4/2/77

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THE WHITE HOUSE
WASHINGTON

April 2, 1977

Stu Eizenstat
Frank Moore

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

Rick Hutcheson

RE: Eliminating the Purchase Requirement in the Food Stamp Program.

THE WHITE HOUSE
WASHINGTON

ACTION	FYI	
		MONDALE
		COSTANZA
	X	EIZENSTAT
		JORDAN
		LIPSHUTZ
	X	MOORE
		POWELL
		WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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

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

		KRAFT
		LANCE
		LINDER
		MITCHELL
		POSTON
		PRESS
		B. RAINWATER
		SCHLESINGER
		SCHNEIDERS
		SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
		WELLS
		VOORDE

HERMAN E. TALMADGE, GA., CHAIRMAN
JAMES O. EASTLAND, MISS.
GEORGE MC GOVERN, S. DAK.
JAMES B. ALLEN, ALA.
HUBERT H. HUMPHREY, MINN.
WALTER D. HUDDLESTON, KY.
DICK CLARK, IOWA
RICHARD B. STONE, FLA.
PATRICK J. LEAHY, VT.
EDWARD ZORINSKY, NEBR.
JOHN MELCHER, MONT.
ROBERT DOLE, KANS.
MILTON R. YOUNG, N. DAK.
CARL T. CURTIS, NEBR.
HENRY BELLMON, OKLA.
JESSE HELMS, N.C.
S. I. HAYAKAWA, CALIF.
RICHARD G. LUGAR, IND.
MICHAEL R. MC LEOD
GENERAL COUNSEL AND STAFF DIRECTOR

cc Stu
J

THE PRESIDENT HAS SEEN.

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, D.C. 20510

MEMORANDUM

April 1, 1977

To: The President

From: Herman E. Talmadge

Re: Eliminating the Purchase Requirement in the Food Stamp Program

The cost would be prohibitive

The food stamp program is expected to cost $5.5 billion in fiscal year 1977. If the present food stamp program remains unchanged except for elimination of the purchase requirement, the Congressional Budget Office's preliminary estimate is an increase in program costs of $450-500 million. However, this estimate is based on an increase in the rate of participation of only about 10%. I understand that if Puerto Rico is included, we now have a rate of participation of over 60% of those eligible. The CBO estimates that we would ultimately have a rate of participation of approximately 70% with an elimination of the purchase requirement.

No cost estimate is any better than the assumptions on which it is based. I feel that giving away free stamps would result in a much larger increase in participation and would add over $1 billion annually to the cost of the program.

Moreover, if program participation would be increased by only 10%, there seems to be little justification for such a basic change in the food stamp program as eliminating the purchase requirement.

I have had some conversations with USDA officials about how they would propose to hold costs down while eliminating the purchase requirement. They have all kinds of means of reducing benefits (lower standard deductions, higher benefit reduction rates, etc.).

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I submit that these proposed reductions in benefits will never be enacted by Congress. As one who wrestled with the problem of food stamp reform over the years in the Senate, I feel it is inevitable that expensive amendments will be tacked on so that you would finally receive a bill that would be around $1 billion more expensive than the current program.

Eliminating the purchase requirement would have a severe economic impact

An economic analysis based on information supplied by the Department of Agriculture's Economic Research Service shows that elimination of the purchase requirement would result in a potential net loss of 58,000 jobs, a loss of $2.1 billion to the agriculture and food manufacturing segments of the economy, and a net loss of business receipts in all sectors of $1.8 billion.

Eliminating the purchase requirement would destroy the justification for a food stamp program

Eliminating the purchase requirement would destroy the one feature of the food stamp program that gives it integrity and distinguishes it from welfare programs. Under the current program, recipients pay a small amount of their own income, based on their ability to pay, to receive bonus stamps. Thus, the recipients receive enough total stamps to purchase a nutritionally adequate diet. The elimination of the purchase requirement would mean that program participants would no longer receive enough stamps to purchase a nutritionally adequate diet. Thus, the program would no longer be a nutrition program. It would be just like any other income supplement program. There would be absolutely no justification for maintaining a separate welfare program in the Department of Agriculture. If the purchase requirement is eliminated, the program should be folded into other welfare programs immediately.

Eliminating the purchase requirement would open the door to additional fraud

If participants no longer have to put up some of their own money for food stamps, there will be less deterrent to fraud and abuse of the program. There will naturally be more people trying to obtain stamps under fraudulent pretenses and trying to obtain more than one allotment of food stamps. Most of the advocates of free food stamps state that the program would be easier to administer because stamps could be sent through the mails. This would be the equivalent of sending cash through the mail, which is completely impractical.

The Department of Agriculture has ignored other means of getting food stamps to those in need

Our only experience with a truly national food stamp program was under Secretary Butz. The hostility of the Republican Administration to this program is well documented. Your Administration's position of favoring the program will undoubtedly be reflected at all levels and will increase participation.

In the rush to eliminate the purchase requirement, the USDA has not considered a number of other means of increasing participation. My bill, S. 275, requires that participants have the opportunity to purchase stamps four times a month, so that if they do not have enough money to buy a month's allotment of stamps, they can purchase them on a weekly basis. This system is already working in the State of Vermont.

Among other means of increasing access to the program are: extending food stamp office hours, use of retail food stores for food stamp issuance, lowered purchase requirements, and mandating post office issuance.

It is impractical to eliminate the purchase requirement if food stamps are to be folded into welfare reform

The efforts to reform the food stamp program resulted in long and divisive deliberations in the Committee on Agriculture, Nutrition, and Forestry last year. If the Administration proposes eliminating the purchase requirement this year, we will have another protracted struggle in both the House and the Senate. I fear this will jeopardize consideration of the farm bill. Moreover, if the food stamp program is to be folded into a welfare reform proposal, it would be foolish for Congress to go through the exercise of achieving food stamp reform, then wait at least a year to see the new program implemented, only to see the program folded into welfare reform.

Therefore, if it be the will of the Congress to eliminate the purchase requirement, I will move immediately to substitute a short-term extension of the food stamp program and fold the food stamp program into existing welfare programs.

I would make such a move reluctantly because I strongly support the basic concept of the food stamp program. The bill that I moved through the Senate last year and the bill I have introduced this year would reduce or eliminate participation in the higher income levels and increase benefits to the lower income levels.

The current food stamp program grew out of nationwide shock and dismay at the degree of hunger in America in the late 1960's. I don't believe that we will ever be able to justify hungry people in a land of agricultural abundance. Therefore, I feel that if we do cash out the food stamp program in favor of a welfare reform plan, it will be necessary to come back later with some kind of free food distribution program for those who are not receiving adequate nutrition.

THE WHITE HOUSE
WASHINGTON

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
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		MOORE
		POWELL
		WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	FOR STAFFING
	FOR INFORMATION
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		ARAGON
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		POSTON
		PRESS
		B. RAINWATER
		SCHLESINGER
		SCHNEIDERS
		SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
X		WELLS
		VOORDE

Summary Sheet of thank-you letters from trip to Massachusetts, West Virginia and New York.

Those checked

Please circle those you wish to sign personally.

From Clinton, Massachusetts:

SENATOR EDWARD KENNEDY, CONGRESSMAN JOE EARLY, CONGRESSMAN PAUL TSONGAS, CONGRESSMAN ED BOLAND -- delighted to have you on flight and to see you at dinner; gratified by warm reception in Clinton; thanks for help.

GOVERNOR MIKE DUKAKIS -- thank you and staff for your help; warm reception in Clinton shows that town meeting is a good way to stay in touch with the people.

LIEUTENANT GOVERNOR TOM O'NEILL -- thanks for help; delighted with trip; enjoyed opportunity to see you; need advice and support.

GERARD DOHERTY, EVA HESTER -- thanks for help; glad we could share experience; need continued advice and support.

ALAN JEWETT -- thanks for help; grateful for warmth, hospitality and friendship of Clinton people.

MARTIN MCNAMARA, PHILIP NOLAN, GENE CAFERELLI (other two selectmen and town moderator) -- thanks for help; with your support can keep in touch with American people.

From Charleston, West Virginia:

GOVERNOR JAY ROCKEFELLER -- thanks for help from you and Sharon; with your help will be able to formulate effective energy policy.

MAYOR JOHN HUTCHINSON, SENATOR JENNINGS RANDOLPH, NORMAN KILPATRICK, ED LIGHT, HERBERT JONES, JACK LLOYD, CAROL FERRELL, JUDY STEPHENSON, ALLEN HAMNER, LEWIS MCMANUS, ARNOLD MILLER, ED SMITH (panel participants) -- thanks for participation; with your help will be able to develop effective energy policy.

From New York, New York:

SECRETARY GENERAL KURT WALDHEIM -- thanks for visit arrangements and reception; appreciate opportunity to express my views and intention to work with you.

UNDER SECRETARY GENERAL WILLIAM BUFFUM -- thanks for arrangements; please thank your staff.

CHIEF OF PROTOCOL SINAN KORLE -- thanks for help with arrangements; good wishes for retirement.

ANDY YOUNG -- good to see you; appreciate help; thank your staff for help.

AMBASSADOR TAPLEY BENNETT -- thanks for help.

GENERAL ASSEMBLY PRESIDENT HAMILTON SHIRLEY AMERASINGHE -- enjoyed being with you; appreciate opportunity to express my views and intention to work with you.

THE WHITE HOUSE
WASHINGTON

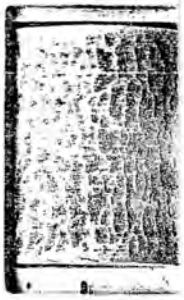
April 2, 1977

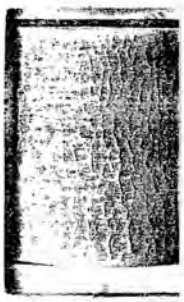
Stu Eizenstat
Frank Moore

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

Rick Hutcheson

Re: Study on rebates in 1977 Economic performance.





THE WHITE HOUSE
WASHINGTON

ACTION	FYI	
		MONDALE
		COSTANZA
X		EIZENSTAT
		JORDAN
		LIPSHUTZ
X		MOORE
		POWELL
		WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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		SCHLESINGER
		SCHNEIDERS
		SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
		WELLS
		VOORDE

Stu C

DATA RESOURCES, INC. 1707 H STREET, N.W.·11TH FLOOR·WASHINGTON·D.C. 20006
202/331-0570

FOR IMMEDIATE RELEASE:

Data Resources today released an analysis of the continuing need for the tax rebate. The study shows that the rebate makes a big difference in 1977 economic performance.

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GOODBYE TO THE REBATE? March 29, 1977

by Otto Eckstein and Frank Cooper

The tax rebate is in trouble because the economy is looking quite good. The rebate was aimed to gently lift the growth trajectory in order to deal more forcefully with the unemployment question, not to avoid imminent recession, but this has not been universally understood. As a result, the rebate proposal has had its ups and downs as the economic news has changed from month to month. In the week after the election, when President Carter first indicated that he would ask for a rebate, the economy was in its pause created by the inventory correction and budget underspending. The strong Christmas sales cast doubt on the rebate, but the winter weather led to cries for larger stimulus. Now the news is good again.

The rebate was needed because the growth in real final sales never reached a sufficient rate during this recovery. As Table 1 shows, real final growth has been moderate in the first two years of recovery, averaging 4.3%. At that pace, unemployment stays high for a long time. There was no evidence -- and still is none -- that business capital spending will accelerate to give a general pick- up to the economy.

Table 1. - Real Growth in Final Sales
First Eight Quarters of This Recovery
(Annual Rates of Change in Percent)

1975:2	5.7	1976:2	1.2
3	4.1	3	4.3
4	4.9	4	5.7
1976:1	3.7	1977:1	1.7E

E = DRI Estimate

The impact of the rebate is easily analyzed with the DRI Model. A simulation which removes the rebate from our forecast of March 25 is summarized in Table 2, and can be accessed on the DRI computer system under the name "NOREBATE0330." Highlights of this solution are:

1) Real GNP growth for 1977 is cut from 5.0% to 4.4%, with a quarterly pattern showing a peak rate of 5.7% in the 2nd quarter.

2) The total employment gain in the four quarters ending this December is 2.56 million, or 246,000 less than in the forecast.

3) The unemployment rate in the final quarter is estimated at 7.1%, instead of the 6.9% in the forecast.

4) The inflation rate this year would be little affected, being lower by only 0.1 points in the final quarter.

GOODBYE TO THE REBATE? March 29, 1977

Table 2. - Impact of Dropping the Rebate from the Carter Stimulus Package

	1977 Forecast	1977 No Rebate
Activity Measures, 1977		
Real GNP Growth (%)	5.0	4.4
Real Disposable Income Growth (%)	5.2	4.2
Real Consumer Spending Growth (%)	4.9	4.1
Real Business Fixed Investment Growth (%)	5.8	5.6
Industrial Production (%)	6.9	6.0
Retail Car Sales (mil.)	11.1	10.7
Housing Starts (mil.)	1.84	1.83
Unemployment Rate, 4th Qtr. (%)	6.9	7.1
Payroll Employment Gain, 76:4 to 77:4 (thousands)	2,556	2,309
Inflation		
Deflator, 1976:4 to 1977:4 (%)	6.3	6.3
WPI, 1976:4 to 1977:4 (%)	7.2	7.0
Money and Interest Rates		
Money Supply Growth, 1977 (%)	6.6	6.0
Federal Funds Rate, 1977 average	5.39	5.21
High-Grade Bond Rate, 1977 average	8.34	8.33

In the longer run, the effects of the rebate will wear off, and so the two solutions become very similar. By the end of 1978 the difference in real GNP is only 0.2%, or $3.4 billion. The remaining differential is largest in the investment area, where the stimulus from the stronger 1977 economy would be missed.

CONCLUDING COMMENT

The tax rebate was not meant as a "quick-fix," but rather as part of a long-term strategy to raise the growth of demand to promote employment. The reason for making it a rebate rather than a permanent cut was to save the new Administration's budget resources for new programs and tax reforms to be launched later.

THE WHITE HOUSE
WASHINGTON

April 2, 1977

Secretary Blumenthal
Hamilton Jordan
Jack Watson
Tim Kraft

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

Rick Hutcheson

Re: Robert McNamara's Serving Another Term as President of the World Bank.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

March 30, 1977

MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson

RE: Robert McNamara's Serving Another Term as President of the World Bank

Jack Gilligan, Charlie Schultze and Cy Vance concur in Mike's recommendation that he be authorized to instruct the United States Executive Director of the World Bank Board to recommend Bob McNamara's reappointment to a third term.

Note that Mike suggests you may wish to meet with McNamara personally either before or after you make your decision. If it is before, such a visit should be in the next two weeks. I think a personal visit with Mr. McNamara would be appropriate and greatly appreciated by him.

ok
JC

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THE WHITE HOUSE
WASHINGTON

cc Blumenthal sec
Included copy of memo

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
X		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
X		WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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		SCHNEIDERS
		SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
		WELLS
		VOORDE

THE WHITE HOUSE
WASHINGTON

Mr. President:

Hamilton recommends that you reappoint McNamara.

Rick

ACTION

THE SECRETARY OF THE TREASURY
WASHINGTON

MAR 25 1977

I agree
J

77 MAR [illegible] 12 29

MEMORANDUM FOR THE PRESIDENT

Subject: Robert McNamara's Serving Another Term as President of the World Bank

Robert McNamara is entering the last year of his second five-year term as President of the World Bank. The Bank's Board of Directors makes the formal decision and it has been customary for the decision on continuing an existing Bank President or replacing him to be taken approximately one year before the term expires.

It is particularly important this year that you make an early decision on the United States' position in regard to McNamara's retention or replacement because of two factors:

(1) The most important management positions in the Bank immediately under McNamara have to be filled because of impending retirements within the next few months and clearly the Board would not accept lame duck appointments by a possibly outgoing President.

(2) I forestalled over a month ago a concerted move by the majority of the Board's Directors to surface publicly a recommendation that McNamara be appointed to a new term (which is what happened with Nixon 15 months before McNamara's first term expired) because it would have constrained your freedom of choice. But this cannot be forestalled much longer.

During McNamara's time at the Bank he is personally credited throughout the world -- both by developing and industrialized countries -- with having increased the annual volume of World Bank and IDA lending to developing countries from under $1 billion in 1968 to over $6.5 billion in 1976. 1977 will show still

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another substantial increase and it is our opinion that the quality of World Bank loans has not appreciably declined notwithstanding this huge increase in their volume.

Secondly, he has been responsible for an important shift in emphasis from lending to the traditional sectors (power, transportation, irrigation and commercial agriculture) to greater emphasis on smaller-scale farmers, rural development, urban projects and program loans which have been widely supported.

Thirdly, he has successfully initiated major borrowing from the oil producing countries as well as from the traditional industrialized country capital markets.

Fourthly, notwithstanding the necessarily large increase in professional staff to handle this enormous volume of loans (from 763 in 1968 to 2,022 in 1976) he has achieved roughly a 30 percent reduction in professional staff per loan and has generally introduced superior management and budgeting techniques in the Bank.

On a broader political level, the negative factor of McNamara's association with the Vietnam War has been largely neutralized in these last ten years through his vigorous activities on behalf of poor people in the developing countries. I believe that aside from the wide and vocal support from the other member countries of the Bank for a United States initiative for the retention of McNamara there will be relatively little, if any, criticism because of Vietnam.

Therefore, having completed a careful review of McNamara's performance as President of the Bank, I recommend that I be authorized to instruct the United States Executive Director of the Board to recommend McNamara's reappointment to a third term (after courtesy consultations with the other Directors) --

which thereby reinstates the previous tacit custom that the United States takes the initiative in either suggesting the retention or replacement of the Bank President.

You may wish, either before or after you make your decision, to meet with McNamara personally. If it is before, it should be in the next two weeks if at all possible.

Mike

W. Michael Blumenthal

Done! Watson memo 3/30 re McNamara's hearing and the Ten-Year Plan of the World Bank

THE WHITE HOUSE
WASHINGTON

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
X		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON

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

	ENROLLED BILL
	AGENCY BILL
	Staffing comments should go to Bert Carp within 48 hours; due from Carp to Staff Secretary next day.

	CAB DECISION
	EXECUTIVE ORDER
	Staffing comments should go to Doug Huron within 48 hours; due from Huron to Staff Secretary next day.

ACTION	FYI	
		ARAGON
		BOURNE
		BRZEZINSKI
		BUTLER
		CARP
		H. CARTER
		CLOUGH
		FALLOWS
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		GAMMILL
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		SCHLESINGER
		SCHNEIDERS
		SCHULTZE
		SIEGEL
		SMITH
		WELLS
		VOORDE

THE WHITE HOUSE

WASHINGTON

Date: March 30, 1977

MEMORANDUM

FOR ACTION:
Hamilton Jordan

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Jack Watson memo 3/30 re Robert McNamara's Serving Another Term as President of the World Bank.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Friday

DATE: April 1, 1977

ACTION REQUESTED:

__X__ **Your comments**

Other:

STAFF RESPONSE:

____ **I concur.** ____ **No comment.**

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

THE WHITE HOUSE

WASHINGTON

March 30, 1977

MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson

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ACTION

THE SECRETARY OF THE TREASURY
WASHINGTON

MAR 25 1977

1977 MAR 25 PM 12 29

MEMORANDUM FOR THE PRESIDENT

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(2) I forestalled over a month ago a concerted move by the majority of the Board's Directors to surface publicly a recommendation that McNamara be appointed to a new term (which is what happened with Nixon 15 months before McNamara's first term expired) because it would have constrained your freedom of choice. But this cannot be forestalled much longer.

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Mike

W. Michael Blumenthal

THE WHITE HOUSE

WASHINGTON

Date: March 30, 1977

MEMORANDUM

FOR ACTION:
Hamilton Jordan ✓

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Jack Watson memo 3/30 re Robert McNamara's Serving Another Term as President of the World Bank.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Friday

DATE: April 1, 1977

Hamilton -

I think you should recommend that McNamara be reappointed —

Yes X

No —

Other candidates —

ACTION REQUESTED:

__X__ Your comments

Other:

STAFF RESPONSE:

__X__ I concur. ____ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

THE WHITE HOUSE
WASHINGTON

April 2, 1977

Jim Fallows

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

Rick Hutcheson

Re: International Business Article.

THE WHITE HOUSE
WASHINGTON

(copy of top page only)

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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

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

		KRAFT
		LANCE
		LINDER
		MITCHELL
		POSTON
		PRESS
		B. RAINWATER
		SCHLESINGER
		SCHNEIDERS
		SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
		WELLS
		VOORDE

THE WHITE HOUSE

WASHINGTON

NO
J

April 1, 1977

MEMO FOR THE PRESIDENT--ACTION

FROM: JIM FALLOWS JMF

SUBJECT: International Business Article

I apologize for not explaining myself clearly; what the magazine was interested in was an article to run under your name, not by me. I am embarrassed not to have spelled that out, for I thought it was understood.

As you might guess, many hundreds of these requests have come in. We have turned virtually all of them down. This one fell in between the cracks in the first week. If you feel very strongly that you don't want to do it, we can pacify the magazine. If you do not feel strongly, it would save a lot of ruffled feathers to let it go ahead.

I am sorry to present you with this situation. It won't happen again.

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ok-
Don't use my
name
J. C.

THE WHITE HOUSE

WASHINGTON

March 29, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS JMF

SUBJECT: International Business Article

In the first week after the Inauguration, I inadvertently made a commitment to International Business (a small but reputable magazine published in Seattle) to provide an article about your goals in foreign trade. Partly this was my mistake, which I apologize for; partly it was on the advice of the trade policy staffers, who said that there were, indeed, some policy points worth publicizing.

The appropriate people at the NSC and the office of the Special Trade Representative provided the information for this draft, which Griffin Smith has edited. If it is all right with you, we will send it on.

I.

Foreign trade is a vital part of the American economy. Sixteen percent of everything that Americans grow or make is traded in the world market. The continuing health and wellbeing of this system is important not merely to those whose livelihood depends directly on international commercial transactions, but also to those who are indirectly affected by it -- which means most Americans.

Over the past five years, United States exports have doubled. They now exceed $100 billion per year. The full impact of this increase is perhaps most strikingly expressed by the proportion of our Gross National Product which exports represent. From 4% five years ago, they have now risen to nearly 7%. This is a remarkable and unprecedented increase.

Clearly, our extensive participation in world trade has helped generate American jobs. Three and one-half

million industrial jobs are attributed to the export market and half a million farm workers depend on the exports made available from our agricultural bounty.

Trade also benefits the consumer and helps to fight inflation by offering the public a wider range of goods, priced competitively.

As Americans have been forcefully reminded at the gasoline pump, the coffee bar, and a variety of other moments in our daily lives, our country is increasingly dependent on foreign imports. Aside from oil, which makes up one-quarter of our total imports, we must purchase an important part of our strategic minerals abroad. We import 98% of our cobalt and manganese, 89% of our chromium, 87% of our aluminum, 85% of our tin, 71% of our nickel, and more than half of our titanium, tungsten and zinc.

But for the need to import oil, we would have registered a record trade surplus last year for the

second time in a row. The fact that we had a deficit in 1976 should not, however, be a cause for alarm. OPEC's large and chronic surplus will necessarily be matched by a combined deficit of developed and developing oil-importing countries. A country as large as ours, with a strong and growing economy, can afford better than most others to run a deficit. We should be prepared to do so. Efforts by the U.S. to balance its trade account, when at the same time oil-producing countries are running substantial surpluses, would force weaker economies in Western Europe and in the developing world to suffer deficits which they could not afford to finance. This in turn could put pressure on them to restrict imports or suffer massive slowdowns in general. Since these countries are important buyers of U.S. goods, the U.S. economy would in the long run also lose in this process.

II.

The high stakes in international trade make it all the more important for us to modernize and improve the system under which it is conducted. Our basic purpose must be to keep open the international channels in which the exchange of goods, capital, and ideas among nations can continue to expand. To do this, we must continue our efforts to reduce trade barriers.

The present international trading system, whose cornerstone is the General Agreement on Tariffs and Trade (the GATT), has served us well since World War II. But it is now, frankly, struggling under enormous strains produced by the unprecedented expansion in world trade, the oil embargo and the ensuing energy crisis, monetary realignments, a host of new types of trade restrictions, unemployment and inflation. Virtually every nation is under severe domestic pressure to protect its domestic markets from injurious import competition. The GATT was created to deal with such situations and prevent member states from taking arbitrary unilateral actions to restrict trade.

Unfortunately, the rules have not always been observed; some are outdated. Furthermore, existing systems for settling disputes are weak.

As I said in my March 17 speech before the UN, the U.S. is committed to an open international trading system, but one which does not ignore domestic concerns. In our view, trade must be both free and fair. The Trade Act of 1974, which increases the President's authority to counteract unfair trade practices of other nations, accurately reflects these attitudes.

Under this law, detailed procedures are available for Americans to get an open and judicious hearing of their trade grievances. The new attitude can also be seen in the law's expansion of Congressional and public participation in trade policymaking. Elaborate advisory structures were created to assure that business, agriculture, labor, and the public can have more say about what our trade objectives should be and how we should negotiate them.

III.

The current Multilateral Trade Negotiations (MTN) in Geneva offer the best hope for improving the trading system. These negotiations, which involve 96 other nations, have broader participation and broader objectives than any prior negotiation. They are aimed at tariff and non-tariff barriers to trade. While progress in the talks has been slow, due in great part to the worldwide economic slowdown in 1974-75, the issues are of fundamental importance to our economy and other developed and developing countries alike.

Stated broadly there are three objectives in these negotiations: (1) to reduce current barriers to trade; (2) to limit the creation of new barriers; and (3) to provide improved rules and procedures to reduce the areas of dispute between countries. Success in these negotiations should result in increased trade opportunities for both U.S. industry and agriculture.

Agriculture is a critical issue in the negotiations. During the Kennedy Round, little was done to liberalize world agricultural trade, a sector where the U.S. is highly efficient and has a competitive advantage. The results were very disappointing for U.S. farmers. The Trade Act explicitly states that our negotiators should in the current round of talks strive to reduce or eliminate agricultural trade barriers as well as those affecting trade in industrial products. We place agriculture high on our list of negotiating priorities.

Regarding non-tariff barriers, we are working on a code which will establish strict rules governing the use of governmental subsidies to promote trade. We are concerned by the growing use of such devices to stimulate exports or displace imports and believe there must be greater discipline and control over them. We are also seeking to reach agreement on international rules for setting product standards. Our objective here is to

establish more open procedures under which all interested parties likely to be affected by the standards may be heard. In the area of government procurement, we are striving to develop a code that would open up markets now closed to us.

We also see the need for substantial improvement in rules regarding import relief, to provide effective procedural guidelines to govern the use of import restrictions to ease adjustment to expanding trade. Many countries presently circumvent the GATT rules in this area.

The current trade negotiations are also unique in that efforts are being made to secure additional benefits for the trade of developing countries. In that regard, we have in Geneva offered substantial trade concessions on tropical products which are of primary interest to developing countries. Also, in cooperation with our industrial trading partners, we are examining ways to provide special treatment for developing countries in other aspects of the negotiations.

This is an ambitious program, but such changes are obviously necessary if the trading system which has

provided one basis for our prosperity since the end of World War II is to survive and flourish. If the system cannot deal effectively with unfair trade practices, which distort trade flows and cause unnecessary injury to import-competing industries, trading countries will increasingly resort to beggar-thy-neighbor trade policies of the sort which led to the disastrous downturn in economic activity during the interwar period.

Trade disputes among nations frequently interfere with international cooperation in other areas. They can hamper efforts to coordinate foreign and domestic policy. Thus, a successful package of international agreements on trade can do much to advance the prospects for international cooperation in such other vital areas as energy and security. I am looking forward to positive results at Geneva in the coming year.

# # #

THE WHITE HOUSE
WASHINGTON

April 2, 1977

Hamilton Jordan
Frank Moore

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

Rick Hutcheson

Re: Call from Sen. Jackson

THE WHITE HOUSE
WASHINGTON

(from
CC Frank
(call from Sen Jackson)

THE WHITE HOUSE
WASHINGTON

4-1-77

for Scoop Jackson 3:40 pm

Call Baker - ask
advice on how
Repubs can help ~~E~~
SALT

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THE WHITE HOUSE
WASHINGTON

April 2, 1977

Stu Eizenstat

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

Rick Hutcheson

cc: Landon Butler

Re: Anti-Inflation Program

THE WHITE HOUSE
WASHINGTON

ACTION	FYI	
		MONDALE
		COSTANZA
X		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON

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		GAMMILL
		HARDEN
		HOYT
		HUTCHESON
		JAGODA
		KING

		KRAFT
		LANCE
		LINDER
		MITCHELL
		POSTON
		PRESS
		B. RAINWATER
		SCHLESINGER
		SCHNEIDERS
		SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
		WELLS
		VOORDE

THE WHITE HOUSE

WASHINGTON

April 1, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT

SUBJECT: Anti-Inflation Program

I have talked with Tom Donahue, AFL-CIO, Dick Cooper at State, and Secretaries Bergland and Marshall, asking them for their views on the anti-inflation program. They will be submitting their views shortly.

Need without delay -

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