

6/14/78

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 6/14/78;
Container 81

To See Complete Finding Aid:

http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf

THE PRESIDENT'S SCHEDULE

Wednesday - June 14, 1978

- 8:15 Dr. Zbigniew Brzezinski - The Oval Office.
- 9:00 Mr. Frank Moore - The Oval Office.
- 9:30 Congressman Olin E. Teague/Nuclear Industry
(15 min.) and Utility Representatives. (Mr. Stuart
Eizenstat) - The Cabinet Room.
- 10:30 Meeting with His Excellency Morarji Desai,
(60 min.) The Prime Minister of India. (Dr. Zbigniew
Brzezinski) - The Cabinet Room.
- 11:45 Vice President Walter F. Mondale, Admiral
(20 min.) Stansfield Turner, and Dr. Zbigniew Brzezinski.
The Oval Office.
- 12:30 Lunch with Mrs. Rosalynn Carter - The Oval Office.
(60 min.)
- 3:00 News Conference. (Mr. Jody Powell).
(30 min.) Room 450, EOB.
- 3:45 Greet Rural Electric Cooperative Youth Group.
(10 min.) (Mrs. Anne Wexler) - The South Lawn.
- 5:15 Drop-By Reception for the Nation's Top
(15 min.) Black Businessmen. (Ms. Bunny Mitchell and
Ms. Gretchen Poston) - The State Floor.

THE WHITE HOUSE
WASHINGTON

June 14, 1978

Zbig Brzezinski

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

Rick Hutcheson

cc: Jerry Rafshoon
Jim Fallows

PANAMA SPEECH

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

June 14, 1978

JDS-
Q
/

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI 

SUBJECT: Your Public Address in Panama

Attached at Tab A is the Spanish translation of the short speech which you drafted for your public address in Panama. We have also translated the ratification ceremony statement, but Gerry Rafshoon and Jim Fallows informed us that you had changed your mind and decided to give that statement in English (so I will keep the translation).

We will try to get all of the speeches and statements to you by COB today, but first let me ask that you reconsider both the length and the content of the main speech in Panama.

You will probably be addressing 100,000-200,000 people in Panama. Before such crowds, it is not unusual nor viewed as long for speakers to talk for an hour, as Arias did last Sunday. A three-minute speech would be over before the crowd settles down. The Panamanians would be confused over the meaning of such brief remarks when they have travelled from all over Panama to see you.

Furthermore, such a speech provides the opportunity to put the Treaties in the context of our overall relations with Latin America; the speech could point to the principles and the lessons which we learned in negotiating the Treaties and apply them to the new agenda which faces our countries. This is the kind of speech which we first envisaged; it would be about 12 minutes long. You would start and end in Spanish, but the body of the speech would be in English. You could conceivably make that speech at the O.A.S. next week, but it strikes me as more appropriate to give a speech which sets the Treaties in a broader context in Panama than in Washington.

In contrast, the O.A.S. speech should focus more on our overall approach to Latin America and the Caribbean, using

Panama as an important part of our policy, but hardly everything. The O.A.S. speech could begin by assessing where you have come since your April 1977 speech there and where you plan to go.

RECOMMENDATION:

1. The first issue is whether you should give a three or 12 minute speech in the Plaza Cinco de Mayo in Panama, and I recommend the 12 minute speech along the lines described above. (The draft, revised to take State Department's comments into account, is at Tab B.)

APPROVE

DISAPPROVE *long speech*

2. If you prefer the shorter speech, I would still recommend using the themes of the longer speech in a sharply condensed version. Rick Hertzberg has condensed it for you (Tab C).

APPROVE

DISAPPROVE

3. Do you approve of a 10-15 minute speech at the O.A.S. next week which assesses where you have come since the Pan American Day speech, and where you want to go.

Yes

No

J

PRESIDENT JIMMY CARTER
EASTERN MEDITERRANEAN POLICY STATEMENT
WEDNESDAY, JUNE 14, 1978

MEDITERRANEAN (1)

THE MOST IMMEDIATE AND URGENT FOREIGN POLICY PRIORITY ON THE
CURRENT LEGISLATIVE AGENDA IS ^{LIFTING} THE ARMS EMBARGO AGAINST TURKEY.

THE POINTS CONGRESS INTENDED TO UNDERSCORE THREE YEARS AGO WHEN
IT VOTED THE TURKISH ARMS EMBARGO HAVE BEEN MADE.

BUT NOW THE EMBARGO IS NOT PROMOTING MOVEMENT TOWARD A
SETTLEMENT IN CYPRUS.

(--OVER--)(NOR IS IT HELPING TO IMPROVE.....)

MEDITERRANEAN (2)

NOR IS IT HELPING TO IMPROVE OUR RELATIONS WITH OUR ALLIES,
GREECE AND TURKEY.

IT HAS HURT THE COHESIVENESS AND READINESS OF NATO.

AND, IT HAS THEREBY HARMED OUR OWN NATIONAL SECURITY INTERESTS
IN THE EASTERN MEDITERRANEAN -- AN AREA WHICH IS CRUCIAL TO THE DEFENSE
OF THE SOUTHERN FLANK OF EUROPE AND ACCESS TO THE MIDDLE EAST.

(--NEW CARD--)(I BELIEVE IT IS IMPORTANT . . .)

~~I BELIEVE~~ IT IS IMPORTANT TO IMPLEMENT AN EFFECTIVE POLICY FOR
THIS AREA OF THE EASTERN MEDITERRANEAN.

WE HAVE THREE PURPOSES -- ALL OF WHICH ARE EQUALLY IMPORTANT:

-- TO SERVE U.S. AND NATO SECURITY INTERESTS, AS WELL AS THE
SECURITY INTERESTS OF GREECE AND TURKEY.

-- TO IMPROVE RELATIONS BETWEEN GREECE AND TURKEY.

(--OVER--)(TO FACILITATE PROGRESS TOWARD...)

MEDITERRANEAN (4)

-- TO FACILITATE PROGRESS TOWARD A LASTING SETTLEMENT ON CYPRUS.

I AM ASKING THE CONGRESS TO SUPPORT ME IN ENACTING THE FULL
PROGRAM WHICH, IN ADDITION TO REMOVING THE EMBARGO,.....PROVIDES FOR
MILITARY SALES CREDITS FOR BOTH GREECE AND TURKEY NEXT YEAR,.....
PROVIDES FOR ECONOMIC AID TO TURKEY,....AND PROVIDES FURTHER FUNDS
FOR RELIEF AND REHABILITATION FOR REFUGEES IN CYPRUS.

(--NEW CARD--)(BOTH GREECE AND TURKEY ARE.....)

BOTH GREECE AND TURKEY ARE VALUABLE ALLIES.

LIFTING THE EMBARGO IS ESSENTIAL TO OUR HOPES FOR PEACE AND
STABILITY IN THE EASTERN MEDITERRANEAN.

I HOPE THE AMERICAN PEOPLE AND CONGRESS WILL GIVE ME THEIR
SUPPORT IN THE REALIZATION OF U.S. INTERESTS IN THIS CRITICAL AREA
OF THE WORLD.

#

PRESIDENT JIMMY CARTER
WEDNESDAY, JUNE 14, 1978

INFLATION STATEMENT(1)

LAST WEEK, I EMPHASIZED HOW IMPORTANT IT IS TO HOLD THE LINE ON
THE FEDERAL BUDGET, AS A SERIES OF APPROPRIATIONS BILLS ARE CONSIDERED
IN THE NEXT FEW WEEKS.

I CANNOT MAKE THIS POINT TOO STRONGLY, OR REPEAT IT TOO OFTEN,....
BECAUSE MUCH OF OUR FIGHT AGAINST INFLATION DEPENDS ON CONGRESS' ACTIONS
IN THE DAYS AHEAD.

(--OVER--)(UNLESS THE CONGRESS ACTS)

INFLATION (2)

UNLESS THE CONGRESS ACTS RESPONSIBLY, THE FEDERAL DEFICIT WILL
RISE AT A TIME WHEN IT MUST AND CAN BE REDUCED.

UNLESS THE CONGRESS SHOWS RESTRAINT IN SPENDING, IT WILL SET
THE WORST POSSIBLE EXAMPLE FOR OUR WORKERS AND BUSINESSMEN,.....
WHOM I HAVE ASKED TO RESTRAIN THEIR OWN WAGE AND PRICE DEMANDS TO
HOLD DOWN INFLATION.

(--NEW PAGE--)(UNLESS WE RECOGNIZE THE LIMITS..)

UNLESS WE RECOGNIZE THE LIMITS ON OUR ABILITY TO SPEND, EVEN FOR
POPULAR PROGRAMS, . . . THEN BOTH AMERICAN CITIZENS AND THOSE OF FOREIGN
NATIONS WILL SEE THAT WE CANNOT MAKE THE DIFFICULT DECISIONS THAT ARE
NECESSARY IF INFLATION IS TO BE CONTROLLED.

I AM CONCERNED ABOUT THE PUBLIC WORKS APPROPRIATIONS BILL THE
HOUSE WILL BEGIN VOTING ON TOMORROW.

(--OVER--)(THAT BILL WOULD NOT ONLY ADD . . .)

THAT BILL WOULD NOT ONLY ADD \$1.4 BILLION IN SPENDING OVER
THE LIFE OF 46 NEW WATER PROJECTS, . . . BUT WOULD ALSO CONTINUE SPENDING
FOR THE UNSOUND WATER PROJECTS THE CONGRESS AGREED NOT TO FUND LAST YEAR.
IT WOULD WASTE FAR TOO MUCH OF OUR TAXPAYERS' MONEY, . . . AND WE
CAN'T AFFORD IT.

(--NEW PAGE--)(WITH THE HELP OF MANY OF . . .)

WITH THE HELP OF MANY OF THE HOUSE MEMBERS WHO ARE ALSO
CONCERNED ABOUT THE INFLATIONARY IMPACT OF THE PUBLIC WORKS BILL,.....
WE WILL BE WORKING TO ELIMINATE THE UNNECESSARY SPENDING PROPOSALS
IN THAT BILL.

UNLESS THEY ARE ELIMINATED, I WILL VETO IT.

#

THE WHITE HOUSE
WASHINGTON

6/14/78

The President handed this to
Frank Moore, who then made
his copies.

THE WHITE HOUSE
WASHINGTON

June 14, 1978

*Frank
done -
see notes
J*

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M. / MF*
LES FRANCIS *Les Francis*

SUBJECT: Telephone Calls to Senators on Civil Service Reform

This morning the Senate Governmental Affairs Committee will meet at 10:30 to continue marking up the civil service reform bill. The session is scheduled for all day and we hope it will conclude the Committee's consideration of the bill. We believe it would be very helpful for you and the Vice President to make calls to the Senators listed on the attached sheet. (Tab A)

While many issues will be voted on at the session, two will be considered that are especially critical; equal employment opportunity enforcement, and veterans preference.

BACKGROUND

I. Enforcing Equal Employment Opportunity for Federal Workers

Reorganization Plan No. One of 1978 moved jurisdiction over EEO matters for Federal workers from the Civil Service Commission to the Equal Employment Opportunity Commission. You will recall that Senator Ribicoff, in particular, tried mightily to get us to amend the Plan so that EEOC would have, instead of final adjudicatory authority, the status of an "intervenor" on behalf of Federal employees before the Civil Service Commission or its successor, the Merit Systems Protection Board. Senator Ribicoff's attempt triggered a massive reaction in the civil rights community and bitterness and rancor in testimony before the Committee.

To meet Ribicoff's administrative concerns about the Plan, we revised it to provide that the EEOC would hear all Federal employee complaints about discrimination that were not "adverse personnel actions", and that the MSPB would hear initial appeals from employees in adverse action cases on all issues including discrimination. The EEOC remained the final judge of discrimination issues, and could accept appeals by employees from MSPB decisions. Eleanor Holmes Norton used her personal credibility to sell the compromise to the civil rights community, the Plan was passed and has become law.

We have been advised that Senator Ribicoff will raise his same concerns again as an amendment to the civil service bill. His amendment will likely provide that the EEOC should have limited intervenor status and that the MSPB should adjudicate all Federal employee discrimination charges, with a right on the part of the losing party or the EEOC to seek judicial review. It may also provide for an expanded MSPB by adding two members with special abilities in equal employment opportunities matters. There is also the possibility that Senator Cranston may join Ribicoff in sponsoring such an amendment, although we believe that extensive contacts by staff and civil rights groups with Cranston have caused him to change his mind about such a possibility.

II. Veterans Preference

Discussions with most members of the Committee have elicited little support for our proposals to amend Veterans Preference. While Senators Javits, Percy, Muskie, Eagleton and Humphrey have made sympathetic comments to us, none have been prepared to stand up for change in public. In accordance with your guidance at the meeting with the members of the Governmental Affairs Committee, we have endeavored by working with the Senate staff to reach some compromise that better helps disabled veterans and veterans of the Vietnam era. While staff has concurred in our proposals, we are far from confident that their principals will support them. Our final position is this:

We have agreed to extend Veterans Preference from 10 years after discharge to 15, but to limit it to a one-time use. This will assure that all veterans of the Vietnam era are covered. We have also agreed that the period of employment during which veterans have absolute preference over non-veterans in RIF's

should be extended from our original proposal of three years following entry into the civil service to eight years -- but that veterans should receive no special treatment thereafter. We had previously provided that employees who were veterans should be given five years additional service credit for seniority purposes in RIF situations.

Talking points on both subjects for use in conversations with the Senators are attached. (TAB B)

Senators to be called by the President:

1 X Muskie
5 Nunn
2 X Percy
7 X Javits
4 Heinz

Senators to be called by the Vice President:

X Glenn
Eagleton
Sasser
Humphrey

cc: The Vice President

SENATORS TO BE CALLED

*Will a Hand -
OK on EEO -
May be
some help
on Vet.*

Sam Nunn has promised to attend the session, but should be urged to do so. He should be supportive on the equal employment issue. He has told us that he will vote against any change in veterans preference. +

*Need WH help
on Vet
preference*

Charles Percy has attended all previous sessions and will attend this one. Overall, he has been supportive of the bill. He has indicated interest in reaching an accommodation on the veterans issue. He is extremely important on the EEO amendment, having been a supporter of Ribicoff's efforts on Plan One.

*Will try to
help on
Vets -
amend?
Did not
go to
Cramer for*

Jacob Javits will be in New York City attending the Republican State Convention in the morning, but will return to the Senate by 3:00 p.m. A leader in the effort to reach agreement on the veterans issue, he is also very important on the EEO amendment. We believe that, following a conversation with Eleanor Holmes Norton late yesterday, he has withdrawn support for the Ribicoff EEO amendment.

John Glenn has told us he will be engaged in other Committee work in the morning, but should be able to be in and out if needed. He is the strongest supporter of our position on the + EEO amendment, but is likely to vote against any change in - veterans preference.

Thomas Eagleton will be chairing hearings on the inspector general bill in the morning, but should be able to be at the markup later. We believe he should be sympathetic to our position on both the EEO and veterans issues. + +

James Sasser will be in an Appropriations Committee markup during the morning, but should be able to attend later. He is generally supportive of the Administration, but will likely vote against changes in veterans preference. He should be sympathetic to our EEO position, but has failed to exercise leadership on this or other issues.

Priority to Abe
ok on EEO & others
- Not yet
focused on
Vets

Ed Muskie has told us he cannot attend today's session, but should be urged to help us in any way he can. He should be supportive of our EEO position, but may well be against changes in veterans preference.

ok on EEO
is yes,
maybe
(ok on NYC)

John Heinz, as a Vietnam veteran and one of the organizers of the Vietnam Veterans Caucus in the Congress, should support us on veterans preference, but may vote against change. He has been a supporter of our position on the EEO amendment.

Muriel Humphrey has been attending the markup sessions, but has devoted her attention almost exclusively to "whistle blower" issues (on many of which she prevailed against the Administration). She should be a supporter of both changes in veterans preference and the Administration's position on the EEO issue.

TALKING POINTS ON CIVIL SERVICE REFORM

- o Civil service reform has two broad goals: On the one hand, to increase incentives for high performance, broaden management flexibility and cut red tape; on the other, to strengthen legitimate protection of employee rights. Overall, it is aimed at increasing Federal productivity -- a subject that is critical in a time of tight budgets and taxpayer revolts. It fits in with the theme of Proposition 13.
- o Today's session could complete action on the bill if sufficient members show up and are supportive. It is extremely important to keep momentum up and get the bill to the floor.
- o The Administration has positions on all the amendments that will be considered today, and we will have our representatives at the markup. There are two areas that are very important to me.
- o The first is in the equal employment opportunity area. There may be an amendment offered that will undo the work of Reorganization Plan One of 1978 -- the civil rights reorganization -- by making the Merit Board the judge of discrimination complaints and grievances of Federal employees instead of the EEOC.
 - This would create a massive reaction from the civil rights community, which believes the civil service portion of Plan One to have been the most important part;
 - It would reverse a previous decision by the Committee before the EEOC has even had a chance to implement the Plan;
 - If successful, such an amendment would cause the civil rights leadership to oppose the entire civil service package.

- o The second important issue is veterans preference. Our goal has been to turn the preference into a tool to help Vietnam era and disabled veterans. We have worked out language with Senate staff to improve our original proposal.
 - Our proposal would now give veterans a one-time use of veterans preference in obtaining employment for a period of fifteen years (not ten) after discharge.
 - We have also agreed to provide that veterans on the Federal payroll should have absolute preference over non-veterans in layoff situations for eight years after they are employed -- not three. Veterans would receive no special treatment after the eight years.

- o The adverse political effect of veterans preference has been exaggerated. There has been strong support from women's groups. And despite the opposition from veterans organizations here in Washington, there has not been a massive outpouring of mail from the Nation's veterans. The American people will accept the principle of veterans preference -- like the GI bill -- as a tool to help in the transition to civilian life, and they will agree that Vietnam and disabled veterans should receive the preference.

THE WHITE HOUSE
WASHINGTON

June 14, 1978

Stu Eizenstat
Jim McIntyre

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

Rick Hutcheson
cc: Frank Moore
RE: POSTAL REOFRM -- SEN. GLENN

THE WHITE HOUSE
WASHINGTON
June 8, 1978

*Stu, Jim
No bill would
suit me better
J*

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
JIM MCINTYRE *WBC (m)*
SUBJECT: Postal Reform -- Senator Glenn's
Proposed Postal Bill

We have reviewed the postal bill drafted (but not yet introduced) by Senator John Glenn, the Chairman of the Senate Government Affairs Subcommittee with postal jurisdiction. We have concluded that it is a good bill that is far less comprehensive than the House passed bill, H.R. 7700. The major points of the bill provide:

- o The President would have the right to appoint the Chairman of the Board of Governors;
- o The \$920 million annual public service subsidy would continue for four additional years rather than phasing down at \$46 million per year for five years, as the law now provides. This represents a positive improvement over H.R. 7700 which now provides for an unlimited authorization thereby reducing the incentive for the Postal Service to economize.

The bill, as drafted, does not provide for Presidential appointment of the Postmaster General. Senator Glenn has told us that he needs your judgment on this issue before he perfects his bill. Senator Glenn argues that the Postmaster General should not be appointed by the President, based on two points:

- o Politicizing the Postal Service cannot stop with the appointment of the Postmaster General, since he would then be able to name additional appointees which the White House might insist on clearing. The USPS, in Senator Glenn's view, cannot be made "...a little bit political."

- o The Postal Service has done "...a pretty good job" since it became independent and the Senator attributes that success to independence.

We believe our position should not be changed for three reasons:

- o You campaigned on the issue of Presidential appointment of the Postmaster General to increase political responsiveness. Much of our early support from the postal unions was tied to the issue.
- o OMB testified in favor of Presidential appointment before the House Post Office and Civil Service Committee last September, with your clearance. We would appear to have ~~wavered~~ on this issue if we changed now.
- o We have negotiated in good faith with the members of the House Committee on this point and we have maintained support for the concept throughout our dealings with them. The effects of further re-trenchment here might likely spill over and contribute negatively to our efforts with them on Civil Service reform.

Senator Glenn intends to introduce his bill shortly, which we expect to endorse.

DECISION

 ✓ Approved Ask Senator Glenn to add a provision to his bill which would allow for Presidential appointment of the Postmaster General for a fixed four year term to run concurrently with the term of the President.
(Recommended)

 Approved Do not seek a provision for the Presidential appointment of the Postmaster General.

WASHINGTON

DATE: 09 JUN 78

FOR ACTION: TIM KRAFT

JACK WATSON

*not rec.
via my
phone*

+ FRANK MOORE (LES FRANCIS)

JIM GAMMILL

concern / phone

*6-13
of today
4/13
take Thompson
long commit mid-day
6/14 - attached*

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

ANNE WEXLER

concern by phone

SUBJECT: EIZENSTAT MCINTYRE MEMO RE POSTAL REFORM -- SEN. GLENN'S

PROPOSED POSTAL BILL

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1000 AM MONDAY 12 JUN 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

ID 783029

THE WHITE HOUSE

WASHINGTON

DATE: 09 JUN 78

FOR ACTION: TIM KRAFT

FRANK MOORE (LES FRANCIS)

JACK WATSON

JIM GAMMILL

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

ANNE WEXLER

SUBJECT: EIZENSTAT MCINTYRE MEMO RE POSTAL REFORM -- SEN. GLENN'S
PROPOSED POSTAL BILL

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1000 AM MONDAY 12 JUN 78 +

+++++

ACTION REQUESTED: YOUR COMMENTS

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

Jim G

PLEASE NOTE OTHER COMMENTS BELOW:

WASHINGTON

DATE: 09 JUN 78

FOR ACTION: TIM KRAFT

FRANK MOORE (LES FRANCIS)

JACK WATSON

JIM GAMMILL

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

ANNE WEXLER

cc: FM ✓
HL ✓
SL ✓
Ronna ✓

SUBJECT: EIZENSTAT MCINTYRE MEMO RE POSTAL REFORM -- SEN. GLENN'S
PROPOSED POSTAL BILL

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1000 AM MONDAY 12 JUN 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

Recommend sticking to one position: that Postmaster General
be appointed by the President (BT).

Mch.

THE WHITE HOUSE
WASHINGTON

June 14, 1978

Stu Eizenstat
Jim McIntyre

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 B. Linder.

Rick Hutcheson

cc: Bob Linder

THE WHITE HOUSE

WASHINGTON

June 13, 1978

S. J. 11/4
J

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *by D.R.*

SUBJECT:

Enrolled Resolution S. J. Res. 140
American University Press Day

This resolution should be signed as soon as possible since the designated day has passed and we propose the current week as the commemorative period.

THE RESOLUTION

This authorizes and requests the President to designate Sunday, June 11, 1978 as "American University Press Day." The bill passed the Senate on June 8 and the House on June 9 and was received at the White House on the 12th. We propose that you name the current week "American University Press Week."

VOTES IN CONGRESS

The resolution passed both House and Senate by voice vote.

AGENCY AND STAFF RECOMMENDATIONS

OMB recommends approval. Frank and I agree. A proclamation, approved by Jim Fallows, is attached for your signature.

DECISION

Sign S.J. Res. 140 and issue proclamation

Veto S. J. Res. 140

(TWO SIGNATURES REQUESTED)

3:45 PM

THE WHITE HOUSE
WASHINGTON

June 13, 1978



MEMORANDUM TO PRESIDENT CARTER

FROM: ANNE WEXLER *Anne*
SUBJECT: GREETING OF RURAL ELECTRIC
COOPERATIVE YOUTH GROUP

I. Purpose

To greet participants in the National Rural Electric Cooperative Association's "Rural Electric Youth Tour".

II. Participants

Approximately 1,000 young men and women from 26 states.

III. Background

The National Rural Electric Cooperative Association is a service organization representing rural electric systems in 46 states. The 1978 youth tour is the 21st sponsored by the Rural Electric Systems. Over 15,000 young people have participated in the educational activities sponsored for them in Washington each year. The most important of these activities is the exposure that they have to all aspects of energy production and energy use.

IV. Press

Photo opportunity.

V. Talking Points

To be supplied separately by Jim Fallows.

TALKING POINTS

THE WHITE HOUSE

WASHINGTON

June 13, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS, ^{F:} ERIC SCHNURE ~~ES~~

SUBJECT: Talking Points for Rural Electric Cooperative Youth Group

1. This is quite an impressive group: nearly a thousand of you, from 23 states and eight foreign countries. There are about 35 of you from Georgia, including a Carroll Carter (male) from Leesburg, with the Sumter Electric Membership Corporation, down around where I come from.

2. The REA had a major effect on my life. When I was growing up on the farm, we had no electricity. This meant that we had to cut oakwood for the fireplace with a cross-cut saw, chop wood for the stove and fill the kerosene lamps to have light. I had to milk six cows by hand, fetch water from a handpump, and do lots of other chores that young people like you don't have to do anymore. We were up before the sun, and worked til it went down at night. It was hard, back-breaking work. But REA changed all that. The day electricity came to the farm changed our lives. Not only did it take much of the drudgery out of farm work, but it also gave us more time to think, to dream, and to become involved in the world around us.

3. My father was a good example of this. He was always a community leader, and when the Rural Electrification Program came along, he became one of the first directors of our local REA. This heightened his interest and involvement in politics.

He began to realize what participation on a state and national level meant to helping people's lives, even those of us in rural areas. He served for many years on our county school board, and was elected to the state legislature. Rural electrification helped open new vistas to my father, and through him, to me, as well as to all our neighbors and other rural residents.

4. You all realize the importance of involvement in our democratic system of government. That's why you're here. But for every one of you, there were fourteen of your neighbors who competed for this honor. You are a very special group, and very lucky to come on this exciting trip. You also have a responsibility to take back with you what you see, hear, and learn, and share it with other people in your community, and your school. I'm sure you all want to help make our country better. That's something I'm working for, too. We can do the most if we pool our knowledge, and work together. I hope you get a lot out of your stay in Washington, and that you capable young people do something in the future to help improve people's lives.

5. The idea for these youth tours was proposed in 1957 by then-Senator Lyndon Johnson. Since then, Rural Electric Cooperatives like yours have brought 15,000 young people to Washington so that they could see our government in action and meet with their Congressmen and Senators personally. The NRECA has also given you young people a voice of your own in our rural electric programs, by setting up a Youth Board. This year's Board has drawn great praise; I'm sure that your Board for the coming year will be as good, if not better.

6. Later today, you will choose a new Youth Board President. I know that whoever it is, he or she will work hard for new ideas in energy. This is one of the most important ways in which you all can help our nation's future. Today, we are closer to a National Energy Plan than in the past. We have had troubles about the problems of energy because not everyone is as aware and as concerned as you all are. This will be a crucial concern in the America in which you will be making the decisions. I hope that we make the right choices now, so that the decisions you have to make will be easier. You can help in this process, with your knowledge, expertise, and enthusiasm. Let's work together to keep our country's future bright.

#

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

FOR THE PRESIDENT

FROM GRETCHEN POSTON *gp.*

DATE: 13 June 1978

SUBJECT: GREETING - 1000 children
National Rural Electric Cooperative Association
South Lawn

- 2:30 P.M. Est. 20 buses with NRECA youth to enter Southeast Gate, and unload children, who are to enter Residence through Diplomatic entrance. Children will tour the State floor, and depart Residence via Diplomatic entrance. ALL CHILDREN should be out of the Residence by 3:30 P.M.
- 3:30 P.M. Children to be on South Lawn, near area of bandshell.
- 3:45 P.M. The PRESIDENT arrives South Lawn, to bandshell, for remarks.
- 3:55 P.M. The PRESIDENT departs South Lawn.
- 4:00 P.M. All children to be reloaded on buses for departure.

9:15 AM

THE WHITE HOUSE

WASHINGTON

June 13, 1978

MEETING WITH REVEREND WILLIAM GRAY (CANDIDATE FOR CONGRESS 2nd-PA.)

Wednesday, June 14, 1978
9:15 (2 minutes)
The Oval Office

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

I) PURPOSE:

A photo with the President for use in campaign materials.

II) BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: Reverend Gray is the pastor of the Bright Hope Baptist Church in Philadelphia. He defeated Congressman Robert Nix in the May 16 Pennsylvania primary by over 10,000 votes to win the Democratic nomination for Congress in the 2nd District of Pennsylvania. The District is 65% black and winning the primary is tantamount to winning the general election. Reverend Gray is very interested in working with us. His special interest is in housing, an area he has been very successfully involved in. He was a chief architect of the Philadelphia Mortgage Plan which provided some 30 million dollars in residential mortgages for previously redlined neighborhoods. A current project is a 4 million dollar senior citizen complex in North Philadelphia. Gray is young (36) and will be a force to deal with in Philadelphia for many years to come.

B. Participants: The President and Reverend Gray

C. Press Plan: White House photographer

III) TALKING POINTS

1. The Urban Policy. He will meet with Jack Watson at 9:45.
2. Usual courtesies.

9:30 AM

THE WHITE HOUSE

WASHINGTON

June 13, 1978

MEETING WITH CONGRESSMEN GEORGE BROWN
AND WALTER FLOWERS AND REPRESENTATIVES
OF THE NUCLEAR AND UTILITY INDUSTRIES

Wednesday, June 14, 1978

9:30 a.m. (15 minutes)

The Cabinet Room

From: Stu Eizenstat

Stu

I. PURPOSE

To permit representatives of the nuclear and utility industries to hear directly from you your views on advanced breeder reactor research and development, and on nuclear power generally.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: Congressman Teague, Chairman of the House Science and Technology Committee personally requested this meeting with top level executives of the nuclear and utility industries on the breeder R & D program. Mr. Teague felt that these chief executives should hear directly your views on the breeder. Your stand against the Clinch River Breeder project -- just one part of our overall breeder R & D program -- has left many with the impression that you are "anti-breeder", and "anti-nuclear". Teague believes that the utility and nuclear industries need reassurance that you favor retention of a breeder option, including a strong R & D program.

Jim Schlesinger and we have been working since February with Teague's Committee to develop a compromise which would preclude construction of the CRBR, but which would also make clear that we remain committed to a strong breeder R & D program. Congressman Flowers, with our support, offered a compromise amendment in the House Science and Technology Committee to:

- deauthorize construction of the CRBR, but complete the current phase of systems design, and complete contracts on those components which are of value to the base R & D program on the liquid metal fast breeder reactor. It would also permit testing of those key components.

- require the Department of Energy to undertake conceptual design study of a more advanced breeder reactor of the 650-900 MWe size. (The CRBR would have been 320 MWe). This study would evaluate a number of design and fuel cycle options, including the thorium uranium breeding cycle, which may have both proliferation, economic, and technical advantages. The study would be due on March 31, 1981, and should be sufficiently specific that the President and/or the Congress could make a decision on whether to proceed with further detailed design, procurement and construction.
- the compromise would not, however, imply or give any commitment on your part to actually build this larger size reactor. Any such decision would have to be made on the basis of need for the generating capacity, the availability of uranium resources, economic and technical considerations, and the alternatives for meeting power generation needs.
- add \$62 million to the LFMBR base program to cover the costs of component testing, and the conceptual design study. This would bring our original budget request up from \$367 million to \$429 million.

As part of the overall compromise, you agreed to issue a statement supporting the need for a healthy nuclear industry. Such a statement is still planned if the compromise is enacted.

The Flowers amendment failed in Committee by one vote, but Teague and Flowers are willing to go with the amendment on the House floor. The authorization bill is not yet scheduled, but will probably come to the floor sometime in the next two weeks.

The nuclear and utility industries have opposed the compromise amendment, in spite of Flowers' and Teague's support (who have traditionally befriended these industries). Teague's letter expresses the view that perhaps the Washington representatives of these firms have been overly wedded to the old CRBR project without letting their CEO's realize the ramifications of prolonging the fight.

These industries, however, have substantial economic interest in the CRBR. The reactor manufacturers have numerous construction and component contracts, and the utilities have contributed part of the costs of the project. (Their investment to date is about \$100 million, with a total obligation of \$250 million.) The industry has been reluctant to let go of the CRBR because of its economic interest and because the project has become a symbol of "anti-nuclear"/"pro-nuclear" views.

Finally, an industry sentiment has been expressed that the Administration has not adequately consulted them on nuclear issues, particularly the CRBR. While we and DoE have held numerous meetings with them, there has been little advance consultation.

The talking points outline your position on the CRBR and the breeder generally. It is important, however, that you not try to overstate your position in favor of a breeder R & D program. You should make clear that the Flowers compromise does not make or imply any commitment to build an advanced breeder reactor, and that legislation requiring such a commitment would be unacceptable. Such a commitment would cost us the support of many of those who have helped us in the past, and even ambiguity on this point could cause defections this year.

B. Participants: See attached list

You should know that on Monday, Chairman Teague decided not to attend the meeting. He has asked that George Brown and Walter Flowers attend in his place. He told Jim Free that he felt that his presence might "influence" the meeting, and that he was really interested in having you convince the participants that you are not "anti-breeder".

C. Press Plan: White House photographer only

III. TALKING POINTS

1. I am delighted to have a chance to meet with you personally on a subject which is critical to your industries and our overall energy future. I appreciate your willingness to make the trip to Washington on short notice. I am also pleased that both Congressman Flowers and Congressman Brown, who have worked hard with us on the breeder R & D program, can be with us for this meeting.
2. We have had over a year of protracted and difficult debate on the Clinch River Breeder Reactor project. In many ways, it has taken on symbolic importance over and beyond its significance to our overall research and development program on advanced breeder reactor technologies. I believe that both your position, and mine, have been generalized from our views on this individual project when in fact this issue is separable from whether one is "anti-" or "pro-" breeder, or even "anti-" or "pro-" nuclear.
3. I have opposed the construction of the Clinch River breeder reactor because I do not believe it to be a necessary, economic, or technically optimal part of our overall breeder R & D program. I remain firm in my opposition to that project. I feel equally strongly, however, that we must proceed with a strong and vigorous breeder R & D program so that this country retains the option to use this technology if and when we need it. This has been my position throughout the debate on the CRBR.
4. Earlier this year, Jim Schlesinger and members of my own staff began working with Congressmen Flowers and Brown, and with Chairman Teague, to determine whether we could end the CRBR debate -- an effort which has diverted much of our collective attention away from other essentials in our nuclear program. The product of those discussions was the Flowers amendment which was offered in Committee and which I supported. While that amendment was not adopted in Committee, I continue to support efforts which I believe its original sponsors will press for the amendment when the legislation comes to the House floor.

5. The amendment would permit us to reap the benefits of our experience with the CRBR by completing the current phase of the systems design and by completing and testing certain of its major components. It would not, however, permit construction of the CRBR. The amendment would also initiate a new conceptual design study for a larger advanced breeder reactor. The study, due in March 1981, would evaluate a range of technical and design options, examine various fuel cycles and support systems for the breeder, and would present the Congress with a full report as to a technically optimal breeder facility. The amendment would not commit us to construction of such a reactor -- a point which you should understand. I believe that a decision to move forward with construction of a commercial prototype breeder facility should be made on its merits at the end of that study. A number of factors, including need for the breeder to meet projected electric power demand, uranium resource availability, as well as technical, economic, and non-proliferation factors associated with the technology should be evaluated at that time. The study does, however, retain our technical and design capability in the breeder area, and provides a central focus for activities in the liquid metal breeder base program.
6. Overall, I believe that this is a sensible, business-like restructuring of the breeder program and one which merits your very serious consideration. It continues a strong, technically viable breeder program without committing prematurely to very large taxpayer expenditures which are of questionable value.
7. Finally, you should understand that I am keenly aware of the role which nuclear power, and your industries, must continue to play in meeting our energy needs. We need a healthy nuclear industry and I have taken steps such as the nuclear licensing reform legislation to clear away unnecessary regulatory hurdles which have confronted you. I am concerned about the sharp reduction in new orders for nuclear facilities and want to work with you in a responsible way to ensure that the use of light water reactors can continue on a sound footing in this country. I would hope that we can work together to accomplish our mutual -- and to a large extent shared -- goals of securing our energy supplies, both now and in the future.

PARTICIPANTS AT JUNE 14 MEETING

Nuclear Industry Representatives

Walter D. Dance
Vice Chairman of the Board
General Electric

R. E. Kirby
Chairman and Chief Executive Officer
Westinghouse Electric Corporation

Arthur J. Santry, Jr.
President
Combustion Engineering, Inc.

Kenneth A. Roe
Chairman and President
Burns and Roe, Inc.

W. F. Allen, Jr.
President
Stone & Webster Engineering Corp.

Harry Orville Reinsch
President
Bechtel Power Corporation

Willard F. (Al) Rockwell, Jr.
Chairman of the Board
Rockwell International

George G. Zipf
Chairman & President
Babcock & Wilcox

Utility Representatives

William S. Lee III
President
Duke Power Company

William McCollam
President
Edison Electric Institute

William G. Kuhns
Chairman of the Board
General Public Utilities

Sherwood H. Smith, Jr.
President
Carolina Power & Light

James J. O'Connor
President
Commonwealth Edison Company

Members of Congress

Walter Flowers
(D-Ala) - Chairman of the
Subcommittee on Fossil and
Nuclear Energy

George Brown (D-Cal)

Other

Secretary Schlesinger
Frank Moore
Stu Eizenstat
Roger Colloff
Kitty Schirmer

THE WHITE HOUSE
WASHINGTON

June 14, 1978

Frank Moore

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

Rick Hutcheson

CALL TO BUMPERS

THE WHITE HOUSE
WASHINGTON

CONGRESSIONAL TELEPHONE CALL

*Frank -
done*

L -

*J
reported to
byrd*

TO: Senator Dale Bumpers (D-Ark)

DATE: June 14, 1978--as soon as possible,
the vote is 5:00 today

RECOMMENDED BY: Frank Moore

PURPOSE: To convince Bumpers to vote for
cloture today.

TOPICS OF DISCUSSION:

1. Our latest count shows that we are very close to getting cloture. We badly need your help in putting us over the top.
2. As you well know, the bill has been substantially modified to deal with many of the complaints raised by its opponents.
3. The filibuster must come to an end because it is holding up Senate consideration of many vitally important pieces of legislation.

DATE OF SUBMISSION: June 14, 1978

THE WHITE HOUSE
WASHINGTON

June 14, 1978

Zbig Brzezinski

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

Rick Hutcheson

cc: Frank Moore
Hamilton Jordan

HENRY M. JACKSON, WASH.
HOWARD W. CANHAM, NEV.
THOMAS J. MC INTYRE, N.H.
HARRY F. BYRD, JR., VA.
SAM HUNN, GA.
JOHN C. CULVER, IOWA
GARY HART, COLO.
ROBERT MORGAN, N.C.
WENDELL R. ANDERSON, MINN.
PAUL HATFIELD, MONT.

CHAIRMAN
JOHN TOWER, TEX.
STROM THURMOND, S.C.
BARRY GOLDWATER, ARIZ.
WILLIAM L. SCOTT, VA.
DEWEY F. BARTLETT, OKLA.
JESSE HELMS, N.C.
JAKE GARN, UTAH

FRANCIS J. SULLIVAN, STAFF DIRECTOR

United States Senate

COMMITTEE ON ARMED SERVICES

WASHINGTON, D.C. 20510

June 13, 1978

*3619
Comment
tomorrow
J*

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

Dear Mr. President:

As you know, many of us in the Senate share a sense of apprehension relative to the adverse impacts on our country in connection with the proposed exchange of the instruments of ratification and protocol of exchange relating to the Panama Canal Treaties in Panama Friday.

The State Department has defended the language used in these documents on the grounds the Senate leadership has been briefed and has accepted the instruments as written.

I am personally concerned that the Panamanian instrument of ratification may be designed to avoid not only the letter, but the spirit of the changes made by the Senate, or leaves an opening for future actions by Panama to escape the changes adopted by the Senate.

Especially troublesome is the Foreign Ministry Communique of Panama issued in April which repudiates practically all substantive changes made by the Senate. This document and the Panamanian instrument of ratification could lay the groundwork for Panama to flaunt the Treaties once Panama becomes sovereign in the Panama Canal Zone in the next year or so.

In this connection, I would urge that you make public immediately the texts of the five documents to be signed in Panama this weekend. The members of the Senate and the American people are entitled to know the contents of these documents prior to the signing ceremonies.

Further, I would urge you not sign these documents without ironclad and public assurances from Panama that they have fully embraced the changes made in the Treaties by the United States Senate. If Panama is unwilling to give such assurances in a public and explicit way, it would be a grave mistake to affix your signature as President to these documents.

Finally, assuming you are satisfied that Panama's acceptance of the amended Treaties is unequivocal and without qualification, I would advise that you so inform the American people immediately so that there may be a public record to that effect. Such a step would be of great value in any future disputes which are likely to grow out of the many ambiguities in the Treaties. Your careful consideration of the issues raised in this letter will be deeply appreciated by me, as well as other members of the Senate. With kind regards,

Respectfully,

Strom Thurmond

Strom Thurmond

THE WHITE HOUSE
WASHINGTON

June 14, 1978

Zbig Brzezinski

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

Rick Hutcheson

cc: Landon Butler

RE: LETTER TO MEANY

THE WHITE HOUSE
WASHINGTON

June 14, 1978

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *Zb*
SUBJECT: Letter from George Meany

*Zb 15 -
Enclose my
pertinent
comments from
press conference
today*

George Meany has written you (Tab B) condemning Soviet implementation of the human rights provisions of the Helsinki Agreement and urging you to seek repeal of the so-called McGovern Amendment, which makes it easier for individuals from communist countries to obtain visas to the United States. Citing the denial by the Soviets to allow Sakharov and others to attend the AFL-CIO convention last December, Meany argues that we must show the Soviet Government that the Helsinki accord is not a one-way street.

The proposed letter at Tab A does not comment specifically on the Meany proposal, but assures him that you share his concern and calls his attention to your Anapolis speech.

RECOMMENDATION

That you sign the letter at Tab A.

Jim Fallows concurs in the text, as does Landon Butler.

THE WHITE HOUSE

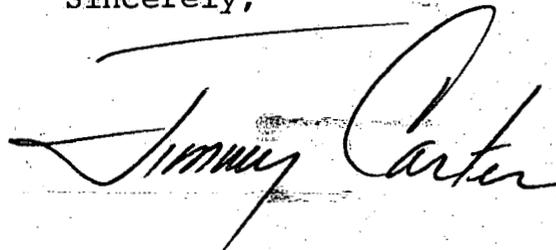
WASHINGTON

To President George Meany

Thank you for your letter of June 8 about Soviet implementation of the human rights provisions of the Helsinki Agreement. As you know, the concerns you expressed are shared by me and by the American people. I have sought in many ways to convey these views to the Soviets, and your letter offers a specific suggestion in this regard. Recalling our discussion of the McGovern Amendment last Fall, I understand your urging its repeal. However, I continue to believe that the Amendment is consistent with our obligations under the Helsinki Final Act.

In my speech at Anapolis last week, I described my view of relations between the United States and the USSR. Of all the differences between us, the Soviet abuse of basic human rights in their own country is one of the most profound. American feelings about these abuses cannot help but affect our relations with the Soviet Union. Our commitment to fundamental human rights around the world, including in the Soviet Union, will continue to be a central element of our policy.

Sincerely,



Mr. George Meany
President
American Federation of Labor and
Congress of Industrial Organizations
815 - 16th Street, N.W.
Washington, D.C. 20006

encl. Comments at 6/14/78 press conference

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

①

FOR THE PRESIDENT AND MRS. CARTER

FROM GRETCHEN POSTON *GP*

DATE: 13 June 1978

SUBJECT: MEETING/RECEPTION FOR 100 TOP BLACK BUSINESSMEN
14 June 1978 3:30 and 5:00 P.M.

REVISED
SCENARIO
3³⁰ P.M.

Meeting guests arrive Northwest Gate and proceed to North Portico. Continue to State Dining Room for seated meeting.

(Chairs for 12 writing press to be roped off in southeast corner of room.)
(5 chairs for speakers, by podium.)

5:00 P.M. Additional guests arrive Southwest Gate and proceed to East Room for refreshments.

(Trio/piano in East Room.)

5:15 P.M. The PRESIDNET arrives State floor, is announced into State Dining Room, and approaches blue lectern for remarks.

(Press coverage of remarks from Green Room.)

At conclusion of remarks, Mr. Earl Graves, publisher of Black Enterprise Magazine, thanks the PRESIDENT.

The PRESIDENT departs State Dining Room, and is joined by MRS. CARTER. PRINCIPALS proceed to Presidential Seal for receiving line.

(Two WH photographers to take individual photos of meeting guests.)

Guests depart State Dining Room, go through receiving line, and join others in East Room for refreshments.

5:30 P.M. The PRESIDENT and MRS. CARTER depart State floor.

6:00 P.M. All guests depart Residence.

THE WHITE HOUSE

WASHINGTON

RECEPTION FOR BLACK BUSINESSPERSONS

WEDNESDAY, JUNE 14, 1978

5 - 6 p.m.

State Dining Room & East Room

From: Bunny Mitchell

I. PURPOSE

To recognize the nation's 1978 top Black owned/controlled business enterprises.

II. BACKGROUND, PARTICIPANTS, PRESS PLAN

- A. Background: Since the Federal government's minority enterprise programs were launched almost 10 years ago, BLACK ENTERPRISE magazine has evolved as the major black-oriented business magazine in the nation. The magazine's annual list of top Black businesses has come to be viewed as a barometer of the health of Black business development in the U.S. This 1978 list is the sixth; the first was published in 1972. Only firms in continuous operation since January 1, 1977, were eligible for inclusion in the 1978 listing. The criterion used in ranking the "top 100" was each company's reported gross sales in 1977.

The combined gross receipts of the "top 100" in 1977 were \$886.7 million compared to \$537 million in 1972.

Key Statistics:

Number one (1) firm: Motown Industries of California - \$61,400 million in gross sales.

Most employees: Gourmet Services, Inc. of Atlanta (1,000).

Oldest firm: C.H. Jones & Co., Charleston,
West Va. Started in 1883.

Number of states represented: 22 and D.C.
States with highest concentration of firms:

New York	15
Illinois	13
California	11
Ohio	7
Michigan & Pennsylvania	6
Georgia	5

Prior to the reception, the group will attend a
briefing on key economic issues. Kreps, Strauss,
G. Miller, and Harmon will participate.

B. Participants:

.The President and Mrs. Carter
.Approximately 128 Black businesspersons who
represent:

the "top 100" manufacturing, merchandising,
and service firms; the top 10 banks, savings
and loan associations, and insurance companies

.Key majority businesspersons
.Selected members of Congress
.Cabinet/Agency heads
.Senior White House staff

C. Press Plan:

Key journalists cover briefing; pool coverage of
President's remarks at 5:15 p.m.; White House
photographer at receiving line.

III. TALKING POINTS

1. Major points are covered in separate memo submitted by Jim Fallows.
2. Comments on the Minority Bank Deposit Program should indicate we reached our goal of \$100 million in deposits last year and are currently working to strengthen this program for FY '79. Treasury, the Comptroller of the Currency, and the National Bankers Association are cooperating on this. (Problems have occurred due to the competing objectives of the Minority Bank Program and improved cash management procedures.)
3. Notes on Invitees
 - a. Jesse Hill - #5 on insurance list
 - b. Herman Russell - shares 5th position on "top 100" list
 - c. John H. Johnson - #2 on "top 100" list; publishes EBONY; JET; considered the "dean" of Black magazine publishers; attended private jobs program briefing/dinner
 - d. Earl Graves - #89 on "top 100" list; publishes BLACK ENTERPRISE magazine; son has told him "if he doesn't work harder, he won't be on the list next year".
 - e. Nathaniel Goldston III - from Atlanta; #21 on "top 100" list; firm employs most number of people (1,000)
 - f. Robert James - President, Carver State Bank, Savannah, Georgia; also, President National Bankers Association

TALKING POINTS

THE WHITE HOUSE

WASHINGTON

June 13, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS, GRIFFIN SMITH

SUBJECT: Talking Points for White House Reception
for Black Businesspersons

1. First, I want to congratulate each of you for your outstanding business success last year. You have made a valuable contribution not only to your communities but to the national economy. Ten years ago, I doubt that we could have assembled such a diversified group of business-people here; that shows the progress that has been made, and must continue to be made, in opening opportunities for black Americans to compete in every kind of business.

2. Earl Graves at BLACK ENTERPRISE Magazine performs a fine service with his annual list of the top enterprises, because it helps the nation monitor very clearly the pace of black business development. And it also helps those of us in government target our efforts and open new areas of opportunity for black firms.

3. It's been the aim of my Administration to promote participation in our economy by entrepreneurs from socially and economically disadvantaged segments of society. It's an objective I share as a former businessman as well as a citizen and a President. Building these enterprises is very much in the national interest because they help make inroads against unemployment and stimulate growth in local communities.

4. I think all of us realize that government cannot solve all the problems which face us in this area, but government at every level can lead the way. Certainly in the Federal government, every agency and department has a role to play. Several months ago, I told all the departments in the Executive Branch to devise effective minority business assistance programs. I directed Federal procurement of goods and services from minority-owned businesses be tripled. I asked the Office of Federal Procurement Policy to revise the regulations to improve the involvement of minority and small businesses in their dealings with recipients of major Federal contracts. I have tried to ensure that black ownership of broadcast and cable television facilities will be encouraged as a

matter of Federal policy, because I think such a step will help make programming more sensitive to the interests and needs of black audiences. And the Administration has also begun to channel more Federal advertising dollars into black-owned stations, publications, and production firms.

5. Final success in strengthening minority-owned business enterprises in America is going to depend on our ability to tear down the artificial barriers and build up the incentives for small and medium sized businesses of all kinds. My Administration is trying to do that:

* through our tax policy -- by cutting business taxes and providing investment incentives;

* through our urban policy -- by increasing your access to capital for investment in the cities;

* through promotion of exports -- by increasing access to foreign markets for small and medium-sized firms;

* and through our reform of the regulatory system -- by reducing the burdens of government regulation, which often fall so much harder and more unfairly on smaller businesses that lack the manpower and the resources to fill out so many forms and comply with so many excessively-technical requirements.

6. And speaking of putting our own government house in order, there is one other area that I feel can make a big difference to all of you. That is civil service reform. We are trying to put merit back in the merit system by giving managers the ability to manage and giving employees a genuine incentive to do their very best work -- which you may recognize as exactly the same principle that has made American private enterprise the most successful in the world. We are planning to increase the development of executives, training the ones we have better and bringing others into government service. We are also trying, by getting rid of the so-called "rule of three," to let personnel managers choose from among a wider range of candidates for a government job and in that way open more doors to blacks and women and other members of minority groups who are the beneficiaries of our affirmative action programs. Civil service reform is the cornerstone of my commitment to make government run more efficiently, effectively, and responsively. I think you care about this -- and as small businessmen and women, you are certainly in a position to understand how badly government needs to improve the way it carries on its business. So I hope you will work for civil service reform and help make it a reality.

7. The goals we have been talking about today depend very much on the cooperation and participation of the entire private sector. In partnership with you, I am confident the Federal efforts we are so deeply committed to can move our country toward a better balance in the distribution of economic and social opportunity.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

①
/

June 14, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze ^{CLS}
Subject: Overview of Recent Economic Developments

Summary

Economic activity has rebounded strongly from the very slow first quarter. Real GNP in the second quarter is likely to show an annual rate of increase of 8-10 percent. (The first unpublished estimate of second quarter GNP will be available around the 20th of June.) Within the quarter, however, the pace appears to be slowing, and a moderate pace of expansion is expected in the second half.

The inflation rate continues to be very high, mainly because of food price increases. Some relief from this source of inflationary pressure is expected in the second half, although the level of food prices is not expected to decline. The rate of increase of other prices and costs continues to creep up. The underlying rate of inflation is likely to be close to 7 percent for the year.

With both real growth and prices moving up rapidly in the second quarter, the money supply has been expanding strongly. The Federal Reserve has responded by raising interest rates another notch.

Uncertainty about the future course of interest rates is increasingly affecting economic forecasts. Growing numbers of forecasters now attach an uncomfortably high probability to at least a very mild recession in 1979. The principal reason is the possibility that interest rates may rise sufficiently to snuff out further expansion.

The Pace of the Current Expansion

March and April experienced exceptionally sharp advances in the monthly indicators of sales and production. During the two months:

- o Industrial production rose at an annual rate of 15 percent.
- o Retail sales rose 25 percent (annual rate) and new car sales rose sharply to a 12.5 million unit annual rate in April -- the highest since mid-1973.
- o Personal income rose at an 18 percent annual rate as the ending of the coal strike in April contributed to a second month of exceptionally strong increase.
- o Housing starts rose by more than one-third, but the 2.2 million units (annual rate) started in April was only slightly above the fourth quarter of last year.
- o Strength in both industrial output and construction sustained the string of exceptionally large increases in employment that had begun in November. The number of employees on nonfarm payrolls rose by over 1 million. As gains in the total number employed were closely matched by increases in the labor force, however, the unemployment rate changed little. Aggregate hours worked rose very strongly, as overtime hours jumped.

Partial data for May point to a slowing down of the expansion, after the catch-up in March and April. This slower pace is likely to persist in June.

- o Aggregate hours worked in May declined from April as the length of the work week was reduced. Employment in nonfarm establishments continued to grow, but the May increase of 175,000 was smaller than any monthly increase since last October. The unemployment rate in May was virtually unchanged at 6.1 percent.
- o The pace of new car sales slackened somewhat in May, although it remained above every month but one in 1977.

- o Retail sales in May, excluding automobile sales, rose at a 9 percent annual rate, but much of this increase is probably accounted for by higher prices.

Developments Bearing on the Outlook in Key Sectors

Prospects for a moderation of the pace of expansion in the second half are welcome in view of the inflation problem and uncertainties about the degree to which labor markets have been tightening. There are no significant imbalances that are harbingers of excessive slowing or an outright downturn. But there are some mixed signals that suggest a tapering off in the rate of growth in key sectors.

The outlook for business fixed investment is marked by conflicting signals. The latest Commerce survey of business capital spending plans reports a year-over-year increase of 11.2 percent -- an upward revision of only 0.3 percentage point from the March survey, and considerably less optimistic than the McGraw-Hill survey (released a month ago) which called for a 17 percent year-over-year increase. After allowing for inflation, the Commerce survey results would imply somewhat less growth in investment than we are currently forecasting. (About 5-1/2 to 6 percent from 4Q 1977 to 4Q 1978 versus our forecast of 7 percent.) Orders for machinery and equipment (up at an annual rate of almost 20 percent for the February-April period from the preceding three months), and first quarter strength in capital appropriations tend to support the McGraw-Hill survey results and our current forecast.

Consumer confidence is less buoyant recently, mainly because of concern about inflation. Although spending is currently holding up reasonably well, the personal saving rate could creep up somewhat further in coming quarters.

Inventory accumulation has continued to be quite moderate, and stocks are in relatively good balance with sales.

In the foreign sector, exports remain stagnant and little improvement in net exports is expected until next year.

Residential construction is notably volatile and quite sensitive to financial developments. Growth in the number of households of child-bearing age, coupled with the prevailing view of home purchase as a desirable, inflation-proof investment,

implies basic strength of demand. Nevertheless, continued slow growth in deposits at thrift institutions -- the predominant source of mortgage credit-- has resulted in a decline in the issuance of mortgage commitments by lenders. Mortgage interest rates have risen from about 9 percent at the beginning of the year to close to 9.7 percent on new commitments and to 10 percent in some areas of the country. The new savings certificates (particularly the short-term certificate that may be offered by banks and thrift institutions at rates competitive with Treasury bills, under new Federal Reserve, FDIC, and Federal Home Loan Bank regulations) should help to support growth of savings deposits. But mortgage rates will continue to rise along with other rates in financial markets. Some tapering off in the pace of residential construction is therefore likely later this year and the decline could become sharp if financial markets tighten markedly.

On balance, it seems likely that the rate of real GNP growth in the second half of the year will slow to the 3-1/2 to 4 percent range. We expect this will lead to little further reduction in the unemployment rate, as some improvement in productivity growth from the weak performance of the past year is both likely and desirable. Since the unemployment rate is now a full percentage point below a year ago and some labor markets may have tightened to the point of exerting upward pressure on wages, this unemployment outlook is probably an appropriate target over the immediate future.

Inflation

The rate of price increase during the first four months of this year has been disturbing, although most of the acceleration is attributable to food prices.

The annual rate of increase in overall consumer prices has risen to 11.3 percent, as food prices have increased more than 1 percent per month since the beginning of the year.

Some relief may be in sight for food prices. Consumer food prices rose by 5.7 percent (not annual rate) from December through April. Another 1 to 1-1/2 percent rise may occur between April and June. We are now forecasting that the rise in the second half of the year may be 1 to 2 percent, giving an 8-1/2 to 9 percent rise for the 12 months of 1978. Cash livestock prices have fallen slightly

in recent weeks -- from \$61 to \$59. Futures prices for late 1978 deliveries have fallen somewhat further, to the \$53 level. This is a volatile market. But if recent prices hold, retail meat prices may stabilize after another month or two of further increases. Prices for some vegetables (notably lettuce), which were pushed up by bad weather conditions during the winter, are already beginning to come down.

The rate of increase of nonfood prices has also moved up somewhat -- but much of this is due to rising mortgage finance costs which are included in the CPI:

(annual rate of increase in
consumer prices over prior
three month period)

	<u>All items</u>	<u>All items less food</u>	<u>All items less food and mortgage finance costs*</u>
1977:January	5.9	7.0	7.4
April	10.2	7.6	7.2
July	5.7	6.0	5.6
October	4.5	4.8	4.9
1978:January	6.7	6.8	6.4
April	10.0	7.8	6.3

*Not strictly comparable with other data because of difference in seasonal factors used.

Costs are also rising. Average hourly earnings in May were 8.2 percent above a year earlier compared to the 7 percent year-over-year increases that prevailed during much of last year. The January increase in the minimum wage contributed to the recent acceleration of wage increases. The rate of increase from February through May was considerably slower -- an annual rate of only 7-1/2 percent -- but was still more than one-half percentage point faster than during the corresponding period of 1977.

The rate of increase in unit labor costs -- the growth in wages and fringes ("compensation per hour") less the

growth in productivity -- is a major determinant of the underlying rate of inflation. If the annual rate of wage increase remains at or above the 7-1/2 percent level, total compensation per hour will likely rise at about 8-1/2 to 9-1/2 percent since fringes are growing faster than wages and employer payroll taxes are also rising. Normal trend productivity growth cannot be expected to offset more than 2 percentage points of the rise in compensation. (Recent productivity growth has been disappointingly below trend.) This implies a rise in unit labor costs of about 7 percent a year.

Our deceleration program has had some modest successes in getting cooperation from several major industries -- autos, aluminum, and steel. We have had no successes so far with labor. The railroad wage bargaining is drawing to a close, and the settlement will not be good -- we may get a wage and fringe increase over the next three years of 31 to 33 percent. Since the railroad contract ran out last year, the settlement could be seen as the last of the "old" round of wage negotiations. To achieve our objectives in the next several years we will need to get the new round of settlements -- starting with the Teamsters -- in the 22 to 25 percent range (for a three year package). That will be exceedingly difficult. Bob Strauss, Barry Bosworth and I met yesterday to discuss this problem. Sometime in the near future, we will be wanting to talk to you about alternative ways of dealing with it.

Financial Markets

The rapid advance in both real output and prices this spring has been associated with a sharp growth in the monetary aggregates. From March through May, the narrowly defined money supply (M_1) grew at a 13 percent annual rate in contrast to the 6-1/2 percent upper bound of the Federal Reserve's growth target. (See attached Chart.)

The Federal Reserve responded by raising the Federal funds rate, in three steps, from 6-3/4 to 7-1/2 percent, and the Federal Reserve's discount rate was raised from 6-1/2 to 7 percent early in May. Market interest rates followed the Federal funds rate upward, and this, in turn, prompted an increase in the prime rate charged by commercial banks (in two steps) from 8 percent to 8-1/2 percent. An upward drift in market interest rates has continued in late May and early June as many financial market participants anticipated further monetary restraint.

Uncertainties in the Outlook

Prospects for continued expansion at a modest pace through the rest of this year and next appear to us to be fairly good. A number of forecasters, however, are attaching significant probability to a substantial slowdown in the growth of real output in 1979. Some forecasters are expecting a "growth recession" -- i.e., a growth rate that is positive but so small that unemployment rises. Others are expecting an outright recession -- i.e., at least two quarters of declining real GNP.

A significant slowdown is seen as a possibility for a number of reasons:

- o the current expansion has continued for a relatively long time;
- o inflationary pressures have been mounting;
- o financial markets are tightening.

Such a development, however, is by no means inevitable. The current expansion has been long-lived, but it began from a very deep recession. There have been no excessive accumulations of inventories or capital investment. Some moderation in housing construction and other, debt-financed, consumer spending will reduce the chances for future problems. And a moderation in the overall rate of growth is desirable to avoid demand pressures that would aggravate inflation.

There is a danger, however, that the pace of expansion could slow too much. The most likely cause would be an excessively tight course of Federal Reserve policy. Monetary policy is a blunt instrument. The difficulty of exercising monetary restraint without "having the brakes grab" is illustrated by the fact that five out of six periods of monetary restraint in the postwar period were followed by recessions and five out of six recessions followed a period of tight money.

Policy Coordination

At the present time, our "official" forecast assumes a \$20 billion tax cut effective January 1, 1979, and no further significant shortfalls in expenditures in 1978 or 1979. Under those assumptions, and only a modest further increase

in interest rates, we would expect GNP to grow by about 4 percent a year in both 1978 and 1979. If, more realistically, we assume some further shortfall in 1978 (from \$453 to \$450 billion), and a \$10 billion shortfall in 1979 (OMB assumes a \$5 billion shortfall), we might expect a 3-3/4 percent economic growth rate in both 1978 and 1979.

The unemployment rate over the next 18 months is likely to fluctuate in the neighborhood of 6 percent or a little below. For reasons we have outlined to you earlier, however, the recent behavior of unemployment relative to GNP has been very puzzling. If the recent poor productivity experience continues, a real GNP growth in the 3-1/2 to 4 percent range would generate further declines in the unemployment rate; if there is some make up of recent weak productivity gains, the unemployment rate could rise somewhat. We have underway a major study to try to get some more insights into what has been happening to productivity.

A substantially tighter monetary policy than we have assumed could produce a much weaker economy. For example, if short-term interest rates were to increase by 2 percentage points or more from present levels (to about 9 to 9-1/2 percent for short-term securities), economic growth would probably slow very substantially next year -- to perhaps a 1 to 2 percent rate. And such a policy might seem appropriate to the Federal Reserve, because it would be consistent with their desire to hold down the growth of the monetary aggregates and thus contribute to an eventual slowing of inflation. Such a course of monetary policy would slow economic growth, but it would contribute very little to slowing the inflation.

The prospects for 1979 would diminish further, if monetary policy tightened substantially and if the Congressional impasse over the tax bill resulted in no reduction in taxes at all. This would mean a simultaneous move toward restraint in both monetary and fiscal policies that could bring on an outright recession.

We have arranged to meet with the Federal Reserve Board to discuss these issues early next week. We hope that that exchange will help to reduce the possibility of destabilizing actions, or inconsistencies between monetary and fiscal objectives.

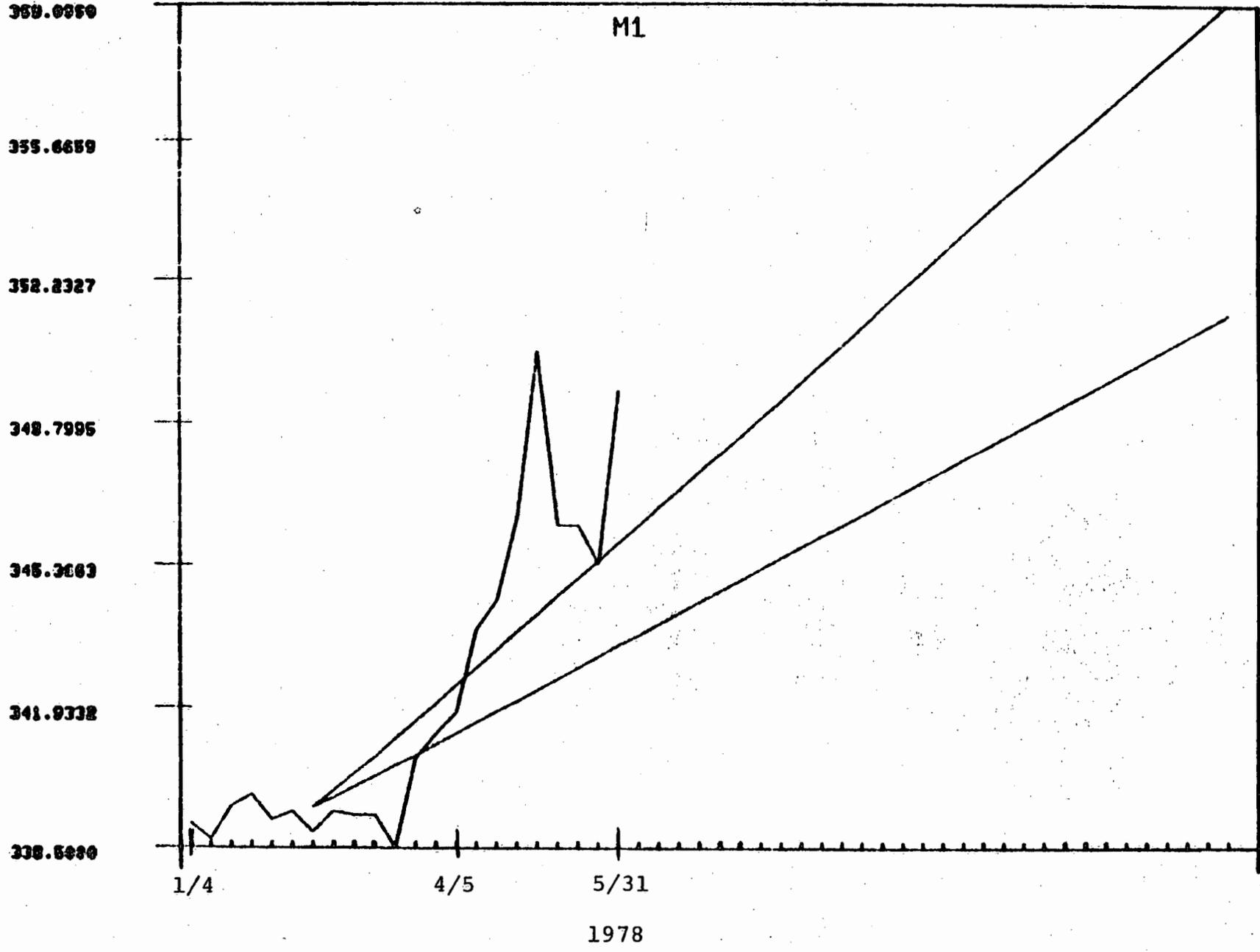
Attachment

Growth of M1 Relative to Target Range

June 9, 1978

Target Range:
6-1/2% - 4%

billions of \$



Nuclear - Flowers / Brown
Healthy
~~Strong~~ nuclear industry
• LWR reactors
R & D on breeder
Design - Component test
• Not CRBR (320 mwe)
Report 3/81 (650⁺ mwe)
Then decide whether to
build
CRBR debate divisive

9:30 meeting with
nuclear industry &
utility reps
6/14/78

THE WHITE HOUSE
WASHINGTON

Westinghouse - Need CRBR.
Need in 2000 a.d.
Component testing

O'Connor Com Ed - 2/3 from Duke power
Working for 8 years
Unanimous reserves in doubt
> Need fuel cycle?
Tortoise = all coal reserves

Duke

100 TOP BLACK BUSINESS 6/14/79

BLACK ENTERPRISE
BALANCE BUDGET
10 - 15 YEARS AGO
MANY ADVISERS
TAX
URBAN
EMPLOYMENT
REGULATION
EXPORTS
REORG - CIVIL SERVICE
FOREIGN
GREAT SUCCESS STORY

JESSE HILL, HERMAN RUSSELL,
JOHNNY JOHNSON -