

12/14/77 [2]

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THE PRESIDENT HAS SEEN.

3:30 PM

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THE WHITE HOUSE
WASHINGTON

December 13, 1977

MEETING WITH ADMINISTRATION WOMEN ON IWY CONFERENCE

Wednesday, December 14, 1977
3:30 p.m. (30 minutes)
The Roosevelt Room

From: MARGARET COSTANZA *mc*

I. PURPOSE

To report to the President on impressions of the National Women's Conference held in Houston November 18-22

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: About 40 women Presidential appointees and White House staff members participated as speakers in the federally-funded National Women's Conference in Houston where elected delegates from every state and territory voted upon a "Plan of Action" to improve the status of women. This series of recommendations will be presented to you and to the Congress by the IWY Commission in January. Despite predictions of discord and the controversial nature of the topics debated, the plan passed with few amendments. The only plank which was dropped altogether, called for the creation of a Cabinet-level Women's Department. Women Presidential Appointees who did not attend the Houston meeting will be participating as onlookers.
- B. Participants: See attached list of 58 Presidential appointees and White House women
- C. Press Plan: Pool

III. TALKING POINTS:

1. Administration women will tell you of the atmosphere of harmony they found in Houston; of the courage of the delegates in addressing some very controversial issues;

and of the very responsible nature of the debate. The women speaking to this and other topics were speakers at the conference.

2. Although the full IWY Plan of Action won't be presented to you until January, Administration women who were active in the Houston Conference will want to discuss the following issue areas:

- a. Battered Women

The IWY Plan of Action recommends that you declare the elimination of family violence a national goal. Right now there are several sources for funding for shelters to assist the estimated 28 million women affected including HUD's Community Development program. ACTION volunteers now help women wishing to set up shelters to make their grant proposals. There are three very similar bills pending on the Hill -- introduced by Representatives Lindy Boggs and Barbara Mikulski and Senator Wendell Anderson -- which would provide further funding to assist victims of family violence, probably through the National Institute of Mental Health. The Administration has not taken a position on the bills at this early date, but HEW plans to testify when hearings are held in late January or early February. The Office of Public Liaison has held two major meetings with victims of family violence, agency representatives and Congressional staffers to discuss the needs and the possible federal role. EILEEN SHANAHAN, HEW Assistant Secretary for Public Affairs and former New York Times reporter, will address this topic.

- b. Displaced Homemakers

This is an area in which grass roots lobbying has been very effective. H. R. 28, the Displaced Homemakers bill pending before the House Employment Opportunities Subcommittee, includes provisions for the establishment of service centers for

women displaced through divorce, widowhood or other loss of family income. You stated your support for this concept during the campaign. (EILEEN SHANAHAN will address this topic.)

c. Credit

DONNA SHALALA, Assistant Secretary for Policy Development and Research at HUD will be addressing the topic of credit -- specifically mortgage credit for women. The Federal Equal Credit Opportunity Act of 1974 prohibits discrimination in the extension of credit on the basis of marital status or sex. The IWY Plan of Action calls for more vigorous enforcement of this Act and its regulations.

d. Rape

PAT WALD, Assistant Attorney General, will discuss federal legislation dealing with rape including S. 1437, the Criminal Code Reform bill, which would do away with the need for corroboration and redefine rape to include sexual assault upon a spouse and sexual assault on persons of the same sex. January hearings are planned for two other pieces of legislation (H.R. 4726 -- Representative Holtzman and S. 1100 -- Senator Bayh) which would change the rules of evidence to protect a victim of rape from being cross-examined about her prior sexual history or have her prior history weigh as a factor for the defendant. The Administration has not taken a position on any of these bills. IWY recommendations call for a revision of the criminal codes to provide for graduated degrees of the crime with graduated penalties. They also call for permanent funding of the National Institute of Mental Health's National Center for the Prevention and Control of Rape.

e. Equal Rights Amendment

ARVONNE FRASER, Coordinator of the Office of Women in Development at AID, will be addressing this topic. As you know, 35 out of the 38 states needed to ratify have acted favorably on the 27th Amendment. The Department of Justice has indicated that it would not be unconstitutional for Congress to extend the period for ratification for another 7 years. Representative Elizabeth Holtzman is sponsoring H.J. Res. 638 to extend; the bill is in the Civil and Constitutional Rights Subcommittee of the House Judiciary Committee. Arvonne will suggest that you do a major address on the topic of ERA -- perhaps a fireside chat.

f) Reproductive Freedom

SARAH WEDDINGTON, General Counsel of the Department of Agriculture, will be giving a presentation on this topic. IWY recommendations support use of federal funds for abortions although you have consistently gone on record as opposing this. Congress passed a joint resolution December 7 which liberalizes current law by allowing Medicaid to finance abortions for physically ill women and certain medical procedures to avert pregnancy for some victims of incest and rape.

g) Business

CARIN CLAUS, Solicitor of Labor, will address the business issues. Administration accomplishments in this area include the establishment of the Interagency Task Force on Women Business Owners under the direction of the Department of Commerce and the launching of the Small Business Administration's National Business Ownership Campaign. The Interagency Task Force will be reporting their findings to you in May. Among the topics they plan to address is the question of inclusion of women in the category of "socially and economically disadvantaged", eligible for SBA's 8-a loans. IWY recommendations urge this change in SBA regulations.

h) Appointments

ELEANOR HOLMES NORTON, Chair of the Equal Employment Opportunity Commission, will be addressing the topic of appointments of women and will probably recommend, as I have, that Presidential Personnel be directed to monitor appointments for affirmative action. Current data on hiring appears to be incomplete and implies a hiring record worse than that of Gerald Ford. Interest groups including the Coalition of Women's Appointments have requested a breakout by race and sex of all Schedule C appointments. Particular attention is now focused on Department of Energy appointments. Of the 26 top-level positions now filled at DoE, three are held by women, one of whom is a minority woman. There is a potential of 44 Presidential and Secretarial appointments at the new agency.

i) Judgeships

BARBARA BABCOCK, Assistant Attorney General, will briefly note that the Omnibus Judgeship bill will add over 100 judgeships around the country and urge that you take this unique opportunity to appoint more women to the bench.

PARTICIPANTS

MEETING WITH THE PRESIDENT FOR ADMINISTRATION WOMEN

TO REPORT ON THE NATIONAL WOMEN'S CONFERENCE

Wednesday, December 14, 1977

Bess Abell
Press Secretary to Joan Mondale
White House

Barbara Babcock
Assistant Attorney General
Department of Justice

Elizabeth Bailey
Member
Civil Aeronautics Board

Lucy Benson
Undersecretary for Security Affairs
Department of State

Mary Berry
Assistant Secretary for Education
Department of Health, Education and Welfare

Eula Bingham
Assistant Secretary, Occupational Safety & Health Admin.
Department of Labor

Barbara Blum
Deputy Administrator
Environmental Protection Agency

Marylou Burg
Member
Copyright Royalty Tribunal

Golar Butcher
Assistant Administrator for African Affairs
Department of State

Kathy Cade
White House

Pat Cloherty
Small Business Administration

Biandina Cardenas
Director, Office of Child Development
Department of Health, Education and Welfare

Antonia Chayes
Assistant Secretary for Manpower
Department of the Air Force

Carin Claus
Solicitor
Department of Labor

Joan Claybrooke
Administrator, National Highway Safety Administration
Department of Transportation

Priscilla Crane
Office of Revenue Sharing

Joan Davenport
Assistant Secretary, Energy/Minerals
Department of Interior

Patt Derian
Coordinator of Human Rights
Department of State

Marion Edey
Member
Council on Environmental Quality

Arvonne Fraser
Coordinator, Office of Women/Development
AID

Carol Foreman
Assistant Secretary for Consumer Affairs
Department of Agriculture

Jane Frank
Deputy Secretary to the Cabinet
White House

Frances Garcia
Member
Copyright Royalty Tribunal

Patricia Graham
National Institute of Education
Department of Health, Education and Welfare

Alexis Herman
Director, Women's Bureau
Department of Labor

Marife Hernandez
U. S. Protocol for New York
Department of State

Linda Kamm
General Counsel
Department of Transportation

Roberta Karmel
Commissioner
Securities and Exchange Commission

Gladys Kessler
Associate Judge
Superior Court
District of Columbia

Mary King
Deputy Director
ACTION

Allie Latimer
General Counsel
General Services Administration

Jean Lewis
Administrative Assistant, Legislative Affairs
Department of State

Patsy Mink
Assistant Secretary, International Environment
Department of State

Martha (Bunny) Mitchell
White House

Azie Morton
Treasurer of the USA
Department of Treasury

Madeline MacBean
WhiteHouse

Margaret McKenna
Deputy Legal Counsel
White House

Eleanor Norton
Chairwoman
Equal Employment Opportunity Commission

Grace Olivarez
Director
Community Services Administration

Stewart Oneglia
Chair, Task Force on Sex Discrimination
Department of Justice

Esther Peterson
White House

Valerie Pinson
White House

Connie Plunket
Commissioner
International Women's Year

Elsa Porter
Assistant Secretary of Administration
Department of Commerce

Ersa Poston
Commissioner
Civil Service Commission

Ruth Prokop
General Counsel
Department of Housing and Urban Development

Hazel Rollins
Deputy Administrator, Economic Regulatory Administration
Department of Energy

Donna Shalala
Assistant Secretary for Policy
Department of Housing and Urban Development

Bernice Sandler
Member
National Adviser, Women's Education Programs

Eileen Shanahan
Assistant Secretary, Public Affairs
Department of Health, Education and Welfare

Georgiana Sheldon
Commissioner
Federal Energy Regulatory Commission

Irene Tinker
Assistant Director, Policy/Planning
ACTION

Fran Voorde
Director of Scheduling
White House

Patricia Wald
Assistant Attorney General
Department of Justice

Barbara Watson
Assistant Secretary for Consular Affairs
Department of State

Sarah Weddington
General Counsel
Department of Agriculture

Melissa Welles
U. S. Representative, U. N. Economic Social Council
U. S. Mission to the United Nations

Anne Wexler
Deputy Assistant Secretary
Department of Commerce

Jill Wine-Volner
General Counsel
Department of the Army

THE WHITE HOUSE
WASHINGTON

December 14, 1977

Frank Moore

The attached was returned in the President's outbox today and is given to you for forwarding to Sen. Hayakawa. Secretary Califano has been provided with a copy of the incoming and outgoing letters.

Rick Hutcheson

cc: The Vice President
Stu Eizenstat

RE: NATIONAL VOLUNTARY ACHIEVEMENT TESTS

THE WHITE HOUSE
WASHINGTON

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

cc Calipano of all but Sta's memo

ACTION	FYI	
<input checked="" type="checkbox"/>		MONDALE
		COSTANZA
	<input checked="" type="checkbox"/>	EIZENSTAT
		JORDAN
		LIPSHUTZ
<input checked="" type="checkbox"/>		MOORE - <i>del. ea</i>
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

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

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

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

THE WHITE HOUSE

WASHINGTON

December 12, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Suggested Reply to letter from
Senator S.I. Hayakawa (California)
on National Voluntary Achievement
Tests

The attached letter is a suggested reply to Senator Hayakawa, member of the Senate Human Resources Committee. Senator Hayakawa takes issue with the public statements of HEW officials opposing federal involvement in the development of national achievement tests. This reply emphasizes your request to HEW to look at the use of achievement tests, your Georgia testing program, and the need to safeguard the rights of less advantaged children in the use of such tests.

THE WHITE HOUSE

WASHINGTON

December 14, 1977

To Senator Hayakawa

Thank you for your thoughtful letter of November 21 in which you discuss the need for voluntary national scholastic standards and tests in reading, writing, and mathematics. As Governor of Georgia I did institute such a testing program, and I have recently asked Secretary Califano to explore the pros and cons of national standard education achievement tests to be used at the option of state and/or local school systems.

As we address this question I am mindful of the concern of many educators that tests be used as assessment tools which encourage performance and not as an excuse to limit the opportunities of less advantaged children.

Sincerely,



The Honorable S. I. Hayakawa
United States Senate
Washington, D.C. 20510

*p.s. We will act within
60 days -
cc: Califano J.C.*

S. I. HAYAKAWA
CALIFORNIA

GENE PRAT
ADMINISTRATIVE ASSISTANT

COMMITTEES:
AGRICULTURE, NUTRITION,
AND FORESTRY
HUMAN RESOURCES
BUDGET

United States Senate

WASHINGTON, D.C. 20510

cc Joe C.
J

EDOO
Comp. Tests
SM 7002

November 21, 1977

The Honorable Jimmy Carter
President of the United
States
The White House
Washington, D.C. 20500

ack-Fu/SE
CONGRESSIONAL
LIAISON

NOV 22 1977

Dear Mr. President:

I was both puzzled and disappointed by Secretary Califano's remarks before the College Entrance Examination Board Annual Meeting on October 24, 1977. Mr. Califano, in what I believe was his first major policy statement in the area of education, voiced strong opposition to the idea of even voluntary national scholastic standards and tests of competency in reading, writing, and mathematics.

The Secretary instead announced his plans for HEW to support -- through funding of research studies, workshops, and committees -- the development of competency testing programs in the basic skills by states and localities.

Mr. Califano's arguments against federal development of voluntary standards and tests of competency seem to me specious.

1. He said: "If a test is given largely because someone in Washington seems to think it is a good idea, local commitment may be wanting. The tests may end up as little more than a distracting waste of time and money, rather than part of an enthusiastic effort to spur individual educational achievement."

If the tests are voluntary, those localities which are not committed to the idea of competency standards and tests would not have to adopt them. But this should not prevent

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The Honorable Jimmy Carter
November 21, 1977
Page 2

the Federal Government from developing standards and tests which could be used by those states and communities desiring them. It would be far better to spend federal funds in developing these standards and tests than to sponsor research of the type Secretary Califano has proposed.

2. He said: "There is no single test that is right for every school. Basic questions about test coverage arise even in testing the three Rs: Should mathematical reasoning or computation be stressed? Should a reading test measure understanding of a narrative paragraph or advertisement? Should the examples used to test competency in arithmetic be different for farm children than for those whose experience is limited to urban streets? What kind of test best measures early basic competency in a bilingual educational situation?"

I see no reason why tests in reading, writing, and mathematics need to be tailored to individual schools and localities. Geographic or cultural background are not germane to the issue of what competence a child in our society should have in these basic skills. Nonetheless, under a voluntary testing program each state or locality would still be able to modify these standards as they see fit.

3. He said: "There are many unanswered questions about the quality, validity, and characteristics of different tests themselves. Tests whose main purpose is individual diagnosis may be wrong for evaluating curriculum. States and localities have encountered surprising division in deciding how to design a basic competency test. In the next few years, educators and researchers will be able to test these tests and determine whether some are simply better than others --

The Honorable Jimmy Carter
November 21, 1977
Page 3

and under what circumstances. These questions do not lend themselves to national answers -- certainly not at this time."

We should not be searching for a "perfect" test. ~~The primary purpose of the standards and tests should be to determine whether or not a student can demonstrate proficiency in reading, writing, and mathematics.~~ There will always be aspects of testing which can be improved and the desire for testing research is never satisfied, particularly when it is at Government expense. However, this is no excuse for the Federal Government to shrink from developing model standards and tests which could be used by states and localities.

4. He said: "Most importantly, in this country ~~control of curriculum has always rested with states and localities, not with Washington. Any set of test questions that the Federal Government prescribed should surely be suspect as a first step toward a national curriculum.~~ That would not merely run counter to strongly held views about local control of education; it would stifle local experiments with a variety of approaches to learning.

Developing voluntary national standards and tests in basic skills would not wrest control of curriculum from states. By providing parents an independent means to judge student and school performance these standards and tests should help stimulate parents to take a more active interest and exercise more local control in their schools.

In the issue of national scholastic standards and tests, it is important to differentiate between the views of ~~educators who generally oppose them, and those of parents.~~ Many educationists oppose standards fearing that they will lead to greater account-

The Honorable Jimmy Carter
November 21, 1977
Page 4

ability. However, two-thirds of Americans polled in 1976 favored a standard nation-wide examination as a prerequisite for a high school diploma.

In advocating competency standards and tests at the state and local level while at the same time objecting to development of model standards and tests by the Federal Government, the Secretary seems to be paying only lip service to the concept. The most effective way to ensure that the standards and tests are not developed is to conduct more studies as Secretary Califano has suggested.

While educators continue to conduct further research and debate the jurisdictional boundaries of standards development, more and more students are graduating from high schools unprepared even for the most elementary tasks of adult life.

Therefore, if this Administration genuinely wants to improve the quality of education in America, the most constructive and immediate measure you could take would be the development of a set of voluntary standards and tests which states and localities could use as they see fit. In addition, I urge that the Administration's 1978 legislative proposals provide authority to spend federal funds, if necessary, to enable parents to have their children tested at Government expense if they cannot arrange to do so at the local level.

Respectfully yours,



S.I. Hayakawa

SIH/jbe

THE WHITE HOUSE

WASHINGTON

MEETING WITH BLACK LEADERS' FORUM

Wednesday, December 14, 1977

11:00 a.m. (30 minutes)

ROOSEVELT ROOM

FROM: BUNNY MITCHELL 

- I. PURPOSE: To review key domestic policy issues of vital concern to this group of Black leaders: (1) jobs, particularly for Black youth; (2) national urban policy; (3) affirmative action/civil rights reorganization.
- II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN:
- A. Background: This group was convened as a "Black Leaders' Forum" following the National Urban League Convention in July, 1977. Because of perceptions of Administration indifference to Black Americans' concerns, individuals in this group believed it essential to form a more functional coalition to address critical national issues. In addition to relating to the Administration, the group intends to work with Congress and the business community on policies and programs pertinent to Black constituents' welfare. The group has held two meetings since July - in New York and Chicago. There currently are no elected officers; however, the National Urban League office functions as the group's Secretariat. Unquestionably, this group believes the Administration could be much more aggressive in targeting programs and resources to assist Black Americans generally and Black organizations particularly. Although the list of Administration initiatives to date has been acknowledged as "admirable", the magnitude of problems confronting millions of Black Americans is perceived by this group to warrant significantly greater attention than we have demonstrated so far.

B. Participants:

The President	Stu Eizenstat
The Vice President	Bunny Mitchell

BLACK LEADERS

Berkeley Burrell, President, National Business League
Julius Chambers, President, Legal Defense & Education Fund
Richard Hatcher, Mayor, City of Gary Indiana



Dorothy Height, President, National Council for Negro Women, Inc.
Carl M. Holman, President, National Urban Coalition
Rev. Jesse Jackson, President, Operation PUSH
Elton Jolly, Executive Director, Opportunities Industrialization Center
Vernon Jordan, President, National Urban League
Coretta King, President, Martin Luther King Center for Social Change
Joseph Lowery, President, Southern Christian Leadership Conference
Clarence Mitchell, Director NAACP (Washington Bureau)
Parren Mitchell, Chairman, Congressional Black Caucus
Wallace D. Muhammed, Chief Eman, World Committee of Islam in the West
Jessie Rattley, Chairman, Natl. Black Caucus of Local Elected Black Officials
Bayard Rustin, President, A. Philip Randolph Institute, New York

- C. Press Plan: Photo session with the press at the beginning of the meeting. Participants in meeting will be available at the end of the meeting to meet informally with members of the press.

III. TALKING POINTS:

Opening Remarks

1. I understand you have been briefed on several areas of particular concern by members of my Administration: (See Attachment A)
 - a. Jobs - need to target federal job programs to address problem of structural unemployment.
 - b. Urban Policy - new initiatives and implications for Black communities.
 - c. Civil Rights Reorganization - status of Equal Employment Program reorganization.

Major Domestic Accomplishments-1977

1. Increased public service jobs to 725,000 -- highest level in history.
2. Proposed and signed legislation creating 3 new youth employment programs (200,000 jobs).
3. Proposed "Better Jobs and Income Program" to replace unfair, outmoded welfare system. Includes creation of 1.4 million public service jobs by 1981.
4. Endorsed Humphrey-Hawkins legislation establishing National unemployment goal of 4% by 1983.
5. Issued strong anti-redlining regulations to prohibit discriminatory mortgage credit practices.

6. Created the Urban Development Action Grant Program (\$1.2 billion) for distressed urban areas.
7. Increased total Community Development Block Grant program funding by \$2.4 billion over next 3 years.
8. Bakke brief supporting affirmative action programs.
9. Created Civil Rights Reorganization Project to improve enforcement of federal civil rights laws. (A discussion memo on Equal Employment reorganization is ready for your review).

Proposed Initiatives-1979

1. Urban Policy - March announcement.
2. Tax cuts for low and moderate income people to help compensate for increased social security and energy tax increases.
3. Private sector jobs proposals - specifically targeted to youth unemployment problem.

General Comments

1. The Administration continues to work on an Urban Policy, but we need specific assistance from people like you. "How can we work together, the government and private sector, to resolve some of our urban problems?" "What can we do besides add more federal dollars to current programs?"
2. I want you to work closely with all of my Cabinet officers. You should continue to work with Bunny for continued communication and follow-up at the White House.

THE WHITE HOUSE

WASHINGTON

WHITE HOUSE MEETING WITH BLACK LEADERS

Wednesday, December 14, 1977

9:00 a.m. - 12:00 noon

THE ROOSEVELT ROOM

9:00 - 9:10 a.m. Under Secretary Sidney Harman
Department of Commerce

9:10 - 9:20 a.m. Howard Glickstein
Director, Task Force on
Civil Rights Reorganization

9:20 - 9:45 a.m. Secretary Patricia Harris
Department of HUD

Stu Eizenstat
Assistant to the President

9:45 - 10:10 a.m. William Spring
Associate Director - Domestic Policy Staff

Dr. George Johnson
Council of Economic Advisers

10:10 - 10:25 a.m. Charlie Schultze
Chairman, Council of Economic Advisers

10:25 - 10:50 a.m. James McIntrye
Acting Director, OMB

11:00 THE PRESIDENT

(FYI: The Vice President MAY address the group at 10:50)

THE WHITE HOUSE
WASHINGTON
December 14, 1977

The Vice President
Stu Eizenstat
Frank Moore
Jim McIntyre

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

Rick Hutcheson
RE: NATURAL GAS DATA

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

*Admin
confid*

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

include susan's rate

ACTION	FYI	
/		MONDALE
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/		EIZENSTAT
		JORDAN
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
/		McINTYRE
		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
	GAMMILL

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

THE WHITE HOUSE
WASHINGTON

Mr. President --

Attached is copy of material which has been given to members and staff of natural gas conference.

Jim Schlesinger said that the gem clipped section is basically the proposal which will be made by your supporters (Staggers, Dingell, Ashley).

Jim also said that we will be asked specifically about backing/support, and unless you object, he/they (Schlesinger/Eizenstat, etc.) will say something to the effect that "We're 'inclined' to support these efforts toward compromise". . .

Comment....(They need to have react by 10:00 a.m.)

--SSC



THE PRESIDENT HAS SEEN.

9
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Department of Energy
Washington, D.C. 20585

December 13, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: JIM SCHLESINGER

SUBJECT: NATURAL GAS DATA

Attached you will find the information on the impact of various potential provisions in the Natural Gas bill which has been provided to members and staff of the Natural Gas Conference.

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Alternate Natural Gas Price Scenarios

Increased Revenues to
Producers 1978 - 1985
(billions of current
dollars)

From H.R. 8444^{1/}

1.	Initial price \$2.03 (upper tier oil) plus inflation until BTU-related price is higher3
2.	A bonus of \$.75 for natural gas from State lands	1.0 - 1.5
3.	Initial price of \$1.75, increasing to the distillate price equivalent in 1981; controls could end after 1981	14.0 - 16.0
4.	Initial price \$1.75, increasing to the distillate price equivalent in 1984; controls could end after 1984	12.0 - 14.0
5.	Intrastate rollover contracts to \$1.75; interstate rollover contracts to \$1.45	9.0
6	a. Expand definition of new gas to include extensions	25.0
7.	b. More tightly define extensions	14.0
8.	Decontrol unconventional gas immediately. ^{2/}	2.0

It is important to note that the House bill decreased producer revenues by as much as \$5.04 billion compared with the NEP. The treatment of rollover contracts decreased revenues by as much as \$5.8 billion, while the more liberal definition of new gas increased revenues by \$760 million. It would, therefore, be possible to accept Options 1 and 2 and produce a bill with less consumer impact than the NEP.

^{1/} The increased revenues do not include revenues from any supply response that would be generated by the program.

^{2/} Based on the assumption that deregulated gas would move to the distillate price.

COST OF INCLUDING EXTENSIONS IN NEW
GAS DEFINITION

	<u>From H.R. 8444</u>	
	(billions of dollars)	
	<u>\$1975</u>	<u>Current \$</u>
1. Extensions receive the new gas price	16.5	25.0
2. Extension price as in 1; effective policing	9.2	14.0
3. Extensions qualify for one-half the difference between 1.45 plus inflation, and the new gas price	8.2	12.0
4. Extension price as in 3; effective policing	4.6	7.0

HR 8444

Contract Rollovers

If to go:

1.45

- Extra 6.6 billion to producers over '78-85 yr. period

If to go:

Btu Cap

- Extra 12.3 billion over same period

Two Scenarios

1. Price

If you allow a new gas price equal to the Btu equivalent of upper tier oil (2.03 Mcf) until that price is equal to the Administration's bill, and then allow a price at the Btu equivalent of the average refiner cost of domestic oil as in the Administration bill (this was offered in the Senate as a compromise), the impact on consumers between now and 1985 is \$300 million more than the House-passed bill.

2. Definition

If you expand the definition of new gas from the new reservoir definition in the House bill to the extension of existing reservoirs definition in the Senate bill while keeping the \$1.75 price, the impact on consumers between now and 1985 as compared to the House-passed bill ranges from \$15 to \$25 billion.

Natural Gas

Opening

House Natural Gas Offer

- | | <u>'78 to '85 Costs</u> |
|--|-------------------------|
| 1. <u>High-Priced Intrastate</u> | |
| Grandfather all existing intrastate contracts. A | .3B |
| high-priced rollover would not be rolled back. | |
| 2. <u>Intrastate Rollovers</u> | |
| Any intrastate rollover below 54¢ automatically | .5B |
| could increase to that level; all others would | |
| stay where they are pursuant to the declining | |
| production finding in the House Bill | |
| 3. <u>Extent of Regulation</u> | |
| Only producer price regulation of intrastate gas-- | 0 |
| no other indices of regulation, including | |
| elimination of intrastate allocations except in | |
| emergencies. | |
| 4. <u>New Gas Price</u> | 1 |
| The new gas price would start at \$1.75 per mcf and | |
| increase by 9% per year | |
| 5. <u>High Cost Gas</u> | 2B |
| High cost gas would be guaranteed \$2.50 per mcf; | |
| FERC could set higher prices. This action would be | |
| conditioned on the tax conference dropping the \$.50 | |
| per mcf unconventional gas tax credit. | |
| 6. <u>New Gas Definition</u> | 0 |
| Stay with the House new reservoir definition | |

Additional Points Being Considered

by House

1. New gas price

- | | |
|----------------------|------|
| a. Inflation + 3% | 0 |
| b. Infaltion + 4% | 1.9B |
| c. Inflation + 5% | 4.5B |
| d. 150% of Inflation | 0 |

2. Rollovers

3B

Allow intrastate gas to go to \$1.45 per mcf

3. Definition

- | | |
|--|-------------|
| a. Include gas which has never been sold or delivered (but could have been discovered, may have been withheld) | |
| b. Allow extensions to get 1/2 the difference between \$1.45 and the new gas price | 12.0B |
| c. Narrow the cylinger to 1 mile | 19.0B |
| d. Narrow the cylingder to 1½ miles | 6.0 to 7.0B |

4. End Points

- | | |
|---|--|
| a. 1985 Presidential finding to remove controls with one House veto. | |
| b. 1988 Presidential authority to reimpose with one House veto. | |
| c. 1985 expiration with automatic reimposition trigger at continuing control level. | |

5. Independent Treatment

Treat independents better for rollover and/or extension purposes.

6. Information Requirement

Higher price benefits will require compliance with new information requirements,

Alternate Natural Gas Price Projections^{1/}

Years	Original NEP ^{2/}	Current NEP ^{3/}	Actual Composite Refiner Cost W/Alaska	Proposed Conference Composite Refiner Cost W/Alaska	Legal Composite Refiner Cost	Upper Tier Wellhead W/Alaska	Upper Tier Wellhead W/O Alaska
78 1st Q	1.75	1.59	1.77	1.80	1.86	1.95	2.12
78 YR	1.86	1.77	1.77	1.88	1.91	1.97	2.17
79	2.02	1.92	2.05	2.08	2.15	2.10	2.30
80	2.20	2.09	2.24	2.27	2.36	2.26	2.43
81	2.39	2.28	2.43	2.47	2.58	2.41	2.58
82	2.57	2.47	2.64	2.67	2.82	2.58	2.74
83	2.78	2.68	2.85	2.89	3.09	2.72	2.91
84	3.01	2.91	3.09	3.12	3.38	2.90	2.99
85	3.23	3.13	3.31	3.34	3.70	3.03	3.09

^{1/} Except for Original NEP, the underlying wellhead oil prices are derived from "First Purchaser Crude Oil Price Analysis" Office of Data Services, 27 October 1977, and except for 1st Q 78, they are mid-year prices. All gas prices are per Mcf at assumed 1032 Btu per cubic feet.

^{2/} Refiner Cost of Domestic Oil (ex Alaska) based upon original re-escalation consumption.

^{3/} The NEP formula (domestic refiner cost ex Alaskan) applied to current oil price escalation policy.

HR 8444

Contract Rollovers

If to go:

1.45

- Extra 6.6 billion to producers over
'78-85 yr. period

If to go:

Btu Cap

- Extra 12.3 billion over same period

PROBS - UNEMP (7%)
 INFL (6%)
 BAL of PAYMENTS
 NEED EXPANSION
 PRIVATE INVESTMENT
 NOT GOV'T SPENDING
 5% - PRODUCTIVITY -
 GOODS TO EXPORT
 - PROTECTIONISM
 - GOV'T CAN HELP
 PERMANENT TAX ↓
 REGULATIONS - OSHA
 INT TRADE - OPEC
 -
 LONG RANGE GOALS
 INFL - GNP - UNEMP -
 INC: TAX - FED: US OUTPUT
 1981/82 - STABILITY
 STATE OF UNION
 PARTNERS
 EMPHASIZE POSITIVE

BUSINESS COUNCIL LEADERS 3 WORLD
 Restore Confidence
 5% A WHE → NY
 LBJ ~~3% of 1%~~
 SALT - CTR - MEAT - AFRICA
 68 - INTER ECONOMICS
~~OPEC OR PRIC~~
 CABINET - HARMONY
 -
 YEAR AGO - 1% - 10% - 8%
 NOW 5% - 4% - 7%
 4 mil jobs - 5% - HOUSING STARTS
 -
 ENERGY - Soc SEC - STEEL
 TAX 2 1/2 YR RECOVERY
 -
 PROBS -
 No MAJOR IMBALANCE / DISTORTION
 DEBT: CASH
 INVENTORIES: SALES
 LENDERS HAVE FUNDS

7:45 PM

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THE WHITE HOUSE
WASHINGTON

December 13, 1977

MEETING WITH THE BUSINESS COUNCIL

Wednesday, December 14, 1977
7:45 p.m. (45 minutes)
Grand Ballroom
Mayflower Hotel

From: Margaret Costanza *mc*

I. PURPOSE

To greet (individually as time permits) members of the Business Council and to speak to the group during their Washington meeting.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: John D. deButts, Chairman of the American Telephone and Telegraph Company and Chairman of the Business Council has invited you to address this organization and will serve as the host for the evening.

The Business Council was originally formed in 1933, by the Honorable Daniel C. Roper, then Secretary of Commerce, under the name of Business Advisory Council for the Department of Commerce. In 1961, the Council membership took action to broaden the scope of its advisory functions so as to serve all areas of government which requested its services. At this time, the name was changed to the Business Council. The Council's active membership is limited under the By Laws to sixty-five. The Business Council is composed predominantly of individuals associated with private industry chosen to be broadly representative from a geographical as well as a product point of view and the members are chosen for their proven character, ability, and sense of public responsibility. After five years, a member goes

into a graduate classification and at the age of 70 becomes an honorary member.

Every President since Franklin Roosevelt has addressed the Business Council and Lyndon Johnson once said, "The Business Council has offered to do more for the country and asked for the least for themselves than any group I have had anything to do with."

The Council is dedicated to service in the national interest and its primary objectives are to submit to any branch or agency of Government a constructive point of view on matters of public policy affecting the business interests of the country; to respond to requests by any branch or agency of Government for advice and assistance in carrying out their respective responsibilities; and to provide a medium for a better understanding of Government problems by business.

- B. Participants: As listed at TAB A.
- C. Press Plan: Open Press Coverage.

III. TALKING POINTS:

Talking points already prepared for you from Jim Fallows and Achsah Nesmith per December 12 memorandum attached as TAB B. - *revised version attached*

This would be an appropriate time to mention the contributions made by Larry Woodworth who worked closely with many of the people in the room first as Chief of Staff of the Joint Taxation Committee of Congress and then as your first appointed Assistant Secretary (of the Treasury).

Enclosures: TAB A - list of participants
TAB B - Talking Points Memorandum

T
A
B

A

THE BUSINESS COUNCIL

888 SEVENTEENTH STREET, N.W.

WASHINGTON, D.C. 20006

GUESTS OF THE BUSINESS COUNCIL ATTENDING DECEMBER 14, 1977 RECEPTION

Bette B. Anderson, Under Secretary of the Treasury

Eula Bingham, Assistant Secretary of Labor

Barry P. Bosworth, Director, Council on Wage and Price Stability

Arthur B. Burns, Chairman, Federal Reserve Board

Richard Cooper, Under Secretary of State for Economic Affairs

Margaret Costanza, Assistant to the President

Sidney Harman, Under Secretary of Commerce

Juanita M. Kreps, The Secretary of Commerce

James T. McIntyre, Acting Director, Office of Management and Budget

Richard Reiman, Assistant Director, Office of the Public Liason, White House

James R. Schlesinger, The Secretary of Energy

Charles L. Schultze, Chairman, Council of Economic Advisers

S. Steven Selig, Special Assistant in the Office of Public Liason, White House

Elmer B. Staats, Comptroller General of the United States

Carleton Stewart, Jr., Chairman, American Security and Trust Bank

Robert S. Strauss, Special Representative for Trade Negotiations

Frank A. Weil, Assistant Secretary of Commerce

Harold M. Williams, Chairman, Securities and Exchange Commission

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BUSINESS COUNCIL MEMBERS ATTENDING DECEMBER 14, 1977 RECEPTION

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The Coca-Cola Company

MALCOLM BALDRIGE, Chairman
Scovill Manufacturing Company

WILLIAM M. BATTEN, Chairman
New York Stock Exchange

S. D. BECHTEL, JR., Chairman
The Bechtel Group

WILLIAM O. BEERS, Chairman
Kraft Inc.

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Southern Pacific Company
(also Vice Chairman of The Business Council)

WINTON M. BLOUNT, Chairman and President
Blount, Inc.

WILLIAM S. BREWSTER, Vice Chairman
Emhart Corporation

CARTER L. BURGESS, Chairman
Foreign Policy Association

DONALD C. BURNHAM, Director
Westinghouse Electric Corporation

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National City Bancorporation

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McNair Seed Company

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Former Director of U.S. Arms Control & Disarmament Agency

LEWIS W. FOY, Chairman
Bethlehem Steel Corporation

G. KEITH FUNSTON (Retired)
Former Chairman, New York Stock Exchange

CLIFTON C. GARVIN, JR., Chairman
EXXON Corporation

ELISHA GRAY II, Chairman, Finance Committee
Whirlpool Corporation

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Former President of American Red Cross

R. V. HANSBERGER, Chairman
Futura Industries Corporation

EDWARD G. HARNESS, Chairman
The Procter & Gamble Company

JOHN D. HARPER, Chairman, Executive Committee
Aluminum Company of America (ALCOA)

SHEARON HARRIS, Chairman and President
Carolina Power and Light Company

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(also Vice Chairman of The Business Council)

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Deere & Company

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The Hillman Company

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The Hanna Mining Company

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Cornell University

ROBERT H. MALOTT, Chairman and President
FMC Corporation

BIRNY MASON, JR., Chairman, Executive Committee
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J. W. McAFEE, Chairman, Executive Committee
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Xerox Corporation

BROOKS McCORMICK, Chairman
International Harvester Company

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Daniel International Corporation

G. WILLIAM MILLER, Chairman
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OTTO N. MILLER, Retired Chairman
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Kennecott Copper Corporation

HOWARD MORGENS, Chairman, Executive Committee
The Procter & Gamble Company

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United States Senator - (R. Illinois)

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Jewel Companies, Inc.

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Raytheon Company

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PACCAR Inc

WALTER M. RINGER, Chairman
Foley Manufacturing Company

DAVID ROCKEFELLER, Chairman
Chase Manhattan Bank (N.A.)

W. F. ROCKWELL, JR., Chairman
Rockwell International Corporation

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E. I. du Pont de Nemours & Company
(Also Vice Chairman of The Business Council)

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Texas Instruments Incorporated

BLACKWELL SMITH, Retired Attorney
(Former Assistant Director, OPM)

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International Paper Company

L. B. SMITH, Chairman
A. O. Smith Corporation

JOHN W. SNYDER
Former Secretary of the Treasury

CHARLES H. SOMMER, Director
Monsanto Company

FRANK STANTON, Former President
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ROBERT T. STEVENS, Director
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National Steel Corporation

ROBERT D. STUART, JR., Chairman
The Quaker Oats Company

CHARLES ALLEN THOMAS, Chairman
Washington University
(Former Chairman of Monsanto)

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Litton Industries, Inc.

JUAN T. TRIPPE, Honorary Chairman
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Weyerhaeuser Company

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Former Chairman of Freeport Sulphur Company

T. A. WILSON, Chairman
The Boeing Company

HENRY S. WINGATE, Retired Chairman
International Nickel Company

ARTHUR M. WOOD, Chairman
Sears, Roebuck and Company

WALTER B. WRISTON, Chairman
Citicorp



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THE WHITE HOUSE

WASHINGTON

December 13, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS, ACHSAH NESMITH

SUBJECT: Business Council

The following points were developed from Charlie Schultze's suggestions:

The economy is basically healthy.

1. Recovery rate average for postwar recessions.
 - Consumers are spending freely, with considerable confidence.
 - Business output is growing well.
 - More jobs were created in 1977 than in any post-war year.
 - No serious imbalances that usually are the advance signs of economic problems.
2. The recession was so deep that we still have higher unemployment, idle capacity, and lower profits than we would like.
3. U.S. recovery far better than most industrial nations. Many still have growing unemployment, less investment growth. Only Germany and Switzerland doing better with inflation.

This year we had to deal with two major economic problems that had been hanging over us for years -- energy and social security funding.

- Congress will have completed work on the social security bill by the end of this week. Final action on the energy bill, it now appears, will be carried over until next year, but should be completed early in the session.
- Once these actions are finished, business will be able to plan better, knowing what energy policy and social security costs will be.

Top priority in 1978 will be ensuring stable economic recovery, increasing jobs and profits.

- We're making final decisions now on economic policy for next year. The details aren't settled but you can give them a broad outline of principles:

4. Expansion must be led by the private sector.

- You are determined to limit the growth of Federal spending; to stabilize and (then) reduce somewhat the share of Federal spending in GNP.

5. But if the private sector is to expand at a healthy pace, the government needs to take action on taxes.

A. Permanent tax reductions are needed for individuals for two major reasons:

- Inflation and growing incomes raise tax burdens in a progressive tax system.
- Energy and social security tax increases are needed to achieve energy goals and to finance the social security system, but their effects on consumer purchases and business payrolls have to be moderated with lower individual income taxes.

B. Business tax reductions are needed to promote more rapid investment growth than normal process of recovery would produce:

- The labor force grew rapidly during the recession and recovery, while growth in plant capacity slowed -- a potential imbalance.
- Present capacity is not fully utilized, but as unemployment is reduced and economy moves toward full prosperity, industrial capacity must grow rapidly to increase productivity and to avoid bottlenecks and accelerated inflation in future years.

6. We must prevent a re-acceleration of inflation, and work to reduce the current inflation.

- Inflation stems from many causes; no one set of actions will be sufficient to lick it.

- Government can and should provide the stimulus we need to meet economic needs of the immediate future, but we should not overcommit the budget, thereby risking inflationary excesses later.
- Government must provide responsible budgetary policies and establish regulatory priorities to achieve environmental and safety objectives without imposing unnecessary costs and paperwork (last week's Labor Department proposal that about 10 percent of OSHA regulations be scrapped is an example -- most were outdated and covered elsewhere).
- If businesses and labor unions make their decisions on the assumption that inflation will continue unabated, then it will.
- Business and labor should cooperate with government by moderating their price actions and wage demands.

7. Free trade and the expansion of international commerce is in our long-term best interest.

- Where foreign competition takes unfair advantage of access to our markets, we'll act to correct it.
- We must take steps to reduce our trade deficit.
- Oil imports are the major cause of our trade deficit -- without them we'd have a trade surplus this year.
- The best way to reduce the deficit is to reduce our reliance on imported oil products -- the energy program is a necessary tool to reach that goal.

8. The overall success for economic recovery does not reach some problems.

- Unemployment of the black and the young is intolerably high and has been rising even while other unemployment has gone down.
- We've established programs to help, but ultimately we need the help of the business community to develop opportunities for the unemployed in the private sector.

for Wednesday, 7:45 PM

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THE WHITE HOUSE
WASHINGTON
December 12, 1977

*CBJ
Campaign -
Sheets -> Ad Rom*

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS, ACHSAH NESMITH *etc.*

SUBJECT: Business Council

The following points were developed from Charlie Schultze's suggestions:

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1. Recovery rate average for postwar recessions.

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This year we had to deal with two major economic problems that had been hanging over us for years -- energy and social security funding.

- You hope Congress will have completed these by the end of the year and business will be able to plan better, knowing what the energy policy and Social Security costs will be.

Top priority in 1978 will be ensuring stable economic recovery, increasing jobs and profits.

- We're making final decisions now on economic policy for next year. The details aren't settled but you can give them a broad outline of principles:

4. Expansion must be led by the private sector -- increasing government spending is not the way to sustained prosperity. <

- Government can't iron out every wiggle in the economy and shouldn't try.
- Government can and should provide the stimulus we need to meet economic needs of the immediate future, but we should not overcommit the budget, thereby risking inflationary excesses later.
- You are determined to limit growth of Federal spending.

5. Taxes

A. Permanent tax reductions are needed for individuals for two major reasons:

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- Energy and social security tax increases are needed to achieve energy goals and to finance the Social Security system, but their effects on consumer purchases and business payrolls have to be moderated with lower individual income taxes.

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- We've established programs to help, but ultimately we need the help of the business community to develop opportunities for the unemployed in the private sector.

#

7:40 PM

THE WHITE HOUSE
WASHINGTON

December 14, 1977

MEMORANDUM FOR THE PRESIDENT
FROM: ESTHER PETTERSON
SUBJECT: Meeting With Business Leaders
December 14, 1977



When you meet with the business leaders tonight might you ask John deButts of AT&T, Irving Shapiro of Du Pont, and perhaps Don Seibert of J.C. Penney, if they would help us with the consumer bill?

As you know, a compromise bill has been worked out. This new legislation meets the need for meaningful consumer participation in agency decision-making and responds to the most important concerns about the original bill which were voiced by the business community and shared by many Members of Congress.

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THE WHITE HOUSE

WASHINGTON

VISIT TO

MEETING OF THE BUSINESS COUNCIL

Wednesday-December 14, 1977
Mayflower Hotel

Attire: Business Suit

From: Tim Kraft TK

SEQUENCE

7:30 p.m. You board motorcade on South Grounds
and depart en route Mayflower Hotel.

7:35 p.m. Arrive Mayflower Hotel (Connecticut
and deSalle entrance.)

PRESS POOL COVERAGE
CLOSED ARRIVAL

You will be met by:

Mr. John deButts, Chairman of the
Board, AT&T

Mr. Benjamin F. Biaggini, Chairman of
the Board, Southern Pacific

Mr. Robert S. Hatfield, Chairman of
the Board, Continental Group

Mr. Thomas A. Murphy, Chairman of
the Board, General Motors Corp.

Mr. Irving S. Shapiro, Chairman of the
Board, DuPont Corporation

7:37 p.m. Escorted by John deButts, you proceed
to Grand Ballroom.

7:39 p.m. You arrive Grand Ballroom and proceed
through receiving line to greet guests.

OPEN PRESS COVERAGE
ATTENDANCE: 125

2.

7:59 p.m.

You proceed to podium.

8:00 p.m.

INFORMAL PRESIDENTIAL REMARKS.

FULL PRESS COVERAGE

8:10 p.m.

Remarks conclude. You thank your hosts and proceed to motorcade for boarding.

8:15 p.m.

Motorcade departs Mayflower Hotel en route South Grounds.

8:20 p.m.

Motorcade arrives South Grounds.

#

THE WHITE HOUSE
WASHINGTON
December 6, 1977

Stu Eizenstat
Charles Schultze
~~Jim Fallows~~
The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Hamilton Jordan
Jody Powell
~~Tim Kraft~~

RE: PROPOSED SPEECH ON ECONOMIC
POLICY BEFORE THE BUSINESS COUNCIL

file

THE WHITE HOUSE
WASHINGTON

November 30, 1977

*Stu - You Charlie
& Jim boil it
down to no more
than 10 minutes.
Submit draft or
outline to me*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

SUBJECT:

Proposed Speech on Economic Policy
before the Business Council

J
*p.s. Charlie
Stu is best*
J

Attached are speech outlines I asked Charlie Schultze, Commerce and Treasury to prepare. These recognize that a mid-December speech could deal only in "broad philosophical generalities" without any announcement of concrete policies.

It may well be that business "likes to hear" these generalities but I am not at all sure that they will be impressed with a speech which deals in generalities when they keep saying they would like a specific statement of our economic policies and how they interact.

I still think it would be more advisable for you to have the leadership of the Business Council in for a frank exchange of ideas similar to the session you held several weeks ago.

If you would like me to take some soundings in the business community on these two options, I will be glad to do so.

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THE SECRETARY OF THE TREASURY
WASHINGTON, D. C. 20220

November 28, 1977

Stu:

At my request these suggested talking points for the President's appearance at the Business Council were prepared by my staff. Basically, pages 2 and 3 of this contain the sort of points that I think would be well received.

All of this is against the background of the President's reserving major economic statements until after the first of the year, using this visit to the Business Council for a much briefer statement to reassure business and to dwell on the kinds of broad philosophical generalities which business likes to hear and on which the President's philosophy coincides.


Mike

TALKING POINTS FOR SPEECH TO THE BUSINESS COUNCIL

- . Recognize some confusion and misunderstanding exist about the scope, substance and consistency of Administration economic policies.
 - . Partly results from need, on taking office, to move rapidly on several pressing issues.
 - . Social security funds in danger of insolvency. Could not afford to have widespread concern over whether pension checks would keep coming. *ok*
 - . Need to provide immediate stimulus to economy. After all, inherited economy stalled on dead center. Real growth at end of 1976 at only 1 percent annual rate, unemployment around 8 percent. *ok*
 - . Need for getting started on energy program. Problem long-term, but some consequences, such as balance of payments deficit, large and immediate.
 - . Should be clear by now that there is consistent economic philosophy underlying Administration's economic strategies. Administration dedicated to programs that will:
 - . Assure rate of economic growth adequate to absorb unutilized human and physical resources without touching off resurgence in inflation.
 - . Address major economic structural problems, e.g., tax system, energy, unemployment among minority groups, inflation.
 - . Emphasize solutions to problems that rely on private sector initiatives. *ok*
- . What does this mean in practice?
 - . Will use influence of government to get economy moving on right track, but will not overstimulate. Demonstrated by action *ok*

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on tax rebate earlier this year. When information showed economy recovering well enough on its own, had no hesitancy in rescinding request for rebate. Subsequently vindicated by 7 percent real growth over first half of the year, and smooth transition to more sustainable 5 percent growth rate thereafter. Also vindicated by reduction in inflation, from 9 percent annual rate of rise in consumer prices in the first half of year to a 4 percent rate thus far in the second half.

← no

ok

ok

- Stimulus to economy, when needed, will be mainly through tax reductions rather than increasing government spending.

ok

- Intend to reduce tax bite on individuals. Inflation keeps pushing incomes up the tax scale; need reductions in tax rates to keep tax-take to no more than 12 percent of personal incomes.

?

- Intend to keep government drain on nation's resources from rising. Federal expenditures will be limited to around 21 percent level of total output.

good

- Intend to use tax incentives to stimulate business investment. Both short-and long-term needs for devoting more of output to investment in the future, rather than to current consumption. Business investment in tools of production has been representing about 10 percent of GNP; need more than 12 percent to support full-employment economy.

- Recognize that higher profits needed in order to get higher rate of capital investment. After-tax rate of return on capital a critical factor in business investment decisions.

Paperwork
OSHA
regulation

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After allowing for the effect of inflation on cost of materials and equipment used up in production, rate of return on investment has been averaging only 5 percent in the past three years (1974-76) compared with almost 13 percent rate of return in the decade from the mid-1950's to the mid-1960's. Tax reform and simplification can and will be combined with tax reductions so that both reform and reduction contribute to more capital formation.

- . Will rely on coordinated use of all tools of economic policy. No basis for reports of serious disagreement with monetary policy actions thus far. These actions have been helpful in moderating inflationary psychology, but at the same time have not significantly hampered economic growth, e.g., housing starts continue to grow at record levels. Confident that continued progress in reducing inflation, as a result of Administration efforts, will obviate need for further tightening of credit. ← sk
- . Coordination of economic policy within Administration working smoothly. Cabinet Economic Policy Group Steering Committee operating effectively in developing major policies, and monitoring policy implementation. sk
- . Continued efforts to alleviate burden of government regulation. Have already forced OSHA to focus on major safety problems rather than frills. Administration in forefront of fight to reduce regulation of the airline industry. Further deregulation steps in preparation. ✓
- . Will continue to pursue international economic policies contributing to worldwide economic stability without disadvantaging American producers. Will continue to urge other countries to adopt similar economic policies, both domestic and international. Will not resort to protectionism. Where U.S. industries threatened will (a) insure that unfair foreign competition is restricted, and (b) develop programs of assisting U.S. industries to become more competitive.
- . Will continue to support the dollar, through programs designed to support a strong U.S. economy. Artificial intervention, other than to prevent disorderly currency markets, cannot offer long-term solution. Strength of dollar depends on health of U.S. economy; our programs will keep the U.S. economy healthy.



UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Policy
Washington, D.C. 20230

November 28, 1977

MEMORANDUM FOR STUART EIZENSTAT

FROM: JERRY JASINOWSKI *Jerry*

SUBJECT: PRESIDENT'S SPEECH TO BUSINESS COUNCIL

It is premature in mid-December for the President to disclose the major economic policy thrust for next year. The speech to the Business Council should, therefore, be a relatively short statement on some of the principles and philosophy that are important to him in the economic area. Given the audience, and the need to improve business confidence, I think we could do a lot of good with a speech emphasizing the importance the President places on private sector investment. Such a speech could have the following elements:

1. The speech would open with the general point that private sector investment is the key to good economic performance. We could point up the importance of private sector investment for:

- the creation of the new jobs we need to reduce unemployment; *ok*
- the increased productivity that will aid price stability; *ok*
- the production of competitive goods for international trade; *ok*
- and the achievement of the President's economic goals. *one sentence summary*

2. The President could then emphasize that stable, well understood, and consistent government policies are essential for a healthy environment for business investment. He could pledge himself to ensuring that this is achieved in the year ahead.

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3. The President could then stress several of the ways by which his policies will encourage private sector investment, including:

- that the President recognizes the importance of profits in investment decisions, and the need to maintain profits at a high level to achieve economic goals.
- that our forthcoming business tax policies will encourage private sector investment;
- that our forthcoming consumer tax policies will strengthen consumer demand, which will also encourage private sector investment; *ok*
- that regulatory reform will continue to be a top priority for this Administration;
- that this Administration will continue to support free and fair international trade. Here he indicates his opposition to protectionism, but his sensitivity to problem areas such as steel;
- that the Administration is committed to improving the technological base and productivity of American industry.

4. Then the President could appeal to the business leaders to make some of their private sector investment decisions in ways that aid in the solution of national problems, such as:

- structural unemployment;
- and a rejuvenation of the economic base of our urban areas.

I will be in Poland this week. If you would like us to start drafting a speech, please give Lucy Falcone a call.

Business leaders should emphasize positive aspects of econ. in U.S.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

November 29, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze ^{CLS}

SUBJECT: Talking points for Business Council meeting

Attached are some suggested talking points for your informal talk to the Business Council on December 14.

They may seem a bit repetitive -- there is a summary at the beginning and the end -- but it might not hurt to drive home some of the points.

If this is not the kind of material you want, please let me know and I will try to provide alternative formulations, either (a) a more general statement of philosophy, with less specifics; or (b) something on the immediate outlook for the economy; or (c) whatever you want.

enclosure

Talking Points for the Business Council

I. I want to start with a few basic propositions that outline my attitude toward business and the economy, and then talk about a few of those points in more detail.

First, the American economy is basically healthy; no insuperable obstacles in the way of continued economic growth. Some important economic problems to be solved, but they are manageable. *good*

Second, I recognize both the obligations and the limitations of the Federal government in the economic sphere. The Federal government can and should provide fiscal and monetary measures and a regulatory climate which promotes economic growth without inflation. But we can't iron out every wiggle in the economy. *good*

Third, economic growth should be led by the private sector -- large increases in government spending are not the way to sustained prosperity. *good*

Fourth, the economy needs particularly large increases in private business investment -- to provide the additions to industrial capacity needed for an expanding labor force and the rising productivity required to deal with inflation. If investment is to grow, business firms must be able to count on reasonable stability in government policies and on earning a decent profit from their investments.

Fifth, I don't expect that the business community will agree with everything I do -- on energy, or social security financing, or minimum wages, or other matters. But I think there is a large area of agreement on the main elements of what is required from government to promote a healthy and advancing economy. And, agree or disagree, I want to hear your views and listen to your advice.

II. The economy is basically sound.

A. Where we have come in last several years

- o Almost three years into economic recovery from the 1974-75 recession.

*We addressed difficult subjects
Energy, Soc Sec, etc*

- o Increases in production and income and decreases in unemployment during this recovery are about equal to the average performance during earlier postwar recoveries.
 - o Because recession was so deep, however, even an average recovery leaves us with higher than average unemployment, excess capacity, and lower than normal profits.
 - o Recovery in the United States much better than in most other industrial nations. There, unemployment is still rising, and in many countries is above the recession low. Investment growth in the U.S., not up to what we need, but better than in most foreign nations. We have not yet licked inflation, but have done a better job than any other countries except Germany and Switzerland.
- B. Two-and-a-half years of recovery have not left us with major distortions or imbalances which would themselves choke off further expansion.
- o Inventories in generally good balance with sales. <
 - o Business firms have substantially improved their debt and their cash positions over the past two years. <
 - o Major lenders still have ample funds available to finance economic expansion.
 - o In short, foundations exist for further economic expansion.

III. But to enjoy continued expansion, we must address several problems over the next two to three years.

- A. Expansion must be led by the private sector, not by government spending. Aim to reduce the share of the nation's output accounted for by Federal expenditures -- from over 22 percent now to about 21 percent by 1981.

B. But between now and 1981 the share of GNP taken by Federal taxes will be rising, sharply, unless we do something about it:

- o Rising money incomes from inflation and economic growth push taxpayers into higher brackets; the average tax rate goes up just as if the Congress had legislated a tax increase.
- o Laws already on the books and legislation now before the Congress will increase payroll taxes to fund the social security system and the unemployment compensation programs; increases are needed to assure the financial soundness of social insurance systems, but we have to take into account their impact on the private economy in planning economic policy.
- o Rising share of Federal taxes in GNP, if left unchecked, would exert a "drag" on the private economy and depress both consumer sales and business investment.

Some tax relief for individuals, to offset this drag, will be necessary to keep private economic growth proceeding.

C. Need a particularly rapid increase in business investment over the next three to four years.

- o Growth in the labor force in recent years has outpaced the growth in capacity; labor force kept on growing during recession and recovery, but capacity growth slowed down.
- o To reduce unemployment and reduce inflation, we need a strong growth of industrial capacity to prevent bottlenecks and scarcity in later years, and rapidly growing productivity to cut costs.

D. Business investment in plant and equipment has been growing; in real terms it rose by 7 percent during the last year. But that's not enough:

- o Investments in pollution control and worker safety absorb about 6 percent of investment; in many heavy industries the proportion much higher.

- Business confidence improved during the recovery; but the trauma of the 1975 recession and the double-digit inflation that preceded it left wounds that are not completely healed.
- E. Some steps to improve climate for investment already taken:
- The uncertainties over energy policy will soon be resolved; for the first time nation will have long-run energy program, within which business firms can plan their future.
 - Shortly, the Congress will also resolve the uncertainties over long-run financing of social security system.
- F. There are a number of additional steps we can take to encourage investment:
- By promoting stable and noninflationary rate of economic growth, which holds forth the prospect of long-run expansion markets and sales for business.
 - Including in the tax proposals which will shortly be sent to the Congress, measures to reduce taxes on business profits and to provide greater investment incentives.
 - Continuing to work at the task of simplifying and reducing the burden of regulation on business; no way to clean up the environment or prevent dangerous chemicals from poisoning workers and consumers without governmental regulations; but we can avoid unneeded regulation, and make those we have more predictable, more understandable, and simpler.
- G. Government also has to make its economic decisions in the context of a consistent long-run plan.
- Decisions this year on tax policy and government programs will affect Federal budget for many years ahead.
 - Today's budget deficits not inflationary, given high unemployment and excess capacity.
 - But as the economy returns to high employment and fuller capacity use, perpetuation of today's large budget deficits could set off

new round of inflation.

- o And so we are planning our current economic policies not just in terms of how they affect the economy and the budget in 1978 or 1979, but where they will take us in 1981 and 1982.
- o I am determined to make sure that the policies we need to promote economic expansion today do not turn into inflationary excesses in the future.

H. No matter how successful are overall economic policies, some groups will still suffer from shamefully high unemployment rates.

- o Young people, and minorities in particular.
- o The unemployment rate among black youth now approaches 40 percent, and unemployment among adult black males has been rising during the recovery.
- o We have established a number of programs to provide training and job experience for young people and other groups with high unemployment.
- o But ultimately they are going to have to find jobs in the private sector; five out of every six jobs are in the private sector; can't solve the problem by government hiring.
- o Government and business must cooperate in dealing with this problem.
- o Now working on ways to develop that cooperation; need your help and advice on how best to do it.

IV. In summary the main outlines of our economic approach can be sketched in several parts.

1. After years of neglect we have addressed, and the Congress will shortly put the finishing touches to a long-run energy policy and a long-run financing scheme for social security; uncertainty over these critical parts of the economy will be largely removed.
2. We are formulating tax and budgetary policies which will:

- o stabilize and then reduce the share of Federal expenditures in GNP,
- o provide tax reform and reductions to offset the drag on the private economy from rising effective tax rates,
- o enhance the profitability of business investment by promoting stable long-term growth and providing business tax reductions,
- o avoid the inflationary excesses which come from continuing large budget deficits as the economy approaches high levels of employment and capacity utilization,
- o work with business and other private groups to reduce the very high unemployment rates of youths and minorities.

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Department of Energy
Washington, D.C. 20585

THE PRESIDENT HAS SEEN.

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December 14, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM SCHLESINGER

SUBJECT: Talking Points for Meeting with Natural Gas Conferees

Attached you will find a summary of the latest offers from the House and Senate Conferees concerning natural gas compromises.

The following are suggested talking points for your meeting.

- Of all the energy issues over the years, natural gas ranks among the most controversial and difficult to solve.
- This year both Houses have passed differing natural gas bills which are the subject of intensive discussions in conference to resolve their differences. That represents more progress toward a sorely needed reform of the natural gas regulatory system than has been made during the last 25 years.
- Events of the last several days indicate that there is some movement in both the House and Senate toward a conference resolution.
- I think it is essential that the momentum and progress to date not be lost during a lengthy recess of the natural gas conference committee.
- I, therefore, want to urge all of you to continue meeting in the conference until an agreement can be reached.
- I understand many of you may have commitments over the weekend. If agreement cannot be reached by the end of business tomorrow, I would urge you to return next week and continue your deliberations so that a resolution of this most critical piece of the energy program can be obtained before the New Year and before the lengthy Congressional recess in January.

- I have intentionally remained outside the arena in which the conferees have been deliberating. Where the issues are sufficiently narrow and when the conferees feel my views may be helpful I will be glad to consult with you as to the shape of the final proposal.

- My criteria for a responsible natural gas bill continues to be the considerations of fairness and adequate incentives which I have spelled out to you before. Both sides, I believe, have shown some recognition of the need to settle their differences by moving in this direction. I want to urge all of you to continue that process.

Status of House and Senate

Natural Gas Offers

House

Yesterday, by a vote of 16-9 the House offered the Senate the following revisions to the House-passed bill.

1. High Priced Intrastate

Grandfather all existing intrastate contracts. A high priced rollover would not be rolled back.

2. Intrastate Rollovers

Any intrastate rollover below 54¢ automatically could increase to that level; all others would stay where they are pursuant to the declining production finding in the House bill.

3. Extent of Regulation

Only producer price regulation of intrastate gas -- no other indices of regulation, including elimination of intrastate allocations except in emergencies.

4. New Gas Price

The new gas price would start at \$1.75 per Mcf and increase by 9 percent per year.

5. High Cost Gas

High cost gas would be guaranteed \$2.00 per Mcf; FERC could set higher prices. This action would be conditioned on the tax conference dropping the \$.50 per Mcf unconventional gas tax credit.

6. New Gas Definition

Stay with the House new reservoir definition.

Senate

Today, Senator Johnston attempted to make a counter offer to the House. Discussions with Senator Haskell led him to believe at one point that Senator Haskell would leave the Jackson nine and join him to provide a 10 vote majority on the Senate side for his new proposal. Haskell, however, did not do so and Johnston never had the votes to make an actual counter-offer to the Senate. He therefore laid down his proposal and no votes were taken. The House

criticized the Senate for not being able to make a specific offer because of the lack of a majority. The Johnston offer included:

1. Price Treatment of New Natural Gas

- A. New natural gas price regulation applies to both new intrastate ^{and} new interstate gas.
- B. Initial ceiling price (April 20, 1977) of 2.02/Mcf.
- C. New natural gas ceiling prices shall escalate quarterly at an annual rate of 15 percent, including inflation.

2. Price Regulation of New Natural Gas

- A. Deregulation onshore four years after the date of enactment of the Act.
- B. Deregulation offshore five years after date of enactment of the Act.

3. Presidential Safety Net

President will have the power to reimpose price regulation for one year, subject to one House veto, if he finds the actual average price for all new natural gas contracts for any quarter exceeds the last ceiling price applicable during regulation plus an annual escalation of 15 percent. If price regulation is reimposed, the ceiling prices for new natural gas shall be at the applicable ceiling price upon deregulation plus 15 percent escalation annually.

4. Non-Price Regulation of Intrastate Gas

No non-price regulation of intrastate gas.

5. New Natural Gas Definition

- A. Modify the Senate definition, which includes extensions of existing reservoirs, to allow such extensions to receive a price equal to one-half the difference between \$1.45 and new gas ceiling price.
- B. All intrastate rollovers would go to the new gas price.

Future Prospects

Senator Jackson is currently working on a proposal that would add to the House proposal's Presidential authority in 1985⁷⁰ to terminate controls pursuant to certain findings and a one-House veto, and an automatic end to controls pending Presidential action to delay that end in 1988. It is his hope to try and keep Senator Metzenbaum and pick up Senator Ford and Senators Domenici and/or Weicker to put together a group of ten to make this as a counter-offer to the House. He will be working on that prospect this evening.

It is clear that if settlement is to be reached, some form of end point like the one Senator Jackson is working on, as well as some further adjustments to the definition of new gas, are probably the key to success.

While Senator Jahnston's 15 percent inflation rate and \$2.02 starting point are probably unacceptable, the House bill together with the kind of modifications that Senator Jackson is considering would not add significantly to the impact on consumers and would put the potential for deregulation far out enough into the future so that such a resolution may be acceptable.

It is very important that through the course of the meeting you not make any commitments in terms of approval of a final product in view of your commitment to consult with consumer groups prior to any decisions.

Strategic & SALT
NATO - inc conventional
Budget - upward trend
MX - only 25m → mobile
N 74A 18 - 115 expentable
MO want 74 vs 74 EAUSB
(devel)
② 74 + AUSB
③ A18
Transient acct - end strength

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12/14/77

THE WHITE HOUSE
WASHINGTON

MX

AMST

Inc Reg's CV

AWACS

More Test & Eval before production

AU-8B vs F/A-18

F14/A7

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THE WHITE HOUSE
WASHINGTON

Jobs = H-H + 725, + 200, + 1.4m
Poor - welfare, taxes, Ed, health
Civil Rights - Justice
Red lining
Cabinet

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Cabinet -
Soc Sec

12/14/77

Access
Jobs avail

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Deficit estimates
77 \$45.5 B
FY '78 ? \$59 B.
FY 79 ? depending on
Tax cuts - could be
\$60 B

Meeting with Joint Chiefs of Staff

Meeting with Black Caucus

THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

C
/

December 14, 1977

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze

Subject: Industrial Production in November

The Federal Reserve Board will release today (December 14) at 4:00 p. m. its estimate of industrial production in November. The news is moderately favorable.

Industrial output increased 0.5 percent in November -- compared with a 0.3 percent rise in October. Auto production declined -- as the major auto producers reacted to disappointing sales of the new models. Most other major categories of industrial output showed moderate to healthy increases.

Production of business equipment continues to rise at a slow pace -- about a 5 percent annual rate since mid year, compared with an 11 percent rate in the first half. Growth of business fixed investment during the latter half of this year is weaker than we need in 1978 for continuation of a strong recovery.

The rather moderate increases in total industrial output recorded in October and November occurred against the background of substantial improvement in consumer spending. This suggests that the rate of inventory accumulation is declining significantly in the fourth quarter. If so, real GNP growth this quarter may not change much from the third quarter rate of 4.7 percent. But a reduction in inventories relative to sales would set the stage for a higher overall rate of economic growth in the first quarter of 1978.

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