamilton  
J*

November 16, 1977

TO: PRESIDENT CARTER  
FROM: HAMILTON JORDAN  
RE: LETTER FROM AILYSE BAIER

I have tried to see you several times regarding the letter you received from Ailyse Baier. I would recommend that you allow our personnel office to handle this as they would any other job request.

Ailyse Baier and her husband did help us with the kick-off. They created so many problems along the way and created so many personal conflicts with the campaign staff that they chose to be less involved until after it was obvious you would be elected.

I am not suggesting that we prevent her from finding a job - quite the contrary, I think we should help her. But she deserves no special consideration or treatment. I can think of scores of people more deserving than her who did not get placed in a permanent position. For your own information, in her conversations with people here, she

has made it plain that she would only accept a position in the White House.

I would suggest that you send her the following letter.

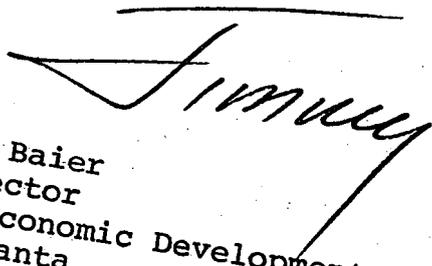
  
THE WHITE HOUSE  
WASHINGTON  
November 16, 1977

To Ailyse Baier

It was good to hear from you and learn of your interest in a position with the Administration. I talked with Hamilton and he says that your interest in a position will be given every consideration.

Please know that I appreciate very much your friendship and early support.

Sincerely,



Ms. Ailyse Baier  
Deputy Director  
Office of Economic Development  
City of Atlanta  
2 Peachtree Street, N. W.  
Atlanta, Georgia 30303

THE WHITE HOUSE  
WASHINGTON

November 16, 1977

Stu Eizenstat

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

Rick Hutcheson

ADDRESS TO WASHINGTON PRESS CLUB

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
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

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

THE WHITE HOUSE

WASHINGTON

November 17, 1977

*Stu -*

*Speak out.  
I trust you  
J*

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

SUBJECT: Washington Press Club

For the past ten months I have been asked to address the Washington Press Club and I have been putting it off. I am now scheduled to speak to the group on Thursday, November 17. I will keep this as general as possible and attempt to make as little news as possible.

cc: Jody Powell

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EYES ONLY FOR THE PRESIDENT

from Charlie Schultze

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THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS

WASHINGTON

EYES ONLY

November 15, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*

Subject: Housing Starts and Personal Income in October

Housing Starts

The Census Bureau will release tomorrow (Wednesday, November 16) at 2:30 p. m. its estimate of housing starts in October. The news is good.

Total housing starts rose 5-1/2 percent last month to an annual rate of 2,179 thousand units -- the highest rate since May 1973. This gain was mainly in multi-family dwellings (up 14 percent), but single-family units also rose (2-1/2 percent). For single-family units, the current rate of new starts is an all-time record.

Housing starts are an erratic series, and sometimes the significance of a given month's change has to be discounted. There is no reason to do so in this case. The underlying trend of homebuilding still seems to be upward, and new home sales recently have also shown more vigor.

Rising residential construction will likely be an important source of strength in the fourth quarter -- and it will be needed to pull up the growth of real GNP from its relatively sluggish third-quarter pace. Also, the continuing strong performance of homebuying suggests that consumer confidence has not been seriously damaged by the economic slowdown.

Personal Income

Personal income (data released Wednesday morning, 11/16) rose strongly in October - 1.3 percent, almost 17 percent at annual rates. The rise in personal income was due, however, not to a strong rise in employment or hours worked but to large pay increases. The Federal government pay raise became effective in October; and private average hourly earnings rose sharply after small increases in the prior two months.

THE WHITE HOUSE  
WASHINGTON

November 16, 1977

Frank Moore

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

Rick Hutcheson

RE: "A SPOTTY SCORECARD FOR CARTER'S  
LOBBYISTS"

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN,  
"A SPOTTY SCORECARD FOR  
CARTER'S LOBBYISTS"

page 88

*Frank*  
*11/6*  
*J*

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# A spotty scorecard for Carter's lobbyists

No one is more painfully aware of President Carter's troubles with Congress than his Administration's harried band of lobbyists.

The Carter Administration's lobbying techniques may, in fact, have to undergo a basic transformation if the President hopes to deliver on his promises for tax reform, a welfare overhaul, national health insurance, and a comprehensive energy plan. Carter himself is faulted by many critics. "He created his own prob-

controversial that the agency needs the extra clout of the White House, or when a department sends out a call for help. This means that Moore's staff continues to serve as firefighters organized around key issues. Previous Administrations divided up White House lobbying assignments much more on the basis of congressional geography, says a top lobbyist from a previous Democratic Administration. "As a result, these people began to personify the White

Richard Warden, a top-notch lobbyist who formerly served as legislative director of the United Auto Workers. But, says one industry lobbyist, "Warden is bypassed by his boss."

Factors such as these help explain the spotty record of Carter's lobbyists. By area of responsibility, they line up as follows:

**ENERGY.** Frederick P. Hitz, the Energy Dept.'s 38-year-old deputy assistant secretary for congressional relations, has had a bruising year on Capitol Hill fighting for the Administration's unloved energy plan. Hitz lobbied in the Ford Administration for the Defense Dept., where he had plenty of manpower—and a powerful defense industry constituency—to draw on. But on the energy fight, Hitz had fewer than five liaison staffers to assist him much of the way, and he had virtually no constituency on which to build a lobbying base. "No one in the executive branch can get you a vote," he says in retrospect. "You have to go out to where business, labor, and the plant manager are and explain this issue."

One of Hitz's problems, however, has been that neither he nor Energy Secretary James R. Schlesinger has had consistent control over the Administration's energy strategy. The White House liaison office, the domestic policy staff, the Office of Management & Budget, and Treasury Dept. tax specialists have all at times exerted major, sometimes contradictory, influence over the lobbying.

**TREASURY.** Gene E. Godley, Assistant Secretary for Legislative Affairs, heads a five-person Treasury liaison staff. Formerly administrative assistant for Senator Thomas Eagleton (D-Mo.), Godley's first

action at Treasury was to remold the department's largely dormant lobbying arm. In the past, Treasury Under Secretaries such as Paul Volcker and Charls E. Walker have served as de facto lobbying chiefs. But Godley, who will face his supreme test with the tax-revision plan, says he is more interested in policy formation than Capitol Hill backslapping. He says: "I take great care not to refer to my people as lobbyists."

Godley's innovation at Treasury has been to send his assistants to all the other key policy sessions conducted by



**Lobbyists** (clockwise from above) Edes, Hitz, Bennet, Stempler, Godley: Under heavy pressure to deliver on Carter's unfulfilled legislative agenda.

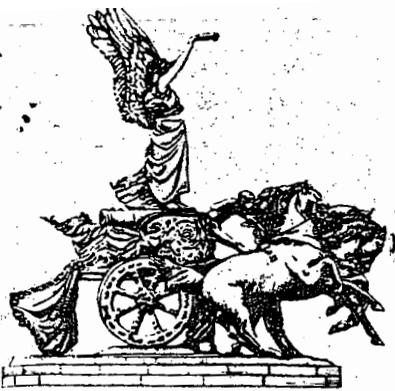
lem," insists one former Johnson Administration lobbyist. "He alienated Congress by his reformer's calls to come here and sweep out the bad guys."

In addition, Carter's fondness for "Cabinet government" has resulted in a sometimes ineffective decentralization of lobbying. White House congressional liaison chief Frank B. Moore heads a five-person staff inside the White House that rarely takes the lead in a lobbying drive. At his weekly Friday afternoon meetings with departmental lobbying directors at the White House, Moore tracks legislative developments for Carter and political chief Hamilton Jordan and sets up interdepartmental task forces to coordinate legislation. But he expects the departments to do the lion's share of the lobbying.

**Credibility.** The exceptions to this arise when, as in the drive to extend the Clean Air Act or to try to kill the Clinch River (Tenn.) fast-breeder reactor, a bill is so

House to the legislators and built up credibility."

Then, too, some Cabinet Secretaries with congressional backgrounds, such as Agriculture Secretary Bob Bergland and Transportation Secretary Brock Adams, have a tendency to supersede their own liaison chiefs, sometimes out of synch with their boss in the Oval Office. Health, Education & Welfare Secretary Joseph A. Califano Jr., because of his experience as a Johnson Administration domestic whiz, also has a hard time staying off the Hill. His liaison chief is



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Treasury's Assistant Secretaries. "Then," he says, "my staff meets every evening and puts that together with what we've picked up on the Hill."

**STATE.** Douglas J. Bennet, who heads the State Dept.'s liaison office, has carved out a different role for himself. Congress is in the midst of reasserting its authority in foreign policy, focused on the Administration's drive for new Panama Canal treaties now and on new strategic arms limitation accords with the Soviets later. So the pressure is on to consult with Congress.

A former assistant to Vice-President Hubert H. Humphrey and onetime top aide to Senator Abraham A. Ribicoff (D-Conn.), Bennet finds that sort of give and take natural. "Mistakes in foreign policy are very easily defined," he says. "When we consult, we're all right. When we don't, we're in trouble." An example of the latter was the Administration's surprise unveiling—with no advance briefing for key foreign relations staffers in Congress—of its joint U.S.-U.S.S.R. statement of principles on a Mideast settlement. Bennet frankly calls that a "flat-out mistake" but asserts that he and his staff have soothed congressional egos to the point where the "damage was quickly minimized."

**LABOR.** Nik B. Edes, the Labor Dept.'s 33-year-old Deputy Under Secretary for legislative affairs, works under a different set of constraints. Carter and "Big Labor" view each other with suspicion, a sentiment that was reinforced when the White House took a hands-off approach on the AFL-CIO's abortive try to pass situs picketing legislation. In addition, Edes works under Labor Secretary Ray Marshall, who has adopted a role as the liberal point man for the Administration, a stance that has lessened his clout within Carter's policymaking hierarchy.

But after a shaky start, Edes, a former aide to Senator Harrison A. Williams Jr. (D-N.J.), is trying to improve his relations with his constituency. Edes directs a staff of three lobbyists. But he also oversees the Labor Dept.'s intergovernmental affairs section, which gives him regional links to mayors, state legislatures, and local organizations, listening posts that can be helpful in building support for legislation. Edes also has been given wide leeway by Marshall to sit in on legislative drafting sessions. But for Edes the real problem may be that it is the AFL-CIO's lobbying armies, not the Administration's, that shape most labor legislation on Capitol Hill.

**DEFENSE.** Jack L. Stempler, 57, is an old lobbying hand who is serving his second Democratic Administration as assistant to the Defense Secretary for legislative affairs. And precisely because he is a veteran liaison man, he has had fewer problems than some of his younger coun-

terparts. When Congress showed signs of reviving the B-1 bomber, Stempler quickly saw the trouble brewing. "The first thing [Secretary Harold Brown] did was go up there and restate our position to the freshman and sophomore caucuses," he says. That helped defuse the issue. So did a Stempler request to the White House for more lobbying manpower. "When I saw trouble coming," he says, "I called Frank Moore for help. . . . It worked." But the White House crew was unaware of a potential disaster until Stempler flagged them.

**COMMERCE.** While most liaison chiefs are beset by small staffs and mushrooming information requests, Andrew E. Manatos, the Commerce Dept.'s congress-

## Less trouble for Defense's old hand. Tax revision will provide the big test

sional relations director, has a different problem. Manatos is the titular head of a top-heavy Commerce Dept. lobbying army of 45 professionals, many of them in positions created by the Nixon Administration. But Manatos controls only 9 of the 45. The rest report directly to other department officials, and can—and do—outmaneuver him on Capitol Hill.

"Where the problem comes is down in the bureaus, where new Assistant Secretaries come in from business and think they have a mandate to make policy in their areas," says Manatos, 33, a former aide to Senator Eagleton who has spent all of his professional life on the Hill. "So they just call congressmen directly and give them their own views as though they set policy, and that gives me problems." Under a Commerce Dept. reorganization plan now being considered, lobbying would be centralized in Manatos' office.

Some critics have complained that the Administration's problem with lobbying lies in relying too much on the so-called Georgia Mafia, but Moore, who lobbied the Georgia legislature in Carter's gubernatorial days, is the only one who fits that description. Most of the departmental liaison people have extensive Capitol Hill experience, many of them as congressional staffers.

For his part, White House congressional liaison chief Moore admits there have been rough spots in the Administration's lobbying, but he insists that "we are getting a bum rap for 'not getting anything done.'" Nevertheless, Moore has ordered the Office of Management & Budget to launch a crash reassessment of Administration lobbying during the congressional adjournment to spot organizational flaws and study ways of improvement. Says Moore: "It's time to pause, look back, and see what we could do better."



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# The New York Times

Founded in 1851

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ARTHUR HAYS SULZBERGER, *Publisher 1935-1961*  
ORVILLE E. DRYFOOS, *Publisher 1961-1963*

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## Letters

### Toward

To the Editor:  
Always extra-  
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### Autumn L

To the Editor:  
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## Make a Tax Cut Fruitful, Not Futile

President Carter cannot have it both ways next year. If he tries to cut taxes at the same time that he tries to reform them, he may fail at both objectives. The tax cut deserves priority. Without it, the nation may sink again into recession. Tax reform, which we strongly endorse, can wait until 1979 and a new Congress. The President's political energy will be needed in 1978 for passage of any innovative, anti-inflation tax cut.

The case for a tax cut has become increasingly compelling. Whatever merit it may have internationally, a cut is needed for domestic reasons alone: 32 months since the end of this nation's worst postwar recession, the United States economy is heading into a period of extremely slow growth. Consumers, who have spurred the recovery so far by spending their money, are not expected to provide much new steam for the economy in 1978. Business, depressed by the stagflation of recent years and worried by President Carter's policy initiatives, has held back on plans for investment spending next year. Though there might be enough growth left in the economy to move unemployment down a bit in 1978—there might not be.

Perhaps this risk would be worth taking if there were gains to be made against inflation by suffering a longer period of high unemployment. But inflation for two years has hovered around 6 percent, despite excess production capacity. Continued slow growth holds no promise of lower inflation—at least not for years. Meanwhile, the cost in wasted productive power and wasted lives is enormous.

The nation, however, cannot turn to a tax cut without caution. A cut in taxes, with a companion rise in the Federal deficit, would inevitably trigger fears of worse inflation, fears that could easily become self-fulfilling if business and labor acted on them. That would turn the tax cut into a futile exercise—bringing on the recession it was designed to avert.

The weeks ahead, therefore, are precious time for the President, for Congress and for the nation's political

economists. They must soon decide upon the size and timing of a tax cut. More important, they must also decide upon what kind of tax cut. Some tax relief must certainly go to business, which is suffering from a chronic drop in profitability and an acute drop in confidence. Some of the cut must go to individual taxpayers, who have been shoved into ever-higher tax brackets during the past two years by illusory, inflationary increases in income.

But no taxes should be cut at all until a serious intellectual effort has been made to design a cut that encourages anti-inflationary behavior by business and labor. Taxes, after all, can be used as a carrot (tax credits) or as a stick (tax surcharges) to encourage socially responsible behavior. If done cautiously, such fiscal reform should not interfere unduly with tax simplification, a central theme of tax reform. So far, discussion of such "fiscal reform" has been muted because of the Administration's reluctance to frighten businessmen or labor leaders. They are too quick to depict any talk of Government influence over wages and prices as "controls." But why should not Government use a tax cut to encourage restraint in wage and price decisions?

Ideas for such an anti-inflation tax cut have been offered by Arthur Okun of the Brookings Institution, Henry Wallich of the Federal Reserve Board, and Sidney Weintraub of the University of Pennsylvania. They would use the marketplace, not the Government bureaucracy, to enforce restraint; they would use tax incentives, not rigid wage-price controls, to encourage good behavior. Their approach is to set a national wage standard and ask business and labor to adhere to it—and they would reward such conduct. Other ideas for the creative use of a tax cut might be on other minds. Let the White House seek out such thinking in the critical weeks ahead. If tax reform is to be postponed, then let true fiscal reform take its place. Otherwise the President and his advisers will merely condemn the nation to another period of stagflation and the tax cut of 1978 would become the tragedy of 1979.

## Building Toward a Test Ban

Leonid Brezhnev's offer to suspend civilian as well as military nuclear explosions is a breakthrough for a comprehensive test ban and for Soviet-American relations in

close the nuclear club and halt the spread of nuclear weapons. With Brazil, Pakistan and other countries seeking dangerous nuclear technology, Soviet and American

Open To The Public

The moderate but clear statement of Administration economists regarding the desirable course of monetary policy and monetary growth has pried open the black box of monetarism, and invited everybody to take a look, including the Federal Reserve itself. With due allowance for the temporary heat that always accompanies movement, the lifting of the lid holds a good deal of promise for the business and financial community. One of the serious dangers to which U.S. business has been exposed, now for many years, has been the indiscriminating respect of the black box, and its mysterious contents. In politely demurring from the starkly theoretical decrees that issue from the box, Mr. Schultze has done a service to us all.

The Administration's comments on the implications of the growth of the money supply were carefully worded. They even kept the issue in the home-grounds of monetarism, by using its own vocabulary, to assure that simultaneous translation would not be required. The initial point raised is simply that if velocity has stopped rising or is actually declining (and it did decline in the third quarter) then it will take a faster growth of money to maintain expansion in the economic system as a whole. For those who prefer that logical propositions be symmetrical, this is a reasonably effective tactical thrust; it was not so long ago that the Federal Reserve was arguing (correctly for a while, as it turned out) that rising velocity would permit economic expansion with only slow growth of the money aggregates. The issue is narrow, and also somewhat circular and tautological, but it's a start.

A next and wider question might be, what do we know about the forces that make the measures of money stock behave the way they do? And then, since nobody has much of an answer to that one, does it make much sense to hang so

much weight on the control of a number whose causal connections with the rest of the system are so poorly understood? And then, how do we know what we are controlling if we don't know what has made the money stock do what it has done? And then (and now we're really getting somewhere) shouldn't we expect and hope for a considerable rise in the money aggregates under the present under-employed condition of the economy? If rapid growth of the money stock is stimulative (and that is implicit in the monetary argument that it is inflationary), why wouldn't the stimulus find its way into real demands at a time when real resources are available in some abundance? And finally, in a time of large deficits run by the Federal government, which is a borrower utterly insensitive to interest rates, why would not the elevation of rates curb precisely those private investment activities that we are urging the government to encourage in every other way? And if the effect of rising rates were to curb private activity, would not this curb the recovery of the Federal tax base, and hence widen the deficit, and hence further enlarge the borrowing requirements of the Treasury?

On these practical questions, the black box has had little to say. Whatever the question, it delivers much the same answer --- that prices and money growth are correlated over the long-term, that this issue supersedes all others confronting the Federal Reserve; that others must take responsibility for the course of real output, and for the avoidance of recession; that while the real money supply (that is, the money supply corrected for the rate of inflation) correlates well, with a lead, with the course of the general business system, these shorter-term relationships with growth must be subordinated to the longer-term relationship to inflation whenever the two relationships pose the issue, as they very much do now. For all of the participants in the economic process who are comfortably insulated against

the short-term (for example, tenured professors) this may be a satisfactory stance; but it is unnerving for all of those --- including businessmen and investors, as well as labor --- who lead a less contemplative and sheltered life, and experience the storms of the business cycle. And it can be a nightmare for policymakers who seek an environment of vigorous growth for such nefarious purposes as reducing unemployment, elevating output, alleviating such problems as urban decay, and avoiding a descent into protectionism.

Of course, inflation is properly a very serious concern, and not just of the Federal Reserve. But only blind devotion to doctrine can any longer obscure the fact that inflation in its modern form is very largely structural, institutional, social --- most of its causes lie beyond the reach of monetary policy. To take rational account of these causes, and to modify behavior in the light of them, is not really to abandon the struggle against inflation, but simply to recognize how formidable the enemy is, and how general must be the response of policy to it.

The debate on the meaning and use of monetary policy under present conditions has been taking shape slowly for several years. Now out in the open, it is likely to widen, and reach many more intelligent observers, particularly in the financial community, where monetarism achieved a regrettably high level of uncritical acceptance. This is all to the good; in the end, it can help to create an infinitely more satisfactory alignment of the goals and powers of monetary policy, and a more coherent relationship of monetary policy to the other policy functions of government. Doubtless unsettling in the present, the debate is also hopeful, and, with particular reference to the financial community, prospectively bullish.

9:00 AM

C

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE  
WASHINGTON

November 15, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Jack Watson *Jack*  
SUBJECT: MEETING WITH DICK AND MARG DENNY  
Wednesday, November 16, 1977  
9:00 A.M. - Oval Office (5 mins.)

As you know, Dick is a partner in King & Spalding and has been one of your staunchest and most active supporters in Georgia since the 1966 Governor's Race. During the fund-raising in Georgia for the Presidential primaries, I relied on him repeatedly to participate in or take the lead on major fund-raising activities; he never failed to do an absolutely first-rate job. For example, Dick chaired the Arrangements Committee for that huge fund-raiser that we had on the night of the June 8th primary and did a superb job.

He and his wife Marg will be in Washington for a day visit and will be thrilled by an opportunity to say hello. I was scheduled to have breakfast with them at the White House before they meet with you but will not be able to do so if I cover for Jody on the speech in Florida tomorrow morning.

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE  
WASHINGTON

November 16, 1977

Frank Press

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

Rick Hutcheson

cc: The First Lady  
Tim Kraft

RE: LECTURE ON PLANETS, STARS, ETC.

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
		H. CARTER
		CLOUGH
		FALLOWS
✓		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		KING

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

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

November 16, 1977

MEMORANDUM TO THE PRESIDENT

FROM: Frank Press *FP*

I have arranged for Jeff Carter to pick up and receive instructions on the use of a Questar telescope borrowed from NASA.

I have also sent him a star chart and star finder.

If you and your family would like to receive a popular lecture on planets, stars, black holes, etc., it can easily be arranged.

↑ Frank -  
Yes -  
JC

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for Preservation Purposes**

THE WHITE HOUSE  
WASHINGTON

November 16, 1977

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE  
BOB THOMSON *BT*  
JIM FREE  
SUBJECT: UTILITY RATE REFORM CONFERENCE

After a day of unproductive posturing on Monday, the Utility Rate Reform conferees, yesterday, began bartering on the first and most difficult issue - retail rate structures. The Senate and House started far apart on this issue, but both sides presented compromises which closed the gap somewhat. We are working for a breakthrough among the Senate conferees on mandatory Federal criteria for retail electric utility rates.

The House bill mandates that state utility commissions apply minimum Federal criteria when evaluating rate structures. The criteria call for cost-based rates. Declining block rates would be prohibited in most circumstances. Seasonal, time-of-day, and interruptible rates must be offered. DOE estimates the House bill would save 200,000 barrels of oil a day by the mid-1980's.

In comparison, the Senate bill is toothless. There are no mandatory criteria.

The House bill would authorize DOE to enforce its mandatory standards by initiating a suit in Federal court, by appealing an adverse determination or by intervening in a pending proceeding. The House bill also authorizes consumers to initiate suits, to intervene and to appeal. Utilities must pay consumers' court costs if they prevail. The Senate bill has no comparable enforcement provisions.

Yesterday, the Senate offered to accept House enforcement provisions allowing DOE to intervene and appeal if asked by an original party to a state suit and allowing consumer suits. The House accepted that offer, but insisted some mandatory Federal standards should apply to state rate-making. The Senate voted to continue its opposition to mandatory Federal criteria.

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We have made progress with two of the Senate conferees - Durkin and Metzenbaum - and Bumpers shows some promise. If, in addition, we succeed in convincing Senator Jackson to accept watered-down Federal criteria, there is a good chance we can win a modest victory on this point. The matter will almost certainly be resolved today, since Chairman Staggers is pushing hard.

After the retail rate-making dispute is resolved, the conferees will move on to wholesale utility policies (wheeling, interlocks, etc.) and other, less controversial, issues. As promised, we are much more active in this conference than those preceding, and the House liberals seem satisfied that we are actively working the Senate conferees on behalf of the Administration's positions.

The House conferees are holding firm on the central issues of the rate reform package. Moffett, Sharp and Dingell are heading the charge for the House version. The members that are slipping are Foley and Rogers. Paul Rogers is in Caucus preaching immediate compromise and seems to be taking his direction from the utility lobby. Schlesinger plans to talk with Foley and Rogers to try to firm up their support for our position. The House feels the Senate is moving and they want to wait them out. Congressman Dingell is the major advocate of this strategy. The Moffett/Sharp - Durkin/Metzenbaum exchange seems to be the channel through which compromise can be reached.

THE WHITE HOUSE  
WASHINGTON

November 16, 1977

Hamilton Jordan

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

Rick Hutcheson

cc: Jim Gammill

RE: JEROME KUYKENDALL, CHAIRMAN  
INDIAN CLAIMS COMMISSION

THE WHITE HOUSE  
WASHINGTON

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

ACTION		
FYI		
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		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

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

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		HARDEN
		HUTCHESON
		JAGODA
1		<del>KING</del> JG

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



THE PRESIDENT HAS SEEN.

THE WHITE HOUSE  
WASHINGTON

9  
/

MR. PRESIDENT:

I will not be in the office  
on Wednesday. My son, Brian,  
is having surgery tomorrow  
morning. My office will be  
able to reach me should there  
be a need.



Stu Eizenstat

15 Nov 77

*(minor ear surgery... should  
be in + out the same day)*

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for Preservation Purposes

THE WHITE HOUSE  
WASHINGTON  
November 16, 1977

Stu Eizenstat  
Hamilton Jordan

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

Rick Hutcheson

cc: Charles Schultze

RE: QUESTIONNAIRE ON BUSINESS TAX  
REDUCTIONS

THE WHITE HOUSE  
WASHINGTON

11/15/77

Mr. President:

Eizenstat's comment is attached.

Jody and Landon Butler agree with Stu's comments. Landon suggests that perhaps a private group could send out the questionnaire (e.g., Brookings).

Jody: "I think even the business community will view this as a token gesture and it will create demands that we do something similar for other groups. Press reaction in my opinion will be to treat it as something of a joke."

No other staff comments received.

Rick

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
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	IMMEDIATE TURNAROUND

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	PETERSON
	PETTIGREW
	POSTON
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	SCHLESINGER
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	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

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use DNC  
J

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

November 15, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze <sup>CLS</sup>

On Friday you asked me to design a draft of a questionnaire which could be sent to several hundred large and small businessmen to elicit their views of business tax reductions. The draft is attached.

You had planned to send this over to Secretary Blumenthal as the basis for a questionnaire which he might send out.

attachment

Electrostatic Copy Made  
for Preservation Purposes

DRAFT LETTER AND QUESTIONNAIRE ON  
BUSINESS TAX REDUCTION

Dear \_\_\_\_\_:

The Carter Administration is currently considering a number of alternative approaches to business tax reduction to be submitted to Congress in the very near future. We recognize the need to boost business confidence, to provide additional incentives for increased capital formation, and to improve the profitability of firms.

Three general approaches are being studied:

1. Reductions in the corporate income tax.
2. An increase in special investment incentives (such as an increase in the investment tax credit or accelerated depreciation).
3. Partial relief of double taxation of dividends (treating part of the corporate tax as withholding on dividend income, and providing a credit for withheld taxes to dividend recipients).

By filling out the attached brief questionnaire you can help us in designing an effective tax program. Given the position of your company or from what you know about U.S. business generally, what would be your priority among the three approaches mentioned above. Please indicate your priority, not what you think the Administration or Congress is likely to accept. I know many businessmen feel that all three approaches are meritorious. But the amount that the Federal Government can provide in business tax reductions is not unlimited. We have to make choices among the alternatives.

Unless you indicate otherwise we will keep your reply confidential.

NAME \_\_\_\_\_

FIRM \_\_\_\_\_

YOUR TITLE \_\_\_\_\_

I. Please check your first preference: (Check only 1 item)

- 1. Corporate rate cut
- 2. Increase in special investment incentives
- 3. Partial relief from double taxation of dividends

II. Please check your second preference: (Check only 1 item)

- 1. Corporate rate cut
- 2. Increase in special investment incentives
- 3. Partial relief from double taxation of dividends

III. Additional comments

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IV. Do you wish us to keep your reply confidential or may we associate your name with the preferences you have indicated?

- Keep my reply confidential
- You may use my name

(Please return this questionnaire in the attached envelope)



THE WHITE HOUSE

WASHINGTON

November 15, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

SUBJECT: Questionnaire on Business Tax Reductions

I think there are some genuine negatives in sending out the attached questionnaire:

1. It makes the Administration appear unnecessarily uncertain on this issue.
2. Because it is geared only to business tax reductions it doesn't give a full flavor of what our tax policy may be next year.
3. While there is value in getting a pulse of business, there may be some danger in having to take a position contrary to what a large majority of respondents suggest.

If there is any way to do this on a more informal basis, it might accomplish the same results without the negatives I mentioned above.

Re: Questionnaire on Business Tax Deductions

*rec'd  
for  
late*

Over the past ten months, my office has met at the White House with thirty-five business and professional associations, approximately two thousand people, most of whom are chief executive officers of companies belonging to those various associations. Such people represent some of the most influential components of the business community. You might wish to consider whether such individuals should be recipients of the questionnaire.

Since the business tax reductions that are being considered may very well affect unemployment, the opportunity presented by this inquiry of businessmen might be more fully utilized by ascertaining their opinions regarding the effect that the various approaches might have on unemployment.

While some may regard an inquiry about unemployment as tangential to the main focus of the questionnaire, a reduction in unemployment is of the highest priority for the Administration and the judgment of businessmen in terms of the impact of tax reductions on unemployment is within their competence. There is no reason to assume that the recipients will act only out of self-interest in their evaluations. Furthermore, we must regard it as possible that such a questionnaire might find its way to the press and our concern for unemployment should be shown as keen as the other objectives of the questionnaire.

It is fair to assume that each of the three approaches presently listed in the draft letter and questionnaire would be regarded by most, if not all, businessmen as beneficial to boosting business confidence, increasing capital formation and improving corporate profits. The questionnaire might furnish more interesting information if each approach were rated individually in terms of the various goals. In other words, the questionnaire could present a matrix where the various goals are listed horizontally and the various approaches listed vertically and the respondent was asked to value each approach from one to three for each goal. A sample of such a questionnaire is attached.

Name:  
 Firm:  
 Title:  
 Address:  
 Telephone Number:

OBJECTIVES

<u>APPROACH</u>	Boost Business Confidence	Increase Capital Formation	Improve Your Company's Profitability	Add Employment (to your company)
Corporate Rate Cut				
Increase in Special Investment Incentives				
Partial Relief from Double Taxation of Dividends				

INSTRUCTIONS: Please rate each approach from 1 to 3 under each objective.

THE WHITE HOUSE  
WASHINGTON  
November 15, 1977

The Vice President  
Midge Costanza  
~~Stu Eizenstat~~  
Hamilton Jordan  
Jody Powell  
Jack Watson

The attached is forwarded to you for your information. If you wish to comment, please call by 5:00 PM today.

Rick Hutcheson

RE: QUESTIONNAIRE ON BUSINESS TAX DEDUCTIONS

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

November 15, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze <sup>CLS</sup>

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attachment.

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BUSINESS TAX REDUCTION

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3. Partial relief of double taxation of dividends (treating part of the corporate tax as withholding on dividend income, and providing a credit for withheld taxes to dividend recipients).

By filling out the attached brief questionnaire you can help us in designing an effective tax program. Given the position of your company or from what you know about U.S. business generally, what would be your priority among the three approaches mentioned above. Please indicate your priority, not what you think the Administration or Congress is likely to accept. I know many businessmen feel that all three approaches are meritorious. But the amount that the Federal Government can provide in business tax reductions is not unlimited. We have to make choices among the alternatives.

Unless you indicate otherwise we will keep your reply confidential.

NAME \_\_\_\_\_

FIRM \_\_\_\_\_

YOUR TITLE \_\_\_\_\_

I. Please check your first preference: (Check only 1 item)

- 1. Corporate rate cut
- 2. Increase in special investment incentives
- 3. Partial relief from double taxation of dividends

II. Please check your second preference: (Check only 1 item)

- 1. Corporate rate cut
- 2. Increase in special investment incentives
- 3. Partial relief from double taxation of dividends

III. Additional comments

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IV. Do you wish us to keep your reply confidential or may we associate your name with the preferences you have indicated?

Keep my reply confidential

You may use my name

(Please return this questionnaire in the attached envelope)

THE WHITE HOUSE  
WASHINGTON  
November 15, 1977

The Vice President  
Midge Costanza  
Stu Eizenstat  
Hamilton Jordan  
Jody Powell  
Jack Watson

The attached is forwarded to you for your information. If you wish to comment, please call by 5:00 PM today.

Rick Hutcheson

RE: QUESTIONNAIRE ON BUSINESS TAX DEDUCTIONS

*London  
concern of SE  
supports private group*

THE WHITE HOUSE

WASHINGTON

November 15, 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*

SUBJECT:

Questionnaire on Business Tax Deductions

I think there are some genuine negatives in sending out the attached questionnaire:

1. It makes the Administration appear unnecessarily uncertain on this issue.
2. Because it is geared only to business tax deductions it doesn't give a full flavor of what our tax policy may be next year.
3. While there is value in getting a pulse of business, there may be some danger in having to take a position contrary to what a large majority of respondents suggest.

If there is any way to do this on a more informal basis, it might accomplish the same results without the negatives I mentioned above.

*I agree w/ Stu - I think even the business community will view this as a token gesture and it will create demands that we do something serious for other groups. Press reactions in my opinion will be to treat it as something of a joke. JES*

THE WHITE HOUSE  
WASHINGTON

November 16, 1977

Zbig Brzezinski

The attached was returned in the President's outbox today. Please forwarded the attached copy to Secretary Brown for his appropriate handling.

Rick Hutcheson

BUDGET DECISION ON SPACE SHUTTLE

cc: Secretary Brown

MEMORANDUM

THE WHITE HOUSE  
WASHINGTONINFORMATION

November 14, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *ZSS*

SUBJECT: Budget Decision on Space Shuttle

*36.3 -  
I got it  
too late  
J*

Harold Brown has forwarded the attached memorandum for your consideration, asking that you read it before your NASA budget decision on 15 November.

While we still have an opportunity tomorrow to discuss the matter further, I wish to associate myself with Harold's recommendation. I believe that U.S. world leadership in space depends on the progress and firm commitments at this time to a Space Shuttle program which provides an assured operational capability for all users. Frank Press agrees.

Attachment

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THE SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

11 NOV 1977

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Budget Decision on Space Shuttle

I understand that OMB is preparing for your consideration and decision two Space Shuttle Program options:

1. Option 1. Do not build the Shuttle launch and landing facility at Vandenberg AFB. Operate the Shuttle out of Kennedy Space Center with only three orbiters.

Under this option the DoD would need to maintain conventional boosters at Vandenberg for launch of its polar orbiting heavy payloads, while using the Shuttle at Kennedy. Maintaining this dual capability would be inefficient and we could not justify DoD participation. With only three orbiters, neither DoD nor NASA would be able to exploit space to its full potential.

2. Option 2. Provide for two site operations but provide only four instead of five orbiters in the Shuttle fleet.

If an orbiter is lost, two site operations are unlikely to be effectively sustained with the remaining three orbiters. The risk of losing one orbiter would therefore make it difficult for DoD to place full reliance on the Shuttle. Hedging against the loss of an orbiter would require maintaining a backup conventional launch capability for an extended period.

There is an extensive and on-going program to transition all DoD payloads from current expendable space boosters to the Shuttle. If either of the above options is adopted, the DoD would have to proceed with plans and actions to maintain, into the indefinite future, production and facilities for use of present launch vehicles.

In that case, we would probably opt to drop out as users of the Shuttle program for intelligence, communications, and other military payloads. This would probably leave inadequate user demand to continue the program at all.

I would prefer that you consider the following two options:

- 1. Option 3. Provide for two site operations and five orbiters in the Shuttle fleet.

This option provides for the minimum acceptable transition program.

- 2. Option 4. Discontinue the program.

The Department of Defense strongly supports Option 3.

The national traffic projections are probably quite a bit higher than will actually prove to be the case through 1990. However, I believe that by that time new capabilities will create new demand for uses that will be cost effective for the customer -- military and civilian. As a result, the Shuttle program's remaining cost would ultimately pay for itself at a reasonable discount rate -- though perhaps not at the discount rate of 50 percent per annum that sometimes appears to prevail toward the close of the budget preparation process.

*Harold Brown*

Attachment  
DoD Space Shuttle Utilization

*cc: Harold*  
 This is not a very good option  
 paper - either your first preference  
 or nothing. I agree on the  
 two sites - have doubts between  
 4 & 5. Check with OMB.  
 J.C.

DEPARTMENT OF DEFENSE  
SPACE SHUTTLE UTILIZATION

Present plans are to transition all DoD payloads from launch on current expendable space boosters to Shuttle launch after the Shuttle becomes operational in 1980. The Air Force is developing an Interim Upper Stage which will be operational by mid-1980 for use on both the Shuttle and the Titan III booster during the transition period. The Air Force is also developing the Shuttle launch and landing capability at Vandenberg AFB, which will be operational in June 1983. Some Titan III boosters will be procured as a backup for our critical launches in the event that the Shuttle encounters delays during development or early operational use. When the Shuttle is fully operational, expendable boosters will be phased out of the inventory. Current DoD planning is predicated on the timely availability of an adequate orbiter fleet, assumed to be 5 orbiters based on NASA's national traffic projections for Shuttle use.

The Space Shuttle can support the launch of all projected DoD space systems in the foreseeable future. The Shuttle provides significant new technological opportunities which can lead to more effective and flexible military space operations. Compared to our largest current space booster, the Shuttle can deliver twice the payload weight and three times the payload volume to orbit. We can use this increased capability to incorporate redundancy in critical subsystems, thereby improving the life of our spacecraft on orbit. We can also improve the capability of our spacecraft by prudently adding sensors and communications links. We can improve the survivability of our space systems, in a natural or hostile space environment, by selecting from a number of Shuttle-related options. These survivability options include placing spare spacecraft on orbit, carrying additional on-board propellants for spacecraft maneuvering, or perhaps placing on orbit more spacecraft of a simpler, lower cost design. The Shuttle capabilities offer the opportunity to achieve greater spacecraft modularization and standardization of subsystems while avoiding costly weight reduction programs. The reliability of placing a satellite in its desired orbit projected for the Shuttle (.995) is higher than we are experiencing today on our current expendable boosters (.88 to .98). The benefits of this improved reliability include greater mission success and timely replenishment of priority DoD space systems. We anticipate that the Shuttle can be used routinely as a development test bed for various sensors and subsystems thereby reducing the development time for new space systems and enhancing our capability to respond rapidly to changing needs.

Initially, we will use the Shuttle as we would a larger replacement launch vehicle. However, should the Shuttle arrive on-orbit with a payload that did not check out properly, most payloads could be returned to earth for adjustment or modification. In the future, we can design our payloads so that the Shuttle can retrieve them from low orbit when the mission is complete, and return them to earth for refurbishment and reuse, diagnostic purposes, or technological update. Another option which might be equally attractive in the Shuttle era is on-orbit servicing of payloads. Spacecraft designed for automated subsystem replacement could be serviced while in low orbit depending on mission requirements. In the long term, the Shuttle will open the way for many new technical advances in the military use of space.

~~THE PRESIDENT HAS SEEN.~~

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

INFORMATION

16 November 1977

TO: THE PRESIDENT  
FROM: RICK HUTCHESON *R.H.*  
SUBJECT: Memos Not Submitted

1. SECRETARY ADAMS sent you a copy of the Federal Aviation Administration's final report on the October 20 Frontier Airlines hijacking in Grand Island, Nebraska. Secretary Adams says he concurs with the FAA's conclusion "that this incident did not indicate any failure in the U.S. civil aviation security system, but rather, it was an armed penetration of the system."

Secretary Adams also commented that he has "taken the position that we must remove the hijacking issue from the political environment of the U.N. and refer it to the technical aviation atmosphere of the International Civil Aviation Organization."

2. JACK WATSON sent you a copy of his memo to the Cabinet, providing the Cabinet with speech material on public utility rate reform.

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: THE CABINET

FROM: Jack Watson  
Jane Frank JF

November 14, 1977

RE: Material on Public Utility Rate Reform

At today's Cabinet meeting, the President asked Jim Schlesinger to provide material on public utility rate reform for you to use in speeches and other appropriate contacts. A two-page summary prepared by DOE is attached, along with excerpts from the well-publicized speech by Jay Janis, Under Secretary of HUD.

Please make appropriate efforts to include information on public utility rates in the speeches you give this week and next week. Jim Fallows is drafting some speech material on this subject which we can provide to you within the next two days.

We request that you continue to include a section in each weekly report to the President on your efforts to promote the energy legislation.

CC: The President ✓

## PUBLIC UTILITY RATE REFORM

### What does the bill do?

The Public Utility Regulatory Act would do the following:

- o Prohibit promotional utility rates that encourage wasteful use.
- o Require time of day discounts to encourage off-peak use (similar to telephone discounts after 9:00 p.m.).
- o Ban master metering (which provide no incentive to conserve).
- o Provide authority to require interconnections between utilities to assure efficient use of electricity between them.

### What is the need for the bill?

Currently, electric utility rates often discourage conservation by promotional rates. Also, utility rates and practices do not encourage either efficient use of power between utility systems or by consumers. This legislation would assure that industries and others are charged rates on the basis of the cost of producing power, thereby stimulating conservation. The time of day pricing will encourage industries and consumers to use power during periods when demand is low. The interconnection provisions will allow greater use of baseload power, rather than less efficient peaking points.

### What is the bill supposed to do?

DOE estimates that improving load use by 5 percentage points through rate design could achieve major savings by 1985, including savings of up to:

- o 250,000 barrels of oil and gas per day.
- o 50,000 MW generating capacity.
- o At least \$13 billion needed in utility capital costs.

These DOE estimates are consistent with other research studies.

What do the Senate and House bills do?

The House utility rate reform bill is even stronger than the President recommended. The Senate bill on the other hand contains no mandatory guidelines and only gives DOE authority to intervene in State regulatory proceedings. The Administration still supports the utility rate reform provisions in the National Energy Act.

The House and Senate conferees are currently in the process of reconciling their differences on this legislation.

7

AND I AM NOT ONLY TALKING ABOUT THE INCREASE IN SALES PRICES. OF EVEN GREATER IMPORTANCE ARE THE SUBSTANTIAL INCREASES IN MONTHLY OWNERSHIP COSTS -- 102 PERCENT FOR THE MEDIAN PRICED NEW HOUSE BETWEEN 1970 AND 1976 AND 73 PERCENT FOR EXISTING HOMES FOR THAT SAME PERIOD. BREAKING THAT 102 PERCENT DOWN, WE FIND THAT MONTHLY DEBT SERVICE PAYMENTS INCREASED BY 97 PERCENT, A REFLECTION OF BOTH LARGER MORTGAGE AMOUNTS AND HIGHER MORTGAGE INTEREST RATES. BUT, OPERATING AND MAINTENANCE COSTS INCREASED BY 111 PERCENT. THIS INCLUDES INSURANCE, TAXES, MAINTENANCE AND REPAIR, AND UTILITIES. WHILE INTEREST RATES HAVE DECLINED SOMEWHAT, THE FUTURE SEEMS DIM FOR UTILITY COSTS UNLESS THE PRESIDENT'S ENERGY PROGRAM IS ADOPTED. THE PRESIDENT HAS CALLED FOR TOUGH ACTION, AND TOUGH ACTION IS TRULY REQUIRED IF THE SHORTAGES THAT EXISTED IN THE WINTER OF 1973-74 ARE TO BE AVERTED, AND IF THE HIGH GAS AND ELECTRIC BILLS OF LAST WINTER ARE TO BE REDUCED.

ALTHOUGH MR. O'LEARY WILL BE COMMENTING ON THE PRESIDENT'S PROGRAM IN MORE DEPTH AT THIS CONFERENCE, I WOULD LIKE TO SAY A FEW WORDS ABOUT IT. THE PRESIDENT'S ENERGY PROGRAM IS BASED ON THREE PRINCIPLES: CONSERVATION; FAIR PRODUCTION INCENTIVES; AND, INDUCEMENTS TO SWITCH TO ALTERNATIVE ENERGY SOURCES SUCH AS COAL AND SOLAR HEATING. WHILE THE PRESIDENT'S PROGRAM CONTAINS PROVISIONS WHICH WILL IMPACT ON ALL SECTORS OF THE ECONOMY, THE FOLLOWING AFFECT HOUSING AND NON-RESIDENTIAL CONSTRUCTION IN PARTICULAR:

- A RESIDENTIAL CONSERVATION TAX CREDIT FOR SPECIFIED ENERGY CONSERVATION MEASURES
- A TAX CREDIT FOR THE INSTALLATION OF SOLAR HEATING AND COOLING EQUIPMENT
- WEATHERIZATION FINANCING, CONSISTING OF \$585 MILLION IN DIRECT GRANTS FOR LOW-INCOME OWNERS AND THE CREATION OF A SECONDARY MARKET FOR RESIDENTIAL CONSTRUCTION LOANS

- A UTILITIES INSULATION PROGRAM WHERE UTILITIES WOULD BE REQUIRED TO OFFER INSULATION INFORMATION, OFFER LOANS REPAYABLE THROUGH UTILITY BILLS AND OFFER TO ARRANGE FOR INSTALLATION
- A SCHOOLS AND HOSPITALS CONSERVATION PROGRAM WHICH WOULD PROVIDE GRANTS UP TO 40 PERCENT OF COST TO STATES FOR THE INSTALLATION AND DESIGN OF CONSERVATION INITIATIVES IN SCHOOLS AND HOSPITALS
- A TWO-PRONGED PROGRAM TO INCREASE ENERGY EFFICIENCY IN FEDERAL BUILDINGS
- ADVANCING THE EFFECTIVE DATE OF MANDATORY ENERGY STANDARDS FOR NEW BUILDINGS FROM 1981 TO 1980.

WE WASTE ALMOST HALF OF THE ENERGY WE USE AS WE HEAT OUR HOMES, RUN OUR FACTORIES AND DRIVE OUR CARS. WE USE TWICE AS MUCH PER CAPITA AS THE GERMANS, SWEDES OR JAPANESE USE EVEN THOUGH THEIR STANDARD OF LIVING IS SIMILAR TO OURS.

THE WHITE HOUSE  
WASHINGTON

November 16, 1977

The Vice President  
Stu Eizenstat  
Zbig Brzezinski

The attached is forwarded to  
you for your information.

Rick Hutcheson

RE: FRONTIER AIRLINES HIJACKING



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

NOV 16 1977

MEMORANDUM TO: The President  
FROM: Brock Adams  
SUBJECT: Frontier Airlines Hijacking

A large, handwritten signature in black ink, which appears to read "Brock Adams", is written over the "FROM:" line of the memorandum.

I am enclosing for your review the final report prepared by the Federal Aviation Administration (FAA) on the October 20 Frontier Airlines hijacking in Grand Island, Nebraska.

I concur with the conclusion that this incident did not indicate any failure in the U. S. civil aviation security system, but rather, it was an armed forcible penetration of the system. However, the FAA and the aviation community need to maintain a continuing review of the system to assure that it remains capable of responding to changes in the nature and level of the threat to U. S. commercial aviation.

As I indicated at the Cabinet meeting and in my weekly report to you of November 4, in consultation with the State Department and the U. S. Mission to the U. N., I have taken the position that we must remove the hijacking issue from the political environment of the U. N. and refer it to the technical aviation atmosphere of the International Civil Aviation Organization (ICAO). We have identified some specific improvements that could contribute to strengthened airport security worldwide.

I will keep you advised of additional significant developments as they occur.

Enclosure

HIJACKING OF FRONTIER AIRLINES FLIGHT 101  
GRAND ISLAND, NEBRASKA  
OCTOBER 20, 1977

Introduction - Public and news media attention to the hijacking of Frontier Airlines (FAL) Flight 101 on October 20, 1977, was intensified because of two recent major hijackings of foreign aircraft. This was the 27th hijacking of an air carrier aircraft in 1977 and the 4th incident involving a U.S. air carrier. In 1976 there were only 16 hijackings in the entire year. The demands made by the hijacker of FAL Flight 101 were similar to those made by terrorists who hijacked a Japanese Airlines DC-8 on September 28 and a Lufthansa B-737 on October 13. The worldwide attention and publicity centered on those incidents shifted to focus on the FAL hijacking and the U.S. Civil Aviation Security Program.

Summary - On Thursday, October 20, Thomas Michael Hannan, a 29-year-old white male, armed with a sawed-off shotgun, forced his way past security personnel at the passenger screening station at Grand Island, Nebraska, and took command of FAL Flight 101. The pilot was forced to fly the aircraft to Kansas City, Missouri, where 18 passengers were released. The hijacker demanded 3 million dollars, two parachutes, two machine guns, two pistols, ammunition and the release of a friend, George David Stewart, who was incarcerated in the Fulton County Jail in Atlanta, Georgia. Flight 101, under the control of the hijacker, continued to Atlanta where, after hours of negotiations, Hannan agreed to releasing the remaining passengers and allowing his attorney to board the aircraft to talk with him. Hannan, after some discussion with his attorney, committed suicide by shooting himself in the chest with the shotgun. There were no other injuries. Although parachutes and the hijacker's friend, George Stewart, were available at the Atlanta Airport, none of the hijacker's demands were met except for providing hamburgers, milk shakes and cigarettes as he had requested.

Chronology - The significant events which occurred at Grand Island, Kansas City and Atlanta are as follows:

- o Grand Island, Nebraska - Boarding - FAL 101, a B-737, was scheduled to depart Grand Island for Lincoln, Nebraska, at 0644 CDT. At approximately 0630 CDT, during the passenger screening process, Hannan, who had purchased a ticket for FAL 101, placed a small brown bag on the screening table and opened it as though he was preparing it to be searched. Instead, he pulled out a sawed-off shotgun and said he was going aboard the aircraft. Deputy Sheriff Roy Jensen of the Hall County Sheriff's Department, who was on duty at the screening point, told Hannan he could not go aboard but Hannan pointed the gun at Jensen and again said he was going aboard. While waving the shotgun in the air,

Hannan walked through the screening point toward the door leading to the aircraft. As Hannan stepped outside the door, he turned back and pointed the gun at Officer Jensen who was following him and said to Jensen that if he made one move he would kill him. Hannan then walked quickly to the parked FAL aircraft which was about 50 feet from the exit door and pushed boarding passengers aside as he went up the aircraft stairs. Hannan ordered the aircraft to depart and within several minutes FAL 101 departed Grand Island with 30 passengers and 4 crew.

- o Kansas City, Missouri - Refueling - FAL 101 landed at Kansas City for refueling at 0724 CDT and parked near Gate 18. Appropriate security measures were placed in effect at the airport prior to the landing, including establishment of an FBI capability. Hannan released 16 women and children along with 2 men - one, an acquaintance of Hannan's who happened to be on the flight and the other, a man with a cardiac condition. Hannan made known his demands and set a deadline of 1200 hours CDT. FBI negotiator, James R. Graham, Jr., talked at some length with the hijacker in an attempt to obtain his confidence. It appeared that the hijacker was prepared to remain in Kansas City for an indefinite period, however, he suddenly directed the pilot to fly the aircraft to Atlanta. After receiving 20,000 pounds of fuel, FAL 101 departed Kansas City at 0855 CDT en route to Atlanta with 11 passengers, 4 crew and the hijacker. The FAA retained the responsibility for directing all law enforcement activities as the hijacked aircraft continued in an "in-flight" status (from the time all doors are closed for the purpose of embarkation until one such door is open for the purpose of disembarkation). It was determined that the aircraft was still in flight as 11 passengers remained aboard the airplane and no attempt had been made to permit them to disembark.
- o Atlanta, Georgia - Termination - FAL 101 landed at Atlanta's Hartsfield International Airport at 1203 EDT and parked near the north cargo building. Negotiations between the FBI and Hannan began immediately. As a result of subsequent negotiation, food was delivered to the aircraft. After further negotiations, Hannan set a deadline of 1700 EDT for his demands to be met, or he would begin to execute passengers. This deadline, as the earlier one, passed without incident. After talking to his lawyers and parents, who were flown to Atlanta, Hannan agreed to release the two female flight attendants at 1804 EDT.

During efforts to connect an auxiliary power unit to the aircraft, Hannan moved to various locations inside the aircraft while this change was taking place. The pilot, therefore, had an opportunity to contact ground personnel and requested that he be furnished a handgun through the cockpit window. He stated that it would

be used against the hijacker as a last resort. The request was considered and a decision was made against taking this action as detection of the weapon by the hijacker or the use of the weapon by the pilot might possibly precipitate a situation which would result in the loss of lives. As a general rule it is not advisable to introduce additional weapons into a hostage situation, therefore, the pilot's request for a gun was denied.

A special FAA team consisting of a medical doctor, engineer and pilot were dispatched from the FAA command post in Washington to Atlanta. The team took with them a nonlethal device which had been developed previously by the FAA to incapacitate hijackers in certain situations. It was believed that circumstances might develop where the use of this technique might be appropriate. However, the opportunity to utilize the device did not develop during this incident.

During the negotiations, George Stewart was escorted to the Atlanta Airport and at 2045 he talked to Hannan from the tower. At 2055, after talking to Stewart and his lawyer, J. Rodger Thompson, Hannan agreed to allow Thompson to come to the aircraft to talk in person. At approximately 2120 Hannan permitted the remaining 11 passengers to exit and Thompson went aboard the aircraft to talk with Hannan. Thompson remained in the galley area while Hannan, still armed with the shotgun, moved throughout the cabin. Thompson's conversation was directed toward the release of the pilot and co-pilot and the hijacker's surrender. Hannan said he did not want to go to jail and finally said he wanted to think about Thompson's proposal. Hannan went to the rear of the dark cabin and sat down. After several minutes Hannan shot himself in the chest with the shotgun. FBI agents came aboard immediately and Hannan was pronounced dead on the scene at about 2205 EDT.

- o Hijacker's Background - Hannan was born in Sioux Falls, South Dakota, on March 2, 1948. He attended three years of college at three different schools. Hannan served in the U.S. Army for 2 1/2 years and won the Bronze Star for service in Vietnam. He was described by friends and family as a very intelligent and sensitive individual. Hannan and Stewart had been friends for several years and allegedly were involved in a homosexual relationship. They were arrested in Mobile, Alabama, on September 3, on charges of robbing a bank in Atlanta. Both men were jailed in Atlanta and on October 11 Hannan's parents met his bond so he could return to Grand Island to take care of personal business. Hannan was taken to the airport by his parents on October 20 in order to return to Atlanta to face the bank robbery charges.

Observations - Each hijacking incident contains unique circumstances which must be considered. Significant observations related to this particular hijacking follow:

- o In-Flight Status - The aircraft remained "in-flight" during the entire incident as defined in Section 101 of the Federal Aviation Act of 1958 as amended by the Air Transportation Security Act of 1958 (PL 93-366). The Act states that the FAA has the responsibility for directing all law enforcement activities while the aircraft is "in-flight." Section 101 specifies that the aircraft is considered to be in-flight from the moment when all external doors are closed following embarkation until the moment when one such door is opened for disembarkation or in the case of a forced landing until the competent authorities take over the responsibility for the aircraft and for the persons and property aboard. The FAA, therefore, had the responsibility for directing all law enforcement activities throughout the incident.
- o Relationship With International Hijackings - This was the 27th hijacking of an air carrier aircraft in 1977 and the 4th involving a U.S. air carrier. In 1976 there were only 16 for the entire year. This significant increase in hijackings, coupled with the widespread publicity given to the recent hijacking of a Japanese Airlines DC-8 on September 28 and a Lufthansa B-737 on October 13, led to extensive public and news media interest in this incident. Also, the demands made by the hijacker in this incident were similar to those made by terrorists in the recent foreign hijackings.

The hijacking of FAL 101 occurred only two days after German commandos successfully rescued 86 hostages from a hijacked Lufthansa jet in Somalia. The success of the dramatic German response focused increased attention to the management of this hijacking.

- o Government-Industry Teamwork - The primary concern during the incident was the successful conclusion of the hijacking without injury to the passengers, crew or damage to the aircraft. Long-standing arrangements with the FBI provided once again to be highly effective. The cooperation of Frontier Airlines, the Air Line Pilots Association, local law enforcement authorities and FAA personnel on the scene at each involved facility also aided greatly in the successful management of the incident. The National Military Command Center cooperated and responded immediately to ensure that parachutes were available in case they were needed during the negotiations.

Due to the cooperation of all involved, the FAA Command Post operated efficiently as it has in over 100 previous hijacking incidents. As with all previous incidents the experience gained by the government/industry team during this hijacking will be useful in attempting to improve present safeguards and techniques.

- o Crew Performance - The flight crew of FAL 101, who bravely withstood the day-long ordeal, should be praised for their calm response to the incident. Captain E. J. Curtis, First Officer G. H. Jones, and Flight Attendants Bobbie Carr and Diane Lord were able to deal promptly and effectively with the hijacker. The composure of the crew under the command of Captain Curtis contributed immeasurably in bringing this incident to a safe conclusion.
- o Negotiations - The calm and resourceful actions of FBI agents who talked with Hannan throughout the day eventually led to the safe release of all hostages. The outstanding efforts of FBI Agent James R. Graham, Jr., in Kansas City and William D. Cochran in Atlanta aided greatly in the management of the incident. In Atlanta, Hannan's parents, Stewart, and Hannan's attorneys, Frank Petrella and J. Rodger Thompson, all talked with Hannan and encouraged him to surrender. The diligent efforts of Mr. Thompson, who was the attorney representing Hannan and Stewart on the bank robbery charges, resulted in the release of the final 11 passengers.
- o Threat Assessment - The continuing increase in aircraft hijackings throughout the world indicates that the hijacking threat persists and that effective civil aviation security measures remain necessary. The hijacking of FAL 101 underscores the validity of this assessment. In light of recent events which might cause nations to improve their anti-hijacking procedures, there is concern that the use of explosives placed aboard aircraft by terrorists and criminals to obtain their demands might increase.

Past experience has also shown that the publicity given to a hijacking quite often results in another hijacking shortly after the first. There is a possibility that this incident may spur other similar acts.

Conclusions - From what has been learned, this hijacking did not involve any compromise of passenger screening procedures. The hijacker forced his way aboard the aircraft at gun point. The circumstances did not permit the law enforcement officer in this instance to take positive action to stop the hijacker before he reached the aircraft.

Although the current U.S. civil aviation passenger screening system is not foolproof, its effectiveness is clearly demonstrated by the fact that since 1973, no U.S. hijackings have resulted from firearms or explosives passing undetected through passenger screening points. This incident involving an armed, forceful penetration emphasizes the need for the FAA to continue its ongoing review and evaluation of existing procedures and safeguards, and to effect changes as deemed appropriate.

MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: HAMILTON JORDAN *HJ*  
DATE: NOVEMBER 16, 1977  
SUBJECT: PANAMA CANAL OPPOSITION MAILING

Last week, you indicated in the margin of the updated Panama Canal Work Plans that you would like to see some copies of mailings that are being sent out by the treaties' opponents. I have attached some typical examples:

--A November 4 mailing by the Republican National Committee which contains a four page letter from Ronald Reagan accompanied by an endorsement letter from Bill Brock. I have highlighted some of the more blatant half-truths.

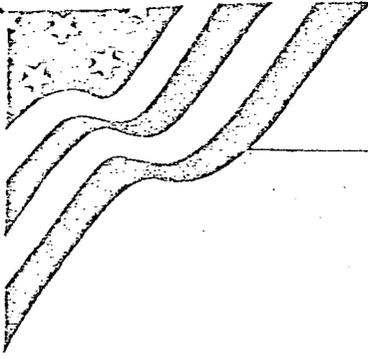
This particular mailing has angered President Ford because it repudiates Ford's own position and makes the ratification debate a partisan matter. Apparently, Brock simply could not resist using the Canal issue to raise money for the RNC.

--An August 5 mailing by the Emergency Task Force on the Panama Canal. Phyllis Schafly's husband is the Chairman of this group.

--A mailing by the Panama Canal Defense Fund signed by Congressman George Hansen of Idaho.

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for Preservation Purposes**





# Republican National Committee

310 First Street, Southeast • P.O. Box 1900 • Washington, D. C. 20013

November 4, 1977

Mr. & Mrs. [redacted]  
Albermarle St  
Arlington, Virginia 22207

Dear Mr. & Mrs. [redacted]

I need your immediate help to prevent our country from making one of the most serious mistakes in its 200 year history.

Right now, as I write this letter to you, Mr. Carter and his White House lobbyists are trying to stampede the U.S. Senate into quick ratification of the Panama Canal Treaty.

Unless you and I act now, one of the most vital shipping and defense waterways will be in the complete control of the anti-American, pro-Marxist dictator, General Torrijos.

You and I just can't let that happen. Too much is at stake. That's why I felt it was important that I alert you personally to what's been going on behind your back.

I've read this treaty carefully from cover to cover. And in my honest opinion, it's a line by line blueprint for potential disaster for our country.

That's why in a special meeting in New Orleans, the Republican National Committee formally adopted a resolution to oppose ratification of the Carter-negotiated Panama Canal Treaty by the U.S. Senate.

Here's why I am so worried, Mr. & Mrs. [redacted]

1) Once the treaty is ratified, the U.S. can't build a new sea-level canal in or out of Panama without the express written permission of the Panamanian government. In the process of giving up our Canal, Mr. Carter has also surrendered our rights to build a new one if needed.

2) Once ratified, there's no guarantee our Naval Fleet will have the right of priority passage in time of war. Our Navy depends on safe, secure, unrestricted passage

through the Canal. But if we lose this short-cut from the Atlantic to the Pacific, we'll lose the flexibility and quick response we need to protect our country and our allies.

3) Once ratified, there is no guarantee the U.S. can intervene to protect and defend the neutrality of the Canal. Despite the way Mr. Carter "interprets" the treaty, Panama's chief negotiator, Mr. Bethancourt says, flat out, "The U.S. does NOT have the right to intervene to defend the Canal."

4) Once ratified, we must close down 10 of our military bases, Americans in the Zone will be under Panamanian rule, and we must pay Torrijos millions more each year for the Canal.

What's more, many members of Congress from Mr. Carter's own party are shocked at the treaty terms. For one, Democrat Representative Sam Stratton of New York (a senior member of the House Armed Services Committee) says the Carter strategists are so anxious to pass the treaty that they've been "misleading both Congress and the public."

These treaties could cost Americans hundreds of millions in payments to Panama. Plus we'll pay higher prices for goods shipped via the Canal once Torrijos raises the tolls.

Today, over 70% of the ships using the Canal go to and from American ports and many will carry Alaskan oil we must have to heat our homes and run our factories.

Frankly, it's incredible to me that we would even think of handing over this vital seaway to Torrijos who maintains close ties with Fidel Castro and the Soviet Union.

Here's a man who has systematically crushed the rights of his own people. He and his clique seized power by gunpoint from an elected President. Now Torrijos controls the press, he's outlawed all political parties but the Marxist Party and he controls the military.

Now I ask you, what will he do when he gets control of the Canal? Once we pull out, what's to stop Torrijos or his successor from nationalizing the Canal and ordering us out at once?

Panama is one of the most unstable countries in Latin America. In 60 years, revolutions, coups and periodic elections have produced 50 different governments. Yet in all that time the Americans have kept the Canal open. There's no guarantee Panama can or will do the same!

Despite these and more reasons, the Carter Administration is using all its power and might to force a quick rubber stamp YES vote to the treaty. If that happens,

we'll give up everything in exchange for nothing. And I, along with most Americans, want no part of it!

From the beginning, Mr. Carter negotiated this treaty without consulting Congressional leaders. And then, to head off public opposition, he turned the treaty signing ceremony into an elaborately staged media event. Only after the treaty was signed did Mr. Carter reveal the terms to Congress and the public.

Why is Mr. Carter in such a big hurry? Why is he putting such intense pressure on the U.S. Senate to ratify the treaty so fast? This isn't a partisan issue. Every opinion poll I've seen shows a majority of Americans opposing the Canal giveaway.

You see, the Panama Canal Treaty is only the latest item in a broad range of far-reaching foreign policy and defense decisions made by Mr. Carter that have Republicans, Democrats, and Independents in a state of alarm.

In just a few months, Mr. Carter has made major defense budget cuts; scrapped the B-1 bomber; moved to recognize Communist Cuba; cancelled 60 new Minutemen III missiles and authorized a U.S. troop pull-out from South Korea.

So that's what we are up against.

And I am going to do everything I can to keep our Canal. Believe me, I am counting on you to give me all the help you possibly can to defeat those who time and time again vote to weaken our national security.

I'm convinced the only way to defeat the Carter negotiated treaty is to conduct a full-fledged campaign to alert citizens to the dangers Republicans see in this treaty.

That's why our major goal is to obtain the signatures of millions of Americans who support our efforts to oppose this treaty.

We have got to show support for Republican opposition to the treaty in a dramatic way by giving every person like you a chance to join with us in this fight by signing the enclosed endorsement petition.

To do this, I want to write personally to millions of Americans asking them to sign endorsement petitions and give whatever financial support they can.

That means we must raise a minimum of \$2 million.

Unless these funds are raised, we won't defeat those Democrats who vote time and time again to support actions

(over, please)

that weaken our national security. And we will not be able to elect candidates who will stand up and support a strong U.S. foreign policy and a strong national defense.

That's exactly why your contribution is so important.

Believe me, without your support, the Canal is as good as gone. Then we'll have to write off the Canal like we were forced to write off Vietnam, Cambodia and Laos. So please, I urge you to do the following today:

Please send the most generous contribution you feel you can afford to finance this campaign. It's difficult for me to suggest a specific amount, but I know it will take many contributions of \$15, \$25 and \$100 or more to win!

If you agree with me, then sign the enclosed endorsement petition and mail it back to me in the special reply envelope I have enclosed for you.

This is one of the most important battles you and I will ever fight, Mr. & Mrs. We're up against tremendous odds. But we can't sit back and do nothing.

It's time you and I counter the slick propaganda campaign that says our ownership of the Canal is "imperialistic." Nothing could be further from the truth.

We haven't made a nickel on the Canal. We've run it for the benefit of the entire world. And we've poured over \$200 million a year into the Panamanian economy.

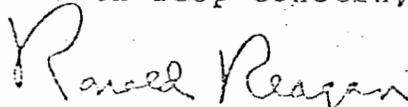
This debate concerns our national security. And that shouldn't be sacrificed to score a few political points with a regime in Panama that so blatantly violates the human rights of its own people.

With so much at stake, I urge you to send me your contribution so we can defeat those who vote time and time again against a strong U.S. foreign policy.

As I said, many Senators are undecided on this treaty. They'll be subjected to intense White House pressure to get their vote, not only on this issue but on other upcoming defense and foreign policy issues as well.

Working together, you and I can defeat Mr. Carter and the Democrats who vote repeatedly to weaken U.S. security and our national interest.

With deep concern,

  
Ronald Reagan

REPUBLICAN NATIONAL COMMITTEE  
DWIGHT D. EISENHOWER REPUBLICAN CENTER  
310 FIRST STREET SOUTHEAST, WASHINGTON, D. C. 20003

Dear Friend:

Both Governor Reagan and I are depending on you to give us all the help you can in this campaign fight.

Governor Reagan has told you what we face. We must counter a well-orchestrated, powerful lobbying assault led by Mr. Carter and the liberal Democrats in Congress. And Governor Reagan and I can't fight them alone. We need your help!

With your financial support, along with the help of other dedicated Americans, we can get the truth out to the voters on the dangers we face from the Democrat administration.

Whatever amount you decide to send, Governor Reagan has made a special request that you receive the CITIZEN'S ACTION AWARD as tribute to your financial support of this historic Republican campaign to protect our nation's future.

Mr. Carter and the Democrats have set a course to radically change our national defense and foreign policy. That's why your help is so important today.

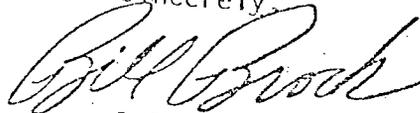
As Governor Reagan says, we must raise \$2 million to launch this campaign fight. And that means we must depend 100% on the voluntary contributions of people like you who share our deep concern about these dangerous policies.

Whatever amount you contribute now will also put us that much closer to defeating Democrats who consistently support programs that only weaken our country's security.

As soon as I receive your contribution, I want to send you your special award signed by Governor Reagan. And I hope you'll be proud to display this important award for your friends and family to see.

Both Governor Reagan and I hope we can count on your immediate financial support. So, please send in your special contribution today.

Sincerely,



Bill Brock  
Chairman

## ENDORSEMENT PETITION

TO: Governor Ronald Reagan

I fully support your opposition to the Panama Canal Treaty negotiated and signed by President Carter.

I endorse and support the Republican National Committee's resolution adopted in a special meeting in New Orleans to oppose ratification of the treaty by the United States Senate.

---

Signature

Please check appropriate box(s)

U. S. Citizen     Taxpayer     Voter





Daniel O. Graham  
Lt. General, USA retired

Dear Friend:

*Phyllis' husband*

I'm very disappointed that you have not responded to Fred Schlafly's appeal for the Emergency Task Force on the Panama Canal.

I was hoping you'd support our Task Force at this critical moment when the future of the Panama Canal is in serious jeopardy.

As the former director of the Defense Intelligence Agency at the Pentagon, I feel strongly that it would be irresponsible for a great power like the United States to turn over to a basically unfriendly and unstable government control of this waterway which is vital to the entire Free World's commerce and security.

It just doesn't make sense. What next? Will we turn over our naval base at Guantanamo to Castro?

Please, won't you reconsider? Help us defeat the Giveaway Lobby and stop the surrender of the Panama Canal. Send whatever you can to the Emergency Task Force on the Panama Canal.

Sincerely,

Daniel O. Graham

*Emergency*

# Task Force on the Panama Canal

Washington, D.C.

Fred Schlafly, Chairman

## Members

(Partial Listing)

- Dr. Walter H. Judd
- Dr. Lev E. Dobriansky
- Dr. Stefan T. Possony
- Mr. David Keene
- Mr. Lee Edwards
- Mr. J.A. Parker
- Mr. Paul Bethel
- Rev. Raymond de Jaegher
- Mr. Ronald F. Docksai
- Gen. Daniel Graham  
(USA-Ret.)
- Mr. Marx Lewis
- Dr. Robert Morris
- Adm. John S. McCain, Jr.  
(USN-Ret.)
- Mr. Ron Pearson
- Dr. David N. Rowe
- Dr. Edward Rozek

August 5, 1977

Dear Friend:

President Carter has declared he will give away the Panama Canal before the year is out.

If you agree with Mr. Carter, stop reading my letter right here. But if you feel, as I do, that the surrender of this uniquely American possession would be a tragic and horrible mistake, please read on.

Here is Mr. Carter's incredible plan:

- . Sign a treaty with the unelected dictator Torrijos this year.
- . Aim an intensive so-called "information" barrage at the American people.
- . Give a dramatic "fireside chat" at just the right moment to sway the public into going along with the most monumental give-away in U.S. history.
- . Stampede the U.S. Senate into approving the Canal treaty.

I feel strongly, as I feel certain you do, that we cannot and must not allow this surrender to take place.

For the last 2½ years, ACWF's Task Force on the Panama Canal has been exposing the fallacies of such a tragic and unwarranted surrender.

We are now at an absolutely critical point.

Just how determined President Carter is to turn over the Canal can be seen by his reaction to the Panamanian demand that in addition to the Canal, we give them \$1 billion now and another \$4 billion over the next 20 years!

The President did not dismiss this absurd demand out of hand, as he should have, but stated that what the U.S. needs is a "new Panama Canal" across Panama or Nicaragua -- at an estimated cost of \$7 billion.

The President means business. He has assigned his top aide, Hamilton Jordan, to ensure that he gets the two-thirds Senate vote needed to ratify a new treaty.

I have been privileged to serve as chairman of ACWF's Task Force on the Panama Canal. I am proud of the many educational programs and projects we have sponsored to inform the American people about the Canal.

It has been an honor to cooperate with so many distinguished Americans like Sen. Strom Thurmond of South Carolina and Rep. Daniel Flood of Pennsylvania without whose dedicated leadership the Panama Canal might already be in the hands of the Marxist dictator of Panama, "General" Omar Torrijos.

All the arguments are on our side.

The surrender of our Panama Canal will require the United States to replace its one-ocean navy with a two-ocean navy. This will cost many billions in taxes and require five to 10 years in construction time. Does anyone think Congress should impose this very heavy tax burden on the American people in order to give a Marxist dictator our great national resource at Panama?

Torrijos had Panama borrow \$20 million in January 1972 and \$115 million in October 1973, and the Panamanian government is now insolvent. The money can be repaid only if the U.S. surrenders its canal and gives dictator Torrijos the millions he is demanding. Why should negotiator Sol Linowitz, a former director of the Marine Midland Bank, a large lender to Panama, demand that American taxpayers repay uncollectable loans to Marine Midland and other banks?

We have taken the facts to the American people. Task Force informational projects have included:

. The national poll by Opinion Research Corporation of Princeton, N.J., back in 1975, revealing that 75% of the American people want the U.S. to retain control and ownership of the Canal.

. The Inter-American Conference on Freedom and Security, at which Latin American leaders said emphatically they did not want Panama to control the Canal -- because of its pro-Castro dictator Torrijos.

. The publication of Isaac Don Levine's widely heralded book, "Hands Off the Panama Canal," which documents the Soviet connection with Panama and shows how we can use the Monroe Doctrine to keep control of the Canal.

. The distribution of solid factual documents, ranging from Dr. James P. Lucier's "Panama Canal: Focus of Power Politics" to the 24-page Congressional reprint, "Why the U.S. Should Maintain Control of the Panama Canal."

We have continued our informational campaign this year. In April, we commissioned Decision Making Information of Santa Ana, Calif., to conduct another national survey about the Panama Canal.

DMI reported that by a margin of 5 to 1, Americans continue to favor U.S. control and ownership of the Canal.

We sent the poll results to Members of Congress, the national news media, veterans, patriotic and fraternal organizations, and other concerned Americans across the country.

And yet all this is not enough. These next few months are absolutely

critical, so critical in fact that we have added the word, "EMERGENCY," to our Task Force name.

We are indeed in an emergency. Despite our work, and that of outstanding national organizations like the American Legion and the Veterans of Foreign Wars, we may lose the battle.

The Giveaway Lobby knows that right now a new treaty would not be approved by the Congress. But they plan to use the next few months to turn public opinion and Congress around.

Sol Linowitz, a foreign agent for Marxist Chile in 1972 who is now negotiating our new treaty with Panama, has said flatly:

"The grim fact is the American people are not yet ready to support a new treaty. They are grossly uninformed about it."

So Mr. Linowitz and other members of the Giveaway Lobby intend to spend time, effort and lots of money to "inform" the American people that the time has come to turn over the Canal to dictator Torrijos.

Which means that you and I must redouble our efforts.

We need your help, your financial help, right now, today.

We will have to spend at least \$85,000 between now and October to counteract the massive propaganda campaign of the Carter administration with the truth about the continued U.S. need for the Panama Canal and the indisputable fact that the American people are overwhelmingly opposed to any giveaway of the Canal.

If you agree with me that we cannot allow the Panama Canal, on which we have spent \$7 billion of American taxpayers' money, to be given away, here is what you can do:

1. Write, telegram or telephone your two Senators and your Congressman (202-224-3121), telling them how you feel about the Panama Canal.

Both the Senate and the House must vote on this question because the Canal is U.S. territory and under our Constitution, the House must approve, by a simple majority, any transfer of U.S. territory.

2. Send your tax-deductible contribution today to the Emergency Task Force on the Panama Canal.

Most of you, I know, will not be able to give more than \$25, \$15, or \$10. Send whatever you can -- no contribution is too small.

If you can give more -- \$50 or \$100 or \$1000 -- now is the time to send it.

I come to you now because I know you are a patriotic American who will respond in an emergency.

And that, my friend, is what we are confronted with -- a true emergency

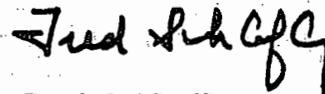
of national will and pride.

If we give up the Panama Canal -- this historic symbol of American ingenuity and can-do spirit -- what will we hold on to?

We cannot let the Carter administration give away the Canal! With your generous support of the Emergency Task Force on the Panama Canal, it will not happen!

But there is no time for delay. Please send your maximum tax-deductible contribution -- \$10, \$25, \$50, \$100 -- today.

Sincerely yours,



Fred Schlafly  
Chairman

P.S. I enclose a new Congressional resolution which is as good a summary of the importance of the Panama Canal as I have ever read. If you'd like additional copies for your friends or your Congressman, please check the box on the enclosed form and return it, along with your contribution to me. Our Task Force is hoping for your support. I know you won't let us down.

*Emergency*

**Task Force on the Panama Canal**

1100 17th St., N.W. Suite 1000

Washington, D.C. 20036

Dear Mr. Schlafly:

I agree with you that the U.S. must not surrender its control of the Panama Canal. I enclose my maximum tax-deductible contribution for the ACWF Task Force on the Panama Canal.

\_\_\_\_\_ \$2500          \_\_\_\_\_ \$1000          \_\_\_\_\_ \$500          \_\_\_\_\_ \$250

\_\_\_\_\_ \$100          \_\_\_\_\_ \$50          \_\_\_\_\_ \$25          \_\_\_\_\_ \$15          \_\_\_\_\_ Other

Name \_\_\_\_\_  
(Please Print)

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Please make your tax-deductible check payable to:

AMERICAN COUNCIL FOR WORLD FREEDOM

Yes, I want \_\_\_\_\_ extra copies of Congressman Murphy's Panama Canal Resolution



United States  
of America

# Congressional Record

PROCEEDINGS AND DEBATES OF THE 95<sup>th</sup> CONGRESS, FIRST SESSION

Not printed at public expense

## U.S. Panama Canal Zone Sovereignty Resolution

The following House Resolution was introduced on June 30, 1977 by Congressman John Murphy (D-N.Y.). It was co-sponsored by Congressmen Robert Daniel, Jr. (R-Va.), Tennyson Guyer (R-Ohio), Bill Young (R-Fla.), Larry Winn, Jr. (R-Kans.), Bob Stump (D-Ariz.), Glenn English (D-Okla.), Ray Roberts (D-Tex.), Jerry Huckaby (D-La.), Norman D'Amours (D-N.H.), Daniel Flood (D-Pa.), Joseph Gaydos (D-Pa.), Larry McDonald (D-Ga.), Gene Snyder (R-Ky.), Bo Ginn (D-Ga.), Leo Zeferetti (D-N.Y.), Mario Biaggi (D-N.Y.), David Bowen (D-Miss.), Carroll Hubbard, Jr. (D-Ky.), Norman Lent (R-N.Y.), Walter Jones (D-N.C.), Clair Burgener (R-Calif.), John Dingell (D-Mich.), Don Young (R-Alaska), John Roussetot (R-Calif.) and Arlen Strangeland (R-Minn.).

Whereas United States diplomatic representatives are presently engaged in negotiations with representatives of the de facto Revolutionary Government of Panama, under the declared purpose to surrender to Panama, at an early date, United States sovereign rights and to abandon its treaty obligations, as defined below, to maintain, operate, protect, and otherwise govern the United States-owned canal and its protective frame of the Canal Zone, herein designated as the "canal" and the "zone", respectively, situated within the Isthmus of Panama; and

Whereas the United States is obligated by international agreement to regulate, manage, and protect a ship canal, guaranteeing its neutrality to the shipping of all nations at equal toll rates, to wit:

The Hay-Pauncefote Treaty of 1901 between the United States and Great Britain, under which the United States adopted the principles of the Convention of Constantinople of 1888 as the rules for operation, regulation, and management of the canal; and

Whereas title to and ownership of the zone, under the right "in perpetuity" to exercise sovereign control thereof, were vested entirely and absolutely in the United States and recognized to have been so vested in certain solemnly ratified treaties by the United States with Panama and Colombia, to wit:

(1) The Hay-Bunau-Varilla Treaty of 1903 between the Republic of Panama and the United States, by the terms of which the Republic of Panama granted to the United States in perpetuity the use, occupation, and control of the zone with full sovereign rights, power, and authority over the zone for the construction, maintenance, operation, sanitation, and protection of the canal to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power, or authority; and

(2) The Thomson-Urrutia Treaty of April 6, 1914, proclaimed March 30, 1922, between the Republic of Colombia and the United States, and under which the Republic of Colombia recognized that the title to the canal and the Panama Railroad is vested "entirely and absolutely" in the United States, which treaty granted important rights in the use of the canal and railroad to Colombia; and

Whereas the United States, in addition to having so acquired title to and ownership of the zone by constitutional means pursuant

territorial possession; and

Whereas the United States since 1904 has continuously occupied and exercised sovereign control over the zone, constructed the canal, and since 1914, for a period of more than sixty years, operated the canal in a highly efficient manner of reasonable toll rates to the vessels of all nations without discrimination under the terms of the above-mentioned treaties, thereby honoring its obligations; and

Whereas from 1904 through June 30, 1974, the United States made a total investment in the canal, including defense, at a cost to the taxpayers of the United States of over \$6,880,370,000; and

Whereas the investment of the United States in the canal includes the sacrifices of many thousands of United States citizens who have worked to construct the canal, to keep it operating smoothly and efficiently, and to protect it; and

Whereas the canal is of vital and imperative importance to hemispheric defense and to the security of the United States and Panama; and

Whereas approximately 70 per centum of canal traffic either originates or terminates in United States ports, making the continued operation of the canal by the United States vital to its economy; and

Whereas the people of the United States have exhibited strong support for retention of full and undiluted jurisdiction over the canal and zone, and the Constitution insures the supremacy of the people; and

Whereas Panama has, under the terms of the 1903 treaty and the 1936 and 1955 revisions thereof, been well compensated for the sovereign rights, power, and authority it granted to the United States, in such significantly beneficial manner that said compensation and correlated benefits have constituted a major portion of the economy of Panama, giving it the highest per capita income in all of Central America; and

Whereas the long established friendly and cooperative relations between the United States and the Republic of Panama as a consequence of the benefits flowing from the present treaty structure are prone to deterioration by the dilution of any United States sovereignty or jurisdiction in the canal and zone; and

Whereas the present negotiations pursuant to the February 7, 1974, "Agreement on Principles" signed without congressional authorization by United States Secretary of State Henry A. Kissinger, and by Panamanian Foreign Minister Juan A. Tack, constitute a clear and present danger to the hemispheric security and the successful operation of the canal by the United States under its treaty obligations; and

Whereas the present treaty negotiations are being conducted under a cloak of unwarranted secrecy, thus withholding from our people and their representatives in Congress information vital to the commerce and security of the United States; and

of the United States over the zone territory by the overwhelming vote of three hundred and eighty-two to twelve, thus demonstrating the firm determination of the people that the United States should maintain its indispensable sovereignty and jurisdiction over the canal and the zone; and

Whereas under article IV, section 3, clause 2, of the United States Constitution, the power to dispose of territory or other property of the United States is specifically vested in the Congress, which includes the House of Representatives; and

Whereas the Communist regime in Cuba has made that country a satellite of the Union of Soviet Socialist Republics in violation of the Monroe Doctrine; and

Whereas the proposed surrender of United States sovereign control over the zone and canal to Panama, which is unable to defend them, would invite the Union of Soviet Socialist Republics to establish its power still more firmly in the strategic center of the Americas and threaten the operations and projected modernization of the canal; and

Whereas such a takeover would transform the Caribbean-Gulf of Mexico into a strategic Soviet stronghold; and

Whereas the Congress of the United States is invested with constitutional responsibilities to provide for the common defense and general welfare of the United States, to regulate commerce with foreign nations, to raise and support armies and provide and maintain a Navy, to make all needful rules and regulations respecting the territory of the United States, and to make all laws necessary and proper for carrying into execution these and other powers, all of which denote that it is the solemn duty of Congress to safeguard the interests of the people of the United States in the canal and zone: Now, therefore, be it

Resolved, That it is the sense of the House of Representatives of the United States of America that—

(1) the Government of the United States should retain unimpaired and protect its sovereign rights, power and authority, and jurisdiction over the Panama Canal and the entire Canal Zone, and should in no way cede, dilute, forfeit, negotiate, or transfer any such sovereign rights, power, authority, jurisdiction, territory, or property, all of which are indispensably necessary for the maintenance operation, sanitation and protection, and for the proposed major modernization of the Panama Canal, as well as the security of the United States and the entire Western Hemisphere; and

(2) there be no relinquishment or surrender of any presently vested United States sovereign right, power, or authority in the Canal Zone without prior authorization by the Congress; and

(3) there be no cession or other divestiture of any United States territory or property in the Canal Zone, tangible or intangible, to Panama or any other entity, country or international organization, without prior authorization by the

Panama Canal  
Defense Fund

~~Phil Wine~~ F.V.I.  
Landon Butler

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Congressman George Hansen  
Council for Inter-American Security  
919 18th Street N.W., Suite 800  
Washington, D.C. 20036

## Panama Canal Defense Fund

Dear Congressman Hansen:

I agree: "Loss of the Panama Canal. . . would contribute to the encirclement of the U.S. by hostile naval forces, and threaten our ability to survive."

- I have expressed that view to my two U.S. Senators.
- I have enclosed my contribution to the PANAMA CANAL DEFENSE FUND of the Council for Inter-American Security.

- \$20    \$25    \$50    \$100    \$100    \$250    \$500
- \$1,000   \$ \_\_\_\_\_ (other amount)

Fill in name & address below only if label on envelope is incorrect.

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MAKE CHECK PAYABLE TO "CIS".



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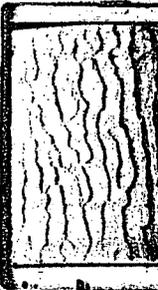
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Place  
Stamp  
Here

U.S. Senator \_\_\_\_\_  
United States Senate  
Washington, D.C. 20510

Dear Senator:

Sincerely, \_\_\_\_\_





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

Dear Friend:

This will probably be one of the most important letters I've written in 1977.

It concerns the last ditch, emergency effort to save our Panama Canal.

Without your help, Jimmy Carter will certainly succeed in ramming his Canal Zone treaty through the United States Senate, possibly in the next two to three weeks. Our most strategic possession could be handed outright to a Marxist dictator allied with America's worst enemies.

The President is moving so swiftly with good cause.

He's afraid of your reaction.

He and the liberal leadership of the U.S. Senate have pledged an all out campaign of arm-twisting and pressure tactics to ratify this treaty immediately now that the Senate has come back in session.

The idea: ram it through before Americans like you can write to your Senators and demand they vote against this outrageous giveaway scheme.

Please write-- now, immediately. Use the postcards if you haven't more time. It's up to you-- completely.

Whether the U.S. Senate caves in to this high-intensity lobbying campaign or not will be decided by the degree of involvement of concerned and patriotic Americans like you.

That's the one thing the President can't change.

Make no mistake about it: the President of the United States is devoting all of the resources of his office to bending the Senate to his will.

An outright transfer of our country's sovereign rights in the Canal Zone of Panama to an ally of Fidel Castro's Communist Cuba is in the works.

I'm writing to you today with the assistance of the Council for Inter-American Security, to ask you to help put a stop to this campaign to hoodwink the American people.

And I'll confess that I'm genuinely pleased at how fast CIS has managed to put together this last minute, emergency PANAMA CANAL DEFENSE CAMPAIGN.

More--

Because time is precious, the leaders of CIS went all the way out on a limb, risking their every resource to enable me to write you right away.

Please let me tell you why they have borrowed \$10,000 and extended their credit to the breaking point, to the tune of over \$306,000-- to provide this alert.

But before I say anything else, please, if you haven't the time to finish reading my letter to you, send the two postcards to your two U.S. Senators. I hope you can take the extra time to write them personal letters, because that would be even more effective. But it's up to you to convince them that the American people won't tolerate a Panama Canal giveaway. And send a copy to your Congressman so he gets the message too.

Earlier this year, the Common Situs picketing bill being pushed by the Czars of organized labor was defeated because enough concerned Americans like you wrote to their Congressmen or sent in postcards similar to those enclosed.

Now this treaty to give away our Panama Canal is a threat to America's national security-- indeed, to our nation's very survival in the future.

Before I give you a few of the significant details about this treaty, let me tell you about the Council for Inter-American Security (CIS).

First of all, if it weren't for CIS, I probably wouldn't be writing you today.

And for that opportunity, I'm extremely grateful. History will record the fact that this was our last, our only chance, to defeat a treaty which literally promotes national disaster for America.

CIS began working diligently one year ago this month (I was there helping them) to be in the position it is today: America's foremost organization working against United States ratification of the giveaway of the Panama Canal Zone.

But Jimmy Carter moved in even more swiftly than we had all anticipated with his treaty proposal.

It's no exaggeration to say that the Council urgently needs your help on the eve of this historic vote to adequately carry this fight. Your dollars will provide the means to reach the maximum number of people.

For each and every single freedom loving American surrender of the canal would be a disaster. We desperately need to assist the Council for Inter-American Security at this most important time. The PANAMA CANAL DEFENSE CAMPAIGN depends on your response in the next ten days-- your help to raise the necessary \$306,000.

I sincerely believe that your donation, whether you can afford \$20, \$50, \$100 or even more, will be a worthwhile investment for your future and that of your children.

As a matter of fact, if you'll help us defeat this Panama Canal treaty now, it could be the principal issue in the 1978 congressional election, where the people can really express themselves at the polls.

But the issue at stake here is more than those Congressmen who may,

under pressure from the White House, ignore their constituents' wishes.

The issue is national survival. CIS has carefully documented the facts. They point in one direction.

(1) The Canal Zone is the exclusive property of the United States, according to a treaty signed freely by the State of Panama in 1903. We paid more for that territory than for all other U.S. property put together.

Furthermore, we paid for it four times: once to Panama, once to the French, once to the neighboring state of Columbia and finally to individual property owners.

But we did more than just purchase property. We purchased sovereign rights to that property. And that means that no government on earth can interfere with our use of American territory.

(2) The ruler of Panama, General Omar Torrijos, is a Marxist. His government is comprised of Marxists. He is allied to Fidel Castro. He is in sympathy with the Soviet Union's goal of forced Communization of our entire hemisphere.

Torrijos is an unstable, unpredictable tyrant who has outlawed all political parties in Panama except the Communist Party. He will not tolerate opposition.

Several weeks ago, an exiled Panamanian Colonel, now living in Miami, narrowly missed being blown apart in his car. According to a friend of the colonel, the bomb was "a message to us about our opposition to the government and their actions." Is Torrijos to be trusted with our Canal?

(3) The Canal is not outdated and outmoded, as surrender advocates claim. In the past 30 months, some 750 U.S. Navy ships used the Canal on affairs directly related to our national security.

Only a handful of our very largest U.S. ships cannot use the Canal. This shortcut-passage between the Atlantic and Pacific oceans literally doubles the strength and effectiveness of our Navy.

And it saves us billions of dollars.

Furthermore, if the canal were in the hands of General Torrijos, a Marxist would have almost life-and-death control over the following nations of the Western Hemisphere: Nicaragua (77 percent of this nation's trade goes through the Canal), Ecuador (50%), Peru (80%) and Chile (80%).

Finally, the U.S. itself has a big commercial stake: 70% of all Canal Zone traffic is to or from U.S. ports.

(4) Treaty advocates claim the U.S. can't defend the Canal. They say the U.S. must transfer our territory to Torrijos, or risk violence and instability in the Zone.

They quote General Torrijos himself: "We are prepared to follow the Ho Chi Minh route if necessary. That means terror, guerrilla operations, and sabotage in a national liberation war..."

I'm sure your instinctive reaction to that is the same as mine. Since when has the United States of America groveled at the feet of any small-time dictator who threatens us in this manner-- who makes demands, who is trying to blackmail us?

The Panama Canal was indeed "defensible" in all previous war situations: World War II, Korea, Vietnam and the Cuba missile crisis.

But the most telling argument of all against this treaty, as far as I am concerned, are the words of four former Chiefs of Naval Operations (the highest post attainable in the U.S. Navy), who wrote President Carter:

"Loss of the Panama Canal...would contribute to the encirclement of the U.S. by hostile naval forces, and threaten our ability to survive."

That is the informed opinion of America's top military commanders, men who know best the value of the Panama Canal Zone. They can speak freely, because they have all retired. So they aren't going to face Presidential pressure.

But the United States Senate is going to face enormous pressure. All the power of the Presidency. A nationally televised presidential address. Carefully coordinated press conferences receiving front page headlines. Full time lobbyists reminding each Senator that he risks Presidential wrath if he doesn't vote for this disastrous treaty.

In the Senate, George McGovern, Fidel Castro's close friend, is spearheading the liberal and detente crowd's final push.

And to cap it off, the Government of Panama is paying hundreds of thousands of dollars to "Public Affairs Analysts," a U.S. consultant firm, to run a fancy, Madison Avenue style P.R. campaign for the treaty.

My friend, you are the very last hope of America to defend our Panama Canal Zone. Without your help, the demands of Omar Torrijos, Fidel Castro and the Soviet Union will be met. Our most strategic possession will be lost.

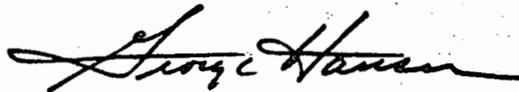
Please do your part to stop this treaty to surrender our Panama Canal Zone.

Write or send the postcards to your two U.S. Senators.

And send your maximum donation to the Council for Inter-American Security within the next 72 hours. The CIS PANAMA CANAL DEFENSE CAMPAIGN is just as effective as you will help it to be. We will lose our Canal without your help.

There isn't time for delay-- please act now, before the Senate is back in session less than three weeks from today.

Sincerely,



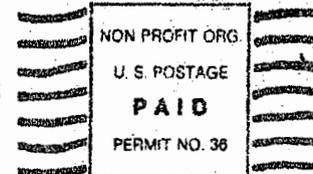
Hon. George Hansen  
Member of Congress

P.S. CIS Chairman Ronald F. Docksai just told me that to keep the PANAMA CANAL DEFENSE CAMPAIGN going full steam, he must literally have the necessary funds in hand by the end of this week. Please send your most generous gift right now. The countdown to surrender has begun. Only you can stop it.

CONGRESSMAN GEORGE HANSEN

**Congress of the United States**

COUNCIL FOR INTER-AMERICAN SECURITY  
919 18TH STREET, N.W., SUITE 800  
WASHINGTON, D.C. 20036



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