

4/5/78

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THE PRESIDENT'S SCHEDULE

Wednesday - April 5, 1978

- 7:15 Dr. Zbigniew Brzezinski - The Oval Office.
- 7:45 Congressional Leaders Breakfast.
(60 min.) (Mr. Frank Moore) - First Floor Family Dining Room.
- 9:00 Drop-By Meeting with Selected
(15 min.) Members of the Senate Foreign Relations Committee. (Mr. Frank Moore).
The Cabinet Room.
- 10:30 Mr. Jody Powell - The Oval Office.
- 11:00 Vice President Walter F. Mondale, Admiral
(20 min.) Stansfield Turner, Dr. Zbigniew Brzezinski and Mr. Hamilton Jordan - The Oval Office.
- 11:45 Chairman William Miller and Mr. Ruben Mettler.
(10 min.) (Mr. Jack Watson) - The Oval Office.
- 12:00 Luncheon with Vice President Walter F.
Mondale, Secretary Michael Blumenthal,
Chairman William Miller, and Mr. Charlie
Schultze - The Roosevelt Room.
- 2:00 Video-tape Interview with "Black Perspective
(30 min.) in the News". (Mr. Jody Powell) - Map Room.
- 4:30 Drop-By Reception for Communication Workers
(15 min.) of America. (Mr. Landon Butler) - The State Floor.

THE WHITE HOUSE
WASHINGTON

April 5, 1978

The Attorney General

The attached was returned in the President's outbox today and is forwarded to you for your information. The letters were delivered by Frank Moore's office.

Rick Hutcheson

cc: Frank Moore

RE: LETTER TO CHAIRMAN RODINO

THE WHITE HOUSE
WASHINGTON

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

cc A.G. Bell

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
✓		MOORE <i>delivered v. A</i>
		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



Office of the Attorney General
Washington, D.C.

*Jone
J*

April 4, 1978

MEMORANDUM FOR THE PRESIDENT:

It would work wonders if you could write a short long-hand note to Chairman Rodino and Subcommittee Chairman Mann regarding their efforts to bring the recodification of the criminal laws to fruition. They are considering S.1437 in the Judiciary Committee in the form of H.R.6869.

Respectfully,

Griffin B. Bell
Griffin B. Bell

THE WHITE HOUSE
WASHINGTON

4-5-78

To Chairman Peter Rodino

I hope that your efforts
to recodify the U.S. Criminal
laws will be successful.

If you need help from me
or from the Attorney General,
please let me know.

Your friend

Jimmy Carter

cc: Chairman Mann

ID 780787

THE WHITE HOUSE
WASHINGTON

DATE: 05 APR 78

FOR ACTION:

INFO ONLY: STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

SUBJECT: GRIFFIN BELL MEMO RE SUGGESTED NOTE TO RODINO AND MANN
CONCERNING EFFOTS - CRIMINAL LAWS

+++++

+ RESPONSE DUE TO BERT CARP +

+ BY: +

+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

415778

erosion \rightarrow diff = uncertainty =
OPEC price \rightarrow

ENERGY - TRADE DEF. \$
177 - 1.9% 2M 18 Yrs \$338.1
ASNE speech - INFLATION
Budget - W & P. (Advice)
2x JAP 9 1986

=
PANAMA
ENERGY
AGRICULTURE

THE WHITE HOUSE
WASHINGTON

4/5/78

Partnership - CWA Reception

Comp S Diego

Primary Fla →

Gen Elect

Admin - Labor Law Reform

Tax - Panama. Jobs - Inflation
Energy

demo - stable. effective. respons.
progressive

Glenn Watts - enlightened -

Comm MHealth

4/5/78

Sen. Javits re Israel

Unity in Israel re ind Pales state
W. bk. must be secure

"242" - not unanimous

settlements - " "

Enclosure - Through, after 5 year period
not total withdrawal

If S/Eg agree, Hussein in act?

Where to go?

Begin rules by coalition. Yadin. Eilich
less messianic

General opinion - restriction on plebiscite
would not hold → determine? at
end of 5 years

Proposal: off dine re "6 no's"

1) Restraint for now

2) Send delegation to U.S. (Dayan + 2 others)

THE WHITE HOUSE
WASHINGTON

April 5, 1978

Frank Moore

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

Rick Hutcheson

CONGRESSIONAL LEADERSHIP
BREAKFAST TOPICS

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
		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

2. Energy. Still no solution.
3. Farm Bill. Conferees meeting.
4. Budget Resolution. Markup underway. Report April 15. House Floor May 2.
5. Social Security. You alerted the President February 20, March 6 and March 20 that there would be a move in the House to adjust Social Security taxes. Budget Committee today began markup of bill that includes \$7.5 billion for Social Security tax cuts to be taken from a \$19.4 billion net tax cut. The proposal is to cut the 1979 rate by one-half of one percent and reduce the base from \$22,900 to \$18,900. Democratic Caucus Wednesday will consider resolutions requesting Ways and Means and Budget Committees to use general revenue to finance part of Social Security. Chairman Ullman is talking about tying Social Security to crude oil energy taxes.
6. Alaska Lands. Reported by Interior Committee 32 to 13. Close to Administration bill. Would place 95 million acres in conservation system units. Sequential referral until May 1 to Merchant Marine Committee for Wildlife Refuge section only.
7. Airline Deregulation. Public Works subcommittee adopted Levitas substitute (13 to 11) which eliminates automatic market entry and otherwise goes against decontrol. Chairman Anderson to try reconsideration in about three weeks.
8. Foreign Affairs. Messages expected on three tough issues: (a) Turkey-Greece-Cyprus. End Turkey arms embargo. Recommend \$225 million military aid to Turkey, \$140 million military credits for Greece, (b) Recommend \$800 million in Korean withdrawal funds, and (c) recommend package deal for \$1.9 billion planes to Israel, \$400 million planes to Egypt and \$2.5 billion planes to Saudi Arabia.
9. Hospital Cost Containment. Markup in full Commerce Committee next week, if we have the votes. HEW is counting the committee.
10. Civil Service Reform. Hearings underway in Post Office Committee. Reorganization Plan not yet sent to Government Operations.
11. Welfare Reform. Waiting until after tax bill.
12. Tax Bill. Markup in mid-April. Ullman says reforms will be minimal.
13. Lobby Reform. Reported from Judiciary (voice). House Floor next week.
14. Appropriations. Subcommittee markup begins April 24. Full Committee May 22 to June 2. House Floor June 8 through 23. Eleven of thirteen regular bills will be ready. Defense and D.C. later.
15. Tuition Tax Credit. Markup in Ways and Means next week. Vanik bill-- \$100 elementary and high school; \$125 first year and \$250 thereafter for college. Middle Income Students Assistance Bill held in abeyance.
16. Urban Policy. We have the message. When can we expect legislation?
17. Preyer Committee. Financial disclosure on House Floor next week.
18. All committees have May 15 deadline for reporting any legislation that authorizes expenditures for the year beginning October 1.
19. In Conference. D.C. Appropriations, Energy, FTC Amendments, Judgeships, Overseas Private Investment Corporation.
20. Passed House: Hatch Act, Humphrey-Hawkins, Consumer Co-op Bank, Victims of Crime, Marine Mammal Protection, Waterway User Fees, Labor Law Reform, IMF Financing, Bankruptcy, D.C. Voting.

21. White House Authorization. Failed under suspension 307 to 188.

THOMAS S. FOLEY
CHAIRMAN

Democratic Caucus

SHIRLEY CHISHOLM
SECRETARY

FORMER CHAIRMEN

PHILLIP BURTON (CALIF.)
OLIN TEAGUE (TEX.)
DAN ROSTENKOWSKI (ILL.)
EUGENE KEOGH (N.Y.)
ALBERT THOMAS (TEX.)
FRANCIS WALTER (PA.)
MELVIN PRICE (PA.)
JOHN ROONEY (N.Y.)
WILBUR MILLS (ARK.)
JERE COOPER (TENN.)
AIME FORAND (R.I.)
HARRY SHEPPARD (CALIF.)
RICHARD DUNCAN (MO.)
JOHN MCCORMACK (MASS.)
ROBERT DOUGHTON (N.C.)
EDWARD TAYLOR (COLO.)
CLARENCE LEA (CALIF.)
WILLIAM ARNOLD (ILL.)
DAVID KINCHELOE (KY.)
ARTHUR GREENWOOD (IND.)
CHARLES CARTER (OKLA.)
HENRY RAINEY (ILL.)
SAM RAYBURN (TEX.)
ARTHUR DEWALT (PA.)
E. W. SAUNDERS (VA.)
A. MITCHELL PALMER (PA.)
ALBERT BURLESON (TEX.)

U.S. House of Representatives

1109 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-9141

March 17, 1978

IMPORTANT NOTICE

IMPORTANT NOTICE

Dear Colleague:

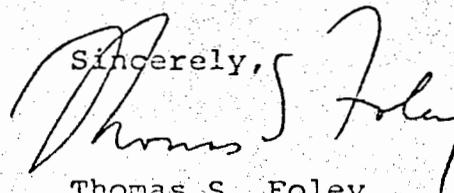
You are hereby notified that in response to a request submitted on March 14, 1978 by Mr. Miller of California, Mr. Stark of California and more than 50 Members, and to an identical request by Mr. Burke of Massachusetts and more than 50 Members on March 15, 1978, there will be a special meeting of the Democratic Caucus on Wednesday, April 5, 1978 at 9:00 a.m. in the Hall of the House of Representatives.

The agenda will consist of the identical resolution submitted in both petitions:

Resolved, that it is the sense of the Democratic Caucus that legislation be enacted this year to provide for the use of general revenue funds to finance a portion of the social security system with appropriate reductions in social security payroll taxes to reflect the use of such funds.

Resolved, further, that the Democratic Members of the House Ways and Means Committee are hereby requested to report such legislation as soon as possible, in order that legislation can be enacted before the end of the 2nd session of the 95th Congress, and the Democratic Members of the House Budget Committee are requested to adjust the First Concurrent Resolution on the FY 1979 Budget to reflect the use of general revenues to finance a portion of the social security system.

Sincerely,



Thomas S. Foley
Chairman

THE WHITE HOUSE
WASHINGTON

April 5, 1978

Frank Moore

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

Rick Hutcheson

RE: TELEPHONE CALLS - SEN. JAVITS
AND JACKSON

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
		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

Electronic Copy Made
for Preservation Purposes

THE PRESIDENT HAS SEEN.

Frank J.

THE WHITE HOUSE
WASHINGTON

April 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *F.M./pd*

SUBJECT:

TELEPHONE CALLS - SEN. JACOB JAVITS
and SEN. HENRY JACKSON

- 1. Senator Javits called me upon his return to New York from Israel, Greece and Turkey. He had talked with all of the actors in the above countries. I asked the Vice President to call Javits about Greek-Turkey. However, Javits either expects a meeting with you or a telephone call to give you a report on his visit with Israeli officials. He told me that he talked with them like a Dutch uncle and a subsequent cable from Ambassador Sam Lewis confirms this.

done

I suggest that you call Javits and expect a 10-15 minute conversation and report from him.

- 2. Senator Jackson will probably call you today to urge you to call in Congressman John Dingell (D-Mich.) and get him straight on the energy bill. Jackson is taking the position that the Senate bill is perfect and if we give Dingell some small bone that he can claim credit for, the natural gas conference will be completed in two weeks. Jackson will probably also say that he wants to wind it up in two weeks or to say to hell with it. You should tell him that this is your private feeling also, but that we should not put a public two-week deadline on it. Since they are relatively close, to quit because the deadline was not met would be disastrous internationally for the dollar and domestically for both the Congressional Democrats and the President.

did not call

A detailed memorandum on natural gas will follow.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 4, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: LONDON BUTLER 

SUBJECT: RECEPTION FOR CWA

DATE: Wednesday, April 5, 1978

TIME: 4:30pm

LOCATION: East Room

I. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background:
CWA is holding its annual Legislative/Political Conference in which all CWA board members, Washington and district staffers and local delegates participate. Approximately 700 delegates are in Washington for the Conference. Among their other activities, CWA delegates will be lobbying for labor law reform while they are in Washington.
- B. Participants:
All delegates to the Conference have been invited to the White House. Glenn Watts also will attend the reception and will walk with you from the Oval Office to the East Room.
- C. Press Plan:
The reception will not be covered by the press. CWA and White House photographers will be present.

II. TALKING POINTS

Talking points will be provided by Jim Fallows.

TALKING POINTS

THE WHITE HOUSE

WASHINGTON

April 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS
RICK HERTZBERG **RH**

SUBJECT: Communications Workers of America reception

Background

The CWA was founded in 1938, so this is its 40th anniversary year. The union's 600,000 members--most of them in the telephone industry--are as typical a cross-section of Americans as can be found in any union. Glenn Watts, national president since 1974, grew up in the District of Columbia and is one of your firmest supporters in the labor movement (see attached column from the CWA News).

Talking points

1. The CWA gave you a fine reception when you appeared at their convention in San Diego in 1975, and they have given you valuable support since, as a candidate and as President. You could thank them for this.
2. The CWA is an outstanding example of the kind of trade unionism that serves the country well. It is democratic, stable, responsible, and progressive.
3. President Glenn Watts is a friend. He serves on the President's Commission on Mental Health. You might particularly thank him for his courageous leadership in supporting the Panama Canal treaties. You and he still have a lot of work to do together--on energy, tax reform, the second Canal treaty, and in the difficult fight to get Americans back to work without crippling inflation.
4. You might say that you are strongly committed to labor law reform, which has already passed the House by almost 100 votes. It will reach the Senate floor in late May or early June. A filibuster is likely. But you are optimistic about its chances and you will fight hard for it.

Feedback

'You Get What You Pay For'

Two years ago the members of Local 2108 took the steps necessary to properly fund our local union. Now, the national union is facing the problem we faced two years ago. As of today, our national union is \$3.3 million in debt.

What can be done? The most logical answer would be to cut services, but which ones? Some very important ones have been cut. The organizing budget has been cut by 50 percent. The education budget by 25 percent, and even the budget for *CWA News* was cut by 33 percent. Arbitration? The local presidents and membership would crucify Glenn Watts if they cut arbitration funds. It's the only way we have to protect the member who is right when the company arches its back.

Again the question, what can be done? The Finance Committee of CWA has made a proposal that would, on a continuing basis, adequately fund the union. Its proposal is as follows: Two hours dues per member per month. These monies would be proportioned accordingly; 55 percent for the local, 41 percent for the national, and 4 percent for the defense fund.

How would this proposal affect us? It would result in a decrease in dues for 35.1 percent of our members. For top craft, dues would be increased 99 cents per week. A Grade III clerk would receive a 26-cents-per-week reduction.

I believe the real answer to the question, "How will it affect me?" is, in a very positive manner, you get what you pay for, and the national union has done a damned good job with too damned little for too damned long.

Gerard A. Belanger
President
CWA Local 2108
Silver Spring, Md.

Letters submitted to Feedback must be signed, and must list the writer's mailing address. Send to CWA News-Feedback, 1925 K St., N.W., Washington, D.C. 20006. Letters are selected for general interest, and may be edited for length.

Communiqué

by Glenn E. Watts, President



We Have a Winner in the White House

Jimmy Carter occupies what has been described as the most powerful office in the world.

But, he is a President whose hands are being tied by a Congress that just does not seem to fit into the "mold" that we had created in our "mind's eye."

The 95th Congress of the United States, now into its second session, has proven itself to fit into a mold based on unpredictability.

Even the leadership in the House and the Senate has, from time to time, admitted that it is baffled with this Congress.

President Carter must be commended for his proposals, his efforts and many of his programs at this juncture in his term; at the same time, the Congress must be taken to task for what it has failed to do.

Personally, I find it a distressing situation when I hear a man of national prominence make a glib jest characterizing Carter's performance to date as "C-minus." Yet, that is exactly the phrase that AFL-CIO President George Meany used at a recent press conference.

We—the working people of the nation—have a friend in the White House, a leader who has the best interests of the American people foremost in his mind.

Jimmy Carter has proposed many, many programs to the Congress and to the country that would help the American people. He cannot be blamed for a recalcitrant Congress that balks and twitches, or, a labor movement that fails to accurately read the mood of Congress, as in the situs picketing legislation, and therefore fails to conduct the kind of lobbying job that was needed.

Let's look at some specifics:

- **Jobs**—Since Jan. 20, 1977, when Jimmy Carter took office, the unemployment figure has dropped drastically—from 7.4 percent to 6.1 percent. Our economy has performed miraculously—largely because of Carter administration initiatives—and today there are at least 3.7 million more jobs in America than there were when Carter took office.

- **Taxes**—Jimmy Carter has not reached the high ideals that CWA, the AFL-CIO nor organized labor in general had in mind. The fact is that we don't like Carter's recommendations on tax cuts for business and we don't think his recommendations make good political sense, because President Carter should never expect enthusiastic support from the business community. Still, the \$16.5 billion tax cut for individuals being recommended by Carter is impressive.

- **Minimum wages**—The new minimum wage bill far and away surpasses the tentative steps taken in the past, and the Carter Administration worked vigorously to bring about its passage into law.

- **International affairs**—The United States today is at peace; that isn't a promise, but a fact. Not only that, but the Carter Administration has moved constructively to ease tension in the Middle East and to awaken the Soviet Union and other nations to a humanitarian view of the rights of people.

We have lost on some issues—notably situs picketing and consumer protection—but not because Jimmy Carter failed or we failed. We lost, because somehow, we have not yet learned to unscramble the complexities of the 95th Congress.

But, we—the union members, the working people and the citizens of the United States—have a winner in the White House. We have a President who cares about the best that this nation can offer. And, after the ravages that we, as a people, have gone through in the past, we should be grateful to have a caring, considerate and concerned President at 1600 Pennsylvania Avenue.

THE PRESIDENT HAS SEEN:

THE WHITE HOUSE

WASHINGTON

April 4, 1978

MEETING WITH SELECTED MEMBERS OF
SENATE FOREIGN RELATIONS COMMITTEE

Wednesday, April 5, 1978

9:00 a.m. (15 minutes)

Cabinet Room

From: Frank Moore *f.m./pd*

I. PURPOSE

To brief the Senators on various aspects of your recent trip to South America and Africa.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: We believe it is useful for you to sit down with key Foreign Relations Committee Senators as soon after your return from a foreign trip as possible to brief them. It gives you the opportunity to brief them while events are still fresh in your mind. The Senators attending are the two senior Democrats and Republicans on the Committee, the ranking Members on Latin American and African Subcommittees, Senator Baker and Senator Byrd.

B. Participants: The President, Senator Byrd, Senator Baker, Senator Church, Senator Clark, Senator Sarbanes, Senator Stone, Senator Case, Senator Javits, Senator Pearson, Frank Moore, Bob Thomson, Bob Beckel, Madeline Albright.

C. Press Plan: White House Photo only.

III. TALKING POINTS

1. The meeting will provide you an opportunity to discuss and justify our policy toward the situation in Zimbabwe. The State Department feels this should be the major topic discussed.
2. As for the South American portion of the trip, you should be sure to emphasize the importance Venezuelan and Brazilian leaders attach to the Panama Canal Treaties.

IV. ADDITIONAL INFORMATION

The following is additional background information on the Senators serving on the Subcommittees of the Senate Foreign Relations Committee:

- Senator Church - Foreign Economic Policy, Chairman
Western Hemisphere Affairs
Foreign Assistance
- Senator Clark - Foreign Economic Policy
African Affairs, Chairman
Foreign Assistance
- Senator Sarbanes - Foreign Economic Policy
Western Hemisphere Affairs, Chairman
Near Eastern & South Asian Affairs
- Senator Stone - East Asian & Pacific Affairs
Western Hemisphere Affairs
Near Eastern & South Asian Affairs
- Senator Case - European Affairs
Western Hemisphere Affairs
Foreign Assistance
- Senator Javits - Foreign Economic Policy
Western Hemisphere Affairs
Foreign Assistance
- Senator Pearson - Foreign Economic Policy
East Asian and Pacific Affairs
African Affairs

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 4, 1978

CONGRESSIONAL LEADERSHIP BREAKFAST

Wednesday, April 5, 1978

7:45 a.m. (one hour)

Family Dining Room

From: Frank Moore *F.M./pdc*

I. PRESS PLAN

White House Photo Only

II. PARTICIPANTS

See Attached list

III. AGENDA

1. Energy. You have received a more detailed memorandum on the energy conference from Jim Schlesinger and me earlier today. You should stress with the leadership that the energy bill is still your #1 piece of domestic legislation and that the success of the Congress and the Executive Branch in dealing with the energy bill has substantial international implications.

The conferees for the two Houses have narrowed their differences substantially. The natural gas bill now appears to be key since most members have indicated that the energy tax conference will not make any significant progress until after the gas issue is resolved.

2. Farm Legislation. The provisions tentatively agreed to by the Conference Committee will involve significant costs to the government, will increase consumer prices, could substantially reduce our agricultural exports and thus worsen our balance of payments position. The best opportunity to defeat the legislation will be on the House floor and you should ask the cooperation of Cong. Foley and the leadership in helping us stop this legislation on the floor.

3. White House Authorization. The White House authorization bill failed to get the necessary 2/3 vote today under a suspension of the rules. You should ask the Speaker for guidance as to how we should proceed from here. It is important to move this bill as soon as possible.

4. Secretary Blumenthal will be submitting a paper for you on the state of the dollar.

It would appear that the number one problem with which Members were confronted over the Easter recess is inflation.

Dr. Brzezinski will be leaving the breakfast early (8:30 a.m.) so that he can begin briefing Members of the Senate Foreign Relations Committee in the Cabinet Room prior to your arrival at 9:00 a.m.

You need to adjourn the breakfast at 8:45 a.m. The Democrats are caucusing on the Hill at 9:00 a.m.

PARTICIPANTS

The President

The Vice President

Secretary Schlesinger

Secretary Blumenthal

Dr. Brzezinski

Charles Schultze

Majority Leader Byrd

Senator Cranston

Senator Inouye

Speaker O'Neill

Cong. Wright

Cong. Brademas

Cong. Foley

Cong. Rostenkowski

Cong. Chisholm

John White

Jody Powell

Frank Moore

Dan Tate

Bob Thomson

Bill Cable

Jim Free

Bill Smith



THE SECRETARY OF THE TREASURY
WASHINGTON

April 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: W. Michael Blumenthal **WMB**
Charles L. Schultze **CLS**

SUBJECT: Talking points on the dollar, energy and inflation for
breakfast meeting with Congressional leadership,
April 5, 1978

As we discussed with you today, tomorrow morning's leadership breakfast provides a good opportunity to seek Congressional support for your impending actions on energy and inflation, and to set these actions in the context of the dollar problem. We suggest you lead off with the following remarks, after which we and Jim Schlesinger could emphasize further the gravity of our energy and economic problems. You should emphasize the very serious character of these concerns. Suggested talking points follow:

Speech

- Next week, I will be making an important speech on the inflation, energy, and dollar problems. I will make clear that strong actions on the energy and inflation fronts are now needed. The dollar problem urgently requires that we work on these "fundamentals."
- I would appreciate your advice and suggestions on these matters. Our action program is still in formulation.
- And I will need your support for this program. It involves difficult and sometimes painful decisions. We can meet the dollar problem as a nation only if you and I work together constructively on it.

The Dollar

- The dollar situation is very serious. In recent months, the dollar's depreciation against major currencies has accelerated and the foreign exchange markets have become increasingly disorderly.
- In 1977 the dollar depreciated 10.7% against the German mark, 18.0% against the Swiss franc, and 18.2% against

the Japanese yen. To date this year the figures are 4.5% for the mark, 6.9% for the Swiss franc and 8.6% for the yen.

-- Continued depreciation of this magnitude could have serious implications:

- a. domestic inflationary pressures would intensify. A depreciating dollar raises domestic prices (the dollar's depreciation to date in 1978 alone is projected to raise prices by about 1/2 of 1% by the end of the year). Depreciation-induced inflation might have a snowballing effect, leading to further adverse consequences which would hamper our economic growth;
- b. the dollar's continuing decline would further erode business confidence and dampen badly needed private investment flows, adversely affecting employment;
- c. dollar's fall will lead to tightening financial markets, which could choke off the recovery;
- d. OPEC might either raise prices directly or begin to denominate them in non-U.S. currencies. Either action would have a seriously adverse impact on the U.S. and World economy;
- e. U.S. leadership abroad in economic policy and foreign affairs would suffer. The dollar's problems have already complicated our relations with the Germans and the Japanese. With further dollar weakness, the trade negotiations would probably fail; and the North/South dialogue would deteriorate.
- f. finally, any new and sudden declines in dollar's value could trigger a major international financial crisis.

-- In short, the dollar problem involves serious risks to our national security.

-- We cannot forever prop up the dollar by selling DM (i.e. by intervention) so long as our trade deficit

mushrooms and inflation continues at a 6-7% rate.
Intervention in face of these fundamental defects is
very expensive. Since the dollar came under pressure
in 1977, the U.S. and its trade partners have purchased
\$33 billion, but still the markets remain turbulent and
the dollar has declined dramatically. On the day the
February trade deficit figure (\$4.5 billion) was
released, the U.S. intervened forcefully and yet in
less than two hours the dollar fell 1.5% against both
the Yen and the DM, and 2% against the Swiss franc.

- We must act now on energy imports, export policy, and
inflation. Delay will require much more drastic and
painful action later on.

Energy Imports and Export Policy

- Our massive trade deficit is the chief source of the
dollar's weakness.
- Our dangerous shift from energy independence to 50%
reliance on oil imports lies at heart of the trade
imbalance. Our \$45 billion in oil imports last year
led to our \$31 billion trade deficit, which is
continuing this year at that rate, or more.
- This import subsidy simply must stop.
- Energy Bill - in particular COET - will end this oil
import subsidy in the fairest possible way, through
taxing domestic oil to raise domestic prices to world
levels and rebating proceeds to citizens.
- I remain committed to COET as the best, long-term
solution to our domestic pricing problem. I appeal to
you to make new, urgent efforts at passage. I need
your help, and I offer mine to you.
- In the interim, I may be forced by the dollar situation
to take emergency action to reduce or end the oil
import subsidy by raising domestic oil prices toward or
to world levels. I have directed my advisors to
prepare all necessary technical work for such action.
- I need your advice on the administrative options open

to me, which center on an oil import fee or an oil import quota.

- If circumstances force me to take such action, I will need your help and support.
- Any administrative action will be only a stop-gap measure, to be removed when COET is implemented.
- On several energy matters, I would appreciate your judgments and advice:
 - a. Should we consider an oil swap with Japan involving Alaskan oil, in view of the West Coast oil glut? (Some North Slope companies believe they could lift more Alaskan oil if a market were made available.)
 - b. Can COET be passed expeditiously? How can I help you on it?
 - c. How should COET revenues be rebated?
- In speech, I will also touch on need to develop a coherent export policy within the government. There are no miracles we can work here, but we can begin to think through long term methods to improve the export side of the trade balance. I would like your suggestions on this effort.

Inflation

- Second source of dollar's weakness is our inflation rate, which is at least double those in Germany and Japan and, unlike theirs, has been rising.
- CPI in 1978 (fourth quarter over fourth quarter of 1977) now looks to be closer to 7%, rather than 6% we forecast in January.
- Fall of dollar and escalating food prices are the main, recent source of this rise, but by 1979, we will also have to watch closely for resurgence of demand inflation in some areas.
- If in fact inflation fails to decelerate or starts

rising, financial markets will tighten, threatening recovery. And downside pressure on the dollar will continue.

- We must act now, on all fronts, to bring down the inflation rate, or we will face very unpleasant choices later on.
- I will call for a vigorous but voluntary campaign to decelerate wage and price rises. Not suggesting controls, which no one in the country wants and which would cripple efficiency of our economy. Voluntary campaign will need your active support.
- As prelude, I will announce series of actions the government can take as its own contribution to anti-inflation effort. For example:
 - deceleration in federal pay, and plea to state and local governments to do the same
 - increased timber harvests
 - new scrutiny of economic costs of regulations.
- Also, I will make a firm statement to hold the line on spending and tax reductions. Few want a bigger deficit, but we all are facing extreme pressures that could push us to \$65 or \$70 billion in FY 1979. This would be very dangerous. If opportunity develops (e.g. shortfalls), we should not make up the shortfall in new or expanded programs. I am most concerned that the budget deficit not be increased beyond the \$60 billion in the Administration's January budget. I don't want to get into veto situations, but will not hesitate to use vetos to hold the line. The country is looking to you -- the leadership -- to stand firm here. I will help all I can.

THE WHITE HOUSE

WASHINGTON

April 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM

JIM SCHLESINGER
STU EIZENSTAT



SUBJECT

TALKING POINTS FOR LEADERSHIP BREAKFAST

Mike Blumenthal has prepared a detailed series of talking points for your breakfast with the Congressional leadership. We recommend that you stick basically to the following points:

- o The continued decline of the dollar in international money markets poses a severe threat to the health of the U.S. economy. The consequences of the erosion of the dollar are serious:
 - intensified inflationary pressures at home
 - an increase in business uncertainty resulting in a dampening of private investment
 - tightening financial markets which threatens economic recovery
 - increased pressures for an OPEC price increase and/or a denomination of OPEC prices in other currencies
 - serious strain on U.S. leadership in international economic and foreign policy
 - increasing risk of major international financial crisis
- o Throughout my recent trip, foreign leaders repeated their deep concern about the massive U.S. trade deficit, the stability of the dollar, and our lack of a comprehensive energy plan.
- o It is clear to me that enactment of all five parts of the national energy legislation is the most direct action we as a country can take to move to correct the increasingly serious dollar situation. But I also believe that I must be able to act if the international situation forces me to respond.

- o ~~Until enactment of the energy bill, we do not have a wide range of options in dealing with the oil import problem. I continue to believe that action on energy prices, including natural gas and the crude oil equalization tax is essential and must be taken promptly. I need your help, and your advice on how I can best assist you.~~
- o I am reluctant to act administratively. However, I have felt compelled to direct the Department of Energy to prepare contingency plans for administrative action should a worsening situation with the dollar force me to consider taking action.

(Note: your comments should stress that administrative actions such as import fees or quotas would be based upon the international economic situation and the dollar, not upon Congressional action or inaction on the energy bill per se. Using fees too bluntly as a club to force Congressional action is likely to backfire.)

- o In addition to trade imbalances, inflation is an important contributor to the instability of the dollar. Next week I intend to make a major statement which will include:
 - a vigorous but voluntary campaign to decelerate wage and price rises. The recent decision by steel companies to moderate price increases was encouraging in this regard.
 - companion deceleration of federal pay increases, and a request to state and local governments that they follow suit.
 - new scrutiny of economic costs of regulations.
 - a strong effort to hold the budget line. (The farm bill coming out of House/Senate Conference Committee is totally unacceptable -- inflationary [increasing consumer costs \$2 to \$3 billion], bad for farm exports, excessive in budget costs [\$1.5 to \$4 billion over two years depending on weather], and in the long run destructive of our farm system.)

We believe that you should avoid the following areas in discussion with the leadership:

- o The question of an oil swap with Japan. Senator Jackson and Congressman Dingell are the major actors

page three

on this issue but will not be present at the breakfast.
~~We believe that you should ask Jim Schlesinger to~~
begin discussions of this option with Jackson and
Dingell.

- o Any detailed discussion of import fees or quotas.

Finally, with respect to inflation, we do not believe that any reference you might make to the budget should be tied to a specific dollar amount. A statement about holding the line on the budget would be helpful, but any very specific statement should be carefully staffed out by OMB in advance.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

April 4, 1978

MEMORANDUM FOR THE PRESIDENT

From: Walt Wurfe *WW*

Re: Your 2 p.m. Wednesday TV interview with Black Perspective
in the News

This 30-minute videotaping will occur in the Map Room. The format is Q&A. Questioners will be Reginald Bryant (host), Vernon Jarrett of the Chicago Tribune and Claude Lewis of the Philadelphia Bulletin.

The show will provide a good forum to discuss both the Africa trip and specific aspects of your domestic policy. Attached are talking points on urban policy, civil rights and civil service reform.

You appeared twice on this show as a candidate. We are told that never before has a President been questioned on nationwide television by an all-black panel.

PBS will feed the show for use on the network of 200 stations on Saturday evening. At Bryant's request we will release a transcript to the White House press at 9 a.m. Friday, in advance of the broadcast.

BLACK PERSPECTIVE ON THE NEWS

THE WHITE HOUSE

WASHINGTON

April 4, 1978

MEMORANDUM TO: THE PRESIDENT

FROM: STU EIZENSTAT
DAVID RUBENSTEIN *D.R.*
KURT SCHMOKE

SUBJECT: Talking points for TV interview
with Black Perspective in the News

.A. Urban Policy

1. The policy, which was well received by many Black leaders,
 - o reflects my total commitment to conserve and revitalize a great national resource--our urban areas;
 - o recognizes the importance of a comprehensive approach to our urban problems;
 - o establishes a new partnership of all levels of government with our private sector and our citizens in their communities and neighborhoods.

2. The policy involves three major areas of activity:
 - o substantial programmatic increases already made (for example, the 25 percent increase--from \$68 billion to \$85 billion--in total assistance to State and local governments; the UDAG program; 150 percent increase in public service jobs);
 - o complete reorientation of Federal activities to make certain they support our urban goals (more than 150 changes will be made as a

result of the review of existing Federal programs; two important changes will lead to the tripling of procurement for minority businesses--to more than \$3 billion by the end of 1979--and the development of goals and timetables by all agencies for minority participation in their grants and contracts--similar to the 10 percent set-aside in the local public works program);

o new initiatives designed to help urban areas fiscally and economically and to help their residents meet human and social needs; among the major new initiatives are:

- a \$1 billion-a-year program for labor-intensive, "soft" public works; half of the jobs would be for long-term unemployed and disadvantaged workers referred through the CETA system;
- targetted employment tax credit, designed to encourage employers to hire young CETA-referred workers; employers would receive a \$2,000 credit the first year and a \$1,500 credit the second year;
- investment tax credit of 5 additional percentage points to firms locating in distressed communities;
- a National Development Bank to provide grants and loans to firms locating in urban areas;
- a neighborhood self-help fund to provide assistance to neighborhood and voluntary organizations for specific housing and revitalization projects;
- urban volunteer corps (in ACTION);
- a \$150 million increase in the Title XX social service grant program;
- urban parks and recreation program.

3. The job of revitalizing our cities will not be done overnight; nor are the problems which have developed over generations likely to be reversed in my term. But the Urban Policy marks a turning point, for the Federal government is now committed for the first time to the long-term goal of making American cities more attractive places in which to work and to live, and helping the people who live in them lead happier and more useful lives.

B. Civil Rights Reform

1. Like the Urban Policy, the Equal Opportunity Reorganization has been well received by Black leaders. The proposed reform is the most important improvement in civil rights enforcement in a decade and will ensure that our equal employment laws are strictly and properly enforced.
2. Proposed reorganization, which Congress is still considering under the Reorganization Authority Act, will largely consolidate enforcement of equal opportunity laws in the EEOC which is now chaired by one of my finest appointments-- Eleanor Holmes Norton. Since taking office, Eleanor has completely rejuvenated a once ineffective and poorly organized agency. She has made enormous strides in eliminating the EEOC's substantial backlog and has begun to make the agency a model enforcement agency.
3. The reforms I propose will enable EEOC to become the strong and fair enforcement agency that was intended by the 1964 Civil Rights Act.

C. Civil Service Reform

1. The civil service reorganization and reform will be the centerpiece in my efforts to reorganize and improve the operation of our government; it will provide greater incentives to Federal employees to do outstanding jobs, and it will provide greater flexibility to those managing the Federal government.

2. Many minorities and women will be particularly helped by that part of the reform involving the reduction of existing veterans' preferences. Currently, veterans are given lifetime preferences in hiring, which often results in equally qualified women and minorities being denied opportunities. The reform will attempt, in hiring and in reductions in force, to remove some of the disadvantages now faced by minorities and women in Federal employment.

D. Other Administration Actions Likely to be of Interest to the Audience

1. Since I took office, unemployment has dropped from 7.8 percent to 6.2 percent; Black unemployment has fallen from about 13.5 percent to 12 percent. While the Black unemployment rate, particularly among Black youth, is disturbingly high, improvement has been made in the last 15 months, and indications are that we will continue to make progress in reducing unemployment.
2. I endorsed, and am working to secure passage of the Humphrey-Hawkins Full Employment Bill. I am hopeful that we will see passage of this landmark employment bill by the end of this year.
3. I proposed a "Better Jobs and Income Program" which would completely reform the nation's welfare system and would create 1.4 million public service jobs by 1981.
4. In the landmark BAKKE case, the Administration filed a brief in strong support of affirmative action programs.
5. Since the beginning of last year, we have increased public service jobs to the highest level since the Second World War; we now have about 750,000 CETA employees. This year we will begin to provide additional incentives to private sector employers to encourage them to hire young and disadvantaged individuals. I will soon be hosting a meeting at the White House for some of the nation's outstanding corporate leaders to encourage them to participate in a new \$400 million private sector jobs initiative, which was designed to employ minority youth.

11:45 AM

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

April 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Meeting with Ruben Mettler, William Miller,
and Ray Marshall Wednesday, April 5, 1978
11:45 to 11:55 a.m. Oval Office

The purpose of this meeting is for you to meet Ruben Mettler, Chief Executive Officer of TRW, and to ask him to serve as Chairman of the National Alliance of Businessmen and Chairman of the HIRE Program.

Mettler replaces William Miller and was the unanimous choice of Secretaries Marshall, Kreps, and Blumenthal; and of Miller, Stu and myself. You should ask him to accept these responsibilities along with leadership of the business community in our new Private Sector Initiative.

As you know, we are asking Congress for 400 million in FY 1979 and a new Title 7 on the CETA reauthorization legislation to carry out the Private Sector Initiative. Under the program each of the 445 CETA prime sponsors would be asked to designate the membership of a Private Industry Council (PIC). NAB's 120 local units could be designated by the mayors if they chose to do so. The PICs would be responsible for finding jobs and training opportunities in the private sector for disadvantaged workers. NAB is responsible for providing national leadership and technical assistance to local business communities.

You should thank Mettler for the support NAB is giving us in securing Congressional approval for Title 7. Subcommittee mark-ups in the House and Senate will be within the next few weeks. A White House "send off" for the Private Sector Initiative is planned upon approval by Congress (at the subcommittee level) of Title 7 in the CETA reauthorization.

Ruben F. Mettler
Chairman and Chief Executive Officer
TRW, Inc.
23555 Euclid Avenue
Cleveland, Ohio

Born in Shafter, California, February 23, 1924

Education

Ph. D. in Electrical and Aeronautical Engineering from California Institute of Technology - 1949

Experience

1969 - Present

Chairman and Chief Executive Officer, TRW, Inc.
Director, Bank of America, San Francisco, California
Vice Chairman, Defense Industry Advisory Council, Washington, D. C.
Board Member, Advisors, Council for Financial Aid to Education, Washington, D. C.
Chairman, President's Science Policy Task Force, Washington, D. C.
Member, Emergency Commission of American Trade, Washington, D. C.
Trustee, California Institute of Technology
Board of Directors, Greater Los Angeles Urban
Board of Directors, Merck & Company, Inc., Rahway, N. J.

1965 - 1969

Executive Vice President and Director, TRW, Inc. (formerly Thompson Ramo Wooldridge, Inc.) - 1965-1968. Assistant President, TRW, 1968-1969.
President, 1969

1958

President and Director Space Technical Laboratories, Inc.

1955 - 1958

Assistant General Manager, Guided Missile Research Division of Ramo Wooldridge Corporation

1954 - 1955

Special Consultant to Assistant Secretary of Defense

Memberships and Affiliations

Member, Business Roundtable
Member, Company Pledge Under Voluntary Program
Member, National Alliance of Businessmen

Also served in the United States Naval Reserve

THE WHITE HOUSE
WASHINGTON
April 5, 1978

Frank Moore

The attached was returned in the
President's outbox today and is
forwarded to you for your informa-
tion.

Rick Hutcheson

CALL TO MO UDALL

THE WHITE HOUSE
WASHINGTON

done
J

CONGRESSIONAL TELEPHONE CALL

TO: Cong. Mo Udall (D-Ariz.)

DATE: Wednesday, April 5

RECOMMENDED BY: Frank Moore *S.M./pud.*

PURPOSE: To wish him a speedy recovery

BACKGROUND: Cong. Udall is in Bethesda Naval Hospital where he underwent emergency surgery last night with a ruptured appendix.

The hospital indicated he would be able to accept a call today.
Telephone - 295-0873

Date of Submission: April 5, 1978

THE WHITE HOUSE
WASHINGTON

April 5, 1978

Frank Moore

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

Rick Hutcheson

cc: Bob Linder



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

April 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *Jim*

SUBJECT: Reorganization Plan No. 1 of 1978

*Susan -
Typo in each
letter
(P1)*

Attached is the letter to Senators Ribicoff and Percy indicating that we are prepared to delay the implementation of Section 3 of the Civil Rights Reorganization Plan from October 1, 1978, to as late as January 1, 1979. As you requested, the letter has been drafted in a positive tone.

Since our meeting with you, we have been advised that Congressman Brooks does not favor the amendment to the Plan we discussed with you. The amendment might have a positive impact on some members of the Senate but Senators Percy and Ribicoff probably are more interested in the proposed implementation delay than in the amendment. Given this lack of strong support on the Senate side, we do not believe that the benefits to be obtained from introducing the amendment outweigh the opposition of Congressman Brooks.

Consequently, I recommend that we not offer the amendment.

TWO SIGNATURES ARE REQUESTED

THE WHITE HOUSE

WASHINGTON

To Senator Charles Percy

I have read your letter of April 3 expressing concern over the provision of Reorganization Plan No. 1 of 1978 that transfers from the Civil Service Commission to the Equal Employment Opportunity Commission the authority to review employment discrimination complaints of Federal employees.

I believe that the Committee and I have the same goal: to create a fair, effective and efficient system for insuring that Federal employees are free from discrimination. I also understand your suggestion that further study of this issue is necessary and your recommendation that it take place in connection with the civil service reform legislation now pending before your Committee. You indicate that you expect Congress to complete action on this legislation by the end of the 95th Congress. To facilitate the study that you propose, you request that the transfer from the Civil Service Commission to the EEOC be delayed to October 1, 1979 from October 1, 1978, the date I stipulated in my message accompanying transmission of the Plan to the Congress.

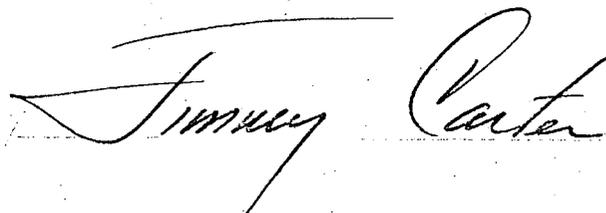
The development of the Plan has represented a significant cooperative effort between your Committee and members of my Administration. As you know, Section 3(b) was included in the Plan to meet concerns expressed by your Committee.

I agree that we should continue our cooperative efforts while the civil service reform legislation is being considered by your Committee. While I feel we should move as rapidly as possible to eliminate discrimination in the Federal service, I understand your concerns and I agree to delay implementation of Section 3 if legislation providing a more effective means for handling the employment discrimination complaints of Federal employees is enacted during the 95th Congress. Thus, rather than

implementing Section 3 on October 1, 1978, as I have proposed, I am prepared to delay implementation until as late as January 1, 1979, to accommodate legislative action.

It is of great importance to me that the Committee vote affirmatively for the Plan and that consistent and strong advocates of civil rights such as you and Senator Ribicoff defend the Plan on the Senate Floor. I hope that the assurances I have provided in this letter will ensure the support of you and your Committee for Reorganization Plan No. 1.

Sincerely,

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

The Honorable Charles H. Percy
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON

①

MR. President

We have had some
cancellations this morning on
the trip briefing at 9:00
because of the Hatch Amendment
to the Treaties. Attendees
are Case, Stevens (replacing Baker)
and Stone. Clark is expected.

Bob Thomson

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

C

April 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze ^{CS}

SUBJECT: Meeting with Economic Advisers and Federal Reserve Board Chairman (Quadriad)

I have discussed with Chairman Miller the following proposed agenda for the Quadriad meeting on April 5:

1. Assessment of the current domestic outlook, with particular emphasis on inflation prospects, and the range of options for Administration policy in view of heightened concerns about inflation. This might include
 - o an assessment of the prospects for inflation, how these have changed in recent months, and how they are viewed by the public;
 - o a discussion of the range of options under active consideration for steps by the Administration to strengthen the anti-inflation policy, including budget policy and other specific measures in the anti-inflation package.
2. Probable developments in financial markets and implications of the outlook for monetary policy in the near-term future. This might include
 - o a discussion of prospects for interest rates and the monetary aggregates, given current Federal Reserve policy and the current economic outlook;
 - o an exploration of the pressures imposed on monetary policy by foreign exchange developments;
 - o a discussion of the possible implications for monetary policy of the Administration's anti-inflation policy.

3. Any additional matters that participants may wish to raise.

I am attaching, for your use, a background paper on the agenda items and a tentative list of the items proposed for inclusion in your anti-inflation speech.

Attachments

cc: Vice President Mondale

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 4, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze ^{CLS}

Subject: Background for the Quadriad Meeting on April 5

This meeting with your economic advisers and the Federal Reserve Board Chairman is the first following Bill Miller's swearing-in. I expect that he will be somewhat more forthcoming in discussion of current issues relating to the interaction of monetary and fiscal policies than Chairman Burns was. This is based, in part, on his interest in discussing with us, in advance, the agenda that we might propose to you for these meetings. A forthcoming stance on the part of the Administration seems likely to encourage this attitude on his part. I am, therefore, hopeful that these meetings can become substantive and useful exchanges.

As you probably know, in an interview with reporters two weeks ago, Chairman Miller indicated that if inflation accelerates, there will be substantial pressures on the Fed that will result in tighter monetary restraints and reduced availability of credit for home mortgages and business fixed investment. He also indicated a preference for measures other than monetary policy to restrain inflation and seemed clearly to have in mind some of the measures that the Administration has been considering. It therefore seems appropriate for you to discuss with him the measures which you plan to announce next week, and that you explore with him the extent to which these steps might ease pressures for a more restrictive monetary policy.

The agenda that I suggested to Chairman Miller and that he agreed that we should propose to you is attached. The following material provides some background on these points.

A. The Outlook for Inflation and the Administration's Anti-Inflation Policy

As we reported to you last week, recent price developments have been discouraging. The outlook for consumer food prices in 1978 has deteriorated and the depreciation of the dollar has been sufficiently large to add perceptibly to domestic price increases. Although it is likely that most of the direct effect on consumer prices of increased food prices and the depreciation of the dollar will be over by the end of 1978, many observers are failing to distinguish between these transitory phenomena and underlying forces of longer-run significance.

- o The consumer price index rose at a seasonally adjusted annual rate of 8 percent in February following January's increase at a 9.4 percent annual rate. Food prices were the major problem in February; excluding food, the CPI increase was a 6 percent annual rate. Food prices will continue to be a problem due to short supplies of beef and pork.
- o The wholesale price index also rose sharply in January and February. Although much of the large increase was accounted for by food prices, prices of nonfood crude materials have been rising more rapidly in the past four months -- following a period of moderate increases or declines during last summer's lull in real growth.
- o Increased food prices may add 0.2 to 0.4 percentage point to the rate of increase in the CPI this year and the depreciation of the dollar could add as much as 0.5 percentage point. In addition, the rate of increase of hourly earnings of production workers has been creeping up. If this trend persists, the underlying rate of inflation could be nudged upward. Thus, the overall rate of CPI increase in 1978 now seems likely to be in the neighborhood of 7 percent.

The most recent indicators of real growth are consistent with the prospect that the economy will rebound in the second quarter from the effects of adverse weather and the coal strike in the first quarter. (It now appears likely that real GNP in the first quarter will be virtually unchanged from the final quarter of last year.) We are reviewing our forecast of real growth in 1978 and beyond. Growth in 1978 may be slightly less than we had previously

predicted but the revision will not be large. If the Federal budget enacted by Congress is close to the budget you proposed in January and if monetary policy does not tighten substantially, real growth through this year and next is likely to be maintained at a fairly steady pace slightly above 4 percent per year. This will provide for a modest further decline in the unemployment rate. It should not imply supply shortages or bottlenecks in industrial capacity or in labor markets. However, it does imply that some sectors of the labor market -- e.g., experienced and skilled male workers -- may tighten sufficiently to permit some upward pressure on wage rates.

You may wish to indicate to Chairman Miller that the current inflationary pressures heighten the determination that the Administration had previously felt to take firm measures to combat inflation, so as to permit continued stable growth and reductions in unemployment. The steps that you are planning to announce next week can be presented as further indication of your determination to contain inflation while maintaining adequate growth. A list of these steps is attached for your reference in discussing them with Chairman Miller.

B. Prospects for Developments in Financial Markets and Implications of the Near-Term Outlook for Monetary Policy

After a tranquil period in financial markets during February and much of March, interest rates rose last week. This was primarily a short-term movement resulting from some technical factors. It also reflected, however, nervousness by market participants about:

- o renewed rapid growth in the money supply as the economy rebounds from the slow first quarter. The money supply (narrowly defined) rose by an unusually large \$2.1 billion in the week ended March 22 (announced last week). Continued growth at this rate would rapidly raise it to or above the Fed's target growth range and pose the threat of tightened monetary policy.
- o the acceleration of inflation. If lenders come to expect the recent, more rapid inflation rate to continue, they will demand higher interest rates as compensation for the anticipated decline in purchasing power. In addition, they may anticipate a tightening response by the Fed.

- o the depreciation of the dollar. On a multi-lateral trade-weighted basis, the dollar sunk to new lows last week. Although much public attention was focused on the decline relative to the yen -- which was the sharpest decline -- the dollar also fell relative to several other currencies. Interest rates in most other countries have declined over the past year and are favorable relative to U.S. rates. It is by no means clear, therefore, that tightened monetary policy is a proper response to the problems of the dollar. Nevertheless, many financial market participants and some analysts perceive tightened monetary policy as a likely -- and possibly correct -- response.

In view of the rebound in the growth of real output which we anticipate in the second quarter, it does appear likely that the growth in the monetary aggregates will accelerate from its flat trend from mid-January through mid-March. The strength of this acceleration is difficult to predict. It will depend on whether further changes occur in financial practices that permit the public to conserve on the use of money balances despite rising incomes and expenditures -- the process we have referred to as growth in the "velocity of money." Earlier this year, it had appeared that the slow growth of the money supply was associated with continued growth in money velocity. But it subsequently developed that the reason was the slow growth of spending. These uncertainties make it hazardous for the Fed to stick too tightly to a predetermined growth path for the monetary aggregates. Nevertheless, renewed growth of the money supply, amidst rising concerns about inflation, seems likely to put upward pressure on interest rates -- as occurred last week.

As noted above, the depreciation of the dollar also heightens pressure on the Fed to adopt a more restrictive stance. You will remember that international factors were cited by the Federal Reserve as the reason for its increase in the discount rate, and slight tightening of the Federal funds rate, early in January (a somewhat unusual move in the absence of more extensive consultations with Treasury). We think that fundamental measures -- including significant action to curb oil imports as well as anti-inflation measures -- are the more appropriate policy. In testimony before the Senate Budget Committee three weeks ago, Chairman Miller indicated that he shares our view.

Steps by the Administration to restrain inflation could substantially ease the pressures on the Fed to tighten monetary policy. A strong energy policy -- though adding to inflation directly by raising fuel costs -- could also reduce pressures on the Fed by helping the position of the dollar and reducing the inflationary effects of depreciation. You may wish to explore with Chairman Miller his perception of the extent to which the Administration's forthcoming policy actions will ease the pressures on the Fed to take restrictive measures that could curb real growth and halt progress toward our employment objectives.

Attachment

THE WHITE HOUSE
WASHINGTON

April 5, 1978

Zbig Brzezinski

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

Rick Hutcheson

FIVE YEAR SHIPBUILDING PLAN

cc: Jim McIntyre

Electrostatic Copy Made
for Preservation Purposes



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

3619 - a) Clear
Harold
b) I don't understand
"Army &
Air Forces" ---
MAR 29 1978
J

encl
RL

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *Jim*
Director
SUBJECT: Five-year Shipbuilding Plan

In line with our discussions yesterday regarding our five-year shipbuilding plan and the difficulties we are having with the Congress over our 1979 program, I believe it would be useful for you to reinforce our communications with congressional leaders through a personal letter. Accordingly, I have attached a suggested letter for the four key Committee Chairmen and recommend that you sign them.

We have discussed this approach with Zbig, and he did not indicate a feeling as to whether or not such a letter would be useful. I feel however that a letter from you could be of great use to Senator Stennis and the other recipients, in that they could use it in communicating with other Congressmen.

THE WHITE HOUSE

WASHINGTON

To Senator Warren Magnuson

Last December I delayed submission of a five-year shipbuilding plan until ongoing Navy studies were completed. I have reviewed these studies and have decided upon the \$32 billion five-year plan that Secretary Brown provided to you. I would like to emphasize some of the main features of that plan.

In deciding on an appropriate shipbuilding program, I found it necessary to take into account the continuing and significant problems being experienced in naval shipbuilding. These limit the size of the program that can be executed efficiently in the near term.

In the 1979 Defense budget, which you are now considering, I believe that: (a) NATO-related Army and Air Forces are of the highest and most urgent priority; and (b) The Navy's severe shipyard problems (multi-billion dollar claims, delays of up to two years, and threatened work stoppages) warrant at least one year of caution as to just how many billions of dollars we can continue to channel to shipbuilding. I believe the 1979 program, as submitted, strikes an appropriate balance between long-range Navy goals, fiscal constraints, and near-term shipyard problems. Consequently, I plan no budget amendment for Navy ships.

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Naval aviation is a key element of United States naval superiority. Toward that end, I have included a new carrier in the five-year plan, so as to maintain the 12-carrier force into the 21st Century. As you know, in the past several months, there has been much debate and analysis devoted to the type of carrier that should be built. There are good arguments for both a Nimitz class nuclear carrier and a smaller, conventionally-powered carrier. On balance, I have concluded that the conventional carrier, at substantially less investment cost, is preferable, given overall fiscal limitations. This carrier, together with the other elements of our five-year plan, should enable us to continue our naval superiority into the foreseeable future.

I believe the proposed five-year plan will meet our military needs without exacerbating current shipbuilding problems. I hope that you can support the proposed program.

Sincerely,



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

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The Honorable John C. Stennis
Chairman
Committee on Armed Services
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

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The Honorable Melvin Price
U.S. House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

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To Congressman Melvin Price

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The Honorable George H. Mahon
U.S. House of Representatives
Washington, D.C. 20515

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THE WHITE HOUSE

WASHINGTON

Date: March 31, 1978

MEMORANDUM

FOR ACTION:
~~Stu Eizenstat~~ *NOT NEC*
 ? Frank Moore *concur*
 Jack Watson *AC*
 Zbig Brzezinski *concur by phm*

FOR INFORMATION:
 Vice President
 Frank Press

*attached as 11/101
 revision*

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: McIntyre memo re 5 year Shipbuilding Plan

*Revised Version
 IP w/ lunch*

**YOUR RESPONSE MUST BE DELIVERED
 TO THE STAFF SECRETARY BY:**

TIME: Noon
 DAY: Monday
 DATE: April 3

ACTION REQUESTED:

Your comments
 Other:

STAFF RESPONSE:

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

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

THE WHITE HOUSE
WASHINGTON

⇒ Clerk of Roubidoux Jayne

THE WHITE HOUSE

WASHINGTON

April 3, 1978

MEMORANDUM FOR: Rick Hutcheson

FROM: Frank Press *FP*

SUBJECT: Comments on McIntyre Memo re
Five-year Shipbuilding Plan

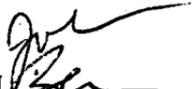
Attached are some suggested revisions to the second page of the proposed letter on the shipbuilding plan. I recommend that you incorporate these revisions in order to make the President's message more forceful and to place his comments on the carrier in a broader context.

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20500

April 3, 1978

MEMORANDUM FOR: FRANK PRESS

FROM: JOHN MARCUM 
BEN HUBERMAN 

SUBJECT: Comments on McIntyre Memo re
Five-year Shipbuilding Plan

Attached is a note which we recommend you send to Rick Hutcheson suggesting some revisions in the proposed Presidential letter on the Navy's five-year shipbuilding plan. We will send copies to the OMB and NSC staff.

Attachment

THE WHITE HOUSE

WASHINGTON

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Secretary Brown and I agree that naval aviation is a key element of United States naval superiority. Toward that end, I have included a new carrier in the five-year plan, so as to maintain the 12-carrier force into the 21st Century. As you know, in the past several months, there has been much debate and analysis devoted to the type of carrier that should be built. There are good arguments for both a Nimitz class nuclear carrier and a smaller, conventionally-powered carrier. On balance, I have concluded that the conventional carrier, at substantially less investment cost, is preferable, given overall fiscal limitations. This carrier will be sufficient to continue our naval superiority into the foreseeable future.

Overall, I believe the proposed five-year plan will meet our military needs without exacerbating current shipbuilding problems. I hope that you can support the proposed program.

Sincerely,

Honorable John C. Stennis
Chairman, Committee on Armed Services
United States Senate
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