1/2/79 [1]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Briefing Material	FY 1980 Defense Budget Issues (4 pp.)	UNDATED	A
~~memo~~	~~From Brown to The President (1 page) re:Defense Dept. Weekly Report~~ OPENED 8/17/93	~~12/22/78~~	~~A~~
memo	From Young to The President)1 page) re: Weekly Activities of U.S. Mission to the UN Opened 2/2/93	12/22/78	A
memo	From Vance to The President (3 pp.) re:foreign policy matters Opened 2/2/93	12/29/78	A

FILE LOCATION
Carter Presidential Papers-Staff Offices, Office of the Staff Sec.-Pres. Handwriting File 1/2/79 [1] BOX 114

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DEX _____ PGS _____

DAC 013 PGS 3

DTG

301737Z DEC 78

FROM: THE PRESIDENT

TO: CYRUS VANCE

INFO:

RELEASED BY: CA

TOR:
301756Z DEC 78

SPECIAL INSTRUCTIONS:

Bill says Vance has copy. 1/2/79

~~SECRET~~

~~SECRET~~

THE SECRETARY OF STATE
WASHINGTON

December 29, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: Cyrus Vance

1. Philippine Bases - We have a Philippine base agreement within our grasp. Marcos has stated publicly he wishes to conclude it by January 2. The remaining issue is his request to increase Security Supporting Assistance by $50 million over a five-year period, bringing the total five year package to $500 million which he has offered but refused in 1976. Senators Inouye and Glenn strongly recommend that we move at once to conclude the deal pointing out the advantages with those on the Hill who criticize our policy toward Taiwan as well as the importance for the region. I believe they are correct and am consulting Defense, AID and OMB to secure their views. If you agree, we will then be in a position to inform Murphy in time for his next meeting with Marcos which is schedule for Saturday night Washington time. We would try to backload the $50 million so no more than $5 million additional would be in the FY 1980 budget.

2. Canadian Maritime Negotiations - We still have a few remaining points in our boundaries and fisheries negotiations with Canada. Lloyd Cutler is submitting his resignation as the special negotiator, effective December 31, but will continue to be available as a consultant and advisor. If the Canadians are willing, Lloyd will meet one more time in early January to attempt to bridge the differences on issues of management and percentage shares of fish stocks and on reciprocal fishing levels on four types of fish. The differences are small.

He will also attempt to reach an acceptable compromise on the issue of a permanent fisheries agreement versus a limited-duration agreement.

RDS - 2/3 12/29/98 (Vance, Cyrus)

DECLASSIFIED
E.O. 12356, Sec. 3.4
PER 10/2/92 State ltr RE MR-NLC-92-89
BY Jay NARS, DATE 1/27/93

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~~SECRET~~ ~~SECRET~~

If those efforts succeed, we would move into the Congressional approval process as quickly as possible. If the issues other than the duration question can be resolved by Lloyd Cutler and his Canadian counterpart, Marcel Cadieux, I will attempt to resolve that issue with Don Jamieson.

Canada has agreed to arbitrate the Gulf of Maine-Georges Bank boundary if we can reach an East Coast fisheries agreement. This is a major step forward.

Lloyd has done a superb job on this negotiation which has been long and difficult.

3. Spain - Spanish Prime Minister Suarez today informed reporters that he will tonight formally announce the dissolution of the parliament and call for national elections on March 1. This decision follows the requirement of the new democratic Spanish constitution, which went into force today, that Suarez either submit himself to a vote of investiture by the parliament or else call for new national elections within 30 days of the constitution's promulgation. Suarez will also announce that local elections, which have not yet been held, will take place on April 3.

Suarez' statement ends months of speculation and uncertainty over which path, investiture or elections, he planned to choose after the constitution was in place. Suarez indicated in his remarks today that he had decided some time ago to call for new parliamentary elections, but felt he had to await the promulgations of the constitution before declaring his intentions.

This step calls into question Suarez' political future, since it is not certain that his Union of the Democratic Center minority government will emerge from new elections with a greater, or even the same, electoral margin over the Socialists. Suarez has apparently decided that the risk is outweighed by the need to resolve political uncertainty in the post-constitution period and to obtain a mandate for dealing with difficult economic problems.

4. Namibia - Our latest word from New York is that Ahtisaari plans to travel to Tampa on Monday, January 1, to discuss the proposed response to Botha with Waldheim. We hope that at that meeting Waldheim will sign the letter to Botha which follows substantially the draft which the Contact Group gave Waldheim last Saturday. There has been no opposition, African or otherwise, to the approach we have suggested to Waldheim or to Ahtisaari's visiting South Africa and Namibia and his mission could begin during the week of January 8.

Doc
memo : matj

THE WHITE HOUSE
WASHINGTON 1/2/79

Mr. President:

Jim McIntyre called this morning to ask for 30 minutes today to review budget decisions. You could:

___ meet with him this morning at 9:30 am

✓ ___ try to include in the 1:30 meeting today with Stu and others on domestic policy

___ schedule tomorrow afternoon

Phil

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THE WHITE HOUSE
WASHINGTON

FOR THE RECORD: THE PRESIDENT SIGNED THE ATTACHED ON DECEMBER 30. HOWEVER, WAS NOT GIVEN TO LINDER UNTIL JANUARY 2 FOR DISTRIBUTION.

THE WHITE HOUSE

WASHINGTON

December 30, 1978

MEMORANDUM FOR ALL DEPARTMENTS AND AGENCIES

SUBJECT: Relations with the People on Taiwan

As President of the United States, I have constitutional responsibility for the conduct of the foreign relations of the nation. The United States has announced that on January 1, 1979, it is recognizing the government of the People's Republic of China as the sole legal government of China and is terminating diplomatic relations with the Republic of China. The United States has also stated that, in the future, the American people will maintain commercial, cultural and other relations with the people of Taiwan without official government representation and without diplomatic relations. I am issuing this memorandum to facilitate maintaining those relations pending the enactment of legislation on the subject.

I therefore declare and direct that:

(A) Departments and agencies currently having authority to conduct or carry out programs, transactions, or other relations with or relating to Taiwan are directed to conduct and carry out those programs, transactions, and relations beginning January 1, 1979, in accordance with such authority and, as appropriate, through the instrumentality referred to in paragraph D below.

(B) Existing international agreements and arrangements in force between the United States and Taiwan shall continue in force and shall be performed and enforced by departments and agencies beginning January 1, 1979, in accordance with their terms and, as appropriate, through that instrumentality.

(C) In order to effectuate all of the provisions of this memorandum, whenever any law, regulation, or order of the United States refers to a foreign country, nation, state, government, or similar entity, departments and agencies shall

construe those terms and apply those laws, regulations, or orders to include Taiwan.

(D) In conducting and carrying out programs, transactions, and other relations with the people on Taiwan, interests of the people of the United States will be represented as appropriate by an unofficial instrumentality in corporate form, to be identified shortly.

(E) The above directives shall apply to and be carried out by all departments and agencies, except as I may otherwise determine.

I shall submit to the Congress a request for legislation relative to non-governmental relationships between the American people and the people on Taiwan.

This memorandum shall be published in the Federal Register.

Jimmy Carter

12/31

Mr. President -

Secretary Vance called with the following changes on Taiwan declaration.

First Sentence remains the same. 2nd sentence is eliminated and the following language is inserted:

"The United States has announced that on January 1, 1979, it is recognizing the government of the Peoples Republic of China as the sole legal government of China and is terminating diplomatic relations with the Republic of China. The United States has also stated that, in the future, the American people will maintain commercial, cultural and other relations with the people of Taiwan without official government representation and without diplomatic relations. I am issuing this memorandum to facilitate maintaining those relations pending the enactment of legislation on the subject."

Then continue with memo as submitted, starting with "I, therefore, declare and direct -----"

fran

THE SECRETARY OF STATE

WASHINGTON

December 30, 1978

Dear Mr. President:

Attached is the Taiwan memorandum for your signature. I am also attaching memoranda to you from Mike Egan and Bob Lipshutz. I recommend that you sign the memorandum.



Cyrus Vance

Attachments.

① Recog PRC
② Continue some non-govt relations w/ PRC
③ Unique situation
④ Pending legislation

THE WHITE HOUSE

WASHINGTON

December 30, 1978

MEMORANDUM FOR ALL DEPARTMENTS AND AGENCIES

SUBJECT: Relations with the People on Taiwan

As President of the United States, I have constitutional responsibility for the conduct of the foreign relations of the nation. ~~I find that~~ it is important to the national interest that commercial, cultural, and other relations be maintained between the people of the United States and the people on Taiwan beginning January 1, 1979, in the manner provided below.

Substitute

I therefore declare and direct that:

(A) Departments and agencies currently having authority to conduct or carry out programs, transactions, or other relations with or relating to Taiwan are directed to conduct and carry out those programs, transactions, and relations beginning January 1, 1979, in accordance with such authority and, as appropriate, through the instrumentality referred to in paragraph D below.

(B) Existing international agreements and arrangements in force between the United States and Taiwan shall continue in force and shall be performed and enforced by departments and agencies beginning January 1, 1979, in accordance with their terms and, as appropriate, through that instrumentality.

(C) In order to effectuate all of the provisions of this memorandum, whenever any law, regulation, or

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order of the United States refers to a foreign country, nation, state, government, or similar entity, departments and agencies shall construe those terms and apply those laws, regulations, or orders to include Taiwan.

(D) In conducting and carrying out programs, transactions, and other relations with the people on Taiwan, interests of the people of the United States will be represented as appropriate by an unofficial instrumentality in corporate form, to be identified shortly.

(E) The above directives shall apply to and be carried out by all departments and agencies, except as I may otherwise determine.

I shall submit to the Congress a request for legislation relative to non-governmental relationships between the American people and the people on Taiwan.

This memorandum shall be published in the Federal Register.

Jimmy Carter

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December 30, 1978

MEMORANDUM TO THE PRESIDENT

From: Acting Attorney General
Michael J. Egan

Subject: Proposed Memorandum to Departments and Agencies on Relations with the People on Taiwan

The Department of Justice has participated in a review of the draft document, but it has not had an opportunity to examine many of the underlying and complex legal questions, given the understandable need for security and timing. We understand, however, that the Office of Legal Adviser in the State Department has done extensive work in this area.

Accordingly, the Department of Justice is not now in a position to offer an opinion as to the extent of your constitutional and legal authority in the areas discussed in this memorandum. We will do so in the context of the specific statutes, agreements, and other arrangements as soon as possible. But there do remain many unanswered questions, and we would like you to be aware that the necessary research, from our point of view, has yet to be done.

Beginning immediately, we will work closely to resolve these questions and bring you more specific legal advice, in conjunction with the Office of Legal Adviser.

December 30, 1978

MEMORANDUM FOR THE PRESIDENT

Subject: Recommendation from the Secretary of State to sign the Presidential Memorandum concerning the People on Taiwan

While I also first became aware of this matter only night before last, I have attempted to become as familiar as possible with the legal and other ramifications. I recognize that there may be challenges to the action taken. Nevertheless, I recommend that you rely upon the advice of the Secretary of State and his legal advisers, and that you sign this Presidential Memorandum.



Robert Lipshutz

THE WHITE HOUSE
WASHINGTON

1/2/79

Stu Eizenstat

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

Rick Hutcheson

cc: Jim McIntyre

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National Governors' Association

Julian M. Carroll
Governor of Kentucky
Chairman

Stephen B. Farber
Director

December 20, 1978

Stu: Prepare brief reply for me. I cc Mc. J

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

Dear Mr. President:

Clearly 1978 will be noted as the year in which the American people signaled their unmistakable determination to halt growth in the public sector and their insistence that government at all levels make better use of its resources. As the year draws to a close, we would like to comment on the broader implications of this new reality for the role of the federal, state, and local governments in 1979 and beyond.

As governors we have not been indifferent to the need to control government spending. At our winter meeting last February in Washington, we voted overwhelmingly to support your efforts to balance the federal budget by 1981, and in August we re-affirmed that support. We recognized then, as we do now, that moving toward a balanced federal budget will require you and the Congress to make difficult and unpopular decisions, some of which will affect the services that state and local governments deliver to the people. State, city, and county governments are confronted with the same kinds of decisions.

The governors recommend for your consideration two broad policy decisions that we believe will enable us to totally support and to effectively assist you in accomplishing your stated goals of controlling inflation and balancing the federal budget. We also believe a responsive initiative would lead to substantial improvements in the use of existing public resources and restore the public's confidence in our ability to efficiently manage government and rid it of waste and fraud. The two broad policy decisions are:

-- Eliminating the ongoing attempts to bypass state governments in the implementation of domestic programs notwithstanding your policy to the contrary; and

-- Intensifying your goal to streamline the federal aid system, with emphasis on the consolidation of programs, cutting of red tape and high administrative costs, and reduction of mandates that impose substantial burdens on state and local taxpayers for relatively small benefits.

These recommendations are based not only on our experience as governors but on the overwhelming need for reforms documented in a recent 14-volume study of the federal grants system by the Congressionally established Advisory Commission on Intergovernmental Relations. Among other things, the ACIR study demonstrates that the changing patterns of intergovernmental aid have weakened the capacity of the states to effectively manage intergovernmental programs.

As you know from your own experience as governor, the public looks to state government for leadership and performance in the provision of transportation, health care, education, social services, criminal justice, and economic development, environmental protection, and other services. Yet the federal government has increasingly bypassed the states and attempted to administer many of these programs directly to the 38,000 local general governments, almost all school districts, 2,000 substate regional bodies, many special districts, local authorities, and numerous nonprofit units and even neighborhood advisory groups. According to Richard Nathan, when welfare programs are removed from the calculations, more than one-half of all federal aid now bypasses the states.

We wish to emphasize that the issue here is not competition between state and local governments, but rather the most effective management of government and use of scarce public resources. The authority and responsibility of states with regard to their local governments are set forth in state constitutions. Local governments derive their powers from the states, and the fiscal and managerial resources of the states are fundamental to the effective operation and well-being of their local communities. As you said to your fellow governors in 1972:

> There has been for years, and I think still, a tendency for federal government agencies to bypass the states and deal directly with local governments. I don't consider that I have 159 different communities among my counties, or 600 or 700 different communities among my cities. I have one state, one plan for development, one common purpose, one common series of problems. They are completely interrelated, and whether we are dealing with water pollution or early childhood development, it is almost impossible for me as a governor, or for you as a governor, to evolve an effective statewide plan working through our respective agencies, either natural resources, education and so forth, if, at the same time, and parellel to us, the federal government is arranging unilateral relationships with 600 different cities or 159 different counties.

Commenting on the bypassing trend early in 1978, ACIR noted that it causes enormous policy and management difficulties for the states and went on to say:

> Perhaps most troublesome -- and ironic -- is the fact that bypassing has accelerated at precisely the time that most states have modernized their executive and legislative branches along the lines advocated by reformers over the years. Even more frustrating is the fact that many of the innovative federal management approaches which command national headlines -- reorganization, zero-based budgeting, and sunset legislation -- were pioneered by the states.

As 1978 progressed, however, and despite excellent cooperation between the White House and the states in many other areas, the Treasury Department recommended bypassing the states in countercyclical funds, the Department of Transportation in transportation planning and construction funds, and the Justice Department supported legislation that would have weakened the state role in the use of criminal justice funds. All these efforts contravene your initiative in strengthening the partnership between the President and the governors. If the states are to support and effectively assist their federal partner in reducing the federal deficit, we must, as a matter of policy, establish a presumption against bypassing the states in new programs and for strengthening the state role in existing programs. The presumption should be that new programs that recommend bypassing the states will be rejected unless an overwhelming case can be made that the states' coordinating role is outweighed by other factors.

The presumption against new attempts to bypass the states should apply to the general revenue sharing program, which provides needed flexibility in the federal aid system and enables many states to target these funds to needs more effectively than could be done if the state share were distributed to all 38,000 local governments under the existing formula. It should be noted that in fiscal 1979, the federal government will spend an estimated $80 billion for services administered through state and local governments. States will spend a similar, if not larger, amount from their own resources to help their communities, either through intergovernmental transfers to local governments or direct financing of services.

The second initiative required of our federal partner is equally important if we are to absorb the reductions in federal spending rather than merely shifting those costs from the federal government to state and local governments. Budget reductions should be accompanied by consolidation of programs and simplification of administrative procedures to insure that at least part of the reductions comes out of the bureaucratic costs of running programs and not merely out of services to the public.

The ACIR study documents the enormously complex nature of the federal grant system and the waste, duplication, excessive paperwork, and high administrative costs that it engenders. More than three-fourths of the federal aid flows through narrow categorical programs, each with its own set of red-tape and overhead costs. Despite the barrage of criticism that has been leveled at this proliferation of narrow categorical grant programs by state and local officials, the number of such programs has continued to grow. In 1975 there were 442; today there are 492.

One-fourth of federal intergovernmental funds are in five block grants and the general revenue sharing program. Although these funds have been saddled in recent years by dozens of cross-cutting rules and regulations that have undermined their intended flexibility, they remain far cheaper for state and local governments to administer and far easier to target to priorities at the state and local levels. While categorical grants have continued to grow, however, the number of block grants -- once considered

the wave of the future -- has not been increased since 1974. Governors believe that with consolidation of related programs into block grants, they could deliver the same services for less money.

In both block grants and categorical programs, federal mandates should be reviewed and, if possible, reduced in light of new fiscal realities. Many of these mandates were imposed at the federal level without an adequate assessment of their potential cost to state and local taxpayers, the relationship between that cost and the potential benefits, and the possibility that other more effective and less expensive methods might be available to accomplish the same objectives. At our annual meeting in Boston, the governors unanimously endorsed a policy position calling on the federal government to help pay the cost of mandates it imposes on state and local governments, and on state governments to help pay the cost of mandates they impose on local governments. The initiative to balance the federal budget now dictates reexamination of those costly mandates.

We would also urge that to the maximum extent possible, reductions in federal support for domestic programs should not be a simple transferral of those costs to state and local governments but should be accompanied by actual reductions in the costs of administering the programs. Federal cuts in particularly sensitive areas, like medical care programs for the poor, or cuts in funding that are not accompanied by reductions in federal mandates or maintenance-of-effort requirements, may leave state and local governments with little choice but to raise their taxes, thus undermining the national anti-inflation goals.

It should also be noted that states do not have the resources to absorb deep cuts in federal programs without either raising taxes or reducing services. The National Governors' Association Fiscal Survey of the States for 1978-79 will show that state general fund balances will decline to about three percent of expenditures during fiscal 1979, the lowest level in recent years and well below the five percent target that many state budget officers and bond-rating analysts believe is a reasonable and prudent reserve.

We believe our recommendations are consistent with your broad goals of improving the responsiveness and effectiveness of government and with your immediate goals of reducing the federal deficit and bringing inflation under control, and we are prepared to help you in any way that we can.

Sincerely,

Governor Julian M. Carroll, Chairman
National Governors' Association

Governor Richard A. Snelling, Chairman
Committee on Executive Management and
Fiscal Affairs

THE WHITE HOUSE
WASHINGTON

1/2/79

Jerry Rafshoon

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

Rick Hutcheson

cc: Louis Martin

THE WHITE HOUSE

WASHINGTON

December 22, 1978

Ralph -
This is very good - Use it
J

MEMORANDUM FOR THE PRESIDENT

FROM: LOUIS MARTIN

The attached is for your information. It is being distributed to Black elected officials and Black media.

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OFFICE OF LOUIS MARTIN
WHITE HOUSE

12/21/78

THE FIRST TWO YEARS

Soon President Jimmy Carter will reach the mid-point of his first term in office. Black Americans are asking what kind of beginning has been made. Is he living up to expectations?

Even a partial review of the achievements of the Administration indicates that the record is clearly encouraging. The Carter Administration has moved the government out of the shadow of "benign neglect" into the sunshine of "affirmative action."

One of the central themes of the Carter campaign revolved around the need to reform and reorganize the machinery of government. The President was determined to make certain that Federal programs worked and that the services they were established to offer were actually delivered. Historically, it has been the delivery government services that have most troubled and concerned the people.

It is noteworthy that one of the first reorganization plans proposed by President Carter called for consolidation of the scattered, Federal programs for enforcement of equal employment laws. This consolidation has been accomplished

and it has strengthened the Equal Employment Opportunity Commission under the leadership of Eleanor Holmes Norton.

Moreover, in his own backyard, the President for the first time in history placed the White House Office under Title VII provision which prohibits discrimination in employment.

The President has given new power to enforce affirmative action programs of Federal contractors to the Office of Federal Contract Compliance under the direction of Weldon Rougeau. The Civil Service Commission has been completely reorganized. Employees who excel can be rewarded and reactionaries, racists and incompetents can no longer hide. The Administration is presently developing a revised reorganization plan to consolidate other Federal civil rights, enforcement programs into a more effective tool to fight discrimination.

The issue uppermost in the minds of Black Americans historically has been the issue of employment. President Carter pledged to take action in this area and he has.

While the Administration has cut the unemployment rate by 25 percent for the nation as a whole, unemployment among Blacks, especially Black youth, remains too high. The President is tackling this serious problem head-on. He has launched a two-pronged attack in this battle. One involves basic job programs and the other centers around economic development, including assistance to Black enterprise.

The Administration has expanded and established new basic job programs. The expansion and reach of CETA--the Comprehensive Employment and Training Act--has been doubled under the direction of Assistant Labor Secretary, Ernest Green. Funding for 625,000 jobs this year, with a four-year authorization of $46 billion, places CETA in a unique position to render service. Most noteworthy also is the fact that every effort has been made to target these funds to provide assistance to those most in need.

Along with CETA, the Administration developed other job initiatives including the enactment of the Youth Employment Act. This Act authorizes new programs that provide 250,000 job and training opportunities for jobless youth between the ages of 16 and 24. In addition, the Administration won approval of a private sector jobs initiative designed to create employment in the private sector for the hard core unemployed.

The Tax Reduction Act and the Economic Stimulus Act, both initiated by this Administration, provide $23 billion in economic assistance, including $4 billion in public works construction. Private firms also get tax credits for hiring Blacks.

For the long range, the President's support of the Humphrey-Hawkins Bill, which passed Congress, despite dire predictions that it would never see the light of day, may be the most important economic act of the Administration. The Humphrey-

Hawkins Act establishes the priority of full employment by law. It mandates that the President, the Federal Reserve Board and the Congress work together to use all the resources of government to stimulate full employment.

When we talk of unemployment and of all the programs for jobs, we do not traditionally think of Black businesses. Yet, it is becoming more and more apparent that the expansion in new government programs for minority business has some significance in the job field. Black businessmen by the hundreds are knocking on the doors of the Federal establishment for contracts with some of the same passion and concern that civil rights leaders exhibited a decade ago. The number of jobs being created by Black businesses are beginning to have real significance in reducing Black unemployment.

An example of the importance of these efforts was announced on December 18, 1978, when a Black-owned business landed an $8 million contract from the Environmental Protection Agency. This firm, Raven Systems and Research Inc., headed by Ray Mott of Wahsington, D.C. will expand its work force from 150 to 300 employees to fulfill the work required by EPA. This contract, one of the largest for minority groups, was obtained from the Small Business Administration under the 8A program. Under this program, which has been greatly expanded by President Carter, federal contracts can be

secured without competitive bidding. It has been designed to give minority businesses a helping hand.

The Republicans traditionally talk and talk about free enterprise but the record shows that the Democrats have actually opened the door to Black entrepreneurs. The Commerce Department reports that more than 3,500 firms owned by Blacks have received over 7,600 Local Public Works construction and supply contracts totaling $230 million. The Department estimates that $600 million or 15 percent of the $4 billion in Round Two Local Public Works Appropriation will be spent with 7,000 bona fide minority business enterprises.

The Carter Administration, in cooperation with the Congressional Black Caucus, succeeded in winning a major legislative victory in the passage of H.R. 11318, the Omnibus Minority Business Act. This new law includes provisions for technical assistance, for help on surety bonds and performance bonds for contractors and for a number of resources vital to minority supplies and vendors.

Perhaps the most notable achievements in minority business and in job development by minority business have come through the Administration's expansion of the set-aside principle. By setting aside a minimum percentage

of dollars and contracts, 10 or 15 percent for minority enterprise, the Administration guarantees that Blacks will get a fair share of the government business. In the Public Works program and in the Northeast Railroad Corridor this set-aside principle has won national acclaim. Minorities are getting over 15 percent of the business.

The President has reactivated the Inter-Agency Council for Minority Enterprise and they have a set goal of $3 billion in Federal contract procurement to minority businesses by 1980. In the private sector the Minority Purchasing Council, which has been encouraged by government, has set a $3 billion goal. Thus, with the government and the private sector together a goal of $6 billion has been set to be spent with minority suppliers and contractors by 1980.

These business developments for minorities are helping to create jobs that are under the full control of minority producers and manufacturers. The implications of this program for the long range economic development of Black America are obvious. Blacks have become job developers as well as job seekers. The Carter Administration is taking giant steps in this direction.

It is the same spirit that the Administration has moved to put over 145 million dollars of Federal deposits in minority banks and is presently developing a minority bank development program to provide technical and managerial

assistance as well as capital to minority banks.

In March of 1978, the President issued his National Urban Policy which must be considered an important aid to minority encomic development. The chief architect of this new thrust was Secretary Patricia Harris of the Department of Housing and Urban Development. Although the President's proposal for a National Development Bank did not get through Congress in 1978, some key measures did, most of which target urban aid to areas and people most in need.

In the Housing and Community Development Act which was enacted into law, over 2 billion dollars were authorized for community development over a 3 year period. Several new programs were funded, including $400 million for Urban Development Action Grants. Over 300,000 new housing units were funded in 1978 alone.

We have discussed thus far some of the reorganization proposals and some of the economic and unemployment programs which have been advanced and established by President Carter.

Will this economic thrust and the new development programs of the Administration be strangled and killed by the efforts of the President to curb inflation? The answer is, NO. The President has made it clear that he is going

forward not backward. He recognized the necessity for targeting programs in order to meet the needs of those who are most in need. He is demanding an end to waste, to fraud and to management abuses which cost the government billions of dollars and hamstrings the delivery of services. He is going to cut the fat out of every department, agency and program.

In his anti-inflation program, the President has exempted all those who make $4 dollars or less per hour. Further, he is going to Congress to get wage insurance to protect those who obey the wage guidelines against an excessive rise in the inflation rate.

The President has made it clear that no one in America is going to starve. Indeed, when we look at the new food stamp program, where those who are poor no longer have to buy the stamps but will get them absolutely free, it is easy to understand why no one should go hungry. The program is funded for $9 billion and it is an entitlement program which exempts it from most of the cutbacks that are so feared.

No assessment of the stewardship of President Carter at this mid-point in his Administration would be complete without reference to civil rights issues. The position of the Administration in the Bakke case and in going on record in the case of the Wilmington 10 served to indicate where the President stands. Solicitor General Wade McCree moved on

Bakke and Assistant Attorney General Drew Days moved on the Wilmington 10.

The President supported and personally worked for the passage of the D.C. Voting Rights Bill. As in the battle for Humphrey-Hawkins, he made the key calls to the leadership and the members of Congress to get action. Without his personal lobbying and pressure these legislative victories would not have been won. In addition, the President successfully supported a five year extension for the U.S. Civil Rights Commission.

The Administration won an important victory in the enactment of the Omnibus Judgeships Act of 1978, which has increased the number of federal judgeships by almost 30 percent. The President is making certain that minorities will get a fair share of these judgeships and for the first time Black federal judges will be appointed in Southern states.

Carter's appointment of Blacks to non-traditional posts through the federal establishment include Patricia Harris, Secretary of Housing and Urban Development, Clifford Alexander, Secretary of the Army, James Joseph, Under Secretary of the Department of Interior. The appointment of Blacks to a host of other posts underscores his sincerity.

No President in history has placed a Black man in such a key postion in international relations and supported him

so courageously as this President has done in the case of Ambassador Andrew Young. The impact of Ambassador Young on this nation's foreign relations will one day be the subject of serious study in the universities of the nation. The Administration's support of high moral principles and programs for the redemption of Africa represents a revolution in foreign policy. The human rights doctrine of the Administration is under fire from reactionaries at home and abroad. Yet at long last the American flag stands for true liberty and morality in Africa and everywhere else in the world today.

The future of Blacks in this competitive, technological society depends on the availability and use of educational and training opportunities. Recognizing this basic fact, President Carter has greatly expanded educational resources.

The Education Amendments of 1978, supported by the Carter Administration increased funding by 25 percent. Moreover, greater emphasis has been given the programs for disadvantaged children including proposals for large increases in Title I and Headstart programs. The Middle Income Student Assistance Act which the Administration advanced expands the basic student aid programs. In education, as in other fields, the Administration sought to target assistance to those most in need of assistance.

Under the leadership of Mary Berry, Assistant Secretary for Education in HEW, new steps have been taken to enhance educational resources. A new Department of Education which would strengthen its educational thrust has been proposed by the Administration. President Carter has made a commitment to expand federal assistance to predominately Black colleges. In his new Directive for Black colleges, the President calls upon each agency of government to provide greater assistance to these institutions.

The cataloging of the achievements of the Carter Administration that are of special interest to Blacks does not, of course, present a complete picture or give the full measure of the Presidency of Jimmy Carter. His integrity and deep moral commitment to do what is good and right cannot be fully comprehended by a listing of good deeds alone. He has demonstrated in the first two years of his term that he can move America forward. He has demonstrated that he has both the courage and the capacity to meet the great challenges of our time.

We had the "New Deal" under President Franklin D. Roosevelt, the "Fair Deal" under President Harry Truman, the "New Frontier" under President John F. Kennedy and the "Great Society" under President Lyndon B. Johnson. President Jimmy Carter is advancing step-by-step in the great Democratic

tradition and bringing with him the highest moral idealism. He said that he wanted to create a government "as good as the American people". His Administration may well be labeled the "Good Deal".

THE WHITE HOUSE
WASHINGTON

1/2/79

Charlie Schultze

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

Rick Hutcheson

		FOR STAFFING
		FOR INFORMATION
✓		FROM PRESIDENT'S OUTBOX
		LOG IN/TO PRESIDENT TODAY
		IMMEDIATE TURNAROUND
		NO DEADLINE
		LAST DAY FOR ACTION

FOR ACTION	FYI	
		VICE PRESIDENT
		JORDAN
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		RAFSHOON
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
✓		SCHULTZE
		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARONSON
		BUTLER
		H. CARTER
		CLOUGH
		CRUIKSHANK
		FIRST LADY
		HARDEN
		HERNANDEZ
		HUTCHESON
		KAHN
		LINDER
		MARTIN
		MILLER
		MOE
		PETERSON
		PETTIGREW
		PRESS
		SANDERS
		WARREN
		WEDDINGTON
		WISE
		VOORDE

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

return to
me to read

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

Charlie -
You're better than
Ruttenberg
C

January 2, 1979

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CEA

Subject: Liberal and labor union reaction to the anti-inflation program

Glenn Watts, who is, as you know, a strong supporter of the Administration, asked for my private comments on a recent analysis of your anti-inflation program prepared by Stanley Ruttenberg -- an economic consultant with strong ties to the union movement.

I thought you might find the attached analysis useful, since it deals with some of the most common complaints that unions lodge against the Administration's program.

Attachment

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Comments on the Paper by Ruttenberg, Friedman, Kilgallon, Gutchess & Associates, Inc., "Slow Growth -- No Cure for Inflation"

The Ruttenberg paper argues that:

-- Slow economic growth is not the cure for inflation.

-- Faster economic growth would speed up the pace of productivity gains, and improve the chances of reducing inflation.

-- Wages are not the cause of inflation, and workers have been left behind in the inflation of the last ten years; weekly earnings -- after taxes, and adjusted for inflation -- have stagnated during these years.

-- Profits have done relatively well during the period of inflation.

On the basis of this background, the paper concludes with the following recommendation (p. 46):

> "It is time, in short, for the policymakers to stop fighting the phantom of wage and salary increases, and instead to direct their attention to the real problem areas. A good place -- a very good place -- with which to start is the corporate sector and the behavior of the nation's large companies and banks. For therein lies a major source of the inflationary pressures that have been depriving the American people of the type of economy they need and deserve -- an economy which is vibrant, healthy and growing, and which provides its workers with sufficient opportunities for work and income, and which enables the nation to deal rationally with its many economic and social problems."

Comments

Ruttenberg is correct when he says that slow growth will not cure inflation. In 1969-70 and in 1974-75 the economy went through two recessions. The 1974-75 recession

was the worst in 40 years. Although the rate of inflation did decline, the gain was small, and was purchased at a very high cost. Recession is not an effective, much less a socially acceptable, way to deal with inflation.

If an actual recession doesn't cure inflation, neither will a period of slow growth itself get rid of inflation. But, unfortunately we now need a period of slower growth not to cure inflation but to prevent it from getting worse, and to give us a chance to deal with inflation by other means. Inflation has accelerated in the past year. Continuing the rate of growth we had in 1977 and 1978 would almost surely guarantee that inflation would keep getting worse, and ultimately lead to a recession.

During 1977 the GNP grew at 5-1/2 percent. In 1978 it grew at 4 percent. The growth in employment was phenomenal -- about 7-1/4 million new jobs added in only two years. Inflation also accelerated sharply in 1978. During 1977 consumer prices rose 6.8 percent. By the end of 1978 they will have risen about 9 percent.

Some of this acceleration of inflation was due to sharp increases in meat and other food prices, and the land component of housing costs. The excessive depreciation of the dollar also contributed. But inflation in other prices also accelerated. And this speeding up of price increases was not due to a widening of profit margins. Because of the large (15-1/2 percent) rise in the minimum wage and the very sharp increase in the demand for labor -- as evidenced by the huge employment gains -- increases in compensation per hour speeded up, principally in the non-union area. Productivity gains slowed to virtually zero. As a consequence, costs rose sharply:

	1970 to 1975	1975 to 1977	1978[1/]
	(annual percent change)		
Nonfarm business			
Increase in compensation per hour	7.9	8.6	9.4
Less: increase in productivity	1.4	2.3	0.3
Equals: increase in unit labor costs	6.4	6.3	9.1
vs.			
Increase in prices	6.5	5.6	7.2

1/ 3Q1977 to 3Q1978

We do not need or want a recession to stop the accelerating pace of cost and price increases. But attempting to continue the relatively fast rate of growth in output and the even more surprising rate of growth in employment would almost surely perpetuate a rising rate of cost and price increases. Slowing the growth of the economy is therefore essential not because it will, by itself, sharply lower inflation, but because without that slowing inflation would continue to worsen -- especially in the light of the poor productivity performance we have been experiencing.

The Role of Wages and Profits

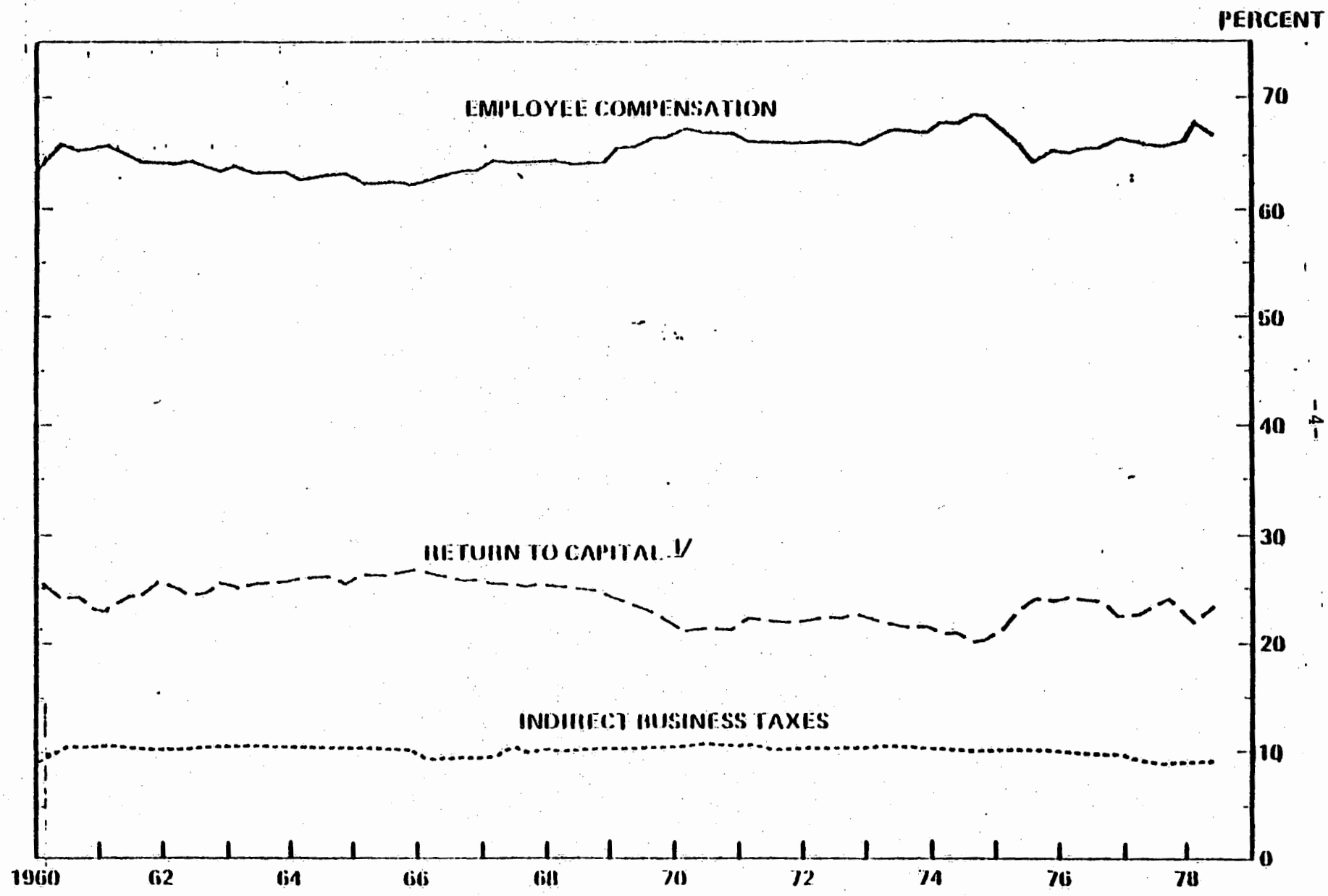
Wages were not the cause of the inflation which has plagued us in the past ten years. The inflation started with an overheated economy, associated with a refusal to pass a tax increase to finance the Vietnam war. The Federal Government ran a big budget deficit, not in a period of economic slack but in the middle of a boom. A good old-fashioned inflation started. Again, in 1972, the Nixon Administration pumped a lot of fuel into the economy during the election year. But more importantly, OPEC quadrupled the world price of oil and a worldwide crop shortage sent food prices thorugh the roof. Wages followed, but didn't lead the inflation.

But the inflation wasn't generally caused by large unjustified price and profit increases either. As the Chart on the next page shows, neither business nor labor has basically increased their share of the pie at the expense of the other. They are both victims of the same treadmill. Business leaders allege that profits have been severely squeezed. They were, in 1973 to 1975, as you would expect in a recession. But they have pretty well recovered by now. On the other hand, neither the last ten years of inflation, nor the 1978 acceleration in inflation, has raised profits to abnormal levels.

One of the causes of our present problem is the fact that when we get economic slack business firms don't shave their prices to keep volume up. That is one of the reasons why, once we get into an inflation, it persists so stubbornly even through recessions.

The Ruttenberg paper points out that weekly earnings after taxes and adjusted for inflation have not increased significantly since 1969, and have actually fallen since

INCOME SHARES OF NONFINANCIAL CORPORATE OUTPUT



1/ PROFIT PLUS DEPRECIATION PLUS NET INTEREST.

1973. The weekly earnings series aren't a good measure since they lump full-time and part-time workers together; an increase in part-time work by teenagers or women will result in a decline in average weekly earnings even when wage rates are unchanged. Nevertheless, the basic story is accurate.

Again, however, the stagnation of real after-tax wages is not because inflation has generally transferred income from workers to business. Rather it stems from several other causes:

1. The growth of productivity has fallen sharply.

Rate of productivity growth
(nonfarm business)

(percent per year)

1948-55	1955-65	1965-73	1973-77	1977-78
2.9	2.6	2.0	0.9	0.3

If productivity is rising rapidly prices will usually go up less than wages, and real wages will improve. When productivity growth halts, prices have to go up faster relative to wage increases and real wage gains slow down or cease.

2. Social security taxes have gone up. The Ruttenberg paper correctly shows that the large growth in social security taxes has taken a big bite out of wage increases (Chart 3, page 14). In fact he understates the problem. He only included the employee share of social security taxes. The employer tax rate has gone up equally; employers treat that increase like any other cost and pass it on to customers. Prices go up relative to wages, and the growth in real wages is accordingly reduced.

But social security benefits have sharply risen -- the level of retirement benefits, the costs of Medicare, the improvement in disability benefits, and the number of beneficiaries relative to the number of workers, have all grown. These increases have to be paid for one way or the other. Had some of the increases been financed out of income taxes, the impact on workers earning less than average incomes could have been less. But workers in the $15,000 to $25,000 bracket might have been worse off.

3. The world price of oil has been increased fivefold. We now pay $45 billion a year to import oil. If oil prices had risen only as much as inflation elsewhere since 1973, we would be paying only about $15 billion for the same oil. The extra $30 billion paid to foreign oil producers has had the same effect on workers as if $30 billion in additional taxes had been levied on them.

In summary, the reasons why real wages after taxes have performed so poorly in the past ten years is not because inflation has transferred large amounts of income from one group in America to another, but because of a string of events which have levied large costs on the nation as a whole.

To repeat: excessive wage increases were not the cause of inflation. But -- with some exceptions -- excessive profit increases were not the cause either. A program to reduce inflation will require some reasonable and even-handed moderation of both wage and price increases.

Productivity

The Ruttenberg paper argues that productivity increases are large when economic growth is high and small when economic growth is slow. Hence a speed up in growth would raise productivity. But this is only part of the story.

Over the long term, productivity growth depends on a number of things: R&D, the skills and education of the work force, investment in modernized plant and equipment, etc. From year to year when output grows faster than normal, productivity does rise faster than its long-term trend and vice versa. (When output grows more rapidly than normal employers don't add workers at the same pace, and vice versa when output falls.)

In the past ten years, unfortunately, the long-term trend of productivity growth has slowed down substantially. That is, productivity has slowed down by much more than can be explained by the slowdown in economic growth. Our estimates of the long-term trend in productivity growth (after adjusting for the effect of changes in the rate of economic growth) are as follows:

Trend growth in productivity (% per year)

1953-65	1965-73	1973-78
2.7	2.1	1.4

In 1977 and 1978, productivity growth fell even below these trends (1977: 1.3%; 1978: 0.3%), even though output was growing faster than its long-term trend. Speeding up the rate of growth will not recapture the lost productivity gains. We have some idea why the long-term rate of productivity growth fell after the 1960s: for example, resources devoted to R&D declined; the 1969-70 and 1974-75 recessions sharply depressed investment; out of low investment more of it had to be devoted to socially desirable but nonproductivity improving anti-pollution efforts. But we don't know why productivity collapsed even further in 1977-78. (Productivity growth has declined in every industry except communications: in the 1973-77 period communications productivity growth was higher than in the 1950s and 1960s.)

International Situation

Accelerating inflation in the United States has been a direct -- but not the only -- cause of the fall in the dollar abroad. Right or wrong, foreign holders of dollars had perceived us as unwilling to take the steps to control inflation. They projected our failure forward into the future, and that drove the dollar down further, to an unwarranted degree. In turn, this made inflation even worse at home, as import costs climbed rapidly. And, since the dollar is the currency of international trade, uncertainty about the future threatened to slow world growth and trade. Without a firm anti-inflation program in place, coupled with the actions announced on November 1 to support the dollar, we could have seen much further weakening of the dollar, even more inflation, and a real erosion of confidence in the ability of the United States to act as a world leader.

Conclusion

Ruttenberg is partly right in some of his conclusions and wrong in others.

He is right that a recession is no way to cure inflation. In addition to all the other reasons, it is politically and

morally naive to believe that any country in the western world would run a big enough recession long enough to wring out inflation by the "agony" route.

He is also right that slow growth won't reduce inflation sharply. But he is wrong to imply that we could keep growth going at the recent pace. Inflation has been accelerating, and not just because of food, housing, and medical costs. Failure to moderate growth would bring further acceleration of inflation and, almost surely, an eventual large recession. By aiming at moderate growth we do indeed take some risks. But failure to do so would guarantee a much worse result later on.

With a continuation of somewhat slower growth for awhile, and reasonable even-handed moderation in wage and price increases, we can gradually reduce inflation. It is not an easy path. But the alternatives just won't work.

Asking for simultaneous moderation in wages and prices is not putting the blame for inflation on labor. In fact, searching for villains won't get us very far. There aren't any principal villains to put the blame on. Most groups in America have suffered from inflation. And everybody will have to participate in controlling it.

	FOR STAFFING
	FOR INFORMATION
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	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

FOR ACTION	FYI	
		VICE PRESIDENT
		JORDAN
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		KRAFT
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		POWELL
		RAFSHOON
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE
		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARONSON
		BUTLER
		H. CARTER
		CLOUGH
		CRUIKSHANK
		FIRST LADY
		HARDEN
		HERNANDEZ
		HUTCHESON
		KAHN
		LINDER
		MARTIN
		MILLER
		MOE
		PETERSON
		PETTIGREW
		PRESS
		SANDERS
		WARREN
		WEDDINGTON
	✓	WISE
	✓	VOORDE

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

Tony

Fran said she had copy

fran
J

CAMP DAVID

DECEMBER 27, 1978

TO: THE PRESIDENT

FROM: FRAN fran

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RE: CORETTA SCOTT KING

MARTIN LUTHER KING'S BIRTHDAY IS CELEBRATED EVERY YEAR IN ATLANTA WITH SEVERAL FORMAL EVENTS. MRS. KING INVITED YOU AGAIN TO BE PRESENT ON MONDAY, JANUARY 15.

I REGRETTED THIS EXPLAINING TO HER THAT THIS WAS THE FIRST DAY OF CONGRESS AND IT WAS NECESSARY FOR YOU TO BE IN WASHINGTON. SHE UNDERSTOOD THIS PERFECTLY BUT THEN ASKED THAT YOU TRY AND COME DOWN ON SUNDAY, JANUARY 14.

THE KING CENTER AND MRS. KING WANT VERY MUCH TO PRESENT TO YOU THE ANNUAL KING NON-VIOLENCE AWARD.

THIS WOULD BE GOOD POLITICALLY, BUT PHIL AND I DON'T SEE ANY WAY YOU COULD TRAVEL TO ATANTLA ON THE 14TH --- YOU WILL HAVE JUST RETURNED FROM GUADELOUPE THE EVENING OF THE 9TH, AND YOU WILL HAVE MUCH TO DO IN PREPARATION FOR THE NEW CONGRESS.

THE ONLY OPTION I CAN THINK OF IS TO ASK HER TO COME TO WASHINGTON SOMETIME THAT WEEK AND PRESENT IT TO YOU IN THE OVAL OFFICE IF YOU'RE INTERESTED.

I SHOULD CALL HER TODAY.

14th ok
J

_____ REGRET THIS YEAR

_____SUGGEST A WASHINGTON PRESENTATION

THE WHITE HOUSE

WASHINGTON

January 2, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER

SUBJECT: Security Violations

Attached for your information are the security violations for the month of December, 1978.

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THE WHITE HOUSE

WASHINGTON

January 2, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM MCINTYRE

FROM: HUGH CARTER

SUBJECT: Security Violations

The President has asked that I make you aware of the following security violation(s):

Date	Name	Nature of Violation
12/6	Eliot Cutler	Confidential document found on desk top
12/11	Bo Cutter	Confidential document found on desk top

cc: The President

THE WHITE HOUSE

WASHINGTON

January 2, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: CHARLIE SCHULTZE

FROM: HUGH CARTER

SUBJECT: Security Violations

The President has asked that I make you aware of the following security violation(s):

Date	Name	Nature of Violation
12/5	Lyle Gramley	Safe containing classified material found open
12/9	Peter Gould	Confidential document found on desk top
12/14	Val Koromzay	Safe containing classified material found open

cc: The President

THE WHITE HOUSE

WASHINGTON

January 2, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: MIKE BERMAN

FROM: HUGH CARTER HC

SUBJECT: Security Violations

The President has asked that I make you aware of the following security violation(s):

Date	Name	Nature of Violation
12/16	Margery Skotheim	Safe containing classified material found open

cc: The President

THE WHITE HOUSE

WASHINGTON

January 2, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JERRY RAFSHOON

FROM: HUGH CARTER

SUBJECT: Security Violations

The President has asked that I make you aware of the following security violation(s):

Date	Name	Nature of Violation
12/17	Jerry Rafshoon	Confidential document found in desk drawer

cc: The President

THE WHITE HOUSE

WASHINGTON

January 2, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: STU EIZENSTAT

FROM: HUGH CARTER HC

SUBJECT: Security Violations

The President has asked that I make you aware of the following security violation(s):

Date	Name	Nature of Violation
12/2	Bob Ginsburg	Confidential material found in file folder on desk

cc: The President

THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

December 29, 1978

MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson, Staff Secretary

SUBJECT: Significant Issues for the Week of December 25

Air Crash at Portland, Oregon - As soon as I was alerted to the airline crash at Portland, I contacted Federal Aviation Administrator Bond and accident investigation teams from the Department of Transportation/FAA and the National Transportation Safety Board, who are now on the scene in Portland.

The United Airlines DC-8 with 180 persons on board crashed five miles short of the airport in a densely populated portion of Portland. Of those on board, our information is that there were 10 fatalities, 50 injuries, and 14 persons unaccounted for but not presumed to be in the wreckage. The aircraft came to rest in an empty lot after destroying a vacant home. Preliminary reports indicate no fatalities or injuries to people on the ground. At present, there is no indication as to the cause of the crash, though the pilot radioed that he had lost power and was unable to make the airport after circling while attempting to fix a problem with the aircraft's landing gear.

New Aviation Safety Plans - This week Federal Aviation Administrator Bond and I announced a comprehensive change to our air traffic control system. The changes are designed to extend the ground-based separation program to 97 percent of the commercial passengers. The program is expected to substantially reduce the number of reported near misses involving aircraft operating above 10,000 feet. It calls for increased radar services at 80 airports and puts most of the busiest air routes above 10,000 feet under direct air traffic control. In addition, collision avoidance systems will be installed in most aircraft as soon as this equipment becomes available. Following the September San Diego accident and the FAA's study of the causes, we have accelerated the programs necessary to improve the Nation's protection against possible midair collisions.

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THE SECRETARY OF THE INTERIOR

WASHINGTON

C

December 29, 1978

MEMORANDUM TO THE PRESIDENT

From: Secretary of the Interior

Subject: Major Topics for the Week of December 25

The reorganization proposal establishing a DNR (Department of Natural Resources) is before you for decision. This issue is important to your Administration, but timing of the decision is critical. If we act now, we can preempt the opposition from building support. The timber industry is split on the issue with some of the big companies opposing. The conservationist and environmental organizations are supportive. Congress hasn't focused on it yet, but we have major support from Jackson, Church, Percy, Ribicoff, Nelson, Muskie, Udall, Burton, Bolling and Brooks. We can win this one, but we need to move decisively and early to strengthen our hand.

You missed a good quail hunt last Wednesday. Two of us took 16 quail and 3 pheasants in three hours.

Cecil

CECIL D. ANDRUS

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THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

December 22, 1978

MEMORANDUM FOR: The President
Attention: Rick Hutcheson

SUBJECT: Weekly Report of Major Departmental Activities

Department's Public Information Program on Energy Conservation is a "Best Seller." The Department learned this week that its energy conservation public information booklet "In the Bank...Or Up the Chimney -- A Dollar and Cents Guide to Energy-Saving Home Improvements" has become the most popular government publication in recent history. Since the program started in 1977, the Department has honored requests from 976,000 individuals and organizations. This week, Pratt and Whitney Aircraft, Connecticut's largest employer, distributed 54,000 copies of the 77-page booklet to its employees.

HUD Announces Passive Solar Awards. A total of 242 awards in the residential passive design competition and demonstration were announced this week. Covering 35 states, these awards include 145 prizes of $5,000 each for designs for new single family passive solar homes, 17 prizes of $2,000 for designs for passive solar modifications to existing homes, and 80 awards of $7,000 to $15,000 for the construction of some of the new home designs for open market sale.

Single Family FHA Mortgage Insurance Applications Continue to Climb. During the first two months of this fiscal year, 111,805 applications for FHA single family home mortgage insurance were processed, a 27 per cent increase over the first two months of last fiscal year. The Department currently projects an annual rate of approximately 735,000 applications which would be 116,000 more than the actual number of applications processed last fiscal year. One indication that this accelerated growth will continue is that the number of applications for proposed construction increased almost 40 percent during the first two months of this fiscal year. Helping account for the increase in applications is the popularity of the Graduated Payment Mortgage program. For November, GPM activity exceeded 11,000 applications, the highest monthly total to date. On an annual basis, this would indicate GPM applications will reach 138,000 during fiscal year 1979.

Consumer Complaint Handling Program Praised. A report prepared by Technical Assistance Research Programs, Inc., has praised the Department for the way it handles consumer complaints and inquiries. The report commends the Department for making improvements in the program over the past two years and makes the point that a system exists for analyzing public complaints for possible impact on the Department's policy making process.

Pat

Patricia Roberts Harris

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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 22, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: CEA Weekly Report

Budget Preparation. Members of the CEA staff have been working with OMB, DPS and other agencies in the preparation of final memoranda for you on the 1980 budget and economic outlook. A memo discussing the final forecast for 1979 and 1980 is incorporated in the OMB briefing materials supplied to you earlier this week. I'll be glad to provide additional comments, if you wish.

Real Wage Insurance. CEA worked on the memorandum sent to you on Wednesday evening regarding the real wage insurance program. As that memo points out, your advisers recommend proceeding with the program even though some significant difficulties have arisen during the final development of the legislative proposal. Treasury currently expects to have the final proposal ready for publication about the first week in January, and testimony on it will be scheduled before the Ways and Means Committee shortly after the budget is released. Your decision on the range of protection to be provided by the program, which we requested in that memo, was needed to finalize the proposal.

Economic Report. The CEA staff has been working on the Economic Report of the President to be published in January. We currently expect to publish the Economic Report about three days after the budget is released, on January 25.

Aside from these activities, the CEA staff is preparing for Christmas. May I wish you, Rosalynn and your family a happy and restful holiday season in Plains.

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THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

December 21, 1978 FYI

REPORT TO THE PRESIDENT

Revised estimates of third quarter GNP released this week show real output growth for the period at only a 2.6% rate, down from the 3.4% estimated one month ago. This reduction stems largely from lower estimates of earnings on direct investments abroad and lower foreign military sales. Meanwhile, economic data for the current quarter continue to come in strong with a healthy 1.0% gain in personal income for November and a continued high rate of housing starts. The fourth quarter is shaping up well, and the economy should be entering 1979 with good, balanced growth.

On Tuesday chief executives from the rubber products industry joined me in a discussion of business issues and Administration initiatives. This industry faces a number of critical problems relating to slow growth, declining profits, minimal productivity increases, and increasing foreign competition. Moreover, the prospects of increased costs for labor, raw materials, and regulatory compliance are substantial.

- A major labor contract for tire manufacturers expires in April; strikes occurred prior to the last three settlements with a five-month walkout occurring in 1976. Industry representatives expressed a strong desire to comply with your wage and price standards but noted that maintaining present provisions for benefits and cost-of-living adjustments would certainly exceed the 7% standard; moreover, the United Rubber Workers apparently will demand additional wage/benefit increases. Barry Bosworth joined our discussions, indicating that the Administration would strongly advocate constraint on both sides during the coming industry negotiations.

- The industry's trade position has been declining. The impact of the MTN and the International Commodity Agreements now being negotiated will be critical. The Department has been consulting extensively with the industry on these actions and is working closely with Bob Strauss' office to assure that industry concerns are fully considered.

- The industry representatives urged improved coordination of government agency decisions in order to achieve a better balance in regulatory requirements, stressing the need for more realistic assessments of regulatory economic impacts and benefits. To this end, the Department will be following up with industry representatives and Brock Adams' staff (which was represented at the meeting) to review specific technical issues relating to tire quality grading requirements.

My best wishes to you and your family for a happy Christmas and a most rewarding New Year.

Juanita

Juanita M. Kreps

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United States
Environmental Protection Agency
Washington, D.C. 20460

The Administrator

December 22, 1978

REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

Yesterday we formally proposed an alternative regulatory approach -- called the "bubble" concept -- to controlling air pollution emissions from industrial sources. Previously, the agency has set emission limitations on each individual source within a given facility, e.g., each smokestack, coke oven, etc. Now we are proposing that the plant managers themselves decide where to cut pollution rates more and where to let them increase -- provided that total emissions from the entire plant are not increased and that air quality standards are met outside the "bubble" of air surrounding the plant. This will allow them to focus control efforts -- and dollars -- on those sources that are least costly to control. This approach should:

- make our controls much more reasonable;
- stimulate more innovation in pollution reduction efforts;
- save the dischargers money; and
- result in no increase (and perhaps a reduction) in total pollution emissions.

With these characteristics, we consider this to be one of our major regulatory reforms, and are looking forward to extending it to other programs.

Barbara and I would like to wish you and your family a very merry Christmas.

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~~CONFIDENTIAL~~

TO: President Carter
THROUGH: Rick Hutcheson
FROM: Ambassador Young
SUBJECT: U.S. Mission to the U.N. Activities December 15-21

NAMIBIA

The Contact Group has drafted a massage from the Five to the South African Government reiterating the need for a final decision by South Africa this month on whether or nit it agrees to cooperate with the UN on the implementation of Security Council Resolution 435. The message was delivered to Permanent Secretary Brand Fourie by the Five Ambassadors in Cape Town, December 20. The Five have also agreed to abstain on the three UNGA draft resolutions on Namibia. The vote is scheduled for December 21. The abstentions will be made on procedural rather than substantive grounds in the belief that at this crucial state in the Namibia effort the Five should not compromise their position of neutrality by taking a substantive position on these resolutions.

UN GENERAL ASSEMBLY

UNGA Vote on Iraqi Resolution - On December 14, UNGA adopted Iraqi resolution requesting the Security Council to call on states to cease military and nuclear collaboration with Israel. Vote was 72 in favor, 30 against, and 37 abstentions. In prior procedural vote put to the Assembly by the President, the GA decided that the resolution was not an "important question" requiring two thirds majority. After the voting, Israeli Ambassador Blum declared that his government would thus consider the resolution to be an unimportant one and hoped the Security Council would arrive at the same conclusion.

Dominica Becomes 151st Member of UN - The Commonwealth of Dominica was admitted as the 151st member state of the UN by decision of the UNGA, December 18. The UNGA resolution admitting Dominica, upon recommendation of the Security Council December 6, was adopted unanimously without a vote.

UNGA Censures Nicaragua, Adopts 18 Resolutions - On December 15, by vote of 85-1-45(US), the UNGA censured the repression of the people of Nicaragua and the violation of Costa Rica's sovereignty by Nicaraguan military aircraft, and demanded that Nicaraguan authorities cease activities endangering the security of the region. The resolution on Nicaragua also urged Nicaraguan authorities to "ensure respect for the human rights of its citizens" and asked the Secretary General to follow developments closely and provide the aid necessary to achieve the purpose of the resolution.

AMBASSADOR YOUNG'S OTHER MEETINGS - 12/15 - Hamilton Green, Minister of Housing, Labor and Health (Guyana), 12/18 - Frank Ferrari, 12/19 - FM Ali Mroudjae (Comoros), 12/20 - Phil Mason, Mr. Beard, Mr. Saddler, Mr. Furio Colombo, 12/21 - Mr. Whistler, Charlie Cobb, National Public Radio, Ambassador Petree, Christopher Nascimento, Minister of State (Guyana).

DECLASSIFIED
E.O. 12356, Sec. 3.4
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES, BY [illegible] NARS, DATE 11/27/98

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Community Services Administration

WASHINGTON, D.C. 20506

December 22, 1978

MEMORANDUM TO THE PRESIDENT

Attention: Rick Hutcheson, Staff Secretary

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

SUBJECT: Weekly Report of Significant Agency Activities
(Week of December 18 - 22, 1978)

Winter Energy Assistance Program Regulations

The Community Services Administration (CSA) has reached agreement with the Office of Management and Budget regarding regulations for CSA's $200 million Winter Energy Assistance Program. The regulations are to appear in the Federal Register on December 29, 1978.

Los Angeles County to receive Poverty Funds

The County of Los Angeles is to receive a six-month $4 million grant from CSA to assume administrative responsibility for the county's poverty program when the Greater Los Angeles Community Action Agency (GLACAA) closes on December 31, 1978. By making this money available as of January 1, 1979, CSA hopes there will be no interruption in services to low-income residents in the Los Angeles area.

Disaster Funds to Arizona

As a result of the extensive flooding in Arizona this week, CSA has made available to Arizona, through its State Economic Opportunity Office, an initial $100,000 to provide emergency services.

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THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

December 22, 1978

MEMORANDUM TO THE PRESIDENT

FROM: Ambassador Robert S. Strauss

SUBJECT: Weekly Summary

This week we are concluding our work for the year on the MTN and while we will not precisely meet the deadline we have been working under and which was reinforced at the Bonn Summit, we have as a practical matter, reached the concluding stages.

We have completed and signed off on our negotiations with Japan, Sweden, Switzerland and Austria and a half dozen or more LDCs. As a matter of fact, our bilateral agreements with most of the developed countries except the EC and Canada are complete. All of the non-tariff codes including subsidies, customs valuation, standards, government procurement, and counterfeiting are substantially complete with the exception of issues that affect special and differential treatment for developing countries which remain open for the purpose of working with the LDCs and not because of differences among developed countries.

We have completed 90 percent of industrial tariffs with the EC and the present schedule calls for their completion in January prior to the February 6 Council meeting in Europe.

The French continue to maintain that there is an unfavorable balance in our favor but apparently the Commission and the Council of Ministers are prepared to proceed to conclusion.

It is my intention and I have informally advised the leadership of the Congress that you will give the statutory 90-day notice to them of your intention to enter into these agreements. They concur that the notice should be given by January 3rd so that the 90-day period can begin running.

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We are pushing on these last few days to conclude insofar as possible all of our trade agreements, particularly those involving Taiwan. The Taiwanese will be in the office on the 23rd and 24th of December to negotiate both a general trade agreement (which has been in the process of negotiations over the last year), and a separate, orderly marketing agreement on color televisions.

Mr. President, your China deal must be sold across this country with credibility as the greatest trade opportunity ever presented to this nation. I know you are aware of it but there is something of a domestic nature that impacts in a positive economic way on every man and woman in America. It just needs to be orchestrated with credibility. The same thing is true with the Congress. If the case is presented properly, the selfish interests of constituencies of some of the more vocal opposition Senators can be forcefully brought home to them.

THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

December 22, 1978

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues for the Week of December 18

Transportation and Inflation - I met yesterday with Fred Kahn to review ways in which the Department could be of assistance to his inflation fighting efforts. We agreed to provide him with information on the economic justification for fuel economy standards and with our thoughts for attacking inflation through consumer action on auto repairs. We also discussed several pending departmental rulemaking actions and the role that the inflation staff would take in assembling recommendations on these matters, such as the handicapped regulations, where costs are high and social priorities must be balanced with inflation.

We also discussed the inflation-fighting component of the Department's legislative program, particularly the Surface Transportation Administration and no-fault insurance.

Washington Metro Financing - A financial milestone was achieved last week when agreement was reached with the Washington Metropolitan Area Transit Authority's Committee on repayment of $1 billion in outstanding Metro subway bonds.

Aircraft Hijacking - A domestic hijacking incident occurred Thursday involving a TWA DC-9 plane with 83 passengers and a crew of six aboard. The plane was hijacked by a teen-age girl, who had railroad flares which resemble dynamite. She demanded release of convicted hijacker, Garrett Trapnell, from the Federal Penitentiary at Marion, Ill. She took over the plane on its approach to Kansas City Airport and diverted it to Marion, Ill. The hijacker surrendered yesterday evening and all passengers were safely released. The FBI confirmed that the hijacker was the daughter of Barbara Ann Oswald, who was killed May 24 when she tried to hijack a helicopter in another attempt to free Trapnell.

Since the airport security systems were initiated in January, 1973, 25 hijackers have tried to penetrate the system, which involves metal detection and baggage X-ray. None of these attempts involved real weapons or explosives. The hijacker used non-metal flares which closely resembled dynamite and, therefore, she was able to convince the passengers and crew the threat was real.

~~SECRET~~

THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

December 22, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Significant Actions, Secretary and Deputy Secretary of Defense (December 16-22, 1978)

Normalization of Relations with China: I have established a special high-level group in DoD to deal with implementation of the normalization agreement with the PRC insofar as it affects activities of this Department.

Communications Satellite Technology--China: My staff is working with Frank Press' office, NASA, State, and Commerce on questions related to providing a communications satellite capability to the Peoples Republic of China--the limits of technology transfer are a key issue.

Discussion with Senator Stennis: On Wednesday I talked to John Stennis about the normalization of relations with China. He feels that normalization was inevitable and with some exceptions will be accepted by the public. Regarding SALT, he believes verification is key, and said we must be very careful to leave no uncovered questions about the strategic balance. He also said that he did not anticipate serious difficulties in confirmation of General Seignious.

Accelerated Deliveries to Yemen: Following up on your discussion with Al Haig concerning military sales to the Yemeni Arab Republic, President Salih of Yemen has asked for expedited delivery of tanks and aircraft. As you may recall, King Khalid of Saudi Arabia has agreed to pay for a program of 12 F-5s, 2 C-130s, 64 M60 tanks, and 100 armored personnel carriers for Yemen. I have taken action to shorten the delivery times by diverting tanks from production for U.S. Army stocks and diverting 8 F-5Es and 50 M113 APCs from other customers. Saudi Arabia also will transfer 4 F-5Bs and 50 APCs from its own stocks; the C-130s are available through commercial purchase. I am establishing an Office of Military Cooperation in Yemen to manage the accelerated delivery.

Charles and I join in wishing you and your family a holiday season filled with joy and peace.

Harold

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DECLASSIFIED
E.O. 12356, Sec. 3.4
PER 2/14/93 DOD LTR MR-NLC-92-88
BY NARS, DATE 7/22/93

Classified by SEC DEF

Declassify on
Review on 22Dec1984

~~SECRET~~

SEC DEF CONTR No. X-00418

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

December 22, 1978

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

CATTLE. While the number of cattle on feed on December 1 remains about 9 percent above a year ago, placements during November again fell short of year-earlier levels. Net placements for the 7 major feeding States in October and November combined were 7 percent below last year. If this lower rate of placements occurred in the other States, and if placements do not pick up in December, fed slaughter would run a little below USDA forecasts and prices slightly above during the first half of 1979. In view of continuing large inventories in feed lots, the impact of slowing placements would be primarily felt in the second quarter.

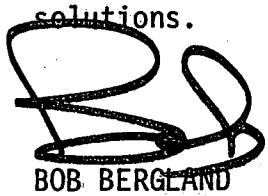
ISA MEMBERSHIP FILING DEADLINE. ISO sources report that the filing period for countries seeking to join the International Sugar Agreement (ISA) has been extended to June 30, 1979, to allow the additional time for 10 exporters and six importers, which are not presently signatories to the 1977 agreement, to ratify it. Neither the U.S. nor the European Economic Community are members.

HIGHER AUSTRALIAN WHEAT CROP EXPECTED. The Australian wheat crop may reach 15.4 million tons, with record harvests in Queensland and Western Australia. Barley and oats harvests are also expected to set records. Large wheat and feed grain crops, however, are expected to strain handling and transportation facilities, with consequent danger of some crop deterioration due to weather.

LETTUCE. Following a report of tobacco budworm infestation there has been a number of conflicting accounts in the news media that there was a 25 percent loss in the total Imperial Valley of California lettuce crop -- actually it involved less than 10,000 acres and losses in some fields reached 25 percent. The budworm infestation has been brought under control and the current crop is of excellent quality with a small increase in acreage. Barring a prolonged delay in harvest which is currently being hampered by rain, the lettuce supply is expected to be adequate.

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HITCHHIKING INSECTS. The World Health Organization (WHO) has contacted the USDA Chemical and Biophysical Control Laboratory concerning a report from Qantas Airlines that heavy spraying of a 2% d-phenothrin solution in 747 aircraft (to disinsect or remove hitchhiking insects) resulting in the clogging of fans which cool electronic components and duct work. As a result, seizure of the fans has occurred and maintenance and repair costs have increased. No other airline has reported this problem. Discussions are going on with Australian officials about possible solutions.



BOB BERGLAND

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

January 2, 1979

C

MEMORANDUM FOR: THE PRESIDENT

FROM: Jim McIntyre, Jr. Jim
Stu Eizenstat Stu

SUBJECT: Disability Reform

We and Secretary Califano are in agreement on a major portion of the proposed change; that workers should generally receive no more in disability benefits than in prior earnings. There is still some disagreement, however, about further tightening of the limits on maximum disability benefits to be received by any one family. We will be working to devise the programmatically and politically best course of action within the next two weeks. Meanwhile, we will carry a $60 million outlay saving in the 1980 budget, which is the minimum which would be realized. That amount more than offsets the $38 million in work incentive benefit increases which would also be a part of the Disability Reform proposal.

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Solid econ base for future
Reorg - Regs - inflation - budget

meeting on domestic issues 1/2/79

THE WHITE HOUSE
WASHINGTON

	'79	'80	
Outlays	492 ±	→ 531 ±	= +7 8/9%
BA	558 ±	→ 613	= +9%

Pol b financing of elections
MH - Solar - Surface Xplant
Refugee - MTN - Three II - CWS

CV vs CVV

Disability ins Cap 180 → 150%?

Nat Dev Bk - support?
$ 190 mil

Counter int'l staff

Int rate receipt est
deficit - $285 bil

RevI - not make campaign

Energy	Davis-Bacon Min Wage	D2
Health Cost Cont	Key	Milk, sugar
		Bal budget amend

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THE WHITE HOUSE
WASHINGTON

1/2/79

Chairman Campbell
Stu Eizenstat
Bob Lipshutz
Jim McIntyre
Charlie Schultze
Alfred Kahn

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 action.

Rick Hutcheson

cc: Bob Linder

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

DEC 27 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. McINTYRE, JR.

SUBJECT: Federal Pay and the Anti-inflation Program

In a memorandum to you dated November 20 (Tab B) the Chairman, Civil Service Commission has pointed out that there are several groups of Federal employees who are not covered by the restraints you have placed on Federal pay. These groups, totaling some 100,000 workers, are under a number of different single-agency pay systems, with varying degrees of administrative discretion involved in pay setting.

In order to restrain pay increases for these workers to the maximum extent permitted by law, Chairman Campbell recommends that you sign an Executive order reflecting your determination that it would be inconsistent with the public interest for any category of Federal pay rates to be increased by more than 5.5 percent during fiscal year 1979. He expresses doubt that this approach can withstand court challenges with respect to all of the affected groups, but nevertheless believes that this approach is worth trying. The Department of Defense supports his recommendation.

OMB agrees fully with Chairman Campbell except that we believe that the appropriate form of action is a memorandum to the heads of agencies rather than an Executive order. The administrative discretion to restrain these increases is vested in the agency heads. The direct exercise of that authority by the President would raise an additional legal issue which can be avoided by the use of a memorandum. We have therefore recast Chairman Campbell's draft Executive order in the form of a Presidential memorandum to heads of Executive departments and agencies. (Tab A.)

In this memorandum we have allowed minimum exceptions from the 5.5 percent increase policy although we know that rare exceptions may surface involving small categories of employees

such as scientists or actuaries for whom recruitment is essential. Unless you object, we will tell Scotty Campbell privately that he has your authority to make these rare exceptions as part of the assistance he is to give agencies in complying with the policy.

Recommend you sign the memorandum at Tab A.

Attachments

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Federal Pay and the Anti-inflation Program

The success of our anti-inflation effort is critical to the economic well-being of the nation. To achieve this success, it is vital that the Government, in managing its own affairs, join with the rest of the nation in a positive commitment to reducing inflationary pressures. Accordingly, I have determined that it would be inconsistent with the public interest for any category of Federal pay rates to be increased by more than 5.5 percent during fiscal year 1979.

To this end, this Administration and the Congress have frozen Federal executive pay altogether, and have placed a 5.5 percent ceiling on pay increases for most Federal workers -- those under the General Schedule and related pay systems, the members of the uniformed services, and most Federal wage employees.

However, there are substantial numbers of nonappropriated fund employees and other workers employed by entities of the Federal Government who are not covered by these Government-wide actions, since they are under a variety of relatively small pay systems over which you have pay setting authority. In order to ensure that proposed pay increases for other pay systems do not exceed the maximums for Federal pay that the Congress and I have set, the policy of this Administration is:

> In the public interest to control inflation, each officer or employee in the executive branch who has administrative authority to set rates of pay for any Federal officers or employees should exercise such authority, to the extent permissible under law, treaty, or international agreement, in such a way as to ensure that no rate of pay for any category of officers or employees is increased more than 5.5 percent during

fiscal year 1979. Specifically excluded from this limitation are rates of pay for foreign nationals authorized under the Foreign Service Act of 1946 as amended (22 U.S.C. 889) and increases in rates of pay to implement the minimum wage provisions of the Fair Labor Standards Act of 1938, as amended, as authorized under current agency policies.

The Chairman of the Civil Service Commission, until January 1, 1979, and the Director of the Office of Personnel Management, on and after January 1, 1979, will provide you with any further advice or assistance you may need in complying with this policy.

Jimmy Carter

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D.C. 20415

CHAIRMAN

NOV 20 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Federal Pay and the
Anti-inflation Program

You have made it very clear that the Federal Government has a special responsibility, in the management of its own affairs, to lead the anti-inflation effort. The Government has provided an example to the rest of the economy by the restraints you have placed on Federal pay: Top Federal officials have foregone any pay increase at all, and the military and the great majority of Federal civilian workers (other than the Postal Service) have been limited to 5.5 percent increases.

We are concerned, however, that there are several sizeable groups of Federal employees who are not covered by any of the actions that have been taken up to the present. If these employees receive pay increases of more than 5.5 percent, it will be both unfair to the workers who have been covered and damaging to the credibility of the anti-inflation effort as a whole.

The groups not yet covered—numbering perhaps 100,000 workers--fall into a variety of categories. Some are white-collar workers who are paid under different single-agency pay systems, with varying degrees of administrative discretion involved in pay setting. Others are blue-collar workers, including some who negotiate wages (such as at Tennessee Valley Authority), and some who are covered under a special pay system for nonappropriated fund activities (principally in the Department of Defense).

Pay setting for a few of these groups is frankly beyond reach without legislation, but we believe that most of the remaining employees could be limited to 5.5 percent pay increases by Presidential action. This could

be done through an Executive order, which would (1) direct all executive branch pay-setting officials to limit administrative pay increases to 5.5 percent, to the extent it is legally permissible for them to do so, and (2) determine that the public interest requires that those Federal blue-collar workers who are not already subject to the 5.5 percent limit be brought under that limit. The Civil Service Commission (Office of Personnel Management after January 1) could be designated to administer this program.

We must point out that there is some question as to whether this sort of administrative pay limitation will ultimately be able to withstand challenges in the courts, at least in the case of some of the affected groups of workers, since the law requires that their pay be set "as nearly as is consistent with the public interest in accordance with prevailing rates." While we believe that a departure from prevailing rates is permissible upon a Presidential finding that the public interest so requires, such a use of this clause has never been tested in the courts.

While the ultimate success of this proposed action is, therefore, not certain, we believe it is well worth trying, because of the support it will lend to the anti-inflation effort and because it will lessen inequities among Federal workers. Therefore, we recommend that you take this action to limit Federal pay increases. The Department of Defense which employs most of the affected workers, strongly supports this recommendation.

A draft Executive order to accomplish the recommendation is attached.

Alan K. Campbell
Chairman

cc: The Attorney General
The Director of the Office of
Management and Budget

Susan -
Retype
Frank H
J

THE WHITE HOUSE

WASHINGTON

December 21, 1978

MEMORANDUM FOR THE PRESIDENT

FROM STU EIZENSTAT
KATHY FLETCHER

SUBJECT: Letter to Conservation Community

In response to your request at a meeting with environmental leaders last May, the conservation community has joined together in sending you two memoranda signed by more than 80 organizations. Many of the issues they raised were matters of ongoing work on which we and other Administration officials were consulting closely with environmental leaders.

Now that the Congress has adjourned, we recommend that you personally respond to these memoranda. A draft letter is attached. We will be working with the scheduling office on future meetings with the environmental community. We anticipate that these groups will also be sending you additional memoranda in the future.

We have also drafted a short note from you to Dick Frank, Administrator of NOAA, urging him to pursue vigorously whale preservation efforts on behalf of the United States.

Attachment

(TWO SIGNATURES REQUESTED)

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THE WHITE HOUSE
WASHINGTON

FOR THE RECORD:

THE ATTACHED LETTER WAS GIVEN TO BOB LINDER FOR DATING AND MAILING.

1/2/79

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE ADMINISTRATOR,

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

I know that you have worked hard to resolve the difficult controversies that have arisen over whaling issues and that you have been in close contact with the environmental community.

As you know, I am personally committed to the preservation of the great whales. I urge that you continue to exert vigorous leadership on behalf of the United States in the worldwide efforts to save these magnificent and highly intelligent creatures.

Jimmy Carter

THE WHITE HOUSE

WASHINGTON

To Brock Evans

I want to extend through you, in your role as convenor of the Conservation Community, my deep appreciation to all of the organizations of the Community for making such an important contribution to helping to sustain my veto of the public works authorization bill. Your efforts were a key part of the broad-based citizen effort that opposed the bill as originally passed. I also appreciate your strong support of other important Administration initiatives aimed at improving the Nation's environment, such as the amendments to the Outer Continental Shelf Lands Act and the actions to protect Alaska lands.

Thank you for sending me your thoughtful letters. They help me to keep informed about important environmental issues.

In light of your interest in and comments about the Solar Domestic Policy Review, I have asked my staff to work closely with you. No recommendations have yet reached my desk, but before I make final decisions I would value the opportunity to receive detailed comments from you and other proponents of accelerated solar energy development.

You also expressed concern with the regulatory analysis program. Two actions that I have taken are responsive to your concerns. A new Regulatory Council, comprised of the regulatory agencies, such as EPA and OSHA, will provide basic information on what regulations should be reviewed. In its first year the Council will be chaired by Doug Costle, Administrator of the Environmental Protection Agency. The Council on Environmental Quality has been appointed as an adviser to the Regulatory Analysis Review Group. I am determined that regulations meet environmental goals in the most cost-effective way. I believe we can achieve our environmental objectives while assuring that regulations are fair and efficient.

Another issue you raised involved the Administration's actions to protect whales. Since you wrote me, Dick Frank, Administrator of the National Oceanic and Atmospheric Administration, has consulted closely with those concerned about whale conservation. As you know, I am personally committed to protecting the world's whales. I have asked Dick Frank to continue his efforts to achieve our preservation objectives.

Many of the issues raised in your letters involved legislative matters which were pending before Congress. Although we could not achieve all that we had hoped for and compromises were necessary in some cases, I believe that the Administration's legislative environmental achievements in the 95th Congress were significant.

I consider environmental protection to be a major Administration priority. Although, as we discussed when I met with you in May, I cannot adopt every position you advocate, I will always seriously consider your views. I hope you will continue to inform me about your major concerns.

Sincerely,

Jimmy Carter

Mr. Brock Evans
Chairman
Natural Resources Council of America
Post Office Box 20
Tracy's Landing, Maryland 20869

DPS
10-23-78
000002

TO: The President
FROM: The Conservation Community
DATE: October 13, 1978

Mr. President:

We wish to thank you for some recent actions of your Administration, including your continuing strong interest in protecting Alaska lands, your successful efforts to secure a strong outer continental shelf bill, and your veto of the public works projects bill.

This is the second response of the conservation community to your invitation of last May that we send you a short memo at regular intervals alerting you to specific and timely issues that require your personal attention, and where your intervention can make a decisive difference. In this memorandum, as in the first one, you have the consensus opinion of the undersigned organizations that the named issues are of great importance to us all.

Since as of this writing we have not received a response to issues raised in our August 15 memo, we wish to reaffirm our views on those not yet acted on, including lobby reform legislation, highway legislation, wildlife legislation, and the "anti-inflation regulatory review" process. A copy of the August 15 memo is attached.

We now wish to bring the following additional subjects to your attention:

1. Domestic Review of Solar Energy. In mid-September the Domestic Policy Review of Solar Energy, which you initiated on Sun Day, released an interim "Status Report." Before the final "Response Memorandum" is sent to you in late October, we urge you to instruct your staff to assure that: (1) all of the solar scenarios examined by the DPR, including the "technical limits case," are presented fully in the "Response Memorandum;" (2) the social and economic impacts for each scenario, particularly the environmental consequences, are fully portrayed; and (3) in the evaluation of solar energy, past and existing federal subsidies given to non-renewable energy resources are explicitly recognized, and options are presented to remove or compensate for these competing subsidies.

Because of the extreme importance of solar policy, a group of environmental and solar leaders would like to meet with you to discuss the "Response Memorandum" before you make a final decision on its recommendations. Can you schedule such a meeting?

2. Coastal Zone Regulations. NOAA is currently considering the content of federal regulations to implement the Coastal Zone Management Act. It has the discretion to require states to protect critical coastal resources, a necessity for good resource protection. Since NOAA has not yet decided what to do, we urge you to direct them to make sure that states will act to preserve critical coastal resources in their coastal management plans.

3. Clean Air: New Source Performance Standards. EPA is now considering vital regulations for new coal-fired power plants, but indications are they will not complete the process for six more months, even though they have the technical capability to decide much sooner. We feel it is vital that the final regulations be decided by December, 1978, before the beginning of the next Congress. We fear that delay into next year will cause enormous political pressure to be brought to bear and may result in a reopening of the Clean Air Act. We urge you to direct EPA to complete its review and make a final decision by December 1978.

4. Beaufort Sea. We fear that a major ecological disaster is in the making in the Beaufort Sea. In spite of the fact that development technology for such a harsh environment is unproven, both the State of Alaska and the Department of Interior are planning off-shore oil leasing this month and early next year, respectively. We urge you to direct the Department of Interior to suspend its own leasing program there and to oppose the state program until full baseline studies are completed, marine sanctuaries designated, more research is done on the special problems of oil in the arctic marine environment, and the necessary development technology is proven.

5. Wildlife Legislation. In addition to reaffirming our previous statements on the Endangered Species Act and Non-Game Funding legislation, we urge your support for continuing authorization and funding for the Endangered Species Act beyond this fiscal year. The situation of the non-game funding legislation is particularly critical, and we urge you to immediately order the Office of Management and Budget and to ask the Speaker of the House to advance this noncontroversial legislation promptly in the closing days of this Congress. More than 260 organizations support this bill.

6. Water Policy Reform. We believe your action on several key water issues will determine whether your announced water policy reforms will be effective or stillborn. We are pleased that you have vetoed the public works appropriations bill, and that we were able to help in sustaining that veto--a great victory for your administration.

The "Water Resources Development Act of 1978" also contains a number of direct and intentional assaults on your water policy reforms, and we strongly urge you to veto it. Finally, the specifics of some of the compromises being considered by Secretary Adams on the waterway user charge concern us. We urge that the Administration stand firm.

7. Whales. We appreciate your personal commitment to whale conservation, and efforts to achieve a ten-year moratorium on commercial whale killing. But we are disappointed that the U.S. has recently abandoned its world leadership position of trying to reduce or stop commercial whaling. We urge you to instruct our nation's whaling commissioner, Richard Frank, to renew this country's former efforts to conserve the endangered great whales. One of the major problems in the current situation is a lack of adequate reliable data on which to base management decisions, since most of the data used to set quotas by the International Whaling Commission's Scientific Committee is provided by the Japanese whaling industry. It is essential that this information base be strengthened by more data from independent sightings and other sources, by the addition of independent scientists to the Scientific Committee, by unbiased evaluation of the data collected, and by better methods of utilizing independent observers. The up-coming International Whaling Commission meeting in December provides an opportunity to move toward realization of these goals if our delegation reasserts its leadership position.

Respectfully, BROCK EVANS
Convener of the Conservation Community
330 Pennsylvania Ave., SE 547-1141

America the Beautiful Fund
American Camping Association
American Cetacean Society
American Committee for International Conservation
American Conservation Association
American Forestry Association
American Horse Protection Association, Inc.
American Institute of Biological Sciences
American Littoral Society
American Rivers Conservation Council
American Scenic & Historic Preservation Society
American Society of Ichthyologists and Herpetologists
American Society of Landscape Architects
American Water Resources Association
Animal Protection Institute of America
Animal Welfare Institute
Appalachian Trail Conference
Arctic Institute of North America
Association of Interpretive Naturalists
Brooks Bird Club, Inc.
Boone and Crockett Club
Camp Fire Club of America
Camp Fire Girls, Inc.
Conservation Education Association
Concern, Inc.
Conservation & Research Foundation, Inc.
J. N. "Ding" Darling Foundation
Defenders of Wildlife
Environmental Action
Environmental Defense Fund, Inc.
Environmental Law Institute
Environmental Policy Center
Federation of Western Outdoor Clubs
Friends of Animals, Inc.
Friends of the Earth
Fund for Animals, Inc.
Garden Club of America
General Federation of Women's Clubs
Girl Scouts of the U.S.
Humane Society of the U.S.
International Association of Fish and Wildlife Agencies
International Bird Rescue Research Center, Inc.
International Primate Protection League
Izaak Walton League of America
John Muir Institute for Environmental Studies
Keep America Beautiful
League of Conservation Voters
League of Women Voters
Max McGraw Wildlife Fund
Moniter, Inc.
National Association of Conservation Districts
National Association of State Foresters
National Audubon Society
National Coalition for Marine Conservation, Inc.
National Recreation and Park Association
National Rifle Association
Natural Resources Defense Council
National Speleological Society, Inc.
National Water Resources Association
National Watershed Cong.
National Wildlife Federation
North American Wildlife Foundation
National Wildlife Refuge Association
North American Wolf Society
Outdoor Writers Association of America
Project Jonah
Rachel Carson Trust for the Living Environment
Raptor Research Fund
Rare Animal Relief Effort
Saint Hubert Society of America, Inc.
Society for Range Management
Solar Lobby
Sport Fishing Institute
The Sierra Club
The Wilderness Society
The Wildlife Society
Trout Unlimited
Urban Environment Conf.
Wild Horse Organized Assistance, Inc.
Wildlife Management Institute
World Wildlife Fund
Zero Population Growth

ID 786345 THE WHITE HOUSE

WASHINGTON

DATE: 21 DEC 78

FOR ACTION: BERNIE ARONSON

INFO ONLY: THE VICE PRESIDENT ANNE WEXLER

CHARLES WARREN DOUG COSTLE

SUBJECT: EIZENSTAT MEMO RE LETTER TO CONSERVATION COMMUNITY

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

+ BY: +

ACTION REQUESTED: IMMEDIATE TURNAROND

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

PLEASE NOTE OTHER COMMENTS BELOW:

TO: The President
FROM: The Conservation Community
DATE: October 13, 1978

Mr. President:

We wish to thank you for some recent actions of your Administration, including your continuing strong interest in protecting Alaska lands, your successful efforts to secure a strong outer continental shelf bill, and your veto of the public works projects bill.

This is the second response of the conservation community to your invitation of last May that we send you a short memo at regular intervals alerting you to specific and timely issues that require your personal attention, and where your intervention can make a decisive difference. In this memorandum, as in the first one, you have the consensus opinion of the undersigned organizations that the named issues are of great importance to us all.

Since as of this writing we have not received a response to issues raised in our August 15 memo, we wish to reaffirm our views on those not yet acted on, including lobby reform legislation, highway legislation, wildlife legislation, and the "anti-inflation regulatory review" process. A copy of the August 15 memo is attached.

We now wish to bring the following additional subjects to your attention:

1. Domestic Review of Solar Energy. In mid-September the Domestic Policy Review of Solar Energy, which you initiated on Sun Day, released an interim "Status Report." Before the final "Response Memorandum" is sent to you in late October, we urge you to instruct your staff to assure that: (1) all of the solar scenarios examined by the DPR, including the "technical limits case," are presented fully in the "Response Memorandum;" (2) the social and economic impacts for each scenario, particularly the environmental consequences, are fully portrayed; and (3) in the evaluation of solar energy, past and existing federal subsidies given to non-renewable energy resources are explicitly recognized, and options are presented to remove or compensate for these competing subsidies.

Because of the extreme importance of solar policy, a group of environmental and solar leaders would like to meet with you to discuss the "Response Memorandum" before you make a final decision on its recommendations. Can you schedule such a meeting?

2. Coastal Zone Regulations. NOAA is currently considering the content of federal regulations to implement the Coastal Zone Management Act. It has the discretion to require states to protect critical coastal resources, a necessity for good resource protection. Since NOAA has not yet decided what to do, we urge you to direct them to make sure that states will act to preserve critical coastal resources in their coastal management plans.

3. Clean Air: New Source Performance Standards. EPA is now considering vital regulations for new coal-fired power plants, but indications are they will not complete the process for six more months, even though they have the technical capability to decide much sooner. We feel it is vital that the final regulations be decided by December, 1978, before the beginning of the next Congress. We fear that delay into next year will cause enormous political pressure to be brought to bear and may result in a reopening of the Clean Air Act. We urge you to direct EPA to complete its review and make a final decision by December 1978.

4. Beaufort Sea. We fear that a major ecological disaster is in the making in the Beaufort Sea. In spite of the fact that development technology for such a harsh environment is unproven, both the State of Alaska and the Department of Interior are planning off-shore oil leasing this month and early next year, respectively. We urge you to direct the Department of Interior to suspend its own leasing program there and to oppose the state program until full baseline studies are completed, marine sanctuaries designated, more research is done on the special problems of oil in the arctic marine environment, and the necessary development technology is proven.

5. Wildlife Legislation. In addition to reaffirming our previous statements on the Endangered Species Act and Non-Game Funding legislation, we urge your support for continuing authorization and funding for the Endangered Species Act beyond this fiscal year. The situation of the non-game funding legislation is particularly critical, and we urge you to immediately order the Office of Management and Budget and to ask the Speaker of the House to advance this noncontroversial legislation promptly in the closing days of this Congress. More than 260 organizations support this bill.

6. Water Policy Reform. We believe your action on several key water issues will determine whether your announced water policy reforms will be effective or stillborn. We are pleased that you have vetoed the public works appropriations bill, and that we were able to help in sustaining that veto--a great victory for your administration.

The "Water Resources Development Act of 1978" also contains a number of direct and intentional assaults on your water policy reforms, and we strongly urge you to veto it. Finally, the specifics of some of the compromises being considered by Secretary Adams on the waterway user charge concern us. We urge that the Administration stand firm.

7. Whales. We appreciate your personal commitment to whale conservation, and efforts to achieve a ten-year moratorium on commercial whale killing. But we are disappointed that the U.S. has recently abandoned its world leadership position of trying to reduce or stop commercial whaling. We urge you to instruct our nation's whaling commissioner, Richard Frank, to renew this country's former efforts to conserve the endangered great whales. One of the major problems in the current situation is a lack of adequate reliable data on which to base management decisions, since most of the data used to set quotas by the International Whaling Commission's Scientific Committee is provided by the Japanese whaling industry. It is essential that this information base be strengthened by more data from independent sightings and other sources, by the addition of independent scientists to the Scientific Committee, by unbiased evaluation of the data collected, and by better methods of utilizing independent observers. The up-coming International Whaling Commission meeting in December provides an opportunity to move toward realization of these goals if our delegation reasserts its leadership position.

Respectfully, BROCK EVANS
Convener of the Conservation Community
330 Pennsylvania Ave., SE 547-1141

America the Beautiful Fund
American Camping Association
American Cetacean Society
American Committee for International Conservation
American Conservation Association
American Forestry Association
American Horse Protection Association, Inc.
American Institute of Biological Sciences
American Littoral Society
American Rivers Conservation Council
American Scenic & Historic Preservation Society
American Society of Ichthyologists and Herpetologists
American Society of Landscape Architects
American Water Resources Association
Animal Protection Institute of America
Animal Welfare Institute
Appalachian Trail Conference
Arctic Institute of North America
Association of Interpretive Naturalists
Brooks Bird Club, Inc.
Boone and Crockett Club
Camp Fire Club of America
Camp Fire Girls, Inc.
Conservation Education Association
Concern, Inc.
Conservation & Research Foundation, Inc.
J. N. "Ding" Darling Foundation
Defenders of Wildlife
Environmental Action
Environmental Defense Fund, Inc.
Environmental Law Institute
Environmental Policy Center
Federation of Western Outdoor Clubs
Friends of Animals, Inc.
Friends of the Earth
Fund for Animals, Inc.
Garden Club of America
General Federation of Women's Clubs
Girl Scouts of the U.S.
Humane Society of the U.S.
International Association of Fish and Wildlife Agencies
International Bird Rescue Research Center, Inc.
International Primate Protection League
Izaak Walton League of America
John Muir Institute for Environmental Studies
Keep America Beautiful
League of Conservation Voters
League of Women Voters
Max McGraw Wildlife Fund
Moniter, Inc.
National Association of Conservation Districts
National Association of State Foresters
National Audubon Society
National Coalition for Marine Conservation, Inc.
National Recreation and Park Association
National Rifle Association
Natural Resources Defense Council
National Speleological Society, Inc.
National Water Resources Association
National Watershed Cong.
National Wildlife Federation
North American Wildlife Foundation
National Wildlife Refuge Association
North American Wolf Society
Outdoor Writers Association of America
Project Jonah
Rachel Carson Trust for the Living Environment
Raptor Research Fund
Rare Animal Relief Effort
Saint Hubert Society of America, Inc.
Society for Range Management
Solar Lobby
Sport Fishing Institute
The Sierra Club
The Wilderness Society
The Wildlife Society
Trout Unlimited
Urban Environment Conf.
Wild Horse Organized Assistance, Inc.
Wildlife Management Institute
World Wildlife Fund
Zero Population Growth

THE WHITE HOUSE
WASHINGTON
1/2/79

Bob Lipshutz

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

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

FOR ACTION	FYI	
		VICE PRESIDENT
		JORDAN
		EIZENSTAT
		KRAFT
/		LIPSHUTZ
		MOORE
		POWELL
		RAFSHOON
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE
		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARONSON
		BUTLER
		H. CARTER
		CLOUGH
		CRUIKSHANK
		FIRST LADY
		HARDEN
		HERNANDEZ
		HUTCHESON
		KAHN
		LINDER
		MARTIN
		MILLER
		MOE
		PETERSON
		PETTIGREW
		PRESS
		SANDERS
		WARREN
		WEDDINGTON
		WISE
		VOORDE

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

October 18, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Bob Lipshutz

SUBJECT: Possible OPEC Price Increases

I would like to pass on the following ideas which you might wish to have studied by those with proper background, so that you would perhaps have additional options available in case all negotiations to prevent a new oil price increase should fail.

Should OPEC decide upon a price increase, the United States could refuse to permit imports at the higher prices from anyone; if this is not permissible under current law, I believe there is a good chance that Congress would agree with you if you made such a request for that authority.

At the same time, under present authority, you could impose gas rationing.

By taking these two steps concurrently, there could be some very desirable effects:

1. It would demonstrate dramatically, and hopefully effectively, how seriously we consider the economic impact of spiraling oil prices on inflation and on our trade imbalance.

2. It would demonstrate quite clearly to the American people the seriousness of our energy problem.

Further, I suggest that the Justice Department explore every possible way to institute anti-trust action which at least would have an effect upon the price of oil and its related products within the United States.

Whether or not you ever employ any of the above ideas, I think it would be extremely valuable to prepare for such optional courses of action.

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

Bob -
Explore only -
Leave me out of it for now
J

December 20, 1978

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ

RE: OPEC Price Increases

A little more than a year ago I sent you the attached memorandum, which you acknowledged. Fortunately, at that time it was not necessary to consider taking any of these possible courses of action, because OPEC did not increase their prices of oil.

However, in view of this most recent action taken by OPEC, I wish to again call to your attention these possibilities.

I do not know if you have requested the Justice Department to research the law relative to these ideas, or if perhaps the Department has done so even without being specifically requested to do so by you.

Should you deem it advisable to study these options, I will be glad to work with the Justice Department relative to the legal aspects. Please advise if you wish me to do so.

Electrostatic Copy Made
for Preservation Purposes

ID 786342 THE WHITE HOUSE

WASHINGTON

DATE: 21 DEC 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT STU EIZENSTAT

SUBJECT: LIPSHUTZ MEMO RE OPEC PRICE INCREASES

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

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

6329

THE WHITE HOUSE
WASHINGTON

1/2/79

Bob Lipshutz

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

THE WHITE HOUSE

WASHINGTON

December 20, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ

RE: Proposed Executive Orders:
(1) Seal for the Office of Administration
(2) Levels IV and V of the Executive Schedule

(1) The first proposed Order establishes a seal for the Office of Administration. The design was prepared by the Institute of Heraldry.

(2) The second attached Order, prepared at the request of the Council on Wage and Price Stability and the Department of Commerce, would place the position of Counselor on Labor Management Relations, Department of Commerce, at Level IV and would delete from the Level V list the position of Assistant to the Secretary and Land Utilization Adviser, Department of the Interior. The Department of Commerce plans to detail the new position of Counselor of Labor Management Relations to CWPS.

We recommend that you approve both Orders; OMB and Justice concur.

✓ Approve _____ Disapprove

(TWO SIGNATURES NEEDED)

EXECUTIVE ORDER

- - - - - - -

SEAL FOR THE OFFICE OF ADMINISTRATION

By the authority vested in me as President by the Constitution of the United States of America, it is hereby ordered as follows:

1-101. There is established for the Office of Administration in the Executive Office of the President an official seal described as follows:

On a blue seal, the Arms of the United States proper above the inscription "OFFICE OF ADMINISTRATION," in gold raised letters, all within a white border edged gold and inscribed "EXECUTIVE OFFICE OF THE PRESIDENT OF THE UNITED STATES," in blue raised letters. Dark blue suggested by the Seal of the President denotes the direct organizational link with the Presidential office.

1-102. The seal shall be of the design which is attached hereto and made a part of this Order.

Jimmy Carter

EXECUTIVE ORDER

- - - - - - -

LEVELS IV AND V OF THE EXECUTIVE SCHEDULE

By the authority vested in me as President of the United States of America by Section 5317 of Title 5 of the United States Code, and in order to place the position of Counselor on Labor Management Relations, Department of Commerce, in level IV of the Executive Schedule, Executive Order No. 12076, as amended, is further amended by deleting "Assistant to the Secretary and Land Utilization Adviser, Department of the Interior." from Section 1-102(g) and inserting "(s) Counselor on Labor Management Relations, Department of Commerce." in alphabetical order in Section 1-101 thereof.

Jimmy Carter

THE WHITE HOUSE,

THE WHITE HOUSE
WASHINGTON

1/2/79

Stu Eizenstat

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

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
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		RAFSHOON
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE
		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARONSON
		BUTLER
		H. CARTER
		CLOUGH
		CRUIKSHANK
		FIRST LADY
		HARDEN
		HERNANDEZ
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		LINDER
		MARTIN
		MILLER
		MOE
		PETERSON
		PETTIGREW
		PRESS
		SANDERS
		WARREN
		WEDDINGTON
		WISE
		VOORDE

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

ADMINISTRATIVELY CONFIDENTIAL
NOT FOR CIRCULATION

THE WHITE HOUSE

WASHINGTON

December 29, 1978

ok - added to budget

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT

SUBJECT: Countercyclical Revenue Sharing/ Supplemental Fiscal Assistance

I understand that Jim McIntyre now contends you did not approve the Countercyclical Revenue Sharing/ Supplemental Fiscal Assistance (SUFA) program, at a FY '80 budget cost of $150 million. This is dismaying in light of the following:

1. At the request of Jim and Bo Cutter we provided to OMB a prioritized list of add-backs which had been arrived at by consultations with your senior staff and the Vice President. Included on that list was $150 million for the SUFA tier of this program (Tier 1 would be a countercyclical revenue sharing program which would have a 6.5% national unemployment trigger and would thus have no budget cost shown since our forecast is for 6.2% unemployment. Tier 2 would be the SUFA program based on the program which passed the Senate last year and was brought up in the House at the end of the Session when no quorum was available, but would be much more targeted and much less costly -- $150 million vs. $1 billion). We collectively recommended this program with the Vice President to OMB because our extensive consultations indicated that the Mayors felt this was the second most important program -- after CETA -- and for the substantive reasons set out in attachment #1.

2. I met with Jim, Bo, John White and other members of OMB's staff and explained each item on the list including this one, well before our meeting with you last Friday. I went into detail about how this two-tier program compared to the one we proposed last year, the political importance

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of proposing it in a lean budget year to help offset the political outcry from our key constituents, and its importance in showing we still had an interest in what was one of the most popular domestic initiatives -- our urban policy. Without this program (even in the greatly reduced form we proposed) we would have effectively gutted our own urban policy, given that we also were not funding the labor intensive public works program, the further deferral (until FY '81 or FY '82) of welfare reform's fiscal relief, and the reduced level of funding for the section 312 housing program from FY '79 and the level we explicitly promised in our urban policy. The two-tier nature of the proposal was fully explained to OMB.

3. During the lengthy Friday budget meeting with you in your study, I again explained the way the program would work and specifically mentioned the $150 million SUFA tier. It was in the add-back sheet I handed to you (the same one OMB had earlier received). You may remember that I explained that we had provided for it within the $2 billion in domestic add-backs OMB asked us to provide. I further explained at this meeting that this also could be funded out of the reduction of $200 million in CETA add-backs resulting from the compromise we agreed to in your study (from the higher DPS proposal). Indeed it was to fund this SUFA program that I also stated during that meeting that I would be willing to drop the request for additional section 312 funding and funding for the area health centers program (AHEC).

4. You expressly approved the program at that meeting. You even asked how likely it would be for there to be a $150 million payout. I explained it was not likely since the program would have difficulty passing Congress.

5. It was understood by the participants, including the Vice President (with the exception of Jim I now learn), that you had agreed to it. Bo Cutter has told me he was very surprised when Jim told him he did not understand that you had agreed to this program. After the meeting,

the Vice President and I commented that with your add-backs in CETA (though still a 25% cut from the current level) and the Countercyclical/SUFA decision, we will have blunted a good deal of the criticism of our budget -- particularly the growth in the defense budget in comparison with the domestic budget.

6. To make certain there were no misunderstandings arising from the meeting I wrote a memo to Jim, John White and Bo incorporating all of your decisions (see attached memo). This was specifically detailed as an affirmative decision (see #13). We then went over my list in detail at a subsequent meeting with Jim, Bo and John White to ensure there were no misunderstandings. The only question raised by OMB during that lengthy meeting of my list was on your youth jobs decisions. We discussed this at some length. They said there was just a good faith misunderstanding on the youth jobs issue. They never questioned the SUFA decision.

7. To further show their understanding of your SUFA decision we had a discussion with Jim, Bo and John on whether to include any SUFA funds in the FY '79 supplemental since it was in our original FY '79 budget request and would be in our FY '80 budget submission. Jim's only question was whether to include it in the FY '79 supplemental.

8. When Bo Cutter and Bob Dietsch of OMB did the press background session you had suggested I believe SUFA was implicitly included as part of the $2 billion add-backs mentioned as additions to jobs and "urban" programs. Jack Watson and I also (with Bo's prior approval) briefed several Mayors about your add-backs to maximize their political value and we explicitly mentioned SUFA.

9. It was not until a day or two ago that Jim ever raised this issue.

10. Since the date of our meeting with you we have been working with Treasury on developing a SUFA proposal to fit within the $150 million limit, as well as on the counter-cyclical tier.

ATTACHMENT 1

JUSTIFICATION FOR SUFA

-- In many cities, the countercyclical funds are the critical aid that prevents layoffs, property tax increases and service cutbacks. The layoffs that are occurring in Newark, Detroit and other cities (see attached articles) are precursors of what will happen in the most distressed cities. It should be noted that most of these layoffs are being blamed on Washington, and some of them (Newark) are being blamed directly on the President.

-- The existing countercyclical program is the most targeted program (largest percentage of aid to distressed cities -- N.Y., Detroit, Newark, Cleveland, Hartford, Buffalo, Philadelphia, Chicago, etc.) in the grant-in-aid system. It is significantly more targeted than CETA and far more targeted than General Revenue Sharing. (For example, Newark received almost the same amount of aid under the $1.8 billion countercyclical program in 1976 as it received under the $6.7 billion general revenue sharing program.) It should be noted that a dollar allocated to this program, particularly when we make it even more targeted than the current program, delivers more aid to the most needy cities than a dollar allocated to any other program.

-- The effect of not proposing a highly-targeted fiscal assistance program cannot be examined in isolation. It must be viewed in the context of the CETA changes imposed in the last Congressional session and the CETA cutbacks, particularly Title VI, included in our budget. In many cities (Detroit, Hartford, etc.), the combination of CETA and countercyclical funds represent more than 10 percent of their expenditures for employee compensation. The limitations imposed by Congress and the reduction in Title VI jobs (from 367,000 to 200,000 by the end of FY 1980) in our budget already will cause significant adjustments. Pulling away the targeted fiscal assistance funds at the same time could cause budget adjustments (tax increases, layoffs, service cutbacks) that amount to as much as five percent of the budgets of these cities. Most of these

adjustments will occur in the year prior to the 1980 election, mirroring the difficult political situation we now face in New York City.

-- Politically, this program is essential. From the point of view of the big city Mayors, targeted fiscal assistance has become the acid test of the President's commitment to urban policy. I cannot overemphasize the importance of fighting side-by-side with the Mayors on this critical issue in our otherwise austere budget year.

NYT 12/28

Detroit to Lay Off 348 Employees

DETROIT, Dec. 27 (UPI) — Mayor Coleman A. Young announced the layoff of 348 employees today in an effort to reduce a projected budget deficit of $61 million.

Mayor Young said at a news conference that layoff notices would be issued tomorrow. The layoffs will begin on Jan. 12.

"I regret that layoffs are necessary," he said. "Only a small portion of our deficit is being made up through layoffs. I assure you they were made as a last resort."

'Not Laying Off Police Officers'

Mayor Young said the layoffs would not affect the Police Department, although the department's budget has been reduced by some $900,000.

"We are not laying off police officers because we are proud that Detroit, which once led the nation in crime, now leads the nation in reduction of crime," he said.

Among those scheduled for layoffs are 96 firefighters, 10 emergency medical services employees, 75 recreation department workers, 55 employees of the environmental protection and maintenance department and 49 health department workers.

A partial hiring freeze that was begun in August reduced the deficit by about $10 million. Cuts in programs and services that were announced today will reduce the budget deficit by $7 million more, while personnel layoffs will reduce city spending by an additional $3 million.

"I hope that these will be the last cuts that are necessary," the Mayor said, "but I will have to reserve judgment on that until the courts have ruled on the unreasonable police wage settlements that have been imposed on the city."

The major reason for the budget problems, Mayor Young said, was the fact that Congress did not pass the Supplemental Fiscal Assistance Act.

He said that Detroit had anticipated $17.5 million in Federal assistance from the act, which is aimed at cities with high unemployment rates.

WSJ 12/14

Lean Streets

Tightening of U.S. Aid, Antitax Mood Promise To Pinch Many Cities

Lapse of Antirecession Funds And Cut in CETA Sting; Carter Offers No Relief

Proposition 13 and Catch-22

A WALL STREET JOURNAL *News Roundup*

For Pittsburgh, the first jolt was a snowstorm. One of the worst in the city's history, it cost the municipal government nearly $500,000 for snow removal and salt.

Then the federal government's CETA jobs program, which paid the salaries of 1,900 city workers, was cut back.

Inflation was taking its worsening toll throughout the year.

Finally, "the crushing blow was delivered late this year," says Mayor Richard Caliguiri, "with the elimination of countercyclical funds" from Washington.

Suddenly, Pittsburgh has a $28 million budget gap.

This sort of thing is happening, to one degree or another, in city after city this fall. In the third quarter of last year, cities and states had a combined budget surplus of nearly $13 billion. By this year's third quarter the figure was down to $2.1 billion. And that was before they lost their countercyclical aid.

Cutting the Cake

That program, formally known as antirecession fiscal assistance, had pumped out more than $3 billion since it began in 1976. The money went to cities and states with unemployment rates above 4.5% so long as the national rate exceeded 6%.

But the aid package needed to be renewed this fall. With the jobless rate below 6%, the Senate voted for a modified program that would aid the most distressed cities despite the national employment gains. But the House adjourned in October without acting, and thus died a program on which many cities had grown to depend.

"The Congress thought the countercyclical funds were icing on the cake," Mayor Caliguiri says, "but what they've actually done is take a slice out of the cake."

Congress did renew another big program this year, the Comprehensive Employment and Training Act, or CETA. But it reduced the number of public-service jobs CETA provides to about 625,000 from 725,000 and imposed new restrictions on who can be hired to do what.

No Encouragement From Carter

These cuts may be only the beginning. President Carter has warned mayors that his new budget "will disappoint those who expect constantly expanding federal aid." Some city officials fear worse — further CETA reductions, for instance, or even a tampering with the big general-revenue-sharing program. In any case, it seems clear that the past few years' rapid expansion of U.S. aid to cities is ending.

This is happening, of course, just when local taxpayers are least inclined to open wider. Antitax sentiment has made it either impractical or illegal for many communities to raise new revenue at home. Most ominous of all is the threat of a recession that could slash the revenue from cities' existing tax levels.

To Mayor Thomas Dunn of Elizabeth, N.J., it all adds up to "the most serious fiscal problem I've had in 14 years as mayor."

In Pittsburgh, Mayor Caliguiri is determined to deal with the crunch without reducing services. "I don't think the people of Pittsburgh want that," he says. So the city plans to transfer to its own payroll 140 medical technicians, 130 neighborhood cleanup workers and various other employes who had been paid with federal CETA funds. Pittsburgh will also retain police, fire and sanitation workers whose salaries were paid by the $5.5 million of antirecession aid the city lost.

Raising Taxes

To pay for them and fill the rest of the city's budget gap, Mr. Caliguiri proposes to raise the local 1% income-tax rate to 2.5%. Some members of the city council have vowed to fight the increase.

Even if it's politically possible, though, such a course isn't open to a lot of communities. Elizabeth, for instance, runs up against something called the "cap," a 1976 New Jersey law limiting increases in municipal spending to 5% a year.

This means that when federal aid, which is exempt from the cap, is reduced, a New Jersey city can't simply make it up with locally raised revenue. Thus Newark is making plans to lay off some 450 city employes because of a loss of $10 million in U.S. aid; the cap bars the city from narrowing the gap with money from a budget surplus.

In Elizabeth, an aging industrial city of 112,000, Mayor Dunn says he is "hoping against hope that the state will bail us out." In the meantime, he has recommended eliminating the city's Consumer Frauds Department to save money and is considering cutting back garbage collections. He also has frozen hiring in the police and fire departments, a move that Donald Silvey, president of the Elizabeth Firemen's Mutual Benevolent Association, warns could have "a very serious effect" on the city's fire protection.

In a similar bind is Anniston, Ala. Last year the city of 31,000 funneled its $325,000 of antirecession aid into its general fund to cover a widening gap caused by inflation. "It was dangerous," City Manager Carl Cheatham says, "but what alternatives did we have?"

For fiscal 1979, ending next September, Anniston had counted on replacing the lost countercyclical aid with increased property-

Please Turn to Page 35, Column 1