

**10/31/78 [2]**

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	<del>Lipshutz to Pres. Carter, 2 pp., re: Bankruptcy Law</del> <i>Open 8/9/93</i>	<del>10/31/78</del>	<del>C</del>
Memo	<del>H. Brown to Pres. Carter &amp; A. Young to Pres. Carter, w/attachments 4 pp., re: Defense &amp; UN activities</del> <i>One page opened 2/2/93 3pp opened 8/18/93</i>	10/27/78	A
Memo	Pat Caddell to Hamilton Jordan, w/attachments 6 pp., re: Elections & voters <i>Opened 6/1/92</i>	10/28/78	A

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THE WHITE HOUSE  
WASHINGTON

10/31/78

The Vice President  
Hamilton Jordan  
Zbig Brzezinski

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

Rick Hutcheson

~~SECRET~~ ATTACHMENT

~~SECRET~~



THE SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

October 27, 1978

C

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Significant Actions, Secretary and Deputy Secretary of Defense  
(October 21-27, 1978)

Cost of New Israeli Airfields: I have sent you separately a memorandum on the cost of constructing airfields to replace those in the Sinai, and also of certain other facilities whose reconstruction the Israelis are likely to press.

Military Sales to Yemeni Arab Republic: At your lunch today for King Khalid I did detail for Prince Sultan the success of our efforts to shorten delivery times for tanks and APCs; we're still working on C-130s (with some prospects) and F-5s (more difficult). He was pleased. I will have Charles Duncan, now in Saudi Arabia, tell the Saudis on the spot, and DoD (with State) will also follow up at staff level.

Charles Duncan's Views on Iranian Situation: Charles has concluded, based on his conversations with the Shah and with Iranian military leaders, that the resolve of the Shah needs to be stiffened. Charles recommends that the Administration plan high-level statements of support of the Shah and visits, keep a close watch for Soviet involvement, undertake actions to encourage Americans to remain in Iran, and clearly and publicly articulate our policy. He said that your telephone call to the Shah in September and your statements at your October 10 press conference were frequently mentioned, and that another such call might be appropriate.

Iranian Arms Purchases: Charles met with the Shah on Tuesday. In that and other meetings Charles was informed that the Shah has decided not to proceed with the purchase of seventy additional F-14 aircraft; will reduce his previous request for 298 self-propelled howitzers; and will cancel contracts for coproduction of TOW and MAVERICK missiles. Iran will defer indefinitely purchase of: 140 F-16s; 31 F-4s; 7 P-3Cs; 3 747s; 12 707s; 1,000 SHRIKE missiles; and some C-130s or AMST aircraft. The Shah still plans to buy AWACS, U.S. weapons suites for frigates, and support depots for helicopters and I-HAWK missiles. Charles assured the Iranians that the United States understands these changed priorities. My own view is that this reorientation is a good idea if it can be accompanied by a successful confrontation of domestic issues.

good

Discussion with British Ambassador: At lunch on Wednesday Peter Jay and I discussed the situation in Iran. I also pressed him for more British support of NATO infrastructure funding in the coming year.

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3087

Civil Service Reform: At Scotty Campbell's invitation and to show how important civil service reform is to this Department, I addressed his conference on civil service reform at Ocean City. I emphasized that the legislation itself provides only an opportunity, and that it will require determined and sustained efforts by managers to use the powers now available to shape a new and effective government personnel system.

*sk*  
Unconstitutional Bill: in a separate memo I have recommended you not approve H.R. 13903--passed in spite of objections raised by Charles Duncan to Sam Stratton's subcommittee--which purports to restrict your constitutional power to remove Regents of the Uniformed Services University of the Health Sciences whose terms have expired. The somewhat related situation involving the McGarry appointment to the Federal Election Commission is another reason why you may not want to appear to acquiesce in an attempt to limit your power.

*Harold Bauer*

THE WHITE HOUSE  
WASHINGTON

October 31, 1978

MEMORANDUM TO THE PRESIDENT

FROM: BOB LIPSHUTZ *BL*

RE: Bankruptcy Law Revision Bill -- H.R. 8200

It is rare that I express myself as being indignant about something, but I must do so to you after reading the October 27 letter to you from the Chief Justice.

It is appalling to note that the Chief Justice, the highest official in the Judicial Branch of our government, has grossly distorted the facts to you, in an attempt to persuade you to make a political judgment in this matter about which he has some very strong feelings.

In the second paragraph of his letter he sets out three "adverse effects" of this bill:

1. First, the statement that it will unnecessarily enlarge the Federal Judiciary by more than 200 additional judges, is incorrect. There are presently approximately 225 bankruptcy referees (judges) in this country, and after the bill is enacted there will still be approximately 225 such judges.

2. The statement that this bill will gravely distort the structure of the Federal court system in a way unparalleled in our history, is incorrect. For many years we have had similar types of courts to that set out in the bill, to wit, the Court of Claims and the Tax Court. Both of these specialized courts apparently have operated in a very efficient and desirable manner.

3. The statement that this bill will incur an appalling and irreversable waste of Federal revenues is a conclusion based upon figures and statistics presented to you by the Administrator of Office of the United States Courts, which is an entity of the Judicial Conference of the United States, for which the Chief Justice purportedly is speaking in

expressing opposition to the bill. Chairman Rodino of the House Judiciary Committee, which is the principal Congressional unit that has been working on this legislation for the past eight years, states to the contrary that, "essentially the court does not change and costs do not change substantially." I personally cannot attest to the accuracy of these figures, but Jim McIntyre and OMB are making a careful study of these vastly different projections for presentation to you.

I do not know if you personally have received the October 26 letter to you from Chairman Rodino, and therefore I am attaching it to this memorandum, along with the Congressional Budget Office estimate of the costs involved.

As you will recall, the Attorney General has represented the viewpoint of the Administration in the development of this legislation, and Griffin was most instrumental in working out several important differences between and among nearly all of the parties interested in this legislation. Based upon the letters sent to you and many expressions from interested persons and groups, the resultant legislation has the enthusiastic support of practically everyone who has an interest in this important subject matter: lawyers; the business community; bankruptcy judges; legal academicians; the Department of Justice; and others who are interested in the modernization of the substantive law of bankruptcy, which was designed in 1898 and was last overhauled in 1938.

Insofar as I can ascertain, the only remaining opposition is that of the Judicial Conference, 25 judges headed by the Chief Justice. It is my judgement that the principal reason for this emotional opposition is the desire of this small group, and particularly district court judges, to retain the right of appointment of bankruptcy judges (referees), which they now have, and to have these judges continue (in the language of the Chief Justice) "to serve as adjunct aides to district judges". Every other group of persons concerned with this important subject matter has concluded that this legislation is extremely necessary because of the importance today of both consumer credit and commercial credit.

~~CONFIDENTIAL~~

October 27, 1978

TO: President Carter  
THROUGH: Rick Hutcheson  
FROM: Ambassador Young  
SUBJECT: U.S. Mission to the U.N. Activities, October 20 - 27

UN GENERAL ASSEMBLY

Iraqi U.N. Resolution to Invoke Sanctions Against Israel:  
During the Special Session on Disarmament, Iraq proposed a resolution co-sponsored by most Arab states and 31 other states condemning "military and nuclear collaboration with Israel" and calling upon the Security Council to invoke Chapter VII against Israel. Iraq has tabled the same resolution in the First (Disarmament) Committee. Some moderate co-sponsors, e.g., Egypt and Sri Lanka, are unhappy but unable to withdraw. USUN and posts abroad are currently involved in an intensive lobbying effort to: a) have non-aligned try to convince Iraqis to withdraw it, b) to defer voting, and c) to have states vote no or abstain.

UN Security Council: The UN Security Council renewed the mandate of the United Nations Emergency Force (UNEF) in the Sinai for a period of nine months on Monday, October 23. There were no negative votes; the Soviet Union and Czechoslovakia abstained and China did not participate.

Namibia: The Contact Group has been lobbying extensively explaining to UN delegates the results of the Pretoria talks and trying to obtain support for another visit by UN Special Representative Ahtisaari to Namibia. Our efforts, however, have been unsuccessful. The African Group has formally stated its opposition to the Ahtisaari visit and has now requested an urgent Security Council meeting to consider South Africa's continued refusal to cooperate with the implementation of the Western Five settlement proposal. It is not yet clear what the Africans hope to attain in a Security Council meeting or exactly when such a meeting will take place.

AMBASSADOR YOUNG'S OTHER MEETINGS

10/23 - Sorab Godrej, Vice President of Indian Council of World Affairs and President of Bombay Branch, Lloyd Bailey, Datus Smith, Hugh Downs, UNICEF, Ambassador Stephen Low (to Zambia), Evert Svenson, Member of Parliament (Sweden), Dr. Tolbert, Director General of UNEP; 10/24 - Robert Paganelli; 10/25 - Golar Butcher; 10/26 - Ambassador Ha Van Lau (Vietnam), Ambassador de Figueiredo (Angola), Arthur Krim, Frank Ferrari, Secretary Vance.

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THE WHITE HOUSE  
WASHINGTON

10/31/78

Tim Kraft

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

Rick Hutcheson

cc: Hamilton Jordan

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Cambridge Survey Research

Suite 1250 1775 Pennsylvania Avenue, Washington, D.C. 20006 Telephone (202) 223-6345

MEMORANDUM

TO HAMILTON JORDAN  
FROM PATRICK H. CADDELL  
RE ELECTION PROSPECTS AND VOTER TURNOUT  
DATE OCTOBER 28, 1978

CONFIDENTIAL

*Tim. Call all the most important Demo candidates. Tell them to concentrate on 60TV. JC*

It seems to be the general consensus of both the journalistic and political communities at this time that the Democratic party will do fairly well in the upcoming elections sustaining minimal losses in the Congress. This is an opinion we have generally shared.

However, it is now appropriate to raise some questions about the validity of that opinion, not because of any personality, political, or issue factor in this undefined election but because of the turnout -- specifically the possibility of a low and abnormally structured turnout. A very low turnout which is constructed such that Democratic groups turnout less than Republican groups could pose a significant threat to a number of our office holders. In short, our losses could well be greater, than either predicted or merited, by a turnout problem combined with some other lesser factors. This is not to say such an occurrence will take place but rather to point out the need to be seriously concerned about the possibility of such an event.

Recently we have begun to pull together some research and thinking on this matter. Some of the factors which raise concern are the following:

1. Turnout trends

Since 1960 every Presidential election has seen a decline in the percentage of eligible age voters who participate. Since 1962 every subsequent off year election turnout has registered a decline in voters. In 1974 only 36% of all eligibles voted. A new nonvoter study by the Committee for the Study of the American Electorate recently predicted that turnout this year might well drop below one-third.

As turnouts fall to lower and lower levels the possibility of disproportionate turnout, i.e. one group in the electorate

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being considerably higher or lower than the norm, dramatically increases. Because the declines by group may differ greatly the makeup of the electorate itself can be altered. This becomes increasingly more likely as the turnout drops to microscopic levels. A concern arises that those population subgroups most normally Democratic will turnout in significantly less numbers than more normally Republican subgroups, thus changing the makeup of the electorate to one that is more Republican than past electorates. Since Democratic subgroups have poorer turnout history than Republican subgroups the concern is legitimate that their rate of decline might well be significantly greater hence artificially jeopardizing the Democratic party performances. Thus we may well find situations where Democratic candidates lose not because of political factors or issues but rather from an abnormal turnout pattern of the electorate on November 7.

## 2. The Lesson of 1974

It is crucial to remember that much of the Democratic margins in the House come from victories won in marginal districts in 1974. Any reading of the 1974 turnout suggests that Watergate and the Ford pardon of Nixon added to a general malaise among Republican groups which kept many of them home. Thus the drop in turnout from 1970 to 1974 was not primarily a function of decline among more traditional Democratic groups but rather an across the board decline that was uniquely reflected in normally Republican subgroups as well as Democratic groups.

In 1974 there were about fourteen marginally Republican districts won by Democrats by margins of four points (52% to 48%) or less. There were also fourteen marginal Republican seats that were held by the GOP by a margin of four points or less.

Our partial analysis of turnout finds that in these two groupings of generally Republican districts that there is a rather startling difference in relative declines between 1970 and 1974. The 14 Republican districts that went Democratic in 1974 on an average had a percentage decline in turnout from 1970 that was five times greater than the average for the 14 GOP districts that remained Republican. On average the GOP retained districts held turnout levels very close to the 1970 results while the Democrats gained seats in districts with an average decline in turnout of about three percent.

While on first glance, the difference might not seem all that significant one must remember that the Democrat gains were in elections decided by less than four points. Also, a number of the narrowly retained GOP seats were ones that many commentators expected the Democrats to pick up in the landslide. While not overstating the case, there is some cause to hypothesize that if the turnout in these Republican districts had not dropped off, i.e. Republican groups dropping

off at disproportionate levels, that these narrowly won seats might well have also become narrow losses. One implication of this hypothesis for 1978 could be that without the broader 1976 Presidential turnout for support, a return of higher voting Republican groups to disproportionate higher voting levels at a time of Democratic group vote decline could endanger many of these Democratic holdings. If the thesis has merit then we face the possibility of unanticipated losses if the turnout skews as it declines.

### 3. Presidential Influence

It has always been a truism of political commentary that the "in" party loses seats in mid term elections. To a great extent this has been explained by a kind of "surge and decline" thesis that argues that Presidents sweep in Congressmen and then the Congressmen suffer without the leadership at the top of the ticket.

A persuasive new paper by Sam Kernell of the University of California at San Diego shows, however, that a more active thesis can be proved: people who are unhappy with the incumbent President, regardless of his level of popularity, actually turnout at a higher rate than people who are satisfied with Presidential performance.

Kernell shows clearly that:

"Both political parties fare worse in midterm Congressional elections when an incumbent from their party occupies the White House than when they represent the opposition."

*obvious*

Furthermore, the level of popularity, as Kernel shows, is not that important:

"The greater strength of negative evaluations suggests that voters upset with an incumbent's performance will be more activated to vote against the individual than are satisfied voters likely to support him. Thus even a popular President is not immune from negative voting; he still must work to overcome the disproportionately greater turnout and defection among those voters who are displeased for one reason or another with his performance."

Without tediously presenting Kernel's data -- which are persuasive -- it is sufficient to say that the data would suggest that those people who are displeased with the President will be voting this November at a higher rate than those who like him, regardless of party or demographic factors. This factor, even weakened, added to a declining and disproportionate turnout could upset a number of current calculations.

#### 4. 1978 to Date

A review of the primary voting this year is sobering when considered in the context of the beformentioned factors.

First, the turnouts which on the whole have been atrocious, point to a lower turnout than 1974. According to the Non Voter Study two-thirds (2/3) of the states holding primaries showed lower rates of voting in 1978 than in 1974 or the next comparative election. Only two states, isolated Hawaii and Proposition 13 bound California, had turnouts that exceeded 40%. Over one-half of the states had turnouts below 30% and one-third had turnouts below 20%.

Second, we have already witnessed some signs of abnormal disproportionate turnouts in various states. Some areas in states have had quite dramatic increases in turnout from four years ago while other areas in the state experienced drastic decline. As turnouts decrease the impact of any increase is intensified beyond the size of the increase itself.

Third, current public polls in several states as well as private soundings are indicating dramatic variances when an effort is made to isolate most likely voters. The differences as the samples are reduced to likelier voters invariably reveals drastic declines in the Democratic candidate's standing; placing Democrats with large leads in expanded samples into narrower leads and sometimes putting Democrats with narrow leads behind. Predicting turnout is often the trickiest part of political survey research and thus may be misleading. Nonetheless it is disturbing.

These findings are compounded by the high percentage of undecided voters that are being seen in the late stages of this election. It is yet unclear whether these pockets of undecided voters will simply choose not to vote or will tend to all break in one direction or will tend to divide reflecting the decisions of committed voters. In terms of the Democrats incumbent advantage, a break in a single direction would most certainly be an alarming development.

Fourth, the "hostile" mood of the electorate. Survey after survey has shown the public upset with government; the point is hardly newsworthy. However, this year it seems that something has finally broken and that mood is being translated into more and more negative voting. It is difficult to quantify such things but in state after state we have seen more negative campaigns and more voters expressing "anti-" reasons for voting than in previous years. Such a mood in our experience tends to produce anti incumbent votes.

The combination of turnout factors and mood have already produced some very negative evidence this year. We have seen startling primary defeats and almost as many startling cases

of primaries that should never have taken place in the first place. Mike Dukakis lost; Hugh Carey and Ella Grasso and Brendan Byrne all had remarkably tough races. Furthermore the phenomenon was hardly confined to Democrats; even Meldrim Thompson suffered an astonishingly bad primary in New Hampshire.

In the last four elections, anti-incumbent sentiment has been most prelevant in statewide and particularly U.S. Senate races. Despite the Democratic sweep of the Congressional and State levislative levels in 1974, the performance at the Senate level was most distressing. In a class where the Democrats lost five seats with a close 1968 Presidential race, the Democrats, in a landslide, were unable to recapture more than four seats. In 1976 one-half of the seats up changed hands, nine Democratic seats turned Republican and nine previously GOP seats were taken by Democrats.

This pattern seems to be repeating itself this year. There are an increasing number of tight races at the statewide level and particularly in Senate races numerous incumbents of both parties seem to be in trouble. There are two points that are unclear as yet. First, will a last minute broad based surge or a strange turnout produce a sweep for either party rather than a standoff? Second, will these anti-incumbent instincts manifest themselves at the Congressional level? This did not happen in 1974 or 1976. If it did extend to the Congressional level in 1978 exacerbating a low disproportionate turnout the Democrats could be a surprised party on November 8.

### Conclusions

This memo is not a prediction of disaster. Indeed, it may well result that this undefined election will conclude with the basically good showing expected for the Democrats. However, there are enough disturbing signs to suggest the possibility of a different outcome with more serious losses than anticipated.

By far, the most important and distressing concern has to be the unpredictable level and structure of voter turnout. It could well produce a negative result unwarranted by the present political, policy, or issue environment. A GOTV effort by the President and Party in the last week should be their first priority.

cc Frank Moore  
Tim Kraft  
John White

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# the ch CENT

the christian CENTURY

OBER 25, 1978

JAMES M. WALL  
EDITOR

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## Lutheranism: A Quest for Identity

'The Churches: Where from Here?' Series

Richard E. Koenig

The door of the Castle Church in Wittenberg,  
Germany, to which Martin Luther nailed his  
95 theses on October 31, 1517.

### In Search of Health

LeRoy Walters

Heart Religion

After Camp David

An Ecumenical Plea

Church Parley

at the White House



## Editorial Comment

# HEART RELIGION AFTER CAMP DAVID

† IN JUNE of this year, President Jimmy Carter was plodding along at the low ebb of his popularity rating. Before attending the Southern Baptist Convention in Atlanta, I found a text in the *New Yorker* magazine which, to me at least, helped explain why so many Americans had difficulty comprehending their president. That publication printed an editorial which complained that the president's "heart" religion left him "opaque" to much of the country, especially where "mind" religion was more to local liking (see "The Hearts and Minds of Southern Baptists," July 5-12). Now that formal Middle East peace negotiations have resulted from the Camp David summit, we need to take a second look at the situation.

Is the president any less "opaque" than he was in June? The *New Yorker* (October 9, p. 37) once again provides a text, and in the process reveals a remarkable willingness to re-examine the "heart" religion so many mind-oriented folk either don't understand, or else rejected once they no longer had to attend Sunday school classes. Acknowledging that "observers had often noted his penchant for using the language of private feeling in a political context," the *New Yorker* comments that the president has merged his public utterances with the language of "religious belief." Since Mr. Carter "also claims" a personal relationship with God, the blurring of the lines among the political realm, the personal realm and the divine realm "raised widespread doubts about Carter's understanding of the basic nature of his job." By implication, piety plus power seemed to guarantee incompetence.

Then came Camp David — and public perception changed overnight. "Surprisingly, however," the magazine admits, "the perception of his particular qualities — the piety, the intelligence, the dogged attention to detail — did not change." The world had not learned anything different about Carter; it had, however, learned something about itself.

What the president did at Camp David was totally unorthodox by textbook political standards. Leaders do not attend a summit without a clear idea of the outcome. A president does not involve himself in intimate negotiations with other leaders, certainly not over an extended period of time, in a project so likely foredoomed to failure. And yet, the *New Yorker* now admits with amazement, this president violated the textbook lessons, and secured an impos-

editorial section with the lament that a "heart-oriented" president was confounding and confusing the "mind-oriented" citizen concludes its analysis of Camp David with the assertion that "the brutal, self-enclosed, deterministic world of power politics seemed to break open for a moment and admit some light and air from purer, gentler regions of heart and spirit."

In the secular world for which the *New Yorker* is such a respected voice, there can be only one conclusion: Carter brought something to Camp David which worked. And since there are no political textbooks that explain it, the answer must lie in another realm. "Heart-oriented" religion may itself have experienced something of a rebirth in public perception. However, we still dare not claim "God's will" for any of the actions taken at Camp David. Decisions made there are human conclusions which may or may not lead to peace and reconciliation.

But, as President Carter was careful to state in praising President Sadat and Prime Minister Begin in his address to the Congress (employing a rare use of New Testament language in public), God does bless those who are "peacemakers, for they shall be called the children of God." God does not bless the framework itself — it is a human structure which is filled with ambiguity and uncertainty — but there is reason to rejoice when human decisions are made which point us toward peace and away from war.

JAMES M. WALL.

## Speaking Out

### An Ecumenical Plea

† AS THE CENTURY publishes its series on denominations, may a modest counterpoint be sounded on behalf of ecumenism? No less than when Richard Niebuhr wrote his classic critique *The Social Sources of Denominationalism* in 1929, the organization of American Protestantism remains a scandal. This is true despite a rather common belief that little can be done to end the continued division of the church by class, race, caste — and, one might add, cultural persuasion.

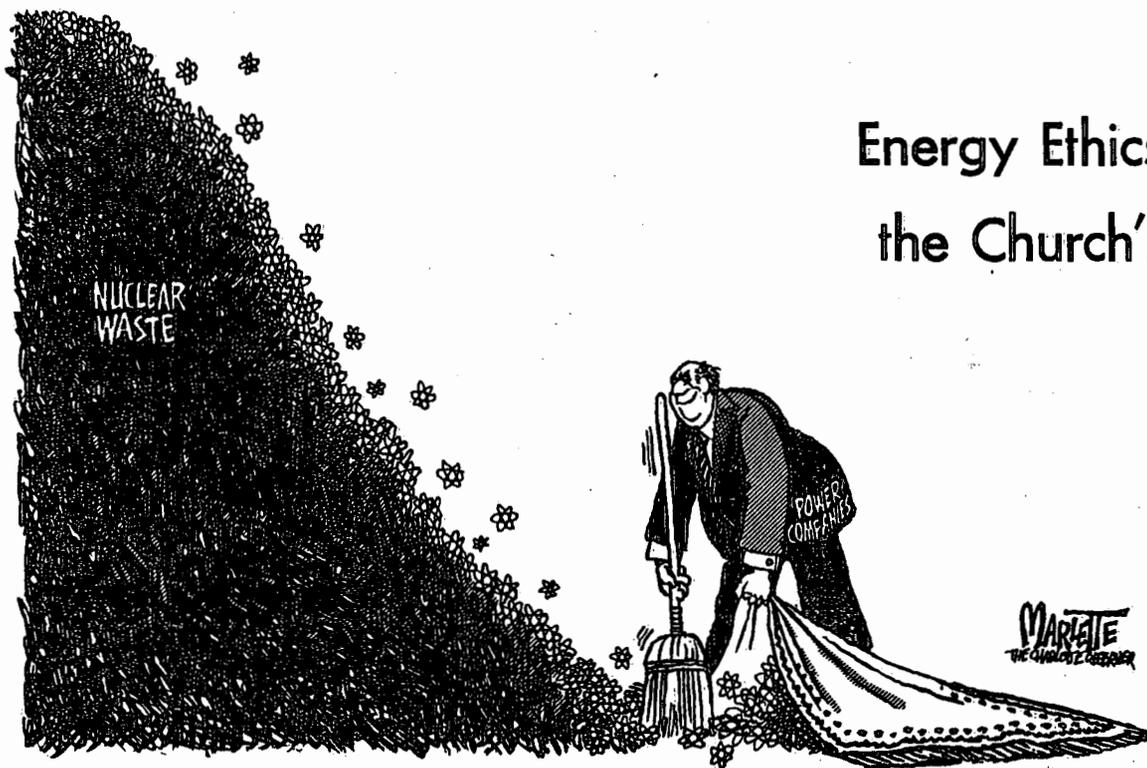
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the christian CENTURY

ER 1, 1978

JAMES M. WALL  
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## Energy Ethics Reaches the Church's Agenda

Bruce C. Birch

## The Winter Mood of Dutch Catholicism

Michael Miles

## Children of the 'Society on the Take'

Howard G. Garner

- Living in the Political Briar Patch
- John Paul II: Prospects for His Pontificate
- Proposition 6: Anti-Gay Perversity

# Energy Ethics Reaches the Church's Agenda

Energy issues should be of particular concern to the church, since it has been given a divine mandate to work for the welfare of the whole of God's creation.

BRUCE C. BIRCH

† UNLIKE concerns for food and hunger, attention to energy issues has not been highly visible in U.S. churches. With the exception of some statements by denominational boards and agencies, there has been a notable lack of programs and materials designed to sensitize local congregations to energy as an area of Christian moral concern.

The reasons for this inattention are many. The dramatic urgency of starving families is hard to duplicate in presenting energy issues. No picture can show radiation from improperly stored nuclear wastes contaminating the soil. Congregations cannot send shipments of electricity to relieve the poor from rapidly escalating utilities costs. More important, many church people are not convinced that an "energy crisis" exists. They reflect the confusion of the national debate over the nature and extent of the "energy crisis" and the remedies needed. But many of those willing to list energy as an extremely important societal issue tend to define it solely in managerial terms. How do we produce and distribute more? Seldom are the complexities of energy issues seen in moral terms, and seldom does energy appear high on the church's ethical agenda, especially within the local congregation.

## A Wide-Ranging Study

The Energy Study Process of the National Council of Churches has been a fortunate exception to this lack of attention. The NCC's concern for energy issues dates back to fall 1974 when the Division of Church and Society (DCS) asked Margaret Mead and René Dubos to chair a study of the implications of using plutonium as fuel in the nuclear cycle. The resulting report, "The Plutonium Economy: A Statement of Concern," forcefully questioned the advisability of proceeding with plutonium use without further investigation and public discussion of the risks involved. A proposed policy statement based on this report became the center of immediate and vigorous debate. The controversy began to make clear the impossibility of separating the plutonium issue from the broader energy picture. In

March 1976 the DCS adopted a resolution calling for a moratorium on the commercial use of plutonium and mandated a broad study on the ethical dimensions of energy issues.

The product of this study is a "Proposed Policy Statement on the Ethical Implications of Energy Production and Use." It was presented to the NCC Governing Board for a first reading in May 1978; if adopted by the board at its November meeting, it will become official NCC policy.

The process that produced this policy statement was remarkable for its scope. An energy study panel of 120 members was assembled, representing a wide array of disciplines: theology, ethics, labor, energy industries, technical sciences, social sciences, economics, and environmental and consumer interests. At its center was a committee on energy policy with responsibility for receiving information from the panel and drafting a proposed policy statement.

Throughout 1977 DCS staff, working with the panel, collected data on energy use and production, generated papers representing different points of view on basic energy questions, and held smaller consultations with subgroupings in the larger panel. In October 1977 the entire panel was assembled for an Energy Ethics Consultation, at which an effort was made to assess technologies and policies for energy use and production in terms of their consistency with Christian ethical concern for the social impact. This consultation's reports left a clear mark on the subsequent policy statement proposed to the NCC Governing Board.

## Urgent Questions

The energy study process and the final consultation were not without significant areas of conflict. One oft-expressed fear was that the final document would betray an antitechnology bias, objecting pointlessly to the realities of a world dependent on technology. Some were uneasy lest the statement slight concerns for justice—such as employment, majority/minority rights, or Third World development—in favor of a major stress on environmental or life-style issues related to energy. Others simply feared that the final policy would be expressed in such broad general terms that no forceful position would be taken.

The policy statement itself does not seem to justify these fears. The document is not antitechnological but stresses the responsible use of technology. The forceful and insistent linking of environmental and justice concerns makes clear the drafters' conviction that these cannot be dealt with separately. Finally, the document does not waffle on the hard issues, nor has there been an attempt to please everyone with generalized statements of concern. It has tried instead to develop and put forward ethical criteria, rooted in the Christian theological tradition, and to begin the process of applying those criteria to energy issues in a straightforward and responsible manner.

The proposed policy statement will certainly be a controversial document, but it is also certain to stimulate a long-overdue discussion in the churches on the matter of energy. Let us look at some of its contents.

1. Although acknowledging the considerable confusion and disagreement over factual energy data, the document leaves no doubt that an energy crisis exists and that energy questions are urgent. Two differing perspectives on the nature of that crisis and its appropriate remedies emerge. One view argues that a shortage of gas and oil, whether resulting from an embargo or from a longer-term depletion, "would produce severe economic and social dislocations." These would likely fall most heavily on the poor. This view is "pessimistic about the prospects of solar energy" and argues for the "substitution of nuclear energy and coal for oil and gas."

A second perspective maintains that "nuclear energy, and to a lesser extent coal, have such severe social and environmental impacts that they not only threaten serious economic and social dislocations, but also place at risk the entire life-support system (the biosphere) on which all people depend." The argument holds that "this is a time for implementing measures for wider and more just distribution of material benefits and for rapid commercialization of solar energy and other benign energy sources and mixes."

Regardless of one's perspective, energy issues are urgent and demand serious attention from church and society. "Both perspectives share the view that society and its energy systems are interrelated and the concern that inaction or wrong decisions will result in disaster."

## Continuum

† EVEN as the present has its mystery husked, the future broods. Consider a mouse harvesting seeds on an autumn thistle.

JAMES WORLEY.

The policy statement's case does not rest on socioeconomic grounds alone, insisting that energy issues involve ethical choices and therefore concern us not only as citizens but also as Christians. "Energy decisions must be based . . . on values concerning the future of the world which human beings wish to inhabit . . . For Christians, the ultimate objectives of society are based on the biblical witness to creation, redemption, stewardship, justice and hope."

## Accountable Stewards

2. The drafters of the policy statement have considered the theological framework for their approach to energy issues with unusual seriousness. A section titled "Theological Dimensions of the Energy Situation" is a direct response to the anticipated questions, "Why should the church be involved in these matters?" and "What could the biblical tradition possibly have to say with respect to energy issues?"

In the biblical theme of creation we are reminded of the interconnectedness of humanity with all of creation—organic and inorganic. Within that creation, humanity has a distinctive role. "Persons are unique in their capacity to respond to God with faith, to their human neighbors with love, and to the nonhuman part of creation with respect and responsible care." Humanity has been given a commission to act as "accountable stewards of the whole earth and as bold advocates for fairness and freedom in the human community." This understanding grounds energy ethics in the widest possible concern for wholeness in the human and natural community. It is a concern epitomized by the Hebrew word *shalom*, which means wholeness and harmonious relationship in creation and in community. Energy technologies and their use can be measured by their ability to build *shalom*.

But the biblical tradition speaks also of sin, the distortion of the divine commission and the breaking of *shalom*. The policy statement refers to sin as the "perversion of dominion into domination." The desire of some to dominate nature (including energy resources) without regard to wholeness is related to the domination of some groups of humans over others without their participation or consent. Sin as domination is also sin as injustice. Energy technology systems can become instruments of economic and social domination no less easily than other instruments of power.

Sin can also find expression in the form of idolatry. "When faith in the Creator is replaced by faith in human ability to solve all problems by technological means, humanity has fallen into the sin of idolatry . . . distorted trust for our salvation in other sources of power." A crucial task for the church must surely be to assess whether energy technology is being used in accordance with God's will for wholeness in creation or distorted into a deity in its own

right whose service demands sacrificing the welfare of some segment of the whole creation.

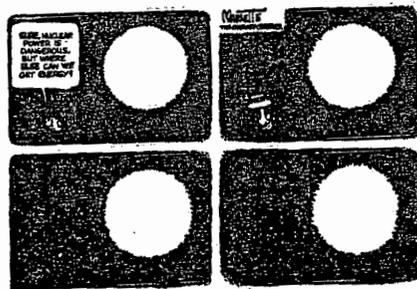
For Christians struggling with energy issues, Jesus Christ is the good news that God has acted redemptively in human society to restore the wholeness of creation. The church participates in that redemptive activity as it seeks to promote social, economic and environmental justice in energy decisions. "In Christ, we are freed from preoccupation with our own rights and needs so that we can give ourselves to the securing of justice for our neighbors in their need."

It is at the point of a radicalized notion of the neighbor that this theological perspective comes clear in terms of its implications for energy production and use. "Our understanding of 'neighbor' is now being radically expanded to encompass all humans in past, present and future generations, as well as the rest of creation." In general discussions of energy issues, we commonly find a very narrow definition of human concern. We are likely to place our own immediate interests above those of the environment, the rest of the human family outside our own national boundaries or economic class, and even our own unborn generations.

The church enters the energy debate with a different frame of reference. If we take our own theology seriously, we cannot accept any prior limitations to the interrelationships for which we seek to care. The scope of relationship must extend to the human and the nonhuman. The geography of relationship is not bounded by political barrier or economic class. The duration of relationship is not limited by time; we care for the generations of humanity yet unborn and the generations of the earth which must endure. Such a broadening of human interest and responsibility will change the operative methodologies for making energy decisions, urging that power not be used in its own immediate interests. There are few entities less powerful than the poor of our planet, an unborn infant or a tree, but it is within a definition of our neighbor which includes these powerless ones that the church must wield what actual and moral power it possesses.

#### Ecological Justice

3. Perhaps the policy statement's most substantive contribution to the churches' discussion of energy ethics is its development of an "ethic of ecological justice." The phrase itself is symbolic of the document's intention to counter the false dichotomy often drawn between environmental and social justice. Ecological justice stresses the interrelationship of these concerns. For example, those who argue for allowing the risk of serious environmental damage in order to produce more energy contend that this course of action will produce sufficient supplies to ensure energy for the poor. Their argument ignores the common practice of imposing environmental



risks on one group (usually poorer, less powerful, and often rural) for the benefit of others who suffer none of the environmental risks.

In Black Mesa, Arizona, the proposal to construct six large, coal-burning electric plants and three strip mines meant that the health risks of air and water pollution would be suffered by a predominantly native American population, but the power generated would be distributed to distant urban areas. The welfare of the human community, of even the most powerless, is tied to the welfare of the biosphere on which we all depend for basic life needs. Any energy policy which tries to play one area of concern against the other cannot be encompassed in an ethic of ecological justice.

In concrete fashion the document advances three values against which energy policies and technologies may be measured for their consistency with the goal of ecological justice: sustainability, equity and participation.

*Sustainability* refers to the earth's limited capacity to provide resources and to absorb the pollution resulting from their use. Sustainability requires that biological and social systems which nurture and support life be neither depleted nor poisoned. Sustainability provides the boundaries within which all participate in the equitable satisfaction of needs.

*Equity* refers to a fair distribution of resources on the basis of need. Equity embodies the rights of today's generation and those yet unborn. A central concern of energy policy is the equitable distribution of positive and negative impacts of energy production and use. This distribution is difficult because what is beneficial to one group of people often is detrimental to another; because frequently those who receive the benefits are not those who pay the costs; and because there is a considerable time lag between the imposition of either costs or benefits and the realization of long-term effects. Energy equity questions include: Energy for whom? Energy for how long and for what? How much and what kind of energy?

*Participation* is a basis of equity in that the individual community member must have the opportunity to be involved in determining public policy and the hierarchy of values which guide that policy. Par-

ticipation includes representation of the interests of future generations.

Using these three value areas as a measure of ecological justice, the policy statement turns to an assessment of specific issues. It does so with the apt warning that energy policies must be evaluated in terms not only of their objectives but also of the means used to achieve those objectives. The social and economic costs of particular technologies and the ways in which they are used can undermine otherwise desirable ends.

#### A Concern for Equity

We can only briefly highlight some of the issues addressed by the policy statement in this area of ecological justice. All are approached from within that framework of concern.

A section on "Ethics, Energy and Risks" makes clear that all energy technologies involve some element of risk. Nevertheless, the judgment is made that a coal- and nuclear-fission-based energy policy is centered on high-risk technologies. The level of risk approaches the unacceptable because there is the very real possibility of irreversible damage to the biosphere itself; further, many of the social costs of such high-risk technologies are postponed to future generations while the benefits accrue to the present generation. Plutonium technologies are judged a particularly unacceptable risk because of the extreme toxicity of plutonium, its capability for use in nuclear weapons, and the unusual safeguards necessary for its security and error-free use. Such high stakes force those concerned for ecological justice to seek the development and use of lower-risk technologies such as solar energy.

The need for equity leads to sections addressing such topics as these:

- The guarantee of adequate energy supplies to the poor at proportionate economic cost.
- The protection of minority rights in the face of majority energy needs.
- The social impact of energy development in rural areas which produces a "boomtown syndrome" and its accompanying social and economic dislocations.
- The importance of assuring a fair share of energy supplies to developing Third World nations, and the availability of technologies appropriate to Third World needs and economies.

The policy statement zeroes in on ecological justice's demand for appropriate patterns of energy use. "The United States, with 5.8 per cent of the world's population, consumes 33 per cent of the world's commercial energy." Current efforts at energy conservation are inadequate; while the need for more appropriate patterns of individual and corporate energy consumption is clear, the statement also recognizes the necessity of avoiding unnecessary economic and social dislocations in the transition to energy efficiency (e.g., unemployment or increased

November 1, 1978

costs due to lowered volume). The document appeals for the creation of an ethic of sharing as the expression of ecological justice in the area of energy use. Energy waste and inefficiency have become so endemic in the U.S. that this appeal to a principle most Christians profess to affirm sounds almost radical.

#### The U.S. and the World

In an important section on government energy policy, the statement reiterates the values of sustainability, equity and participation, arguing strongly that these can realistically be applied in the formulation of an alternative national policy. No attempt is made to set forth particulars; instead, a convincing case is made that, in ignoring elements of sustainability, equity or participation, we open ourselves up to the risk of serious and unavoidable consequences.

In regard to the decision-making process in matters of energy policy, the document calls for "a national commitment to anticipate serious threats posed by certain technologies to the quality of the community of life and to design appropriate energy policy. The process of anticipating threats must include Technology Assessment and Social Impact Assessment." Technology assessment would analyze the effects of particular energy technologies on society, the environment or the economy. Social-impact assessment would measure the effect of particular energy policies and decisions in "at least the areas of community development, employment, industrial development, land use, health and community services." One gathers that these are modeled on the success of environmental impact statements, as required by the National Environmental Policy Act of 1970. It is to be hoped that the National Council staff will develop this proposal in detail as

#### Salute to Pope John Paul II

+ IT comforts me to think  
 You are so much younger than I am  
 That you will doubtless outlive me;  
 No matter where I may be  
 You will still be *there*.  
 With no uncertainty about re-election,  
 No counting the years till your term expires,  
 You cannot be moved on or up or down.  
 You will continue and continue  
 Well past my lifetime,  
 Your obvious goodness  
 A point of reference  
 In a sinful and uncertain world.

EDITH LOVEJOY PIERCE.

a follow-up to the distribution of the policy statement.

### Challenging the Churches

4. Having advanced the ideal of ecological justice based on the ethical implications of the Christian tradition, the statement concludes with a challenge to the churches—one that is appropriately set in visionary terms. After all, the church is heir to the visions and dreams of prophets and apostles.

The summons is for the church to join in "shaping an ecologically just society." The dream of such a society is best shared in the language of the document itself:

Such a society will respect the limits of creation—the fallibility of human beings, the finite supply of resources, the inability of the natural world endlessly to absorb unnatural substances, and the reality that every thing and every one is connected with every other thing and every other one in the community of life.

Such a society will respond to the demands of

equitable distribution by ensuring that finite resources are thoughtfully conserved so that they may be equitably shared to meet the needs of all persons, now and in the future.

Such a society will ensure that satisfaction of human needs takes immediate priority over the satisfaction of anyone's desires, and that the dignity of each individual is honored by providing opportunity for all persons to participate responsibly in decisions which will affect their individual lives and the common good.

It is fitting that, even in dealing with a subject as complex and difficult as energy production and use, the church should end on a note of vision and hope. The "NCC Policy Statement on the Ethical Implications of Energy Production and Use" will surely meet with some disagreement and controversy, but if it provokes the churches to join the debate, we can only be grateful. The recognition is long overdue that energy issues should be of particular concern to the church since we have inherited a divine mandate to work for the welfare of the whole of God's creation. □

## The Winter Mood of Dutch Catholicism

A once-vibrant church, heralded as pregnant with potential, has seen its dramatic attempt to renew Catholicism aborted.

MICHAEL MILES

AS POPE JOHN PAUL II begins his pontificate, a winter mood hangs over Catholicism in the Netherlands. The "Dutch spring" ushered in by Vatican II is over. A once-vibrant church, heralded as pregnant with potential, has seen its dramatic attempt to renew Catholicism aborted. As recently as the early '70s, Holland was lauded as the cutting edge of the future church. Indeed, many were convinced that, because of the Dutch "experiment," the road to renewal would be broad and beckoning for others. Today, however, such forecasts have been smothered in disappointed hopes.

Though the story of the Dutch church is far from finished, certain questions plead for attention. What happened? Have the enormous efforts at renewal been for naught? How could the fires have flickered out so quickly? Most significantly, will the smoldering embers of John XXIII's Second Vatican Council

be allowed to blaze again during the papacy of John Paul II?

### I

Despite the future's uncertainty, the Dutch past clearly contains a lesson for all Catholicism. It is the story of two factions within the church destined for tragic confrontation. Progressive Christians, motivated by deep gospel tradition, were convinced that the Roman Catholic Church could come alive to the challenges of the final quarter of this century. A people with a passion to be faithful to a vision confronted an equally determined authority dedicated to preserving the faith through a preconciliar church in modern dress. Ultimately the story is that of a Cinderella church which ran headlong into the walls of ecclesiastical power. Within the pages of the Dutch experience lie the tensions, conflicts and issues facing the new pope and all of Catholicism.

A combination of factors created a unique stage for one drama of postconciliar renewal. Of these,

two deserve attention. World War II taught the Dutch a harsh lesson. Efforts to survive the Nazi occupation caused many in the church to lay down the weapons of Protestant-Catholic rivalry and to pick up the olive branches of common faith. The major bodies, Reformed and Roman Catholic, realized that what they held in common was of far more significance than their historical differences. In this atmosphere, seeds of ecumenism took root. But the biblical values embraced by the Dutch church were destined to conflict with ecclesiastical priorities.

Another influence came into play—the seven Dutch bishops. In the years prior to and following John XXIII's council, their leadership was decisive. Under the guidance of the moderate and open Cardinal Bernard Alfrink, the bishops were instrumental in creating the atmosphere of trust and freedom necessary for grass-roots efforts at renewal. As a Rotterdam priest summed it up: "Nothing major has happened for good or ill without the bishops. Nothing for good in the past or for ill in the present."

Consequently, after Vatican II, Holland became the first national church to pick up the ball and run with it. Taking the council at its word, the Dutch saw its decrees not as an end but as an incentive to move toward a new era of Christian faith.

Throughout the '60s and into the early '70s, tourists and press swarmed over the Dutch countryside, eager to view the church's bold experiment. Superlatives flowed freely. International headlines captured the buoyant mood as the first National Pastoral Council was formed, and previously taboo subjects—ranging from birth control and intercommunion to priestly celibacy—were broached. A revolutionary catechism of Christian faith was published. In all the excitement, few suspected that as the Humpty-Dumpty of Dutch Catholicism began to scramble to the top of archaic church walls, it was destined for a great fall.

Having showed itself to be remarkably intransigent during Vatican II, the Roman Curia waited in the wings. As Catholics in Holland became more assertive, the Curia and eventually Paul VI became increasingly alarmed and grew more protective of church order. It was not long before the world's press reported the growing friction between the Dutch and the Vatican.

Nonetheless, Rome was unable to crack the collegial strength of Cardinal Alfrink and the other bishops. As opposition became openly hostile, the cardinal seemed confident that confrontation could be avoided. The homogeneity of the Dutch bishops was complete and unassailable. There is ample historical evidence to suggest that they never expected to be "left swaying in the wind" by other national hierarchies, nor is there indication that anyone realized how deeply committed the Vatican was to retarding their pace of renewal.

Time proved to be on Rome's side. Though factors came into play, no one can deny the Vatican's major role in bursting the Dutch bubble. The power of episcopal appointments. In 1970 again two years later, Rome used appointments as a tool to bring the Dutch hierarchy back into line: bishops retired, Dutch recommendations for successors were all but ignored, and positions filled by individuals opposed by clergy and laity alike. Walter Goddijn, Tilburg University sociologist, writes:

For the first time, there was a feeling that the Vatican was very deliberately and fundamentally interfering with the policy of the Dutch bishops. The appointments were seen as a disavowal of the policy of renewal.

One such disavowal came when Monsignor Gijzen, the new bishop of Roermond, was summoned to Rome and personally ordained by the pope. The new appointments deeply offended Dutch progressives. The cohesiveness of the hierarchy had been shattered; no longer would the episcopate speak with one voice. In a few short years the spirit would shatter from uneasy optimism to despair.

Clearly, Roman suppression is not solely responsible for the diminishing presence of the church in the Netherlands. Vatican II was called, in large part, to prepare Catholic Christians to meet the challenge of rampant secularism. Nonetheless, it cannot be denied that Vatican intervention was significant in preventing the Cinderella church from remaining a *cause célèbre*.

The Dutch are a people who have always taken their church seriously. Despite the anguish that accompanied liturgical renewal, most Catholics in the countryside attend Sunday services frequently, and such feasts as Christmas and Easter occasion overflow crowds throughout the Netherlands. Yet with increasing regularity, especially in urban areas, few churchgoers are to be seen on the Sunday streets. Even working-class neighborhoods, traditionally close to the church, are devoid of Sunday morning activity.

Today's coffee-shop banter rarely touches upon the countryside attend Sunday services frequently. Academics, students and members of the rising middle class—those formerly in the avant-garde of renewal—now appear to give only passing attention

### Little Elegy for Pope John Paul

IN THE Greco-Roman room of Walters Art Gallery—a dalmatic embroidered: "Have mercy on this child."

SISTER MAURA, S.S.N.D.

Mr. Miles is co-pastor of Resurrection Parish in Baseman, Montana.

Attachment To Weekly Report Dated May 26, 1978:  
Status Of Hispanic Employees In HEW

*Joe - give  
me a progress  
report 10/1/78  
J*

Last year I asked my immediate staff to conduct a critical and comprehensive review of equal employment opportunity within the Department. Their report, submitted to me in March, reveals that Hispanics are underrepresented in HEW compared with their representation in the U.S. population. Hispanics are approximately five percent of the United States population. They make up 3.4 percent of the Federal civilian work force and 2.8 percent of HEW's work force.

The Department's deficiency relative to other Federal agencies results from the low percentage of Hispanics in the Wage System (blue-collar positions). Approximately six percent of these employees government-wide are Hispanic, contrasted with 1.2 percent in HEW.

Hispanics are 2.9 percent of the Department's GS (white-collar) employees, versus 2.6 percent for all Federal agencies. But they are located disproportionately in the Social Security Administration. If SSA is deleted from the analysis, Hispanic employment today remains throughout HEW at the 1974 level of 1.7 percent. There has even been retrogression in some key areas. Few Hispanics occupy the higher level career positions in HEW Headquarters components.

I have taken a number of steps to address the Department's EEO problems, including the underrepresentation of Hispanics.

- First, I have created the office of Deputy Assistant Secretary of Personnel in charge of EEO. This elevates the rank of the person who will have direct responsibility for the Department's affirmative action efforts.
- Second, the Department's affirmative action plans will contain numerical goals and timetables.
- Third, I am incorporating selected EEO problems into HEW's Major Initiatives Tracking System which sets clear, achievable goals for the Department's components that can be monitored by my staff offices. This will ensure that the most serious

THE WHITE HOUSE  
WASHINGTON

10/31/78

Charles Warren

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

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

10/31/78

The Vice President  
Hamilton Jordan  
Stu Eizenstat  
Tim Kraft  
Bob Lipshutz  
Frank Moore  
Jody Powell  
Jack Watson  
Anne Wexler  
Jim McIntyre  
Jerry Rafshoon  
Hugh Carter

Re: Cabinet Summaries

The attached were returned in the President's outbox today and are forwarded to you for your personal information.

Rick Hutcheson

EYES ONLY

THE WHITE HOUSE  
WASHINGTON

10/31/78

Secretary Califano

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

Rick Hutcheson



cc Joe  
Another on  
11/1/79. Try  
harder  
J

October 27, 1978

MEMORANDUM FOR THE PRESIDENT

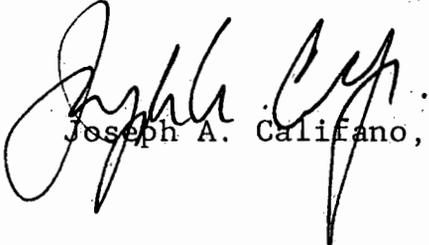
SUBJECT: Weekly Report on HEW Activities

- Hispanic Employment. In an attachment to my weekly report to you of May 26, 1978 (copy attached), I indicated the status of Hispanic employees in HEW and outlined several measures I have taken to address the Department's EEO problems, including the underrepresentation of Hispanics. Here is an update:

The latest figures available on Hispanic employees reflect some improvement. In May 1978, 2.8 percent of HEW's workforce (3,854 people) were Hispanic. Of the 3,402 employees who have joined the Department since then, 4.0 percent (138) have been Hispanic. As you know, we also have made a major appointment of a Hispanic recently -- Josue Gonzales as Director of the Office of Bilingual Education. I have also added a Hispanic American to my immediate staff as a special assistant.

However, analysis of the increase in Hispanic employment shows that the growth is almost entirely at grade levels below GS-12. This pattern must be changed, although dramatic changes will be difficult with severe personnel ceilings.

- Campaigning. Tomorrow I will campaign in the Boston area for Ed King, Tom O'Neill, Paul Tsongas, and Attorney General Francis Bellotti. I will join you in the late afternoon for the rally and fundraiser. On Wednesday, I will campaign for Mike Freeman (3rd C.D.) in Minnesota, and on Thursday for Senator Dick Clark in Iowa.

  
Joseph A. Califano, Jr.



VETERANS ADMINISTRATION  
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS  
WASHINGTON, D.C. 20420  
October 27, 1978

TO : The President  
THRU : Rick Hutcheson, Staff Secretary  
FROM : Administrator of Veterans Affairs

VA Presidential Update

Inspector General - VA has a nearly 10 months jump in accomplishing the purposes of the Inspector General legislation you signed Oct. 12. After you appointed me as Administrator, I was dismayed to learn that audit and investigative functions in VA had only a back seat status. The functions were understaffed, poorly coordinated, and responsibility for them was placed far down the organizational ladder. A 1976 GAO report ranked VA's audit capability last among agencies surveyed.

On Jan. 1, 1978, I created an Office of Inspector General. Aided by a search committee that reviewed qualifications of over 500 potential candidates, I selected Allan L. Reynolds, who had an outstanding record as manager of government audit and investigation activities, as my Inspector General. He is directly responsible to me.

In July 1977, VA had only 72 auditors and 25 investigators. Our IG now has 250 auditors and 34 investigators. The frequency of periodic activity audits has been cut from about 13 years to 3 years.

Procedures have been tightened and investigations have increased. Over 100 cases of fraud in VA's loan guaranty program were referred to Justice in FY 1978. GI Bill overpayment cases - formerly sent GAO merely for possible collection - now go to U.S. Attorneys when rip offs by veterans and schools are suspected. We have referred 12,000 such cases since last March, and prosecutions are being pursued nationwide. Last month, for example, stiff jail sentences and fines were imposed on 8 persons in Tacoma, Wash., who ran a bogus correspondence school, and 15 indictments were handed down in Savannah, Ga., for a fraud scheme at a local college.

The possibility of white collar crime and fraud within VA is being diminished. Our IG is helping establish safeguards in VA benefit systems, which also increase the likelihood of detection. His office is also identifying elements of greatest risk in VA programs and operations, and initiating actions to minimize these risks.

*I want you, GAO  
& private auditing  
firms to help me  
assess the candidates  
for IG's (12)*  
cc MESA  
Tim GAO  
Max [Signature] J

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

cc @ Warren  
J

October 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *AW*  
Gus Speth  
Jane Yarn

SUBJECT: Weekly Status Report

*Sounds ridiculous - Give me a 1-page assessment*

Fire Island National Seashore Referral. Recently, Interior referred to us a dispute it and other agencies had with a proposal by the Corps of Engineers to construct a 20-foot high, 83-mile long sand dune along Long Island's shoreline to control beach erosion. We were able to persuade the Corps to reformulate their proposal in consultation with other interested agencies. In the meantime, aggravated erosion is occurring at Westhampton Beach. The four federal agencies, Congressional and local officials, and citizens are seeking temporary remedial action. Because the federal agencies were not able to agree on what should be done in the interim, at the request of Assistant Secretary Herbst and local officials, on Thursday, we met with the federal agencies. We believe that an understanding has been achieved and expect a final agreement to be confirmed in writing soon.

Meeting with UNEP Executive Director. Dr. Mostafa Tolba, Executive Director of the United Nations Environmental Program, visited us this week. He expressed keen interest in our Global 2000 Study, and gave his views on S.Res. 49, which calls for a treaty to assess international environmental impacts. He felt the loss of tropical forests to be one of the world's most urgent problems, mentioned his interest in demonstrations of appropriate technology, such as solar energy, and urged us to lead an international effort to deal with the problem of global buildup of carbon dioxide.



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

October 27, 1978

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM:

Alan Butchman, Acting Secretary

SUBJECT: Significant Issues for the Week of October 23

Anti-Inflation Efforts - We have received your note to Alfred Kahn on the anti-inflation program and are ready to assist in any way. Earlier this year we wrote to all major DOT grant recipients urging them to cut costs by using existing construction techniques and utilizing more efficiently our current transportation systems. The responses have been encouraging, particularly from State Departments of Transportation who are hard hit by rising construction costs.

Transportation Site Reviews with Members of Congress - Secretary Adams has spent this week meeting with Members of Congress on transportation matters. On Monday he inspected ConRail yards in Indiana with Congressman Brademas. He attended an Allentown, Pennsylvania Airport ceremony with Congressman Rooney on Tuesday. On Wednesday he joined Senator Floyd Haskell to dedicate a new rail and transit equipment research facility in Pueblo, Colorado. On Thursday the Secretary met with Senator Eagleton, Congressmen Young and Gephardt and local St. Louis, Missouri officials to announce a grant for improvements at Lambert Airport. Today the Secretary will be in Rhode Island with Senator Pell inspecting trackage along the Northeast Corridor route and in New Haven, Connecticut with Congressman Ciaino to examine Amtrak train station renovation work.

Coast Guard Cutter Collision - Last Friday at 9:20 p.m., the U.S. Coast Guard Cutter Cuyahoga collided with an Argentine Freighter and sank in the Chesapeake Bay. Eleven of the twenty-nine personnel on board are presumed dead. Salvage operations are underway and the 125-foot vessel is expected to be raised by tomorrow. A joint Coast Guard/National Transportation Safety Board Investigation Board has been convened to determine the causes of the collision and we hope to have a full report promptly.

Highway/Transit Bill - The Highway/Transit bill was transmitted to you for your signature today. As Secretary Adams reported earlier, we are very pleased with the degree of substantive reform achieved in this piece of legislation. Our staff is meeting with OMB to develop ways in which its financial impact can be ameliorated through restraints in the appropriations process, and we are certain these can be accomplished.

The timing of your action on this bill is important to a number of States and cities, since we cannot apportion the funds it contains until it becomes law. Numerous States are now out of funds in various program categories, and their construction programs are being held up awaiting new money.

Airport Operations - In light of the recent San Diego mid-air crash, Secretary Adams has asked FAA Administrator Bond to go to San Diego and testify on the problems of general and commercial aviation operations. We are seeking stronger requirements at major airports to insure better separation of general and commercial aviation. These requirements, coupled with improvements to smaller airports to handle non-commercial air traffic, will be included in proposed Aviation legislation we are submitting to OMB.

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS  
WASHINGTON

C  
/

October 27, 1978

MEMORANDUM TO THE PRESIDENT

FROM: Ambassador Robert S. Strauss

RSS

RE: Weekly Summary

Trade issues continue to get more difficult each day.

On textiles and the meat import legislation, I hope that we can minimize domestic resentment over any vetoes. After having met with Chaikin and Finley this week, I believe there continues to be an outside chance that we could fashion a program that might illicit some positive reaction despite a veto of the Hollings bill. Similarly, it might be possible to indicate, if the meat import bill is not to become law, that there are acceptable elements in it.

I meet with Minister Ushiba of Japan on Monday to discuss follow-up of our January, 1978 Joint Statement. While the Japanese have now been forthcoming on most issues in the MTN, we have failed to effect any fundamental change in our trade balance. We are thrown back on relying on the weakness of the dollar to slow Japanese exports, but it is not having a substantial effect on getting more of our goods into Japan. The trade balance with Japan is likely to still look very bad when the Congress returns.

The European reaction to our loss of the countervailing duty waiver extension continues to be quite negative. With the chips down, the British have been better than we expected in trying to grope for a solution, the French are moderately negative. Some reports indicate that Chancellor Schmidt's attitude has been one of anger and is not helpful. The Danes (70 percent of whose trade to us will be hit with substantially increased duties on January 3rd) are perhaps the most upset. Clearly the future of the trade talks is at risk and the prospect for escalating trade hostilities with Europe in January is real.

I will go to Europe on November 8, pursuant to your letter this week to the Heads of State and try to see Callaghan, Jenkins, Schmidt and Barre to try to take some of the emotion out of this problem and find some sensible way through it.

THE SECRETARY OF COMMERCE  
WASHINGTON, D.C. 20230

C

October 27, 1978

FYI

REPORT TO THE PRESIDENT

The initial reaction of the business community to your announcement of the strengthened anti-inflation program has been, on balance, responsible. I believe this reaction reflects a genuine and broad-based desire to be supportive of the goals of the program, as well as a hope that this Administration is serious about making the difficult budgetary and regulatory policy choices that will be required as we focus on causes rather than the effects of inflation. The Department of Commerce will seek to enlarge business community support through expanded business liaison activities and through its contributions to the Administration's economic policy and regulatory reform process. In this regard, I would like to touch on a few of our activities now underway or scheduled.

o Our expanded business liaison efforts have already paid dividends in terms of improving business-sector support for the new anti-inflation program. As I reported last Friday, the National Association of Manufacturers and the Business Council have made positive statements supportive of the program. On Tuesday I hosted the first of a monthly series of industry sector meetings with key representatives of the pulp and paper industry. A frank discussion of anti-inflation options and the rationale for your initiative was effective in overcoming much of the group's initial hostility to the program. Candid discussions of industry issues, particularly those which are regulatory in nature, will be especially useful as we move forward in the area of regulatory reform. I will be hosting a similar meeting with key representatives of the chemical industry in November. My telephone calls to selected Members of Congress and business leaders reviewing the elements of the new anti-inflation program were well received and appreciated. On Thursday I was able to explain the program during two appearances before more than 1000 civic and business leaders in Chicago.

o In the area of policy development, our Regulatory Reform Seminar of last week was quite encouraging in terms of a consensus on the need for regulatory reform and possible Administration initiatives. Participants included key corporate executives, senior Government officials engaged in economic policy or regulatory management, leading academic scholars, and influential representatives of public interest organizations--a brief report on the seminar is being forwarded separately. Departmental follow-up activities will include a series of analyses on the impact of current regulations on selected industries as well as on productivity, technological change, economic growth, and inflation. We will continue to develop the regulatory budget concept which I believe will be especially compatible with, and supportive of, the actions you have now taken with regard to the regulatory calendar.

(2)

The Department is also currently analyzing factors which have contributed to recent downward trends in U.S. productivity growth rates and associated policy implications.

o Other supportive activities include the Government-wide anti-inflation speakers bureau which has been established in the Department of Commerce. I expect the bureau to be fully operational next week. A list of Administration speakers has been developed and speaking requests and opportunities across the Nation are now being compiled. On Monday we will hold our first speakers orientation program which has been designed to enhance the effectiveness of this effort. Over the past weekend the Department was able to arrange for the production of 2.5 million copies the Council on Wage and Price Stability pamphlet "The President's Anti-Inflation Program", which is now being distributed to the public through offices of the U.S. Postal Service, the Social Security Administration, and other selected Government facilities.

  
Juanita M. Kreps

U. S. DEPARTMENT OF LABOR  
OFFICE OF THE SECRETARY  
WASHINGTON

C

October 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall <sup>RM</sup>

SUBJECT: Major Departmental Activities, October 23-27

Positive labor reaction to anti-inflation program.  
I was pleased at the generally supportive response to the anti-inflation program given by the Teamsters and the United Auto Workers (UAW). I have also been discussing the program with many key members of the AFL-CIO Executive Council who are likely to be sympathetic. The AFL-CIO will issue their response after a meeting of the Executive Council next Tuesday.

Extension of time for the Emergency Board report in the railroad dispute. As you recall, we halted the rail strike by the Brotherhood of Railway and Airline Clerks (BRAC) against the Norfolk and Western Railroad through your appointment of an Emergency Board and subsequently successful court action. Under the Railway Labor Act, the Board was scheduled to report its findings to you at the end of this month and BRAC could not legally resume their strike until the end of November. The Emergency Board has not yet been able to mediate this dispute and may not be able to do so within the 60-day statutory period. For this reason, I have worked out an agreement with the Board and the parties to extend the time period for submitting a report to you until December 15. This means that BRAC would be barred from resuming the strike until January 15. If the Board is unable to mediate the dispute, legislation may be needed to prevent the resumption of the strike. This delay means that Congress will be back in session when the no-strike period ends.



DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

9/

October 27, 1978

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson  
Staff Secretary

SUBJECT: Weekly Report

WATER. Final rules and regulations for the Rural Clean Water Act have been completed with USDA and EPA approval.

RARE II. The Secretary has informed Chairman Foley of his intention to resolve the disposition of two-thirds of the roadless Forest Service land and retain one-third for further study. Public comments on the draft environmental statement numbered over 300,000 from all 50 states. All have been acknowledged.

CHEMICAL. USDA and EPA are completing discussions on a cooperative pesticide training program.

FEED. Total feed grain stocks for the 1977/78 crop year are 40 million metric tons, 10 million more than a year ago.

BEEF. Producer intentions for the final quarter of 1978 show a 9 percent increase in cattle on feed. This should hold prices at the current level until next spring.

A handwritten signature in black ink, appearing to read "M. Rupert Cutler".

M. RUPERT CUTLER  
Acting Secretary



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

F.Y.I.

October 27, 1978

C  
/

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

We have been preoccupied this week with the anti-inflation program and the dollar, on which you are already informed. There is nothing else here that need trouble you.

Mike

W. Michael Blumenthal

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

C  
/

October 28, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS by T66*

Subject: CEA Weekly Report

Anti-Inflation Program. Much of this week, my staff and I have been working with other agencies to present the anti-inflation program to the public. I believe that in general the response from the public has been encouraging, and that we are off to a good start. My staff has been and will continue to be helping Fred Kahn move in to his new job. Fred already is working with us on a few potentially inflationary actions by government that may come before you within the next few days. I will be testifying before the Senate Banking Committee next week on the anti-inflation program.

Regulatory Reform. Several members of my staff have been working virtually full-time for the past few weeks on the activities of the Regulatory Analysis Review Group. The group recently completed reviews of the OSHA generic carcinogen standard, EPA's ozone regulation, and the DOT regulation on the access of the handicapped to mass transit facilities. With the CWPS staff, we are working hard on an analysis of the Interior Department's strip mining regulations, and EPA's new source performance standards for steam electric generating plants. Each of these regulations potentially has enormous economic impacts. We are working with the DPS staff to consider what steps, if any, the Executive Office should be prepared to take to mitigate those impacts after the regulatory analysis review procedures on these regulations have ended. Next week, my staff will brief Fred Kahn's staff on the review process and introduce him to the RAP's now in process.

Welfare Reform. CEA's staff has been working with DPS and OMB to develop shortly a memo to you on the status of welfare reform and possible legislative proposals for the next Congress.



Office of the Attorney General  
Washington, D. C. 20530

October 27, 1978

Principal Activities of the Department of Justice  
for the period October 23 through October 27

1. Events and Appearances

The Attorney General addressed the National Board of Directors of the Boy's Clubs of America at its annual dinner in New York City on Wednesday, October 25. He also spoke at the inauguration of the Reverend Russell H. Dilday as the new president of Southwestern Theological Seminary in Fort Worth, Texas, on Thursday. On Friday, the Attorney General addressed the annual meeting of the National Conference of Metropolitan Courts in Atlanta, Georgia.

2. Prison Inspection

Deputy Attorney General Benjamin R. Civiletti, accompanied by Representative Wyche Fowler, made a surprise inspection of the Federal Penitentiary in Atlanta on Wednesday, October 25. The inspection was made to follow-up on a Justice Department task force report made on the prison several months ago, which recommended various personnel and program changes.

3. INS Fence Controversy

The Immigration and Naturalization Service announced the award of contracts to replace and augment approximately 39 miles of fencing between the United States and Mexico. The fencing is located in two cities in Texas, San Ysidro and El Paso, which are the country's two busiest ports of entry from Mexico. The present fencing is ordinary chain link material, which is constantly being cut or tunneled under. The INS has delayed any further work on the fencing pending redesign work to ensure that it does not injure individuals trying to scale it.

4. Texas Prison Lawsuit

The United States has begun presenting its case as plaintiff-intervenor in Ruiz v. Estelle, a civil rights case challenging the constitutionality of prison conditions in the State of Texas. The case centers on inadequate facilities, inadequate medical care, and allegations of physical abuse and improper disciplinary procedures.

5. Eilberg Indictment

Representative Joshua Eilberg (D.-Pa.) was indicted by a federal grand jury on Tuesday, October 24, on a charge of unlawfully receiving compensation through his law firm in connection with a hospital construction project in Philadelphia. The single-count indictment said that his law firm arranged a \$14.5 million government grant to an expansion project at the Hahnemann Medical College and Hospital of Philadelphia, known as the "Tower Project."

6. Miller Investigation

The Civil Rights Division and the U.S. Attorney's Office in the Eastern District of New York have announced they are beginning a full investigation of the shooting death of black Brooklyn businessman Arthur Miller. He was shot by a New York City policeman on June 14, 1978.

7. Mead-Occidental Petroleum Acquisition

The Antitrust Division has moved to block the proposed acquisition of Mead Corporation by the Occidental Petroleum Company as a violation of Section 7 of the Clayton Act. It is alleged that this acquisition would substantially lessen competition or tend to create a monopoly in the production and sale of coated free paper, a type of high quality printing paper.

**Community** WASHINGTON, D.C. 20506  
**Services Administration**



C/

MEMORANDUM TO THE PRESIDENT

October 27, 1978

Attention: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez, Director  
Community Services Administration

SUBJECT: Weekly Report of Significant Agency Activities  
(October 23 - 27, 1978)

CSA/ACTION Reorganization

The Community Services Administration (CSA) convened a meeting this week with ACTION and CSA Regional Directors, headquarters staff of both agencies, and representatives of the President's Reorganization Project. Possibilities were discussed for increased joint programming between ACTION and CSA and better coordination, particularly field structures, between the agencies. As a result of the meeting, a task force was established, with Robert Smith and Laird Harris from CSA together with Marge Tabankin and John Lewis from ACTION, to further develop specific procedures for the two agencies. A paper on joint programming possibilities has been presented to the President's Reorganization Project.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Sh*  
RICK NEUSTADT

SUBJECT: Talking Points for 2:00 p.m. Meeting with  
Doug Costle

This meeting is to announce Costle's appointment as the first chairman of the new Regulatory Council, which you created as part of the anti-inflation program. (Costle will serve for a one-year term.) There will be a brief photo session for the press at the beginning of the meeting. The press knows about Costle's appointment.

The Council will:

- (1) Develop, twice a year, a calendar of major upcoming regulations. This will help identify:
  - (a) the aggregate costs of new rules; and
  - (b) areas where several agencies' rules conflict or impose an excessive burden on a single industry.
- (2) Seek to improve coordination and assure that new rules do not impose unnecessary costs.

The Council's work will supplement, not replace, Fred Kahn's work and the efforts already underway at OMB and CEA to improve regulation.

We recommend you make these points:

- (1) We must demonstrate that Government actions will be managed to avoid unnecessary costs. That is critical to persuading the private sector to comply with the guidelines.

The Council will play an important role by putting the agencies themselves to work on coordinating rules and making them cost-effective. This will assist our overall program to assure that regulations meet their statutory objectives at minimum cost.

- (2) You appreciate Costle's willingness to take on this task. You will give Costle your full support to ensure that all the regulatory agencies cooperate in this process.
- (3) You intend to meet with the Council from time to time to discuss its progress.

THE WHITE HOUSE  
WASHINGTON

FOR THE PRESIDENT AND MRS. CARTER

FROM GRETCHEN POSTON *Gp*

DATE: 26 October 1978

SUBJECT: HALLOWEEN PARTY  
30 October 1978                      7:00 P.M.                      600 guests

7:00 P.M.    The PRESIDENT AND MRS. CARTER arrive State floor to Blue Room for receiving line.

All guests arrive North gates, and proceed directly into Blue Room for receiving line. Depart into East Room.

(Coat check in Family Theater.)  
(U.S.M.C. ensemble in Main Hall.)

7:45 P.M.    The PRESIDENT AND MRS. CARTER depart Blue Room to foot of Grand Staircase - see notes.

8:15 P.M.    The PRESIDENT AND MRS. CARTER depart State floor to Diplomatic Reception Room - see notes.

8:30 P.M.    The PRESIDENT AND MRS. CARTER depart Ground Floor and either proceed to Family Quarters or return to State floor to mix-and-mingle.

10:00 P.M.    All guests depart Residence.

Memorandum for the President and Mrs. Carter  
Subject: Halloween Party  
Page 2

### Notes on Function

The U.S.M.C. ensemble that will be in the Main Hall will provide musical background for Carol Channing, and will then provide music for dancing in the Main Hall. As this group is quite young, we are requesting that is more disco-oriented than ballroom-oriented music.

Refreshments will be served in the East Room and the State Dining Room. In addition, bars will be set up in the Main Hall, and in the Diplomatic Reception Room.

The guest list is comprised of White House/Carter staff, and their guests.

### 7:45 P.M. Detail

The PRESIDENT AND MRS. CARTER move to foot of Grand Staircase.

Carol Channing descends Grand Staircase from second floor singing parody of "Hello, Dolly!". At conclusion of song, Ms. Channing performs 5-minute monologue on "Diamonds Are A Girl's Best Friend."

As Ms. Channing concludes monologue, she presents "diamonds" to the PRESIDENT AND MRS. CARTER.

The PRESIDENT AND MRS. CARTER (at standing mike) call winner of pumpkin-carving contest to foot of Grand Staircase and present winner with bottle of champagne.

Ms. Channing then presents winner with a "diamond", closing that program.

### 8:15 P.M. Detail

Carmino Ravosa will be in the Diplomatic Reception Room performing parts of "Ghosts in the White House", portraying former residents of the White House and relating ghost sightings. The room will be set up as a cabaret, with small tables and a bar. The PRESIDENT AND MRS. CARTER will enter Diplomatic Reception Room - and Aide will escort to reserved table - for one monologue.

The PRESIDENT AND MRS. CARTER go to piano for picture and to thank Mr. Ravosa, and depart Diplomatic Reception Room.

## THE WHITE HOUSE

WASHINGTON

October 27, 1978

### BACKGROUND INFORMATION ON SPECIAL GUESTS - HALLOWEEN

#### Carmino Ravosa

Will perform in Diplomatic Reception Room "Cabaret" style - playing piano and reciting from his play "Ghosts in the White House."

He is a writer on the Captain Kangaroo show and is in his 5th year with them; he is a Composer-in-Residence for the Dalton School in New York City and for schools in Scarsdale and White Plains, New York. Ravosa has published many recordings and recently had his play - "Seneca Falls" - performed in Carnegie Hall. (It is a story of women's rights.)

"You Can Go Grow Up to Be President" is a song he wrote for the Captain Kangaroo show. He is on the staff of "Early Years", a monthly educational school magazine, and on the editorial staff of a textbook music series company.

Ravosa's "Scarecrow" was performed in Ireland and was the only American company invited to participate in the international competition for light operas. They won 4 major awards while there.

#### CAROL CHANNING

As Dolly Gallagher Levi, Carol Channing is again in Washington with "Hello, Dolly." After closing the original "Dolly" in June, 1967 (after playing in it continuously for four years), Carol Channing again opened "Dolly" in Houston in June, 1977. The Houston Grand Opera is responsible for its revival and Miss Channing plans to remain with the play for some three months more on its tour. She will then go into rehearsal for "Mother of Burlesque", the new Broadway play written again by Jerry Herman and Michael Stewart, the authors of "Hello, Dolly."

Channing has won Tonys, Emmys, Grammys, Broadway Critics Awards, London Theatre Award, an Oscar nomination for "Thoroughly Modern Millie" and a Golden Globe, a Golden Apple, Best Nightclub Act of the Year Award (with George Burns), Hasty Pudding Woman of the Year Award, etc.

She immortalized Lorelei Lee, from "Diamonds Are a Girl's Best Friend" and the other Jule Styne hit - "I'm Just a Little Girl from Little Rock". Critics and theatregoers have long taken her into their hearts.

Miss Channing has won ten gold albums for her Broadway shows, motion pictures, and children's opuses. When Dolly returned to New York in June 1978, she was presented by Mayor Ed Koch the highest honor paid by the City of New York, the Bronze Medallion. The star of incredible feats including an award for never missing a single performance out of 1,273 for "Dolly" will arrive with her husband, Charles Lowe.

#### Friends of the Rag

A group of five crayons (in the primary colors) have been invited to the Halloween party as well. They are part of a group of 40 artist/designers whose work transcends the traditional boundaries between fashion

page 2

and sculpture, between visual and performing art, and between art and craft.

They are in Washington to participate in special performances at the Renwick Gallery. The costumes are made to be worn as art pieces and since it's inception in 1972, they have produced a variety of exhibitions and events.

The group is here from their home in Seattle, Washington.

Halloween Party  
30 October 1978  
est. 700 guests

M E N U

Smoked Turkeys

Baked Hams

Rolls and  
Breads

Standing Roast Beef

Pate

Crackers

Assorted Cheeses

Deep-fried Mozzarella

Mounded Raw Vegetables

Pumpkin Pies

Pecan Pies

Assorted Pastries

Hot and Cold Apple Cider  
Wines  
Sodas

5484

THE WHITE HOUSE  
WASHINGTON

October 31, 1978

*Signed 10/30*

Ambassador Strauss

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

The signed original has been  
given to Bob Linder for transmittal.

Rick Hutcheson

cc: Stu Eizenstat  
Zbig Brzezinski  
Jim McIntyre  
Charlie Schultze  
Bob Linder

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS

WASHINGTON

LIMITED OFFICIAL USE

MEMORANDUM FOR THE PRESIDENT

FROM : Robert S. Strauss

SUBJECT: Bicycle Tire and Tube Escape Clause Case

By October 30, 1978 you must decide whether to grant import relief to the domestic bicycle tire and tube industry. The USITC by a vote of 4-1 found the industry injured by increased imports and recommended that you increase the duties on bicycle tires and tubes by ten percent ad valorem for three years and five percent for the fourth and fifth years of relief.

The domestic bicycle tire and tube industry has shrunk from three producers to one over the past eight years. The remaining firm (Carlisle Tire and Rubber Co.) has very modern production facilities and continues to turn a profit on its production of bicycle tires and tubes. Over the past year and one-half, however, the company's profit margin and level of capacity utilization have declined slightly, and it has lost some market share to imports. In addition to this Section 201 case, the company has filed antidumping and countervailing duty complaints against imports from the major foreign suppliers, Taiwan and Korea. Preliminary affirmative determinations of dumping and subsidization have been found in both cases and final decisions are expected by the end of the year.

The Trade Policy Committee recommends that you support the no relief option. I concur in the recommendation that import relief would not be in the national economic interest for the following reasons:

1. Imposition of import relief in the form of a tariff increase will provide relief without encouraging adjustment. The sole remaining domestic producer has the most modern bicycle tire and tube plant available. Import relief will be used by the domestic firm to expand capacity, increase market share and improve profit margins for the period covered by the relief. Once relief is lifted, the domestic producer will be faced with the same competitive problems as before.

2. Even at its low levels of capacity utilization and in the face of dumping by foreign suppliers, Carlisle's profit from the production of bicycle tires and tubes was still 7.5 percent in 1977. Given the current profit and Carlisle's

fairly recent investment in productive capacity, the firm would be unlikely to terminate the production of bicycle tires and tubes in the near future. Eventually they may decide to retool the equipment for production of other recreational tires and tubes.

3. The duty increase recommended by the USITC will not place effective restraints on import competition but is likely to accelerate the movement of bicycle tire and tube production out of Korea and Taiwan and into even lower cost producers such as India.

4. The granting of both fair and unfair trade practice remedies against the same suppliers at the same time would establish an unfortunate precedent, and may encourage a flood of complaints. Providing multiple remedies could result in excessive assistance and would be perceived abroad as protectionist harassment.

5. It is estimated that any loss in employment would be small, and that those separated would be eligible for adjustment assistance. In addition, the Department of Labor estimates that the reemployment prospects are probably fair for potentially separated workers.

The Department of Commerce dissents and recommends that you support the tariff increase option recommended by the USITC for the following reasons:

1. The domestic producer of bicycle tires and tubes has been injured or threatened by injury from import competition.

2. The relief recommended by the USITC will provide moderate, temporary and degressive relief for the industry which will not impose an undue inflationary burden on the economy.

3. The industry has put forward a concrete strategy for expanded investment and has developed pricing policies which should enable it to compete once relief is lifted.

4. Relief should considerably expand the number of job openings within the industry.

5. No final decisions have been made in the antidumping cases; factors are being considered which could result in a significant decline in the margins found in the Department of the Treasury's preliminary affirmative determination.

Please indicate below your decision:

- (1) No Import Relief \_\_\_\_\_ ✓
- (2) Five Year Tariff Increase \_\_\_\_\_
- (3) Please discuss with me \_\_\_\_\_

J

The ~~attached~~ memorandum provides more detailed background information on this issue.

Attachment

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE

SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

SUBJECT: Determination Under Section 202(b) of the Trade Act; Bicycle Tires and Tubes

Pursuant to section 202(b)(1) of the Trade Act of 1974 (P.L. 93-618, 88 Stat. 1978), I have determined the action I will take with respect to the report of the United States International Trade Commission (USITC), transmitted to me on September 1, 1978, concerning the results of its investigation of a petition for import relief. This petition was filed by the Carlisle Tire and Rubber Company, the sole domestic producer of pneumatic bicycle tires provided for in item 772.48 of the Tariff Schedules of the United States (TSUS), and tubes for bicycle tires, provided for in TSUS item 772.57.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1974, I have determined that import relief is not in the national economic interest for the following reasons:

- (1) The imposition of import relief in the form of a tariff increase would not be an effective means to promote the permanent adjustment in the domestic industry. The sole remaining domestic producer has the most modern plant available, and very little can be done to improve current operating efficiency. In addition, corporate profits are high, and the profit margin on bicycle tires and tubes remains respectable in spite of low capacity utilization levels.
- (2) At current profit levels, it is unlikely that the remaining domestic manufacturer will cease producing bicycle tires and tubes. Should the corporation eventually decide to terminate production, much of the plant's equipment could be modified to produce other kinds of recreational tires made by the company.

(3) The relative stability in the domestic producer's market share indicates that domestic demand is less price sensitive than is import demand. Consequently, its market for domestically-produced tires and tubes is expected to remain intact.

(4) It is estimated that any loss in employment resulting from a denial of import relief would be small, and that those separated would be eligible for adjustment assistance. The Department of Labor estimates that the reemployment prospects are probably fair for potentially separated workers.

(5) Import relief would be inflationary. It is estimated that the consumer cost of the relief recommendation made by the USITC would be between \$4.4 and \$7.5 million for the first full year of relief.

(6) The foreign policy consequences of granting relief measures are adverse. The world trading community would view this as a sign of growing protectionist sentiment. Moreover, because other petitions of the industry are now being investigated under the antidumping and countervailing duty statutes, it would also be seen as an attempt to harass foreign exporters through duplication of remedies.

(7) A duty increase such as recommended by the USITC will not place effective restraints on import competition but may merely accelerate the movement of production facilities out of Korea and Taiwan and into such countries as India, Indonesia, and Thailand.

(8) Provision of import relief would subject U.S. jobs in other industries to possible foreign retaliation against U.S. exports or compensation by the United States in the form of reduced import restrictions on other products.

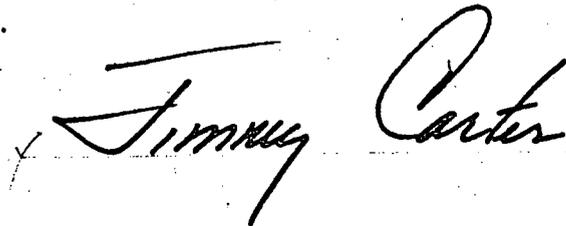
*Jimmy Carter*

THE WHITE HOUSE  
WASHINGTON

Dear Mr. Speaker:

In accordance with section 203(b)(2) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my decision that import relief for the domestic bicycle tire and tube industry is not in the national economic interest, and explaining the reasons for my decision.

Sincerely,

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

The Honorable Thomas P. O'Neill, Jr.  
Speaker of the  
U.S. House of Representatives  
Washington, D.C. 20515

## IMPORT RELIEF ACTION

### BICYCLE TIRES AND TUBES

As required under section 203(b)(2) of the Trade Act of 1974, I am transmitting this report to Congress setting forth the action I will take with respect to bicycle tires and tubes covered by the affirmative finding on September 1, 1978 of the U.S. International Trade Commission (USITC) under section 201(d)(1) of the Trade Act. As my action differs from that recommended by the USITC, I have included the reasons for my decision.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1974, I have determined that import relief for the domestic bicycle tire and tube industry would not be in the national economic interest for the following reasons:

(1) The imposition of import relief in the form of a tariff increase would not be an effective means to promote the permanent adjustment in the domestic industry. The sole remaining domestic producer has the most modern plant available, and very little can be done to improve current operating efficiency. In addition, corporate profits are high, and the profit margin on bicycle tires and tubes remains respectable in spite of low capacity utilization levels.

(2) At current profit levels, it is unlikely that the remaining domestic manufacturer will cease producing bicycle

tires and tubes. Should the corporation eventually decide to terminate production, much of the plant's equipment could be modified to produce other kinds of recreational tires made by the company.

(3) The relative stability in the domestic producer's market share indicates that domestic demand is less price sensitive than is import demand. Consequently, its market for domestically-produced tires and tubes is expected to remain intact.

(4) It is estimated that any loss in employment resulting from a denial of import relief would be small, and that those separated would be eligible for adjustment assistance. The Department of Labor estimates that the reemployment prospects are probably fair for potentially separated workers.

(5) Import relief would be inflationary. It is estimated that the consumer cost of the relief recommendation made by the USITC would be between \$4.4 and \$7.5 million for the first full year of relief.

(6) The foreign policy consequences of granting relief measures are adverse. The world trading community would view this as a sign of growing protectionist sentiment. Moreover, because other petitions of the industry are now being investigated under the antidumping and countervailing duty statutes, it would also be seen as an attempt to harass foreign exporters through duplication of remedies.

(7) A duty increase such as recommended by the USITC will not place effective restraints on import competition but may merely accelerate the movement of production facilities out of Korea and Taiwan and into such countries as India, Indonesia, and Thailand.

(8) Provision of import relief would subject U.S. jobs in other industries to possible foreign retaliation against U.S. exports or compensation by the United States in the form of reduced import restrictions on other products.



THE WHITE HOUSE  
WASHINGTON  
October 30, 1978

*Desal of \$  
will help  
J*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

*Stu*

SUBJECT: Strauss Memo re Bicycle Tire and Tube  
Escape Clause Case

I disagree with the recommendation of the Trade Policy Committee denying import relief in this case and agree with the position of the Department of Commerce, which recommends that the import relief recommended by the USITC be granted, for to do otherwise would make a mockery of the Trade Act of 1974.

We have frankly gotten to the position where it is utterly impossible for a majority of the agencies to agree on import relief regardless of how egregious the situation. I am frankly quite concerned that we are completely perverting the purpose of Section 201 of the Trade Act of 1974 by failing to grant relief in this case. I appears to me that it is only a question of time until Congress rears up against our implementation of this act. This particular case seems to be a prime example of the reason this is likely to occur. Here we have an industry down to its last domestic manufacturer, the Carlisle Tire and Rubber Company. Imports have grown steadily to well over 80%. While the Carlisle Tire and Rubber Company has been healthy, the imports are having an obvious effect on its profitability which is substantially declining. It is now operating at only 37% of capacity utilization.

The majority of agencies take the view that tariff relief would not be an effective long-term solution. However, tariff relief is not supposed to be a long-term solution but rather an interim measure to give a breather to an industry injured by imports. There is an infinitesimally small cost involved here, as pointed out by the Department of Commerce.

Again, I feel that if relief is denied in a case like this, we are effectively undercutting the purpose of the Trade Act and not properly implementing it. If this is to be our position, I think we should make a major policy decision and seek to amend and dilute that Act.

THE WHITE HOUSE  
WASHINGTON

Oct. 31, 1978

Frank Moore

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

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

10-31-78

To Ted Kennedy  
Your speech to the Chicago  
Council on Foreign Relations  
was excellent. It is  
a good forum for such  
an important analysis of  
foreign affairs.

Thank you.

Jimmy

## United States Senate

WASHINGTON, D.C. 20510

October 26, 1978

The President  
The White House  
Washington, DC

Dear Mr. President:

Last Monday, I sent to Cy Vance and Zbig Brzezinski advance copies of the prepared text of a speech I was going to give at the Chicago Council on Foreign Relations.

I am enclosing with this note the shorter speech text as delivered, including some heartfelt words about your outstanding achievement at Camp David.

The audience, all 4,000 of them, responded with enormous enthusiasm to your efforts for peace not only in the Middle East but with the Soviet Union --- and to the improving prospects for normalization of US-China relations. I was deeply encouraged by their reaction, and I wanted to share it with you. I will strongly support you, at every opportunity in the months ahead, as you move forward on these key foreign policy issues.

My warm personal regards,

Sincerely,



Edward M. Kennedy

Enclosure

3619-  
A good speech.  
esp. re SALT  
J

ADDRESS BY SENATOR EDWARD M. KENNEDY  
CHICAGO COUNCIL ON FOREIGN RELATIONS

Monday, October 23, 1978

It is now exactly six weeks since I returned from my second trip to the Soviet Union, from over 2 hours with President Brezhnev and over 35 hours of discussion with other Soviet leaders.

Since then, Foreign Minister Gromyko has come to Washington and Secretary Vance has just concluded two days of talks in Moscow. There is now renewed hope that our two nations can demonstrate the political will to conclude the long-awaited SALT II agreement. And beyond this, there is now the hope that President Carter and President Brezhnev will meet at a US-Soviet summit, and that there will be an upward turn in US-Soviet relations.

At the same time as we pursue SALT II and improved US-Soviet relations, we should see a peace treaty concluded between Israel and Egypt in 1978. President Carter deserves great credit for his personal and effective leadership, and especially for his achievement at Camp David that has brought peace closer for Israel and Egypt and all the nations of the Middle East.

And we should seek the full normalization of US-China relations in 1979.

It would be a foreign policy achievement of historic proportions for the Carter Administration to demonstrate, in 1979, that the United States can establish closer and stronger relations with its two nuclear adversaries, than they can have with each other. That achievement is now within President Carter's reach, and I will strongly support his reaching it.

In this context, we must not minimize the importance of an effective and equitable SALT II agreement, between the only two nations which can totally destroy not just each other but the entire world. The great majority of the American people favor such an agreement --- as they have since the basic guidelines were concluded at Vladivostok by a Republican Administration in 1974. Let no political leader, of either party, forget the public support or disavow the bipartisan credit for SALT II. And let no responsible leader ignore the fact that SALT II will be a good and a strong agreement, clearly in the interest of our nation and of the world.

## The Benefits of SALT II

SALT II will enhance our security and international stability. It will reduce the risk of a nuclear exchange whose "deadly poisons," President Kennedy reminded us, "would be carried by wind and water and soil and seed to the far corners of the globe and to generations yet unborne." Let me count the ways --- that these risks are reduced, security increased, and stability enhanced.

First, this agreement will provide for strategic equality. SALT I froze numbers of missile launchers, of which the Soviets had more than the United States. SALT II will correct this disparity. It will impose equal limits on the numbers of strategic delivery vehicles permitted on both sides.

Second, as a consequence of these equal limits, the Soviets will have to destroy some 300 nuclear delivery systems, but the United States can add another 250 if we so choose.

Third, as a result of this latest round of negotiations, SALT II will restrict the additional numbers of warheads that can be added to land-based missiles with multiple warheads.

Fourth, we will preserve and upgrade our balanced deterrent under SALT. We will modernize and upgrade our B-52 bomber force with powerful, highly accurate, long-range cruise

missiles. We will proceed with our planned Trident submarine program. Just one Trident submarine will have enough warheads --- each with 2 to 3 times the destructive power of the Hiroshima bomb --- to strike every Soviet city with a population of over 200,000.

Fifth, SALT II will protect and enhance our ability to monitor Soviet strategic forces through satellite and other intelligence capabilities. It will prohibit any interference with our verification and it will require the Russians to depart from centuries of secrecy by providing data on their own strategic forces.

Sixth, SALT II will permit us to maintain our technological superiority. Despite all the hullabaloo about the Soviet threat, the only major advantage of Soviet missiles is that they are bigger and heavier. Ours are superior in accuracy, superior in diversity and superior in sophistication. Our cruise missile and Trident R&D programs alone will put us many years ahead of the Soviets in these critical areas of military technology.

Political Support for SALT

Why, then, is SALT II viewed as likely to be so controversial when it is submitted to the Senate for ratification next spring? I think there are three major reasons.

To begin with, the critics of SALT have mounted an early offensive. Some of them counsel a return to Cold War policies based on the illusion that security and peace can be assured by trying to achieve military supremacy.

Now that there is rough strategic equity between the United States and the Soviet Union, some critics insist on distorting this picture, on portraying the Soviets as 10 feet tall and the United States as 2 feet tall. These critics do our nation a grave disservice. They are prophets of fear --- fear which is unworthy of a free and confident and resolute nation.

--- I have already described our superiority in military technology. Add to that the fact that we have over 9000 deliverable strategic nuclear warheads against roughly 4500 in Soviet hands.

--- Add to that the fact that we must plan against essentially one nuclear power; the Soviets must plan against four: China, France, Great Britain and the US.

--- Add to that the fact that Soviet strategic forces are much more vulnerable to nuclear attack than US forces. About 70% of their missiles are land-based; less than 30% of ours are land-based.

Almost 90% of their submarines are in port at any time; about 60% of ours are at sea at any time.

--- Add to that, finally, the fact that all of the nations bordering on the Soviet Union are either presently hostile or were hostile in the living memories of the present Soviet leadership, in contrast to over 100 years of peace between the United States and its neighbors. We are confident in our NATO allies. Can the Soviet Union have the same confidence in the Warsaw Pact?

I know of no American General who would rather command the military power at the disposal of the Soviet Union than the military power at the disposal of the United States. And it is dangerous and irresponsible for us to go about trying to convince ourselves and the world that we are a nation of military midgets, when we are an impressive strategic power, well capable of protecting our interests and those of our allies, now and in the future.

Secondly, too few members of the Administration, the Congress and the public have spoken out effectively in support of SALT. Tonight, I would like to note and thank one important exception --- Paul Warnke, until now our chief SALT negotiator. His clear and reasoned speeches around this country have made a compelling case for SALT. When Paul resigns

at the end of this month, our nation will lose one of the toughest and ablest negotiators, one of the most effective arms control directors, and one of the most dedicated public servants it has ever had. Although I think General George Seignious is a fine man, I regret that President Carter did not select a more prominent arms control director and SALT negotiator with a strong record of commitment to the goals of the Agency Paul Warnke has led and to the arms control agreements he has been so central in negotiating.

Finally, SALT is controversial because it has been linked unreasonably to other troubling issues between the United States and the Soviet Union. Unfortunately, it took over one year for the Administration to accept what should have been a self-evident point: that SALT is too important to the lives of every man, woman and child on this planet to be linked to the other political, economic and military issues which divide us --- including the important issues of human rights. But although SALT should not and will not be linked to other policy issues, it is also obvious that it will be politically easier to ratify SALT II if there is mutual confidence, and politically harder to ratify SALT II in the absence of mutual confidence. Whether we like it or not, SALT remains linked in politics, but not in policy, to other issues in US-Soviet relations.

US-Soviet Relations and Arms Control

I stressed over and over again this need for mutual confidence to Soviet leaders when I saw them at the beginning of last month. Before my visit I think it is fair to say that our confidence in one another had reached the lowest point in over a decade.

--- From the perspective of most Americans, the Soviet leadership has behaved with callous insensitivity to basic human rights, as evidenced by the harsh prison sentences meted out to Shcharansky, Ginzburg, Orlov and other dissidents in July. The Soviets have also contributed to international tensions. They have intervened financially, logistically, and militarily through Cuban proxies in several African countries. They have encouraged a continued state of no war, no peace, rather than peaceful accommodation in the Middle East. They have persisted with a military build-up, in Eastern Europe, highlighted by increased numbers of tanks and medium-range missiles threatening our NATO allies.

--- From the official Soviet perspective, we have launched a human rights campaign aimed at undermining the Soviet state. They claim we have intervened overtly and covertly throughout the world, yet we denied them the right to intervene in behalf of "national liberation" movements. And to extend their influence

to the Middle East, East Asia, and now Africa. While being lectured on the need for military restraint, they claim that we have been creating an anti-Soviet alliance strengthening NATO and Japan, they claim that we are playing a China card, and developing new and destabilizing generations of weapons systems of our own. Finally, the Soviets claim that we have engaged in a policy of economic and technological "pin-pricks" against the Soviet Union which have compounded the problem created by our linkage of trade credits and human rights in the 1974 Trade Act.

Those were our two perspectives when I arrived in the Soviet Union. There I expressed at every opportunity my view of the need for more rapid progress in arms control, for greater military and political restraint, and for positive action in the field of human rights and social justice.

President Brezhnev, for his part, made clear that forward movement in arms control would be a critical test of our bilateral relationship. I was able to meet with a number of well-known Soviet dissidents, and I was impressed and moved by the importance which they also attach to SALT and arms control.

In so many words, Andrei Sakharov and 9 other prominent dissidents stressed the human right to live and urged us to conclude SALT II as soon as possible. Not only was a new agreement important in its own right, they told me, but it would help improve US-Soviet relations and therefore the prospect for progress in human rights.

On SALT, I am encouraged by the progress made with Foreign Minister Gromyko in Washington and with Secretary Vance this past weekend in Moscow. But we now need even more committed efforts to resolve all the important but now essentially technical issues which can and will be solved if there is the political will to do so.

I must say that I am less encouraged by the prospects for a comprehensive nuclear test ban, or CTB, and for MBFR --- the Mutual and Balanced Force Reductions under negotiation in Vienna.

--- I welcome the fact that serious CTB negotiations have resumed in Geneva. But I deplore reports that the nuclear testing bureaucracy has forced the Administration to retreat from the initial goal of a test ban of unlimited duration, to a 5 year, and now to a 3 year nuclear test ban. An effective ban is essential to limit the qualitative arms race, protect

important US advantages in nuclear weapons design, assure a moratorium on so-called "peaceful nuclear explosions" in the Soviet Union, maximize our leverage for tough verification provisions and enhance our ability to attract potential nuclear weapons states to an effective non-proliferation regime. With just a 3 year test ban, we will have to work much harder to achieve the same objectives. Furthermore, if such a treaty is to truly serve our interests, it must have no loopholes and it must have no exceptions --- lest these erode further the very benefits we stand to gain from a complete ban. Above all, a 3 year CTB must be renewable and should be renewed if it continues to serve our best interests. I am confident that it will. Under President Kennedy 15 years ago, we took the first step toward a CTB when we signed the Limited Test Ban Treaty. Let us not retreat from the goal that treaty then proclaimed --- the ban of all tests for all time.

--- As for MBFR, we are now entering the 6th year of these ever-more complex negotiations. There is unfortunately no conclusion in sight. Last June, the Soviets accepted the very important principles of equal force ceilings, but we still count over 150,000 more troops in the Warsaw Pact reductions area than they admit to. With at long last a common negotiating framework for MBFR, we should break the impasse over data and proceed with the real negotiations. I believe that the Soviet

Union can and should disclose the detailed military data necessary to resolve the major discrepancies between the two sides and to get these negotiations moving again.

The climate of Soviet-American confidence will be enhanced by substantive progress in arms control negotiations, contributing to the security of both sides as well as of the international community. But I welcome the fact that essential, positive actions have also been taken outside the realm of arms control.

--- On the Soviet side, the severity of sentences against dissidents has lessened. Although disappointed with the conviction of American businessman Francis J. Crawford, I was pleased with his release while I was in Moscow. Jewish emigration from the Soviet Union has exceeded 18,000 through September of this year and could exceed 24,000 by the end of 1978, the highest level since 1973. Most recently, the Soviets agreed to reconsider the exit cases of 18 families as a result of my visit, and we can all welcome the positive action that they are now taking on each of these cases.

--- On the US side, President Carter reaffirmed the Dresser Industries oil and gas technology contract, and confirmed that the Administration would review all such cases in the future under the Export Administration Act. Sentencing of two Soviet

officials accused of espionage has been postponed in New Jersey until October 30th. Leaders of the Jewish and scientific communities joined me in welcoming the positive Soviet actions on the 18 families, and American scientific groups are now rescheduling their visits to the Soviet Union in response to these actions and in the hope that more will take place in the future.

--- On both sides, I believe that there is growing sensitivity to the need for political restraint. We are right to oppose strongly all foreign military intervention in Africa and to encourage African solutions to African problems, but we should welcome signs of Soviet and Cuban restraint over Ethiopian repression in Eritrea, as well as indications of Soviet and Cuban support for Angola's normalization of relations with Zaire and Angola's vital contribution to a peaceful settlement in Namibia. We are right to criticize heavy-handed Soviet reactions to the monumental achievements of Camp David, but we should welcome Soviet cooperation in obtaining a further truce in Lebanon, and we should urge the Soviets to play a more constructive role with their Arab friends in moving toward a settlement of the critical, outstanding issues in the Middle East.

We should oppose interventionism and indeed any actions which undermine the prospects for a full and fair peace. We must continue to work to expand the scope of US-Soviet understanding, and sometimes cooperation, beyond the regulation of armaments to the regulation of conflicts --- and beyond the European balance to other regions of the world.

As we seek to restore a pattern of mutual restraint, it will be important to take positive actions in response to those taken by the other side. The departure of the 18 Soviet families will provide the first such opportunity, and I believe the Administration will respond concretely and positively. The visit of a Congressional delegation to the Soviet Union in November will provide a second opportunity, followed by the projected visit of Treasury Secretary Blumenthal in December.

At each stage, we should be prepared to review our inter-governmental relations to determine whether we should expand or resume activities which were restricted or suspended at the low point last summer. And over time, we should be prepared to review the linkage between trade credits and human rights in the 1974 Trade Act --- which have had the tragic effect of advancing neither trade nor human rights.

Throughout this process, we can all hope and expect that SALT II will be brought to a successful conclusion. It should be signed at summit level, and a US-Soviet summit will give President Carter and President Brezhnev the opportunity they need to understand their respective concerns at first hand and to seize the opportunity for further progress in our relations.

In the past, there has been a downward spiral of action and counter-action, denunciation and counter-denunciation in US-Soviet relations. There is now a fragile thaw in which we can move to break this downward spiral, to restore forward movement, a sense of mutual restraint and eventually a degree of mutual confidence in our relations.

Fifteen years ago, President Kennedy told to the graduating class at American University:

"Let us not be blind to our differences --- but let us also direct attention to our common interests and to the means by which these differences can be resolved. And if we cannot end now our differences, at least we can help make the world safe for diversity. For, in the final analysis, our most basic common link is that we all inhabit this small planet. We all breath the same air. We all cherish our children's future. And we are all mortal."

We should not be surprised that our interests conflict in many parts of the world or in important dimensions of our relationship. What counts is whether we can avoid the somersaults between euphoria and confrontation, which have bedevilled US-Soviet relations in the past. We must both exercise restraint wherever possible but manage disputes responsibly whenever necessary. We must both move steadily but surely to reduce the areas of conflict and to increase the areas of cooperation. The peoples of our two countries and of the world have a right to expect nothing less from us both.

\* \* \* \*

THE WHITE HOUSE  
WASHINGTON

10/31/78

Tim Kraft

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

Rick Hutcheson

*done  
J*

THE WHITE HOUSE  
WASHINGTON

October 26, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*

SUBJECT:

Telephone Calls - Week of October 23, 1978

---

John Schmitt  
Milwaukee, Wisconsin  
(o) 414/771-0700  
(h) 414/354-8942

*TC 10/31/78*

John Schmitt, President of the Wisconsin State AFL-CIO, is a very political labor leader and, in conversation with you, he will probably discuss the Wisconsin governor's race. Acting Governor Marty Schreiber faces a stiff challenge from political newcomer Lee Dreyfuss, Chancellor of the University of Wisconsin-Stevens Point. Dreyfuss won a surprise primary victory over the GOP endorsed candidate, U.S. Representative Bob Kasten. Schmitt's strong support is needed in the final weeks of the fall elections.

NOTES: *Schreiber will edge out*

---

*Cornell (8<sup>th</sup>) tough*

---

*41 cities E phone banks*

---

*UAW- Teamsters "on the team"*

---

*done  
J*

Telephone Calls - Week of October 23, 1978

Bob McNair

Columbia, South Carolina  
(o) 803/799-9800  
(h) 803/781-4215

*10/31/78 - TC*

Bob McNair is a former Governor of South Carolina and is usually called by that title. He is currently a practicing attorney and a member of the Democratic National Committee. He is part of the old guard of South Carolina politics and has been somewhat standoffish about Ravenel. His active support would help Ravenel tremendously, both by association with McNair and the money that McNair could help him raise. McNair also could be very helpful at the Mid-term Convention.

NOTES: *Riley - good shape*  
*Ravenel: behind, improving*  
*Bishop Reed - Charleston = Dorn's daughter helping*

Howard Samuels

New York, New York  
(o) 212/371-3880  
(h) 212/787-3013

*TC - 10/31/78*

Howard Samuels was an early Carter supporter and finance chairman for New York. Howard wanted a job in the Administration badly but was never offered one that suited him. We need to stay in touch with him because he is still perceived as a Carter intimate.

NOTES: *Koch helping. Very close favorite*  
*Lot of money raised last night*  
*We need public financing*

done  
J

Telephone Calls - Week of October 23, 1978

Mr. Carmine Cann (pronounced "Carmen")  
Clarksburg, West Virginia  
(o) 304/624-5687  
(h) 304/624-6096

10/31/78 - OR

Carmine, an attorney in Harrison County, worked for the Carter/Mondale election in 1976 and is now working for Jennings Randolph. This would be a booster call. Arch Moore represented this county as a Congressman. Cann organizes and controls the county and is a former member of the House of Delegates. The Peter Hart poll shows Randolph behind in this 3-county area (Harrison, Marion, and Monongalia--in Northern West Virginia). Randolph needs to break even here.

NOTES: Randolph can win - Moore a fast  
closer & unscrupulous - He & wife will work  
hard

Sam Angotti  
Morgantown, West Virginia  
(o) 304/292-4381  
(h) 304/599-4369

10/31/78 - OR

Sam Angotti is an attorney in Morgantown, the location of the University of West Virginia. The former Democratic County Chairman has organized Monongalia County for many years, building up a coalition of labor (AFL-CIO and UMW) and Italian-Americans. Monogalia County is in the north central section of the state, on the Pennsylvania border. This is a Moore-oriented county. Arch Moore was president of the student body of the university and is still very supportive and very popular there. Randolph needs to cut his losses here. Vice President Mondale was in Morgantown in 1976 attending a rally that Angotti set-up. The rally was extremely successful. Kennedy is coming to this county on October 28th.

NOTES: Jennings - feeling good  
Arch never been carried County  
Kennedy's visit not too much

THE WHITE HOUSE  
WASHINGTON

10/31/78

Tim Kraft  
Arnie Miller

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

Rick Hutcheson

4550

THE WHITE HOUSE  
WASHINGTON

C

October 30, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*  
JIM GAMMILL *Jim G*

SUBJECT:

Advisory Commission on Intergovernmental  
Relations

There is a vacancy for one General Public member on the Advisory Commission on Intergovernmental Relations. We recommend that you go ahead and fill that position, even though there will be other openings in November and January.

Bill G. King (Huntsville, Alabama): He is a state senator whose term expires in November. He is President and Chairman of the Board of a management consulting firm, as well as two real estate companies. He has authored several works on community planning. You may recall that he was your Alabama campaign chairman.

RECOMMENDATION:

Appoint Bill G. King as a member of the Advisory Commission on Intergovernmental Relations.

✓ approve

\_\_\_\_\_ disapprove

*J*

PERSONAL DATA

NAME: Bill G. King

BUSINESS ADDRESS: P. O. Box 382  
Huntsville, Alabama 35804  
(205) 533-4110

HOME ADDRESS: 704 Eustis Avenue, SE  
Huntsville, Alabama 35801  
(205) 539-3048

AGE: 43

FAMILY: Married - three children  
Pam - 20; Susan - 15; Chrys - 14

EDUCATION/TRAINING:

Bachelor of Science degree in Industrial Management and Bachelor of Science degree in Business Administration; two years of Law School; and graduate studies in Urban Affairs and Public Administration.

## PROFESSIONAL BACKGROUND

### Business:

President, Chairman of the Board of Directors, Public Systems, Inc. (Management Consulting Firm)

President, Chairman of the Board of Directors, Business Properties, Inc. (Commercial Property Development and Leasing Company)

President, Chairman of the Board of Directors, King Management Company, Inc. (Real Estate Management Company)

Former President, Chairman of the Board, International Fiberglass Industries, Inc.

Former President, Chairman of the Board, Safeway Tire Centers, Inc.

### General:

Served sixteen (16) years of diverse but related experience in both, government (local, State and Federal) and private business. Initial first four years were in management with aerospace firms in the Huntsville, Alabama area. The balance of twelve years were as follows:

- (1) Director of a multi-million dollar downtown development and renewal program for Huntsville.
- (2) Director of the first announced Model Cities Program in Huntsville.
- (3) Chairman of the Southeastern Model Cities Directors' Association.
- (4) Member of the National Steering Committee for Model Cities.
- (5) Government Management Consultant to:
  - Miami-Dade County Model Cities Program
  - Charlotte, North Carolina Model Cities Program
  - Spartanburg, South Carolina
  - Smithville, Tennessee
  - Delray Beach, Florida
  - Tuscaloosa, Alabama

- Montgomery, Alabama
- Birmingham, Alabama
- Florence, Alabama
- Biloxi, Mississippi
- Jefferson County, Alabama
- Decatur, Alabama Housing Authority
- Phenix City, Alabama Housing Authority
- Troy, Alabama Housing Authority
- Nashville, Tennessee
- Jackson, Mississippi School System
- Rutgers University
- Bowling Green, Kentucky Model Cities
- State of Kentucky, Office of Development
- South Alabama Regional Planning Commission
- Top of Alabama Regional Planning Commission
- Alabama-Tombigbee Regional Planning Commission

Publications:

A New Dimension in City Planning

Steps Toward Total Community Development

Model Cities Planning

Co-authored, A Blueprint for Victory, State Jimmy Carter Campaign Handbook for Alabama.

Co-authored, Environmental Priorities for 1975 Alabama Legislature, The Alabama Lawyer, October, 1974.

## PUBLIC SERVICE

### Elected Positions:

Alabama Senate, 1974-Present (4 year term)

- Chairman, Senate Constitution and Elections Committee
- Chairman, Environmental Land and Water Management Committee
- Member Local Government Committee
- Member State Government Committee
- Member Conservation Committee
- Member Judiciary Committee

Alabama House of Representatives, 1970-1974

- Member Health Committee
- Member Local Government Committee
- Member Local Legislation Committee

### Non-elected Activities:

- Member Alabama Constitution Commission (rewrote Alabama Constitution)
- Zoning Board of Adjustments, City of Huntsville, Alabama

### Civic Activities:

- Former President, Huntsville Jaycees
- Former President, Civic Club Council
- Former Vice President, Alabama Jaycees
- Former Director, Chamber of Commerce
- Former Director, Huntsville Industrial Expansion Committee
- Trustee, Huntsville Art Council
- Board Member, Beautification Board

## HONORS AND AWARDS

### Public:

- Selected Outstanding Young Man of Huntsville - 1967
- Selected One of Four Outstanding Young Men in Alabama - 1968
- Ryan Degraffenreid Memorial Award to the Outstanding Jaycee in Alabama - 1968
- Selected One of The Outstanding Young Men in America - 1968

### Governmental:

- Governor's Legislative Environmentalist of the Year Award - 1975
- Alabama's Legislative Conservationist of the Year Award - 1976
- Thomas Jefferson Award, by the Alabama Press Association - 1976 (to the outstanding Alabama Legislator)
- Chosen by the Capitol Press Corps as Legislator with Most Outstanding Leadership Potential

### Listed in the following:

Who's Who In Alabama

Who's Who In American Politics

Outstanding Young Men of America

Personalities of the South

Who's Who In America

THE WHITE HOUSE  
WASHINGTON

10/31/78

Frank Press

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

Sta  
McIntyre

THE WHITE HOUSE

WASHINGTON

October 31, 1978

MEMORANDUM FOR

THE PRESIDENT

FROM

STU EIZENSTAT *Stu*

SUBJECT:

Implementation of National Climate  
Program Act

The attached memorandum from Frank Press and Jim McIntyre explains proposed implementation of the National Climate Program Act which you signed into law last month and attaches a proposed memorandum from you to agency heads.

I recommend that you approve the proposed memorandum, which designates the Commerce Department the lead agency for implementing the Climate Act. The statute requires that such a designation be made and Commerce is the logical agency. It is necessary to inform all other agencies of this designation because of the widely-scattered nature of climate-related programs and issues.

DECISION

\_\_\_\_\_

Approve Memorandum

\_\_\_\_\_

Disapprove memorandum

\_\_\_\_\_

Other

Attachment

THE WHITE HOUSE

WASHINGTON

2 OCT 1978

MEMORANDUM FOR: THE PRESIDENT

FROM:

FRANK PRESS  
JIM MCINTYRE



SUBJECT:

MEMORANDUM IMPLEMENTING THE NATIONAL CLIMATE PROGRAM  
ACT

This memorandum recommends the implementing document for P.L. 95-367, National Climate Program Act, which you signed into law on September 17, 1978. The Act places Program responsibility directly on the Secretary of Commerce, but requires you to "define the roles in the Program of Federal offices, departments and agencies. . .;" to promulgate the 5-year plans to be developed by the Secretary of Commerce; and to provide for Program coordination.

Since the act is so specific, an Executive Order is not needed to implement the Program. The attached memorandum to all Agency and Department heads accomplishes the above.

The memorandum has been reviewed and is concurred with by the Secretary. Your approval and signature of the attached memorandum is recommended.

Attachment

THE WHITE HOUSE  
WASHINGTON

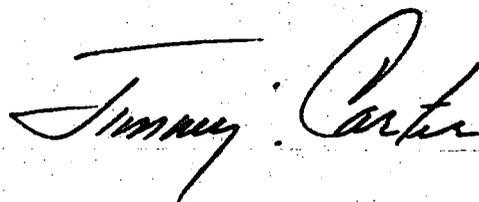
MEMORANDUM FOR THE  
HEADS OF DEPARTMENTS AND AGENCIES

I have just signed into law the National Climate Program Act (P.L. 95-367). I am pleased to commit the Nation to this Program of improving our understanding of climatic changes, both natural and man-induced.

Much of the responsibility for implementing this Act falls on the Secretary of Commerce. In addition to those responsibilities specifically assigned to the Secretary of Commerce in the Act, I shall also expect the Department of Commerce to prepare the preliminary and final 5-year plans and the biennial revisions identified in Sec. 5(d)(9). Working closely with all other involved agencies, including but not limited to those identified in Sec. 5(b)(2), the Secretary of Commerce will define, as an integral part of the plans, the role of each agency in carrying out the Program. The plans shall reflect the Administration's ongoing and proposed climate program efforts and will be promulgated by me after appropriate review in the Executive Office of the President.

Each involved Department and Agency will assign a policy officer to work with the Secretary of Commerce or her designee to assure that the goals, objectives, assignments of responsibilities, and allocations of resources, detailed in the plans, are consistent with the mission responsibilities of each Department and Agency. If any issue arises where a consensus of views cannot be reached among these officers, the matter shall be brought to the attention of the Director, Office of Management and Budget, and the Director, Office of Science and Technology Policy, for resolution.

The Director of the Office of Science and Technology Policy will maintain cognizance, for me, of the status of Program coordination and recommend from time to time any program and procedural changes deemed necessary.

Jimmy Carter

PETER W. RODINO, JR. (N.J.), CHAIRMAN

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 JIM SANTINI, NEV.  
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ROBERT MCCLORY, ILL.  
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 M. CALDWELL BUTLER, VA.  
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 HENRY J. HYDE, ILL.  
 THOMAS M. KINDNESS, OHIO  
 HAROLD S. SAWYER, MICH.

# Congress of the United States

## Committee on the Judiciary

House of Representatives  
 Washington, D.C. 20515

Telephone: 202-225-3951

October 26, 1978

GENERAL COUNSEL:  
 ALAN A. PARKER

STAFF DIRECTOR:  
 GARNER J. CLINE

ASSOCIATE COUNSEL:  
 FRANKLIN G. POLK

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

Dear Mr. President:

H.R. 8200, Bankruptcy Law Revision, has been passed by both Houses of the Congress and is presently, I am informed, on its way to the White House for signature.

I hasten to write at this juncture as rumors abound with regard to some requests for a veto of this legislation.

At least two pockets of resistance still seem to exist to this legislation and both unfortunately are rooted in outdated and erroneous views of what effect this bill will have.

I will endeavor to set the picture straight and in its proper framework.

Hopefully, you are aware that this legislation is the result of efforts which began in 1970 with the creation of the Commission on the Bankruptcy Laws of the United States to study and recommend changes in the Bankruptcy laws. The Commission reported to Congress on July 30, 1973.

My Committee, and principally the Subcommittee on Civil and Constitutional Rights, has been studying that report, holding hearings, and in general working on this bill ever since. There were 35 days of hearings, over 100 witnesses and over 2,700 pages of testimony. The hearings covered every aspect of bankruptcy law from structure of the courts to jurisdiction, from consumer bankruptcy to business reorganization. Not many bills have been as thoroughly or competently

Honorable Jimmy Carter

Page Two

October 26, 1978

studied as this one. Every organization, individual or government agency that had a thought on this subject was heard and consulted with.

This bill, in its original House version, proposed a completely new Article III Bankruptcy Court and this drew the ire of the Chief Justice. This proposal was, however, compromised by the House and Senate and bankruptcy administration remains under this bill adjunct to the United States District Court. Sufficient changes were made however to assure their independence and operational integrity. Essentially the Court does not change and costs do not change substantially. There are presently approximately 225 Bankruptcy Judges in this country and after the bill is enacted, there will still be approximately 225 Bankruptcy Judges in the country. They get a \$1,500 per year raise and a very slight accomodation in their retirement plan. The additional costs are miniscule. Other cost estimates are not based on fact or need but supposition. I enclose a revised cost estimate from the Congressional Budget Office prepared at my request and based on the legislation as passed.

The only other resistance stems from the Securities and Exchange Commission and their sincere concern for the public interest.

Reorganization law and practice have changed substantially in the past 40 years and the absolute necessity for a trustee in every case has ceased. The serious abuses of the 1930's have largely been cured by the adoption of the Securities laws, and their vigorous enforcement by the S.E.C. Most often today, the need for reorganization results from business cycles or honest mismanagement of the company.

Any justification that existed in 1938 for two reorganization chapters has disappeared. Chapter X has become an unworkable procedure and Chapter XI is inadequate to fill the void. Chapter X needed to be made more flexible both in terms of procedure and financial standards for confirmation. Chapter XI needed to be expanded to permit adjustment of secured debt and equity and needed to have added public protections not now found in Chapter XI. In consolidating the chapters, the bill adopts a flexible approach of leaving a debtor in possession of the business unless a request is made for the appointment of a trustee. The Court will hold a hearing to determine the need

Honorable Jimmy Carter  
Page Three  
October 26, 1978

for a trustee in any case in which a party in interest (including the S.E.C.) requests appointment of a trustee. In this way the public, all classes of creditors, will be protected but without the rigid and time consuming provisions of existing Chapter X. Let me add, that this flexible one chapter approach to reorganization is supported by the relevant Committees of the American Bar Association, The Commercial Law League, The National Bankruptcy Conference (the most prestigious group in the field), The National Conference of Bankruptcy Judges, several State and local Bar Associations, and is opposed by no one to my knowledge, except the S.E.C.

The position of the Chief Justice and the Administrative Office of United States Courts was sought and heard on many occasions. Immense accomodation was made to their views.

The position of the S.E.C. was sought and heard on numerous occasions. However, their view was for the most part rejected by both Houses of Congress and every relevant organization concerned with Bankruptcy Administration.

I feel strongly that at this late date, after almost eight years of concern and effort, this legislation not be sidetracked, perhaps permanently, by a pocket veto due to the continued wailing of small pockets of opposing views, long considered and often rejected.

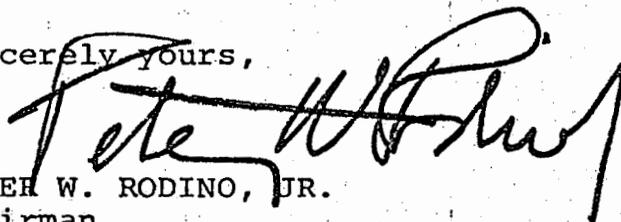
The major purpose of this bill was the modernization of the Bankruptcy Laws. The substantive law of Bankruptcy and the current bankruptcy system was designed in 1898 in the horse and buggy era of consumer and commercial credit and was last overhauled in 1938, 40 years ago. It has only been since 1938 that the consumer credit industry has grown and it is only since adoption of the Uniform Commercial Code in the early 1960's that commercial credit has grown to its present magnitude. The bankruptcy system is presently in disrepair and this bill effects the necessary repairs.

I realize that this letter is already too long, but there is much more that can be said and written on behalf of this necessary legislation. I stand ready along with my colleagues Don Edwards and M. Caldwell Butler to supply whatever additional data or information that would be helpful to quell these few discordant and dissident voices and fortify the obvious necessity for this legislation to receive your signature.

Honorable Jimmy Carter  
Page Four  
October 26, 1978

With warm best wishes,

Sincerely yours,

A handwritten signature in black ink, appearing to read "Peter W. Rodino, Jr.", written in a cursive style. The signature is positioned above the typed name and title.

PETER W. RODINO, JR.  
Chairman

PWR:apj  
enclosure

JACK BROOKS, TEX.  
ROBERT W. KASTENMEIER, WIS.  
RON EDWARDS, CALIF.  
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# Congress of the United States

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GARNER J. CLINE

ASSOCIATE COUNSEL:  
FRANKLIN G. POLK

### MEMORANDUM

TO: Peter W. Rodino, Jr., Chairman  
FROM: Alan A. Parker, General Counsel  
RE: Congressional Budget Office revised estimate  
for H.R. 8200

Attached you will find the Congressional Budget Office revised budget estimate for H.R. 8200, Bankruptcy Revision Act.

While this estimate is considerably lower than the one being utilized by the Administrative Office of United States Courts, it is still based on some underlying misassumptions:

1. There is a factual error in the computation of the salary increase. Bankruptcy Judges presently earn \$48,500 per annum and they will receive \$50,000 under the bill so therefore there is only a \$1,500 per year increase. Therefore each year is overstated by \$0.2 million and probably more because the C.B.O. uses inflated figures each year.
2. The C.B.O. estimate adds \$2.8 million for FY'80 and inflated figures thereafter for twenty additional Judges. This is based on an erroneous assumption that there will be a need for additional Judges. This does not take into account any of the provisions of the bill which eliminates Judges' time.

In 1973 Rand Corporation did a study for the Commission on Bankruptcy Laws of the United States. They concluded that if there was:

**Electrostatic Copy Made  
for Preservation Purposes**

- a) immediate appointment of a trustee in each case
- b) increase in exemptions (producing more no-asset cases) and
- c) elimination of Judges presiding at first meeting of creditors.

all of which this bill does, there would be a reduction of \$7 million a year in costs. The \$7 million was a 1973 figure so today must be at least \$10 million. Even assuming the addition of 6-8,000 plenary actions, it is counterbalanced by the above.

3. The C.B.O. also estimates a need for 123 court reporters. However there already are court reporters or electronic recording of all bankruptcy proceedings throughout the country. There is no change under this act, only a codification of what is presently the practice.

Therefore there is at least \$6.5 million in the FY'80 estimate that is erroneous, leaving a more realistic total of \$10.4 million for FY'80 and succeeding years.

This points up one of the difficulties we have with C.B.O. doing budget estimates in areas where they have no practical knowledge.

The Administrative Office projections are based on false assumptions, as well as being based on a large amount of wishing.

AAP:jgh

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

October 26, 1978

1. BILL NUMBER: H.R 8200

2. BILL TITLE: An act to establish a uniform law on the subject of bankruptcies

3. BILL STATUS:

As passed by the Senate and House of Representatives, 95th Congress.

4. BILL PURPOSE:

The purpose of this bill is to establish a modern uniform law on the subject of bankruptcies. The bill provides for substantive changes in the current bankruptcy law and in the judicial administration of the law. Most of the substantive and administrative changes will become effective during a transition period commencing October 1, 1979 and ending March 31, 1984.

During the transitional period the jurisdiction of the district court will be expanded to include all bankruptcy cases commenced under Title 11 of the United States Code. These cases are to be referred to the United States bankruptcy judges.

5. COST ESTIMATE:

(by fiscal years, in millions of dollars)

	<u>FY 1979</u>	<u>FY 1880</u>	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>
Estimated Cost	0.7	16.9	16.9	18.0	19.9

The costs of this bill fall within budget Function 750.

6. BASIS OF ESTIMATE:

According to the Administrative Office of the United States Courts, an expansion of the jurisdiction of district courts is expected to result in an increase of 6,000-8,000 plenary actions brought before the bankruptcy courts which were previously outside of the federal courts. Based on current workload statistics, approximately 20 additional bankruptcy judges will be required to handle the increased workload. However, the final number of additional judgeships will ultimately be dependent upon the further analysis by the Administrative Office of the types of plenary proceedings which will be brought into the district courts. Assuming 20 additional judgeships will be needed, the

fiscal year 1980 cost is estimated to be \$2.8 million. This includes lump-sum costs for space, facilities, furnishings, fixtures, and recurring costs for each judge's salary, benefits, expenses and supporting staff.

The bill increases the annual salary received by bankruptcy judges from \$47,500 to \$50,000. This provision becomes effective upon enactment of this Act. Therefore, fiscal year 1979 costs are estimated to be approximately \$565,000.

This estimate also includes the cost to establish a United States Trustee pilot program in ten pilot areas. To supervise the trustee pilot program, the bill authorizes the establishment of a new Assistant Attorney General. Costs for this position are projected to include salaries, benefits, overhead, for a staff of one assistant, two secretaries and three clerks. Total costs are estimated to be \$116,000 for one half of fiscal year 1979 and \$225,000 in fiscal year 1980, with increases due to inflation in subsequent years. It is estimated that the pilot program will cost approximately \$233,000 per trusteeship in fiscal year 1980. These costs include one U.S. trustee, one assistant, two secretaries, three clerks, rent, supplies, and miscellaneous expenses. Total costs for fiscal year 1980 are estimated to be \$2.3 million with increases in subsequent years

This bill requires that records be maintained of proceedings in bankruptcy courts after the transition period. The bankruptcy judges are granted the authority to appoint such employees as necessary for this purpose. Since during the transition period the bankruptcy court may appoint officers and employees under the amendment which requires records of proceedings, it is estimated that the bankruptcy judges will appoint approximately 123 court reporters. This is based on one court reporter position for each two full-time bankruptcy judges. Costs for salaries, benefits and overhead for these positions are estimated to be \$3.5 million in fiscal year 1980.

This estimate also includes the cost of one law clerk per bankruptcy judge to provide the judge with the necessary research and legal assistance to fulfill the responsibilities under this bill. The cost for salaries, benefits and overhead for 246 law clerks is estimated to be \$7.3 million in fiscal year 1980.

The Administrative Office of the U.S. Courts will require additional staff to prepare the transitional study as required by this bill. It is estimated that a staff of three attorneys and two clerks will be required for this purpose at a cost of \$135,000 in fiscal year 1980.

All costs are inflated through fiscal year 1983 based on CBO projections of federal salary increases and the cost of federal purchases of services.

7. ESTIMATE COMPARISON: None

8. PREVIOUS ESTIMATE:

On September 6, 1977, CBO prepared a cost estimate for H.R. 8200, as reported by the House Committee on Judiciary, July 19, 1977. The estimated cost of the final version of H.R. 8200 is lower, primarily because it does not provide upgrading of the status of bankruptcy courts.

On July 13, 1978, CBO prepared a cost estimate for S. 2266, as ordered reported by the Senate Committee on the Judiciary, July 12, 1978. The estimated cost of this version of H.R. 8200 is slightly higher than that for S. 2266, primarily because of the inclusion of the U.S. Trustees pilot program.

9. ESTIMATE PREPARED BY: Thomas J. <sup>J.T.</sup>Elzey (225-7760)

10. ESTIMATE APPROVED BY:

  
James L. Blum  
Assistant Director  
for Budget Analysis

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THE WHITE HOUSE

WASHINGTON

10/30/78

Stu Eizenstat  
Bob Lipshutz

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

Rick Hutcheson

CHIEF JUSTICE  
BURGER'S LETTER

Supreme Court of the United States  
Washington, D. C. 20543

*Stu-  
I agree  
J*

CHAMBERS OF  
THE CHIEF JUSTICE

October 27, 1978

Dear Mr. President:

Of course the decision on whether to sign H.R. 8200 into law rests exclusively with you under the Constitution. I feel obliged to write you to point out that neither the drastic consequences on the structure of the Judiciary nor the large and unnecessary cost of H.R. 8200 have been brought out before the Congress.

I completely support the position which the Judicial Conference, by request, has communicated to your Office of Management and Budget. If H.R. 8200 becomes law, it will have many adverse effects and I highlight just a few:

1. It will unnecessarily enlarge the federal judiciary by more than 200 additional judges apart from the 152 recently authorized by the Omnibus Judgeship Bill.
2. It will gravely distort the structure of the federal court system in a way unparalleled in our history.
3. It will incur an appalling and irreversible waste of federal revenues.

Never in the history of the country have so many as the 152 judgeships of the Omnibus Bill been added in a single year, but that number remedies more than 8 years of delay in providing judges badly needed to meet the enormous growth in caseloads in the District Courts and Courts of Appeals.

To create 215 bankruptcy judgeships that are not needed, and which the Judicial Conference has unanimously disapproved, is wholly unjustified. To put it bluntly, it stems from the desire of those officers who were initially appointed to office as bankruptcy referees and who serve as adjunct aides to District Judges to achieve a higher status, with virtually all but the status of "life tenure" judges -- almost like promoting all the Army's Sergeants Major to Captain rank!

It may be suggested that H.R. 8200 will merely convert the present referee positions into judgeships but in fact this "conversion" will carry with it huge costs -- some apparent and much concealed or deferred. Each new judge ultimately will be given the staffs, chambers, and courtrooms comparable to those of District Judges. These costs are detailed in our formal response made to your Office of Management and Budget by the Director of the Administrative Office. A copy of that document is enclosed for your convenience.

As I see it, every citizen -- and especially every government officer -- has an obligation to be concerned about so-called "grade creep" in government. H.R. 8200 is an unconscionable "grade leap." It is wholly unnecessary to the effective administration of the bankruptcy law in the opinion of the 25 members of the Judicial Conference, whose aggregate experience on the bench exceeds 500 years. The computation of added cost in nonrecurring and recurring factors of at least one half billion dollars over the next ten-year period is conservative; it does not include either potential inflationary factors or the long-term retirement costs for bankruptcy judges which will be acted on by the next Congress; these costs will significantly increase the cost of the change in status. Congress deferred action until next year on an enhanced retirement program for these new judges. We can assume that the retirement benefits to be enacted will allow these new judges to retire at age 55 after 14 years of service with 80 percent of their final year's salary -- and free to return to law practice.

Although the huge cost of H.R. 8200 is not the constitutional responsibility of the Judicial Branch, I consider it my responsibility to you and to the country to point to the wasteful aspects of the legislation, apart from its distortion of the structure of the system. This distortion is a very serious matter and will give rise to many administrative and management problems. Just one example: we now have 187 full-time U.S. Magistrates (an increase from 61 in 1970) who were created specifically to ease the burdens of the Federal Judges. The Magistrates perform far broader functions than those assigned to bankruptcy judges under H.R. 8200. It is predictable that if H.R. 8200 becomes law, there will be hydraulic pressure to bring the U.S. Magistrates to the level of bankruptcy judges in salaries, staffs, courtrooms, chambers and retirement benefits. If that happens, it will ultimately enlarge the budget by a readily calculable factor. We did not refer to this factor in our letter to OMB, partly because we preferred not to express what might well become a self-fulfilling prophecy should that communication become public.

On the basis of sheer fairness, Congress would be hard-pressed to justify refusing such a demand by the Magistrates. Hence, we are not confronted with a ten-year increase in costs of a half billion dollars, but much more to satisfy this extraordinary "grade leap" for both categories.

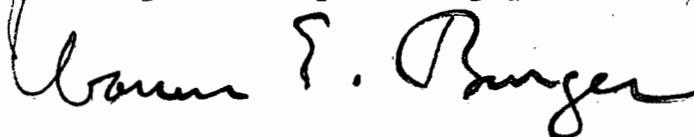
There can be no justification for such a swollen federal judiciary -- even assuming Congress can resist the pressure from U.S. Magistrates.

One of the many undesirable consequences if H.R. 8200 becomes law, although relatively minor in the whole scheme, is that it will shift large costs of bankruptcies now borne by creditors for fees of trustees, etc. to the government, due to the expense of the new office of federal trustees.

The substantive provisions of this legislation -- on which we expressed no views -- could be re-enacted insofar as Congress chooses, leaving the administration of bankruptcy essentially as it has been and as it was passed by the Senate on September 7, 1978.

I have written you in complete candor, for without candor we all "fly blind." As Chairman of the Judicial Conference of the United States and as Chief Justice of the United States, I feel an obligation to inform you fully on the needs and problems of the Judicial Branch, apart from the obligation to do everything possible to control inflation.

Cordially and respectfully yours,

A handwritten signature in cursive script, reading "Warren E. Burger". The signature is written in dark ink and is positioned to the right of the typed name.

The President  
The White House  
Washington, D.C.

ADMINISTRATIVE OFFICE OF THE  
UNITED STATES COURTS

WASHINGTON, D.C. 20544

WILLIAM E. FOLEY  
DIRECTOR

October 24, 1978

JOSEPH F. SPANIOL, JR.  
DEPUTY DIRECTOR

Mr. James M. Frey  
Assistant Director for  
Legislative Reference  
Office of Management and Budget  
Executive Office of the President  
Washington, D.C. 20503

Dear Mr. Frey:

I acknowledge your request for comment on Enrolled Bill H.R. 8200. I am responding on behalf of the Judicial Conference of the United States, we well as in my capacity as Director of the Administrative Office of the United States Courts.

The Judicial Conference has authorized me to inform you that, although Enrolled Bill H.R. 8200 would provide desirable modifications in substantive bankruptcy law, key provisions embodied in Title II of the Bill are not only unnecessary to insure the efficient administration of the Federal Judicial System but will distort the structure of the system. They will directly result in very large unnecessary additional costs to the government which cannot be justified. Title II of H.R. 8200 is the most drastic change and enlargement of the federal judiciary since 1789.

The bankruptcy laws have been efficiently administered by the United States District Courts since the Nation was founded. Bankruptcy referees appointed by them have acted as adjunct officers of the court, as magistrates now do. It is wholly unnecessary to convert these 226 adjunct offices into federal judgeships. The Judicial Conference of the United States therefore has consistently and unanimously opposed the creation of this new tier of federal judges. The recently passed Omnibus Judgeship Bill adds 117 new district judgeships to the currently authorized 399 district court judgeship positions. Creating 226 additional bankruptcy judgeship positions at this time would mean that 343 new trial judges would be added to the federal judiciary in one year, an increase of 86 percent.

The Judicial Conference's position on the Enrolled Bill is in full conformity with the views it has consistently expressed on the various bills relating to bankruptcy before the Ninety-fifth Congress.

Mr. James M. Frey  
page two

In March of 1977, the Judicial Conference created a Special Committee of fifteen federal judges, all of them especially familiar with the bankruptcy law and its administration, to evaluate the bankruptcy legislation pending before the Ninety-fifth Congress as it directly affects the judicial system. In addition to preparing a full report for the Conference, that Special Committee presented its views on the House and Senate bills, H.R. 8200 and S. 2266, to Congress at its request.

The Special Committee studied the proposed legislation for a full year, and its findings and recommendations were approved by the Judicial Conference. The Conference, in turn, then expressly and unanimously disapproved H.R. 8200 as passed by the House, with special emphasis on the court organization and structure provisions of Title II. The Conference recommended enactment of S. 2266, sponsored by Senators DeConcini and Wallop, then pending before the Senate Judiciary Committee. Subsequently, on September 7, the Senate passed that bill in substantially the form approved by the Judicial Conference.

The Conference's endorsement of S. 2266 was based, in part, upon the fact that the Senate bill was far more compatible with sound judicial administration and management principles than H.R. 8200. When compared with parallel provisions in H.R. 8200, S. 2266 would have saved approximately \$98 million in estimated nonrecurring costs alone, and more important, not less than one half billion dollars in estimated annual recurring costs, not including costs of inflation, over a period of ten years. See Appendix A-1 enclosed.

In response to your request, Enrolled Bill H.R. 8200 has been carefully evaluated by the Executive Committee of the Judicial Conference at a special meeting. The Executive Committee, with the unanimous concurrence of the full Conference membership, has concluded that Enrolled Bill H.R. 8200 is an unwise, unsound, and unnecessary enlargement of the federal judiciary. It establishes an entirely new bankruptcy court structure which is administratively cumbersome, unnecessary, and economically unjustifiable. Budgetary Impact Estimates for all three bills -- H.R. 8200, as passed by the House, S. 2266, as passed by the Senate, and Enrolled Bill H.R. 8200 -- and a "comparative cost table" are enclosed as appendices to this letter.

Mr. James M. Frey  
page three

The additional costs of Enrolled Bill H.R. 8200 over present costs of administering the bankruptcy law are attributable to the following factors:

A. Additional Physical Facilities . . . . . \$96 million

Under the Enrolled Bill, extensive expansion and renovation of existing courtroom, office, and library facilities as well as some capital construction will be inevitable. A conservative estimate of associated nonrecurring costs is \$96 million. See Appendix A-2.

B. Additional Supporting Personnel for the Bankruptcy Courts . . . . . \$28 million

(1) Under the Enrolled Bill, each bankruptcy judge will be authorized to appoint a full-time law clerk and a personal secretary who will earn salaries identical to those earned by a district court judge's law clerk and personal secretary. This will result in an estimated annual recurring cost of \$11 million. See items 3, 4, and 5 of Appendix A-2.

(2) Under the Enrolled Bill, bankruptcy courts will also be authorized additional supporting secretaries, courtroom deputies, and other supporting personnel who will be paid salaries identical to equivalent supporting personnel serving the United States District Courts; this will involve an estimated recurring cost of \$9 million annually. See items 4, 5, and 6 of Appendix A-2.

(3) Under the Enrolled Bill, court reporters' services are expressly authorized for all bankruptcy court judges. The estimated recurring cost of this item when the new court completes the transition period is approximately \$8 million annually. See items 3 and 9 of Appendix A-2.

Mr. James M. Frey  
page four

C. United States Trustees . . . . . \$3.6 million

(1) Under the Enrolled Bill, an experimental or pilot United States Trustee program is authorized; this pilot program calls for the appointment of an additional Assistant Attorney General of the United States in the Department of Justice and ten United States Trustees, who will serve a total of 18 court districts selected for the experimental program. In addition, it calls for as many additional Assistant United States Trustees as the Attorney General may deem necessary. This program undoubtedly will be expanded nationwide. Presently there are 95 federal districts. It would be almost unmanageable to have bankruptcy law administered permanently in 18 districts under public trustees and in 77 districts under private trustees.

(2) The number of secretarial, clerical, and other supporting staff positions in the ten experimental Trustee offices in the pilot program is estimated to be at least 82. This will necessarily be expanded when the program is carried into the other 77 federal districts.

(3) The estimated recurring annual cost of the experimental program is \$3.6 million. See items 10 and 11 of Appendix A-2.

(4) It is estimated that when the program is extended to all 95 federal districts this annual cost will increase to \$17.4 million by further legislation within five years.

D. Conversion of Bankruptcy Officers  
to Bankruptcy Judges . . . . . \$1,678,000

(1) It is important to note that S. 2266 (unlike the Enrolled Bill) did not create any additional judgeships, but simply preserved the existing personnel in their traditional status. The Enrolled Bill contains an authorization which will in five years lead to the conversion of these positions (now having six-year terms) to not less than 226 Presidentially-appointed judges with 14-year terms, plus an estimated 20 new positions required by increased jurisdiction. Presently there are 215 full-time referees in bankruptcy commonly referred to as "bankruptcy judges" and 24 part-time referees.

Mr. James M. Frey  
page five

(2) Under the Enrolled Bill, bankruptcy judges' salaries will be increased to \$50,000.

(3) Although the increase to \$50,000 appears modest on its face, we call attention to the fact that these salaries were increased by 28.3 percent within the past two years. (Individuals at comparable salary levels under the Civil Service System, already "frozen" at an annual salary of \$47,500 for 20 months, will remain at that level for at least another year.)

E. <u>Other Additional Costs</u>	.....	\$8,669,000
(1) Liberalized Retirement Benefits		807,000
(2) Additional Library Costs		1,897,000
(3) Furniture and Furnishings		5,350,000
(4) Administrative Overhead		615,000

See items 2, 5, 7, 8, and 11 of Appendix A-2.

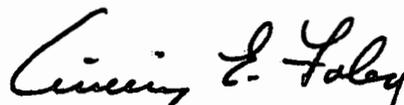
F. <u>Losses of Revenue</u>	.....	\$8,745,000
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See item 12 of Appendix A-2.

In hearings held before the House and Senate Judiciary Committees, Judicial Conference representatives fully explained the reasons which led the Judicial Conference to oppose the creation of an unnecessary "duplicate court system." The Judicial Conference now reaffirms its position that the drastic change in the structure of the federal judicial system provided by Enrolled Bill H.R. 8200 is not necessary to insure efficient administration of the bankruptcy law and its costs cannot be justified by any demonstrated benefits to bankruptcy administration.

Accordingly, the Judicial Conference of the United States authorizes me to advise you that the Conference recommends that Enrolled Bill H.R. 8200 not be approved.

Respectfully,



William E. Foley  
Secretary of the Judicial  
Conference of the United States

Enclosures

COMPARATIVE COST OF BILLS  
RELATING TO BANKRUPTCY REFORM

	<u>Nonrecurring Cost</u>	<u>Recurring Cost</u>
<u>Cost of Current System</u>	\$ .....	\$46,000,000
Takes into account the unfunded liability relating to the civil service retirement system. Provision also has been made for the recent general salary increase of 5.5 percent.		
<u>Increase in Budgetary Requirements</u>		
<u>H.R. 8200 (as initially approved by the House)</u>	98,840,000	62,865,000*
Life tenure, salary of \$54,500, participation in Judicial Survivors Annuity System, and facilities and staff comparable to that of a district judge. Appt. of U.S. trustees and assistant U.S. trustees for all of the courts.		
<u>S. 2266 (as approved by the Senate)</u>	1,030,000	7,660,000*
No change in salary, liberalized retirement benefits. Provision for limited reportorial services. No provision for U.S. trustees or bankruptcy administrators. Essentially the same basic system as it currently exists.		
<u>H.R. 8200 - Enrolled Bill</u>	95,771,000**	49,978,000
Salary of \$50,000, liberalized retirement benefits. Facilities and staff comparable to that of a district judge. Pilot U.S. trustees program.		

\*Does not take into account recently approved general salary increase of 5.5 percent.

\*\*Includes \$85,000,000 for renovation of courtrooms and other facilities, \$2,140,000 for furniture and furnishings, and \$5,885,000 for upgrading libraries.

BUDGETARY IMPACT OF ENROLLED BILL H.R. 8200  
TO ESTABLISH A UNIFORM LAW ON THE SUBJECT OF BANKRUPTCIES

	No. Pos.	Salaries & Expenses (Dollars in Thousands)	
		Nonrecurring	Recurring
1. Salary adjustment for bankruptcy judges (226 equivalent full-time positions) from \$48,500 to \$50,000 (compensation & benefits).....	...	\$ ...	\$ 373
2. Liberalized retirement benefits (funded & unfunded).....	...	...	807
3. Additional supporting personnel for bankruptcy judges:			
Law clerks:			
Compensation, JSP-12 @ \$23,087 per annum.....	226	...	4,990
Benefits (funded & unfunded).....	...	...	1,168
Travel and miscellaneous expenses.....	...	...	723
Rental of space.....	...	...	397
Furniture and equipment.....	...	475	...
Court reporters:			
Compensation, ungraded @ \$25,852 per annum.....	226	...	5,593
Benefits (funded & unfunded).....	...	...	1,309
Travel.....	...	...	362
Rental of space.....	...	...	397
Furniture and furnishings.....	...	170	...
4. Reclassification of bankruptcy clerical personnel (compensation & benefits):			
Secretaries, grade JSP-8 to JSP-10.....	...	...	458
Courtroom deputies, grade JSP-6 to JSP-11.....	...	...	1,566
Clerks of bankruptcy courts, JSP-12 to JSP-14, 15, and 16.....	...	...	1,611
All other clerical positions, average JSP-6 to JSP-8.....	...	...	1,370
5. Additional bankruptcy judges required to handle approx. 8,000 plenary actions:			
Compensation @ \$50,000 per annum.....	20	...	1,000
Benefits (funded & unfunded).....	...	...	305
Staff: Secretaries, law clerks, court reporters, and courtroom deputies:			
Compensation.....	80	...	1,641
Benefits (funded & unfunded).....	...	...	384
Travel and miscellaneous expenses.....	...	...	240
Rental of space.....	...	...	879
Furniture and furnishings.....	...	500	...
Library.....	...	600	120
General office equipment.....	...	120	...
Pre-employment security investigations.....	...	50	...
6. Additional personnel for bankruptcy clerks' offices to provide mid-level management and supervision:			
Compensation, average grade JSP-14.....	94	...	2,960
Benefits.....	...	...	693
Miscellaneous expenses.....	...	...	150
Rental of space.....	...	...	165
Furniture and equipment.....	...	197	...
7. Upgrading libraries for existing bankruptcy judges.....	...	5,885	1,777
8. Space renovations to provide courtrooms and other facilities comparable to district judges:			
Construction and tenant alterations.....	...	85,000	...
Rental charges.....	...	...	5,350
Furniture and furnishings.....	...	2,140	...
9. Contractual reportorial services at locations where full-time salaried reporters are not available.....	...	...	240
10. U.S. trustees and assistants:			
U.S. trustees @ \$47,500.....	10	...	475
Assistant U.S. trustees, GS-15 @ \$38,160.....	18	...	687
Secretaries and clerical assistants.....	82	...	1,100
Benefits (funded & unfunded).....	...	...	530
Expenses.....	...	578	528
11. General administration:			
Assistant attorney general (supervision of U.S. trustees).....	7	36	270
Administrative Office of the U.S. Courts.....	12	20	315
Federal Judicial Center (education & training).....	...	...	300
Subtotal, salaries and expenses.....	775	95,771	41,233
12. Changes in resources:			
Projected loss in revenue due to elimination of contributions to Referees Salary and Expense Fund from net proceeds realized from liquidations and reorganizations.....	...	...	14,000
Projected income (general fund) resulting from increased filing fees.....	...	...	-750
Projected income (general fund) from increase in filing fee in civil cases from \$15 to \$60.....	...	...	-3,825
Anticipated savings in trustee fees by reason of assignment of cases to U.S. trustees and their assistants.....	...	...	-200
Filing fees for an estimated 8,000 plenary actions.....	...	...	-480
Total.....	775	\$95,771	\$49,978

Excluding the changes in resources, the total recurring cost of bankruptcy administration will increase from \$46 million to \$86 million. It is contemplated that salaries and expenses will continue to increase at the rate of 7 percent per year and that by 1984 the total cost of administration will exceed \$120 million, assuming the caseload remains relatively constant. No provision has been made for fees and allowances of jurors based on the assumption that the demand for jury trials will be minimal.

Prepared October 12, 1978

S. 2266 BUDGETARY IMPACT  
(Dollars in thousands)

<u>Increase</u>	<u>Perm. Pos.</u>	<u>Amount</u>
1. Bankruptcy judges - S. 2266 will result in an estimated 8,000 plenary actions to be handled by bankruptcy judges. The increased workload will require 20 additional bankruptcy judges over the current equivalent of 226 full-time positions (214 full-time and 24 part-time positions)		
Personnel Compensation.....	20	\$ 922
Personnel Benefits.....	...	93
Unfunded cost of retirement.....	...	120
Secretaries		
Personnel Compensation.....	20	259
Personnel Benefits.....	...	26
Unfunded cost of retirement.....	...	35
2. Court reporters - an average of 1 court reporter will be required for each 2 bankruptcy judges		
Personnel Compensation.....	123	2,730
Personnel Benefits.....	...	273
Unfunded cost of retirement.....	...	366
3. Chief Deputy Clerks. Deconsolidation of clerk's offices requires addition of middle level management personnel		
Personnel Compensation.....	15	328
Personnel Benefits.....	...	33
Unfunded cost of retirement.....	...	44
4. Liberalized retirement benefits for 246 bankruptcy judges.....	...	839
5. Travel and Miscellaneous:		
Bankruptcy judges and staff.....	...	148
Court reporters.....	...	320
Chief deputy clerks.....	...	24
6. Security investigations for 32 bankruptcy judges .....	...	80 NR
7. Contractual services for court reporters for those locations where full-time reporters are not available.....	...	500
8. New libraries for 32 bankruptcy judges .....	...	80 NR
Annual cost of maintaining libraries.....	...	(13)
9. General office equipment:		
Bankruptcy judges and staff (32) .....	...	240 NR
Chief deputy clerks (15).....	...	12 NR
10. Space rental:		
Bankruptcy judges and staff (20).....	...	306
Court reporters (123).....	...	200
Chief deputy clerks (15).....	...	24
11. Furniture and furnishings:		
<u>New Personnel</u>		
Bankruptcy judges (32) .....	...	480 NR
Court reporters (123).....	...	123 NR
Chief deputy clerks (15).....	...	15 NR
<u>Recurring Requirements</u>		
Bankruptcy judges and staff (20).....	...	(10)
Court reporters and chief deputy clerks.....	...	(14)
12. General administration:		
Federal Judicial Center (education and training).....	...	113
Administrative Office of the United States Courts (Administrative Support Services).....	2	40
13. Revenue gain (represents filing fees of \$15 for 8,000 plenary actions).....	...	-120
Budgetary Impact, First Year.....	180	\$ 8,653
Budgetary Impact, Succeeding Years.....	180	\$ 7,660

Note: All amounts included for salaries and benefits of new personnel take into account normal lapses (savings due to vacancies) of 5 percent.  
In addition to the 20 additional bankruptcy judges required for plenary actions, it is anticipated that the 24 part-time judges will be replaced by 12 full-time Bankruptcy judges.

NR: Nonrecurring expenses.

**H.R. 8200 - BUDGETARY IMPACT**  
(Dollars in thousands)

<u>Increase</u> <sup>1</sup>	<u>Perm.</u> <u>Pos.</u>	<u>Amount</u> <sup>2</sup>
1. Salary adjustment for Bankruptcy judges. H.R. 8200 raises bankruptcy referees to Article III judges with salaries increasing from \$48,500 to \$54,500.....	...	\$ 1,200
2. Life tenure, non-contributing retirement system increase in cost over the present Civil Service retirement system and other personnel benefits.....	...	3,519
3. Participation in Judicial Survivors' Annuities System with agency contributions at 4 1/2 percent.....	...	491
4. Additional staff for bankruptcy judges:		
Law Clerk, JSP-12:		
Personnel Compensation.....	200	4,158
Personnel Benefits.....	...	416
Unfunded cost of retirement.....	...	558
Court Reporters, Ungraded:		
Personnel Compensation.....	200	4,434
Personnel Benefits.....	...	444
Unfunded cost of retirement.....	...	594
Reclassification of secretaries from JSP-8 to JSP-10 and courtroom deputies from JSP-6 to JSP-11.....	...	2,496
5. U.S. Trustees and staff - the cost is based on 94 U.S. Trustees, 94 assistant trustees with a staff of 2 secretaries and 3 clerks for each office.		
Personnel Compensation.....	658	12,238
Personnel Benefits.....	...	1,225
Unfunded cost of retirement.....	...	1,641
6. The clerical staff of the bankruptcy court will be upgraded with grade levels of the clerk and his chief deputy commensurate with those of district courts and an additional position for middle level management.		
Personnel Compensation.....	94	4,925
Personnel Benefits.....	...	500
Unfunded cost of retirement.....	...	669
7. Travel and Miscellaneous:		
Judges and staff.....	...	974
U. S. Trustee and staff.....	...	724
Clerical staff.....	...	350
8. Security investigations:		
Judges (200).....	...	500 NR
U.S. Trustees and Assistant Trustees (188).....	...	470 NR
9. New libraries for 200 bankruptcy judges.....	...	5,859 NR
Annual cost of maintaining libraries.....	...	(1,059)
10. General office equipment:		
Bankruptcy judges and staff (200).....	...	1,360 NR
U.S. Trustees and staff (658).....	...	526 NR
Clerks of bankruptcy court (94).....	...	75 NR
11. Space rental:		
Bankruptcy judges and staff (1,000).....	...	5,403
U.S. Trustees and staff (658).....	...	1,603
Clerks of bankruptcy court (965).....	...	534
Space renovations.....	...	85,000 NR
12. Furniture and furnishings:		
<u>New Personnel</u>		
Bankruptcy judges and staff (1,000).....	...	3,264 NR
U.S. Trustees and staff (658).....	...	1,222 NR
Clerks of bankruptcy court (965).....	...	564 NR
<u>Recurring Requirements</u>		
Bankruptcy judges and staff (1,000).....	...	(224)
U.S. Trustees and staff (658).....	...	(85)
Clerks of bankruptcy court (965).....	...	(14)
13. General administration:		
Assistant Attorney General (Supervising U.S. Trustees).....	10	473 <sup>3</sup>
Administrative Office of the United States Courts (Administrative Support Services).....	4	81
Federal Judicial Center (education and training).....	...	304
Less: 14 full-time and the equivalent of 24 part-time referees.....	-26	-1,261
52 secretaries and clerical assistants.....	-52	-644
Benefits (funded and unfunded cost).....	...	-501
Revenue loss <sup>4</sup> .....	...	14,000
Revenue gain.....	...	-120
Budgetary Impact, First Year.....	1,088	\$160,338
Budgetary Impact, Succeeding Years.....	1,088	\$ 62,865

<sup>1</sup>The cost estimate for H.R. 8200 is based on 200 judges.

<sup>2</sup>All amounts included for salaries and benefits of new personnel takes into account normal lapses (savings due to vacancies) of 5 percent.

<sup>3</sup>Includes nonrecurring of \$15,000 for security investigations.

<sup>4</sup>Revenue loss due to elimination of contributions to Referee Salary and Expense Fund from net proceeds realized from liquidations and reorganizations.

THE WHITE HOUSE  
WASHINGTON

Phil has  
seen

THE WHITE HOUSE  
WASHINGTON

10/31/78

Mr. President:

The Friendship Force form W.  
Germany is scheduled to arrive at  
Dulles at 6:30 pm on tuesday nov. 7.  
Are you and Rosalynn still inter-  
ested in dropping by on the home  
from Camp David?

yes       no

*Belly 11/1/78  
7910*

Phil

*J*  
*9/15 up to Rosalynn*  
*J*

THE WHITE HOUSE  
WASHINGTON

C  
/

October 31, 1978

MEMORANDUM TO THE PRESIDENT

FROM: BOB LIPSHUTZ *BL*

RE: Justice Department criminal prosecution  
against two ITT officials

Supplementing my October 25 report to you regarding this matter, I wish to report the current status of the litigation.

On Monday of this week the Department of Justice met with the United States District Court Judge and advised him that the Justice Department had decided to file a writ of mandamus to the United States Circuit Court of Appeals, requesting the Appellate Court to review the actions of the United States District Court Judge in declining to enter the "protective order" which was requested by Justice.

This writ will be filed within the next week or two, and it is anticipated that the Appellate Court will decide very shortly whether or not to accept the case; it has discretion to accept or reject such a request.

In addition to the instant cases, the Justice Department is quite anxious to work out a set of procedures for handling these particular two cases and similar national security cases which will be in the courts very shortly, and which involve similar problems to the ones encountered in this situation. The Justice Department hopes to obtain a favorable set of procedures by this judicial action, but it is not extremely hopeful that it will succeed. Should Judicial action prove unsuccessful in establishing such a set of procedures in these situations, the Justice Department very likely will propose that legislation be introduced into the next Congress to try and establish a method whereby cases involving these problems can proceed in the courts, at the same time as protecting essential national security interests.

I will continue to follow this matter and keep you advised.

I have given a copy of this memorandum to Dr. Brzezinski.