10/17/79 [1]

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Note	~~From The President to Vance and Turner (one page) re. Jamaica~~ /enclosed in Hutcheson to ~~Vance~~ and Turner 10/17/79 opened per RAC NLC-126-18-29-1-1 11/18/13	10/17/79	A

FILE LOCATION

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RESTRICTION CODES

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(B) Closed by statute or by the agency which originated the document.
(C) Closed in accordance with restrictions contained in the donor's deed of gift.

ACTION

THE WHITE HOUSE

WASHINGTON

October 16, 1979

See note

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu

SUBJECT: Enrolled Bill S. 210
Department of Education
(Sponsored by Senator Ribicoff
and 47 others)

A signing ceremony is scheduled to be held in the Rose Garden on Wednesday, October 17.

THE BILL

The enrolled bill fulfills your commitment to create a new Department of Education.

VOTES IN CONGRESS

The conference report was agreed to in the Senate 69-22 and in the House 215-201.

AGENCY AND STAFF RECOMMENDATIONS

OMB, HEW and all affected agencies recommend approval as do all members of your senior staff. A signing statement is attached.

DECISION

✓ Sign S. 210 and issue statement (recommended).

_____ Sign S. 210 without statement.

_____ Veto S. 210.

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o.k. but add another stressing best performance on policy side

Statement by the President

Education is our most important national investment. It commands the time and attention of 60 million Americans -- three citizens in ten. It consumes an annual public and private expenditure in excess of $120 billion.

Every citizen has a vital, personal stake in this investment. Our ability to advance both economically and technologically, our country's entire intellectual and cultural life depend on the success of our great educational enterprise.

At no time in our history has our nation's commitment to education been more justified. At no time in our history has it been more obvious that our nation's great educational challenges cannot be met with increased resources alone.

I came to the office of the Presidency determined that the American people should receive a better return on their investment in education. I came equally determined that our nation's formidable educational challenges should be brought to the forefront of national discussion -- where they belong.

Primary responsibility for education should rest with those states, localities, and private institutions that have made our nation's educational system the best in the world. But the federal government has for too long failed to play its own supporting role in education as effectively as it could. Instead of assisting school officials at the local level, it has too often added to their burden. Instead of setting a strong administrative model, the federal structure has contributed to bureaucratic buck-passing. Instead of stimulating needed debate of educational issues, the federal government has confused its role of junior partner in American education with that of silent partner.

The time has passed when the federal government can afford to give second-level, part-time attention to its responsibilities in American education. If our nation is to meet the great challenges of the 1980's we need a full-time commitment to education at every level of government -- federal, state and local.

The Department of Education bill will allow the federal government to meet its responsibilities in education more effectively, more efficiently, and more responsively.

First, it will increase the nation's attention to education. Instead of being buried in a $200 billion-a-year bureaucracy, educational issues will receive the top-level priority they deserve. For the first time, there will be a Cabinet-level leader in ~~spokesperson on~~ education ~~issues~~, someone with the status and the resources to stir national discussion of critical education concerns.

Second, it will make federal education programs more accountable. For the first time there will be a single agency, and a single

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Cabinet secretary, responsible full-time for the effective conduct of federal education programs.

Third, it will streamline administration of aid-to-education programs. Separating education programs from HEW will eliminate unnecessary bureaucracy, cut red tape and promote better service for local school systems. For the first time there will be a direct, unobstructed relationship between those who administer aid-to-education programs and those who actually provide education in our country.

Fourth, a Department of Education will save tax dollars. By eliminating bureaucratic layers, the reorganization will permit direct, substantial personnel reductions. By enhancing top-level management attention to education programs, it will mean improved educational services at less cost.

Fifth, it will make federal education programs more responsive. Placing education in a highly visible department of its own gives the American people a much clearer perspective on what the federal government is doing in education and who is responsible for these activities. It allows people to better decide what the government should -- and should not -- be doing in education.

The Department of Education bill will permit improved administration of the government's health and human service programs, whose functions are closely related. It will allow the government to focus greater attention to the needs of those Americans who need it most -- the poor, the disabled, and the elderly.

Today's signing fulfills a long-standing personal commitment on my part. My first public office was as a county school board member. As a state senator and governor I devoted [~~the great bulk~~] of my time to education issues. I remain convinced that education is one of the noblest enterprises a person -- or a society -- can undertake.

I would like to thank the leadership of both houses of Congress for bringing this historic measure to final passage. I would like to pay particular tribute to the leadership role of Chairman Jack Brooks, Senator Abe Ribicoff, Senator Chuck Percy, and Congressman Frank Horton. Your relentless dedication to this legislation has earned you the gratitude of every citizen.

I would like also to salute the active participation in this legislative struggle by a strong coalition of groups devoted to educational quality and equal educational opportunity. You refused to believe that education is a parttime responsibility -- for the federal government or for yourselves.

# # #

THE WHITE HOUSE

WASHINGTON

October 13, 1979

ADMINISTRATIVELY CONFIDENTIAL

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for Preservation Purposes

MEMORANDUM FOR THE PRESIDENT

FROM: ANNE WEXLER

SUBJECT: Activity Report -- Week Ending October 12, 1979

1. Energy. The American Gas Association has reversed its position and endorsed the Energy Security Corporation. AGA will be very effective on the floors of both houses.

The feed back on the Windfall Profits Tax Briefing was all positive and we are following up to make use of the support generated. In addition, many of the people at the briefing have already become participants in Governor Byrnes' national coalition. We have scheduled three more Windfall Profits Tax Briefings, covering a total of 30 states.

2. SALT. We have developed an outreach plan for the rest of October and all of November and will implement it in conjunction with Lloyd Cutler, Bob Beckel and Landon Butler. Key elements include additional East Room briefings, organization of Washington based individuals and groups, extensive use of national leaders on the Hill and accelerated national and local religious activity. Bob Maddox has been extremely effective in organizing religious support for SALT.

3. Trucking Deregulation. We continue to help provide witnesses for Congressman Howard's Regional Trucking Deregulation Hearings. Supporting witnesses mainly come from Agriculture, minority and independent truckers, some businesses, small communities and heavy truck users. A coalition of supporting organizations and companies has been established under the leadership of the National Association of Manufacturers and the National Federation of Independent Businesses (small business) and they are planning a seminar for Congressional staff in early November, some regional events between now and the beginning of 1980 and some efforts to get local media support. We will assist with appropriate briefings and meetings. This is an issue where the Administration should continue to retain a high profile.

4. Regulatory Reform. Although it is not well understood, this issue is popular with almost every constituency in every part of the country. Most people are not aware of the progress which we have made and of the ramifications of your proposals. It looks as though some progress might be made in the Senate this year. Because I feel it is important to keep you identified as the leader of this issue, we are developing an outreach plan to include speeches, briefings, and other activities between now and early 1980. This should include some involvement by you, particularly after conclusion of the SALT debate.

THE WHITE HOUSE
WASHINGTON

FOR THE RECORD:

STU EIZENSTAT RECEIVED A COPY OF THE ATTACHED. (PRESIDENT"S CHANGES).

10:00 AM

THE WHITE HOUSE

WASHINGTON

BILL SIGNING - S. 210, DEPARTMENT OF EDUCATION

Wednesday, October 17, 1979
10:00 a.m.
The East Room

From: Frank Moore F.M./pd

Following is the scenario for tomorrow's bill signing:

1. Jim McIntyre, the Vice President, Jack Brooks, Abe Ribicoff, Frank Horton, and Charles Percy will be on the platform when you arrive.

2. Mc Intyre will give brief introductory comments and will then introduce the Vice President who will speak for two minutes and then introduce you and Mrs. Carter.

3. Following your remarks and the signing of the bill, you should call upon Brooks and Ribicoff for brief statements.

4. At the conclusion of the ceremony, I recommend that you move to your left, where we will have a VIP section for some handshakes.

5. I would then recommend that you move to the roped area on the opposite side of the platform, where the elementary school class will be located for some photo opportunities with the children.

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Participants in tomorrow's ceremony will include:

Members of Congress
Mrs. Hubert H. Humphrey
Secretary Harris
Gov. Jerry Apodoca Gov. Robert Graham
Mayor Fulton (Nashville)
Mayor Arthur Holland (Trenton)
Mayor Arthur Clark (Waltham, Mass.)
Benjamin Mays
Arthur Fleming, Chairman, U.S. Commission on Civil Rights
Carl Holman, National Urban Coalition
4th grade class, Brent Elementary School (Brent is a racially mixed public school on Capitol Hill)

and representatives of the following organizations:

National Women's Political Caucus
National Organization for Women
Adult Education Association of USA (AEA)
American Association of Colleges of Teacher Education (AACTE)
American Association of Community and Junior Colleges (AACJC)
American Alliance for Health, Physical Education, & Recreation (AAHPER)
American Association of School Administrators (AASA)
American Association of University Professors (AAUP)
American Association of Workers for the Blind (AAWB)
International Reading Association
American Choral Directors Association
American Coalition of Citizens with Disabilities (ACCD)
American Dance Guild
American Dietetic Association
American Educational Research Association (AERA)
American Federation of Govt. Employees (AFL-CIO)
American Federation of State, County, and Municipal Employees (AFL-CIO)
American Library Assoc. (ALA)
American Society for Public Administration
American Theatre Association

American Vocational Association (AVA)
American GI Forum Education Foundation (USA)
Americans for Indian Opportunity
Association for Childhood Education International
Association of Community College Trustees
West Virginia Department of Education
Association of Mexican American Educators
Association of School Business Officials (ASBO)
Association for Supervision and Curriculum Development (ASCO)
Coalition of American Public Employees
Coalition of Independent College and University Students (COPUS)
Congress of D.C. PTA
Council for Exceptional Children (CEC)
Council of Great City Schools (CGCS)
Council of Chief State School Officers (CCSSO)
Council of State Admin. of Vocational Rehabilitation
Cuban National Planning Council
Education Commission of the States (ECS)
Home Economics Education Association
League of United Latin American Citizens (LULAC)
Mexican-American Legal Defense and Educational Fund (MALDEF)
Mexican-American Women's National Association (MAWNA)
Music Educators National Conference (MENC)
National Alliance of Black School Educators
National Association for Equal Opportunity in Higher Education (NAFEO)
National Association of Elementary School Principals
National Association of School Psychologists
National Association of Secondary School Principals
National Association of the Deaf
National Caucus of Black School Board Members
National Commission on Libraries & Information Services
National Congress of Parents & Teachers
National Council of State Agencies for the Blind
National Association for Bilingual Education (NABE)
Overseas Education Association
Pacific Asian Coalition
Puerto Rican Legal Defense and Education Fund, Inc.

THE WHITE HOUSE

WASHINGTON

October 16, 1979

MEMORANDUM FOR THE PRESIDENT

From: Rick Hertzberg RH
Chris Matthews CJM

Subject: Talking Points: Department of Education Bill Signing -- 10/17/79

1. Education is our most important national investment. It commands the time and attention of 60 million Americans -- three citizens in ten. It consumes an annual public and private expenditure in excess of $120 billion.

2. Every citizen has a vital, personal stake in this investment. Our ability to advance both economically and technologically, our country's entire intellectual and cultural life depend on the success of our great educational enterprise.

3. That great enterprise is well represented here today:

- ¶ By the fourth-graders who have graciously agreed to take time from their studies;
- ¶ By the renowned educator, Dr. Benjamin Mays, who gave decades of leadership to Morehouse College and something near a century of inspiration to the nation;
- ¶ and by all the rest of you here who fall somewhere in between.

4. At no time in our history has our nation's commitment to education been more justified. At no time in our history has it been more obvious that our nation's great educational challenges cannot be met with increased resources alone.

5. I came to the office of the Presidency with the determination that the American people should receive a better return on their investment in education. I came equally determined that our nation's formidable educational challenges should be brought to the forefront of national discussion -- where they belong.

6. I believe that primary responsibility for education should rest with those states, localities, and private institutions that have made our nation's educational system

the best in the world. But I also believe that the federal government has for too long failed to play its own supporting role in education as effectively as it could. Instead of assisting school officials at the local level, it has too often added to their burden. Instead of setting a strong administrative model, the federal structure has contributed to bureaucratic buck-passing. Instead of stimulating needed debate of educational issues, the federal government has confused its role of junior partner in American education with that of silent partner.

7. The time has passed when the federal government can afford to give second-level, part-time attention to its responsibilities in American education. If our nation is to meet the great challenges of the 1980's we need a full-time commitment to education at every level of government -- federal, state and local.

8. The Department of Education bill will allow the federal government to meet its responsibilities in education more effectively, more efficiently, and more responsively.

¶ First, it will increase the nation's attention to education. Instead of being buried in a $200 billion-a-year bureaucracy, educational issues will receive the top-level priority they deserve. For the first time, there will be a Cabinet-level spokesperson on education issues, someone with the status and the resources to stir national discussion of critical education concerns.

¶ Second, it will make federal education programs more accountable. For the first time there will be a single agency, and a single Cabinet secretary, responsible full-time for the effective conduct of federal education programs.

¶ Third, it will streamline administration of aid-to-education programs. Separating education programs from HEW will eliminate unnecessary bureaucracy, cut red tape and promote better service for local school systems. For the first time there will be a direct, unobstructed relationship between those who administer aid-to-education programs and those who actually provide education in our country.

¶ Fourth, a Department of Education will save tax dollars. By eliminating bureaucratic layers, the reorganization permits direct, substantial personnel reductions. By enhancing top-level management attention to education programs, it will mean improved educational services at less cost.

¶ Fifth, it will make federal education programs more responsive. Placing education in a highly visible department of its own gives the American people a much

clearer perspective on what the federal government is doing in education and who is responsible for these activities. It allows people to better decide what the government should -- and should not -- be doing in education.

9. The Department of Education bill will permit improved administration of the government's health and human service programs, whose functions are closely related. It will allow the government to focus greater attention to the needs of those Americans who need it most -- the poor, the disabled, and the elderly.

10. Today's signing fulfills a long-standing personal commitment on my part. My first public office was as a county school board member. As a state senator and governor I devoted the great bulk of my time to education issues. I remain convinced that education is one of the noblest enterprises a person -- or a society -- can undertake.

11. I would like to thank the leadership of both houses of Congress for bringing this historic measure to final passage. I would like to pay particular tribute to the leadership role of Chairman Jack Brooks, Senator Abe Ribicoff, Senator Chuck Percy, and Congressman Frank Horton. Your relentless dedication to this legislation has earned you the gratitude of every citizen.

12. I would like also to salute the active participation in this legislative struggle by a strong coalition of groups devoted to educational quality and equal educational opportunity. You refused to believe that education is a part-time responsibility -- for the federal government or for yourselves.

[Signing]

13. I would like to ask Chairman Jack Brooks, who has worked so hard on this bill, to say a few words.

14. And now Abe Ribicoff, who made it look easy in the Senate.

# # #

THE WHITE HOUSE
WASHINGTON

October 12, 1979

MEMORANDUM FOR THE PRESIDENT

From Al McDonald

SUBJECT Presidential Signing Ceremony
Department of Education Bill
October 17

Attached is the final draft.

Special Inputs

Harris
McIntyre

Clearances:

Powell
Eizenstat
McDonald

THE WHITE HOUSE

WASHINGTON

October 13, 1979

MEMORANDUM FOR THE PRESIDENT

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Chris Matthews

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Signing

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# # #

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Signing/Dept of Education Bill 10/17/79

D. of Ed Bill

Worked hard
BROOKS RIBICOFF (Lobbying)
↓ NORTON ↓ PERCY

#1 NAT INVESTMT

60 mil Amer - 3/10

#120 BILL

4th graders → Benj Mays

Ed → forefront

Primary resp → Loc/St/Priv

FEDS SOMETIME BURDEN

CLEAR DIRECTIVES/BUREAUCRACY

CONSULTATION, HELP

PRIME = QUAL OF ED

a) ATTENTION b) RESPONSIBILITY
c) ADMIN d) SAVE $
e) RESPONSIVE

THE WHITE HOUSE
WASHINGTON

17 Oct 79

Secretary Vance
Admiral Stansfield Turner

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

Rick Hutcheson

Zbig Brzezinski

~~SECRET~~

4549

DECLASSIFIED
Per; Rac Project
ESDN; NLC-128-29-1-1
BY KS NARA, DATE 11/15/17

DECLASSIFIED
Per Rac Project
ESDN: NLC-126-18-29-1-1
BY LAS NARA DATE 11/18/13

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

	ADMIN CONFID
	CONFIDENTIAL
/	~~SECRET~~
	EYES ONLY

cc Turner

ACTION	FYI	
		VICE PRESIDENT
		JORDAN
		CUTLER
		DONOVAN
		EIZENSTAT
		MCDONALD
		MOORE
		POWELL
		WATSON
		WEDDINGTON
		WEXLER
	/	BRZEZINSKI
		MCINTYRE
		SCHULTZE
		ANDRUS
		ASKEW
		BERGLAND
		BROWN
		CIVILETTI
		DUNCAN
		GOLDSCHMIDT
		HARRIS
		KREPS
		LANDRIEU
		MARSHALL

		MILLER
/		VANCE
		BUTLER
		CAMPBELL
		H. CARTER
		CLOUGH
		CRUIKSHANK
		FIRST LADY
		FRANCIS
		HARDEN
		HERTZBERG
		HUTCHESON
		KAHN
		LINDER
		MARTIN
		MILLER
		MOE
		PETERSON
		PRESS
		SANDERS
		SPETH
		STRAUSS
		TORRES
		VOORDE
		WISE

THE WHITE HOUSE
WASHINGTON

10-17-79

To Cy & Stan

Re Jamaica

I'm afraid we may be on the verge of driving Manley & Jamaica irrevocably to Cuba.

Let's reassess, & see if we can't move Manley back toward us. He'll be P.M. until 1981.

J.C.

DECLASSIFIED
Per: Rac Project
ESDN: NLC-128-18-29-1-1
BY: 125 NARA DATE: 11/18/13

THE WHITE HOUSE
WASHINGTON

17 Oct 79

Frank Moore

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
	FOR APPROPRIATE HANDLING
	LAST DAY FOR ACTION

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		JORDAN
		CUTLER
		DONOVAN
		EIZENSTAT
		MCDONALD
/		MOORE
		POWELL
		WATSON
		WEDDINGTON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE
		ANDRUS
		ASKEW
		BERGLAND
		BROWN
		CIVILETTI
		DUNCAN
		GOLDSCHMIDT
		HARRIS
		KREPS
		LANDRIEU
		MARSHALL

		MILLER
		VANCE
		BUTLER
		CAMPBELL
		H. CARTER
		CLOUGH
		CRUIKSHANK
		FIRST LADY
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		HARDEN
		HERTZBERG
		HUTCHESON
		KAHN
		LINDER
		MARTIN
		MILLER
		MOE
		PETERSON
		PRESS
		SANDERS
		SPETH
		STRAUSS
		TORRES
		VOORDE
		WISE

2o: The president
Ham Jordan

F.Y.I.
Frank - Good - Use them strongly when necessary
J

THE WHITE HOUSE

WASHINGTON

October 4, 1979

To: Frank
From: Lisa
Subject: Cabinet calls on priority legislation

The general consensus on the calls made by Cabinet Secretaries on Panama and the Department of Education is that the calls were both productive and useful. If nothing else they helped to impress the fact that the Administration was serious about the issues at hand and that we were working together. Jim Webster of Agriculture was told by several private lobbyists that the joint effort of the White House and the Departments on Panama and on the pay raise was "the best and most effective work" seen from the Administration.

However, I have received several complaints that Cabinet Secretaries were asked to call Members who indicated they had been on record against the bill. Bergland called Hightower (listed as wrong but workable) and was told by the Member that he had made public statements against the new Department for two years. Secretary Marshall received a similar response from Congressman Nedzi who told the Secretary that he was heading up the opposition. According to our staff there were valid reasons for each of these Members to be placed on a list.

These problems can be avoided in the future by screening assignments even more carefully.

Following are the calls made by the President, Vice President, and Secretaries and how each Member voted on Department of Education.

President

Yes	No
Whitten	Ashley
Rangel	Applegate
Stewart	Satterfield
Rodino	Gephardt
Skelton	
Chappell	Ray Roberts - ABSENT

Some promised a yea vote "if needed"

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Vice President

Yes	No
Barnes	Applegate
Kastenmeier	Annunzio
Conte	> Ashley
Guarini	McHugh
	Nowak
Absent	Wyatt
	Hamilton
C. Collins	Walgren
M. Murphy	
Staggers	

Bergland

Yes	No
Mathis	Hance
Huckaby	Stenholm
	Hightower
	Duncan (OR)
	Wampler

Kreps

No	Absent
Fary	La Falce

Defense

Yes	No
Montgomery	Byron
	Ichord
	Nedzi
	Nichols
	Trible
	Whitehurst
	Yates

Harris

Yes	No
Stewart	> Ashley
Mitchell (MD)	
Stokes	
Gray	

Landrieu

Yes	No
Coughlin	Leach
Stewart	Boggs
Huckaby	Breaux
Mitchell (MD)	Lundine
	Early
	Frenzel
	Ashley

Civiletti

No
Mazzolli

Marshall

Yes	No
Florio	Nedzi
	Lloyd (CA)
	Ozzie Myers

Most of the Cabinet Officers and their staffs were quite eager to assist in our efforts. Particular mention should be made of Secretaries Bergland and Landrieu, both of whom made and followed up on numerous calls. Secretary Kreps was travelling but took the time to place all of her calls from Paris. Defense made all their assigned calls in an expeditious manner, although Brown himself made none of them. Marshall also tried to be helpful.

THE WHITE HOUSE
WASHINGTON

10/16/79

rick hutcheson --

copy has already been
sent to rosenberg....
attached is for your
handling

thanks--susan clough

THE WHITE HOUSE
WASHINGTON
17 Oct 79

Stu Eizenstat

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

Rick Hutcheson

4544

The President
WASHINGTON D.C.

MIAMI FLA
OCTOBER 15, 1979

DEAR MR PRESIDENT: PER OUR TELEPHONE CONVERSATION ON NATIONAL PUBLIC RADIO, SATURDAY OCTOBER 13, 1979 I AM WRITING YOU.

I BELIEVE ALCOHOL (100%) CAN CURE OUR NATIONAL ENERGY PROBLEM.

I WOULD WELCOME THE OPPORTUNITY TO DISCUSS WITH YOU AND YOUR ADVISORS AND BLUE PRINTS.

THIS OPPORTUNITY

SAMUEL S. ROSENBERG
BOX 59-3252 AMF
MIAMI FLORIDA 33159
305) 361-1902

Samuel S Rosenberg

THE WHITE HOUSE
WASHINGTON

10/16/79

rick hutcheson --

copy has already been sent to rosenberg.... attached is for your handling

thanks--susan clough

Fu- Let someone call him

J

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QUESTION: Sure. One of the ways on-the-farm alcohol stills in America more and more are showing us that 100 percent alcohol is used as a motor fuel in today's engines, as well as the recent announcement by Brazil to agree to produce 650,000 alcohol-powered cars by 1982. In fact, their President said it is their key weapon in the fight against rising oil prices.

Now, I myself personally have a simple coordinated strategy, not only to bring down the cost of fuel to under $1.00 at the pump, but obviously it would cool inflation as well. And, frankly, I would like to share it with you. As you all know, Thanksgiving time is here and we really have to take stock and be thankful we are Americans. We're the envy of the world, there is nothing we can't do. We gave the world electricity, lights --

MS. STAMBERG: Mr. Rosenburg.

QUESTION: If that doesn't seem unreal, we even put a man on the moon --

MS. STAMBERG: Mr. Rosenburg, I am going to have to interrupt. I think you are either filibustering or making a speech; I'm not sure which. Could you get to the question for Mr. Carter, please.

QUESTION: Yes, I will. What I was simply saying is that rather than a question, I would like to just advocate more alcohol fuel, and I have a plan laid out, blueprints and books. As I say, I don't want to filibuster, but I would like to meet with you or your people in the White House and show you what it is I am talking about.

THE PRESIDENT: Mr. Rosenburg, send me a letter up here and mark the front of the envelope that you are one of those who called me on the telephone. I get about 50,000 letters a week and I want to make sure yours gets to me personally. I will refer you to someone up here who can discuss it with you. Okay?

QUESTION: Yes. By the way, prior to your becoming President, I was one of your rooters for you and I had gotten a letter from one of your top people in Washington, which I also have, as well as having been invited to your inauguration.

THE PRESIDENT: Good luck to you and thank you for your friendship.

MS. STAMBERG: Thank you very much, Mr. Rosenburg.

Mr. President, next on the line, Judy Caufeld in Pittsburgh, Pennsylvania. Go ahead, Ms. Caufeld.

QUESTION: Mr. President, I have always been a supporter of the Equal Rights Amendment.

THE PRESIDENT: So am I.

QUESTION: What type of positive action are you going to take to ensure its ratification by June of 1982?

THE PRESIDENT: I'll work as a partner with you, Judy, and others around the country who believe that women do need equal rights and deserve them. My wife is also very active in the Equal

HEW NEWS

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OCTOBER 17, 1979 BILL WISE (202) 245-1850

STATEMENT BY

PATRICIA ROBERTS HARRIS
SECRETARY OF HEALTH, EDUCATION, AND WELFARE

IN APRIL OF THIS YEAR THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE NOTIFIED THE CHICAGO BOARD OF EDUCATION THAT A TWO-YEAR REVIEW OF THE CHICAGO SCHOOL SYSTEM CONCLUSIVELY ESTABLISHED THAT CHICAGO SCHOOLS ARE ILLEGALLY SEGREGATED.

HEW'S OFFICE FOR CIVIL RIGHTS COLLECTED A VAST AMOUNT OF EVIDENCE FROM THE CHICAGO BOARD OF EDUCATION AND OTHER SOURCES. THIS EVIDENCE SHOWS A CLEAR PATTERN, OVER A PERIOD OF ALMOST 40 YEARS, OF INTENTIONAL BOARD OF EDUCATION ACTION TO REINFORCE AND PERPETUATE SEGREGATED CONDITIONS AND TO AVOID INTEGREGATION.

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In the late 1930's the Board of Education began working closely with the Chicago Housing Authority to provide schools for the children in housing projects. The evidence shows that when black housing projects were built in white areas, children from those projects were not sent to the neighborhood white schools. Instead, they were taught temporarily in the project until the Board of Education had time to construct schools for them which invariably were segregated and overcrowded from the start. This pattern continued into the 1970's

However, when black housing projects were opened in black neighborhoods, or white projects were opened in white neighborhoods, the children from the projects were assigned to the regular neighborhood schools.

In 1962, the Chicago Board of Education began using temporary facilities--primarily mobile classrooms and prefabricated units--as a principal means of dealing with overcrowding. The evidence shows that mobiles were used mainly to confine expanding black enrollments to overcrowded, segregated schools, while protecting nearby underutilized white schools from desegregation. Mobiles were generally not used, except in extraordinary cases, to deal with overcrowding in black and white areas of the city where boundary changes could be used without any desegregative effect. Again this practice continued into the 1970's.

In Chicago there are essentially two kinds of school boundaries: attendance areas for elementary schools and feeder patterns for middle schools, high schools and vocational schools. The evidence documented by the Office for Civil Rights shows that the Board of Education has used the establishment and modification of attendance areas and feeder patterns to reinforce segregation and confine expanding black enrollments to overcrowded, segregated schools while protecting nearby white schools with excess capacity from desegregation.

When it became apparent in the early 1960's that all overcrowding could not be solved with new construction and mobiles, the Chicago Board of Education began a series of programs to relieve overcrowding through the transportation of students. But the evidence documented by the Office for Civil Rights clearly shows that these programs also were used to promote and reinforce segregation.

In addition, the Chicago Board of Education developed a pattern of assigning black teachers to black schools and white teachers to white schools. This led to a finding by an administrative law judge in early 1977 that the Board's faculty assignment practices violated Title VI of the Civil Rights Act of 1964.

There are almost 500,000 students attending elementary and secondary schools in the Chicago Public School System. The vast majority of those students attend schools that are still segregated.

This is the current reality and historical perspective -- all thoroughly documented -- that provide the backdrop for the negotiations involving the Chicago Board of Education and this Department during the past six months.

ON APRIL 9, 1979, THE CHICAGO PUBLIC SCHOOL DISTRICT WAS NOTIFIED THAT IT WAS INELIGIBLE FOR FISCAL YEAR 1979 EMERGENCY SCHOOL AID ACT FUNDS BECAUSE, AMONG OTHER REASONS, THE OFFICE FOR CIVIL RIGHTS HAD DETERMINED THAT VARIOUS POLICIES AND PRACTICES OF THE DISTRICT HAD CAUSED THE RACIALLY SEGREGATED AND OVERCROWDED CONDITIONS CURRENTLY EXISTING IN THE CHICAGO PUBLIC SCHOOLS.

— Did it show — or its evidence was inadequate?

IN MAY, THE SCHOOL DISTRICT FAILED TO PRESENT EVIDENCE AT A SHOW CAUSE HEARING TO REFUTE THE DEPARTMENT'S FINDINGS. THE DEPARTMENT EXPLAINED THAT INELIGIBILITY FOR ESAA COULD BE WAIVED AND FUNDS MADE AVAILABLE IF CHICAGO DEVELOPED A PLAN THAT WOULD CORRECT PAST DISCRIMINATION. FOR THE NEXT THREE MONTHS, THE DEPARTMENT OFFERED THE ASSISTANCE OF ALL OF ITS EDUCATIONAL RESOURCES TO ASSIST THE DISTRICT IN DEVELOPMENT OF A PLAN.

SOME OF THE VIOLATIONS CONCERNING FACULTY DESEGREGATION, BILINGUAL EDUCATION, AND SEGREGATED SPECIAL EDUCATION PROGRAMS HAVE BEEN RESOLVED SATISFACTORILY. BUT THE OVERCROWDED AND RACIALLY SEGREGATED CONDITIONS IN THE SCHOOL SYSTEM CONTINUED, AS THEY HAVE FOR YEARS, TO EXIST.

By September 15, the deadline for granting a waiver, the Board had neither approved nor committed itself to implement an acceptable desegregation plan. In April and again on September 17, the Chicago School Board was warned that the failure to devise an acceptable plan could have far greater consequences than denial of its ESAA application. Under terms of a 1978 Court Order in Brown v. Califano, when a waiver of ineligibility for federal funding under ESAA is denied, HEW must require the district to present evidence within 30 days to rebut the presumption that it is in non-compliance with Title VI of the Civil Rights Act of 1964. The school district was notified that if it did not submit such evidence by October 17, HEW would request the Department of Justice to file suit to remedy by court order the racially segregated, overcrowded conditions in Chicago's schools.

To date, the school district has not submitted any evidence to explain or rebut the Department's findings. The district submitted a plan in September which did not satisfy legal standards. The plan contained inadequate provisions for insuring that desegregation goals would be met and insufficient detail to determine the amount of desegregation that would be accomplished.

THROUGHOUT THIS PROCESS, I HAVE CONTINUED TO BELIEVE THAT IT WOULD BE BEST TO RESOLVE THIS MATTER VOLUNTARILY. ON OCTOBER 12, I AUTHORIZED DAVID TATEL, DIRECTOR OF HEW'S OFFICE FOR CIVIL RIGHTS, TO ADVISE THE CHICAGO BOARD OF EDUCATION THAT THE DEPARTMENT WOULD CONTINUE TO NEGOTIATE PAST THE OCTOBER 17 DEADLINE IF THE BOARD WOULD FORMALLY AGREE NOW TO DEVELOP BY DECEMBER 17 A DESEGREGATION PLAN BASED ON THE CRITERIA THE DEPARTMENT FORMULATED AND PRESENTED TO THE BOARD LAST JUNE. WE ALSO ASKED THAT THE PLAN BE SUBMITTED TO THE DEPARTMENT IN DRAFT FORM BY NOVEMBER 17, AND PUBLISHED SIMULTANEOUSLY FOR COMMUNITY COMMENT. WHEN THE BOARD REJECTED THOSE PROPOSALS AT ITS MEETING YESTERDAY, IT REFUSED TO COMMIT IN PRINCIPLE TO FURTHER NEGOTIATIONS IN GOOD FAITH WITH THE DEPARTMENT.

YESTERDAY, I RECEIVED FROM DR. JOSEPH HANNON, GENERAL SUPERINTENDENT OF SCHOOLS OF CHICAGO, A LETTER WHICH REFERRED TO MR. TATEL'S LETTER OF SEPTEMBER 17 AND STATED SPECIFICALLY, IN PARAGRAPH 3, THE FOLLOWING:

"AT THE OUTSET WE DEEM IT NECESSARY TO POINT OUT THE FOLLOWING FACTS: (1) THE BOARD OF EDUCATION OF THE CITY OF CHICAGO HAS NEVER BEEN FOUND TO HAVE VIOLATED THE FOURTEENTH AMENDMENT BY RACIAL DISCRIMINATION AGAINST ANY STUDENT IN ANY COURT OR FORUM; AND (2) THE BOARD OF EDUCATION OF THE CITY OF CHICAGO IS NOT AND HAS NEVER BEEN ADJUDGED A DUAL SCHOOL SYSTEM AND HAS NOT ENGAGED IN DE JURE DISCRIMINATION."

DR. HANNON'S LETTER STATES THE FOLLOWING AT PAGE 4: "ACCORDINGLY, ANY CHARGE THAT THE BOARD OF EDUCATION OF THE CITY OF CHICAGO HAS IN ANY WAY VIOLATED THE FOURTEENTH AMENDMENT TO THE CONSTITUTION OF THE UNITED STATES, THE CIVIL RIGHTS ACT OF 1964, AS AMENDED, AND DECISIONS OF COURTS INTERPRETING THE SAME IS SPECIFICALLY DENIED."

AS A RESULT OF DR. HANNON'S LETTER OF OCTOBER 16 AND THE BOARD'S DECISION YESTERDAY, I HAVE CONCLUDED THAT COMPLIANCE CANNOT BE SECURED BY VOLUNTARY MEANS, AND I CANNOT IN GOOD CONSCIENCE AGREE TO FURTHER DELAY IN THE GUISE OF NEGOTIATION. THEREFORE, THE DEPARTMENT IS TODAY INITIATING THE PROCESS OF REFERRING THIS MATTER TO THE DEPARTMENT OF JUSTICE FOR APPROPRIATE ACTION. AS REQUIRED BY THE REGULATIONS IMPLEMENTING TITLE VI OF THE CIVIL RIGHTS ACT OF 1964, THE DEPARTMENT IS NOTIFYING SUPERINTENDENT JOSEPH HANNON THAT REFERRAL TO THE DEPARTMENT OF JUSTICE WILL TAKE PLACE TEN DAYS FROM TODAY UNLESS CHICAGO SUBMITS AN ACCEPTABLE DESEGREGATION PLAN.

THE BOARD, OF COURSE, STILL HAS THE OPTION TO PRESENT A PLAN THAT I CAN APPROVE, AND I HOPE THEY WILL DO SO. IT IS IN THE BEST INTEREST OF ALL INVOLVED -- PARTICULARLY THE CHILDREN OF THE CITY OF CHICAGO -- TO HAVE THE BOARD OF EDUCATION, NOT THE COURTS, DETERMINE THE BEST WAY TO DESEGREGATE ITS SCHOOLS.

Looks at adds with P's statement in closing.

I BELIEVE THAT THIS DEPARTMENT HAS BEEN BOTH FAIR TO AND COOPERATIVE WITH THE CHICAGO BOARD OF EDUCATION. WHEN SUPERINTENDENT HANNON REQUESTED A DEFINITION OF DESEGREGATION FROM US, THE OFFICE FOR CIVIL RIGHTS AND OTHER EDUCATIONAL COMPONENTS OF HEW DESIGNED FLEXIBLE, NEGOTIABLE CRITERIA. WHEN SUPERINTENDENT HANNON ASKED FOR GUIDANCE ON HOW THOSE CRITERIA APPLY, THE OFFICE FOR CIVIL RIGHTS PRESENTED A FEASIBILITY STUDY THAT DEMONSTRATED 60 PERCENT OF CHICAGO SCHOOLS COULD BE DESEGREGATED. SUPERINTENDENT HANNON AND HIS BOARD HAVE BEEN REMINDED THROUGHOUT THIS PROCESS THAT HEW IS READY AND WILLING TO UTILIZE EVERY AVAILABLE RESOURCE INCLUDING TITLE IV DESEGREGATION CENTERS TO HELP THE BOARD IN CORRECTING THE CIVIL RIGHTS VIOLATIONS IN EVIDENCE. THE DEPARTMENT REMAINS READY AND WILLING TO HELP THE BOARD AS LONG AS A NEGOTIATED SETTLEMENT IS POSSIBLE.

LAST MAY, THIS NATION CELEBRATED THE 25TH ANNIVERSARY OF THE BROWN DECISION IN WHICH THE SUPREME COURT DECLARED THAT "SEPARATE BUT EQUAL" SCHOOLS ARE UNCONSTITUTIONAL. IN THE QUARTER OF A DECADE SINCE THEN, OUR COUNTRY HAS MADE GREAT PROGRESS TOWARD DESEGREGATING OUR SCHOOLS; ~~BUT, AS EVIDENCED IN CHICAGO, SEPARATE BUT EQUAL -- INDEED, SEPARATE AND UNEQUAL -- SCHOOLS STILL EXIST.~~

BOTH THE FEDERAL GOVERNMENT AND THE CHICAGO BOARD OF EDUCATION HAVE A RESPONSIBILITY TO UPHOLD THE CONSTITUTION AND THE PRINCIPLES EMBODIED IN THE BROWN DECISION. I HOPE THE CHICAGO SCHOOL SYSTEM WILL ACT EXPEDITIOUSLY AND WITH RENEWED EFFORT TO MEET ITS CONSTITUTIONAL OBLIGATIONS AND IN DOING SO, PROVIDE THOUSANDS OF CHILDREN IN CHICAGO THE OPPORTUNITY FOR QUALITY EDUCATION, ~~FREE OF UNLAWFUL DISCRIMINATION~~ desegregated.

THE WHITE HOUSE
WASHINGTON
17 Oct 79

Jack Watson
Arnie Miller

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

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

October 15, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON
ARNIE MILLER

SUBJECT: Interstate Commerce Commission

Betty Jo Christian has served as a Democratic member of the ICC since 1976. Her term expires in December. We join Chairman Dan O'Neal and Chairman-designate Darius Gaskins in recommending her reappointment.

Mrs. Christian supports deregulation of motor-carrier transportation, and will follow the strong lead of your three recent appointees. Gaskins and O'Neal are confident that Mrs. Christian's votes will enable us to implement trucking deregulation initiatives in such areas as eliminating the antitrust immunity that now permits carriers to fix prices, removing restrictions that force trucks to travel empty and waste fuel, and freeing entry to allow greater competition in the market place.

Stu, Fred Kahn, Charlie Schultze, Neil Goldschmidt and Frank Moore concur in the following recommendation.

RECOMMENDATION

Nominate Betty Jo Christian, of Washington, D.C., to be a Member of the Interstate Commerce Commission.

✓ approve _____ disapprove

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BETTY JO CHRISTIAN
Washington, D.C.

EXPERIENCE

1976 - Present	Commissioner, Interstate Commerce Commission
1971 - 1976	Associate General Counsel, Interstate Commerce Commission
1968 - 1970	Office of the Solicitor, U.S. Department of Labor, Dallas
1961 - 1968	Office of the General Counsel, Interstate Commerce Commission
1960 - 1961	Law Clerk, Chief Justice Robert W. Calvert, Supreme Court of Texas

EDUCATION

1960	University of Texas School of Law, LL.B., summa cum laude
1957	University of Texas, B.A., summa cum laude

ACTIVITIES AND AWARDS

"Transportation Woman of the Year Award", Traffic Clubs International, 1977
Nominated by ICC for Federal Woman's Award, 1973
Administrative Conference of the United States
Board of Directors, University of Texas School of Law
American Bar Association
Federal Bar Association
Texas Bar Association

PERSONAL

White Female
Age 43
Democrat

THE WHITE HOUSE
WASHINGTON
17 Oct 79

Les Francis

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

Rick Hutcheson

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Kraus

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		JORDAN			VANCE
		CUTLER			
		DONOVAN			
		EIZENSTAT			BUTLER
		MCDONALD			CAMPBELL
		MOORE			H. CARTER
		POWELL			CLOUGH
		WATSON			CRUIKSHANK
		WEDDINGTON			FIRST LADY
		WEXLER	✓		FRANCIS
		BRZEZINSKI			HARDEN
		MCINTYRE			HERTZBERG
		SCHULTZE			HUTCHESON
					KAHN
					LINDER
		ANDRUS			MARTIN
		ASKEW			MILLER
		BERGLAND			MOE
		BROWN			PETERSON
		CIVILETTI			PRESS
		DUNCAN			SANDERS
		GOLDSCHMIDT			SPETH
		HARRIS			STRAUSS
		KREPS			TORRES
		LANDRIEU			VOORDE
		MARSHALL			WISE

THE WHITE HOUSE

WASHINGTON

October 16, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Les Francis LES

SUBJECT: Photo Opportunities

Tomorrow, just prior to the bill-signing ceremony for the Department of Education, it is suggested that you take the time to have two photo opportunities for the following NEA people:

1. Photo with the Vice President, Willard McGuire, President of NEA, and Terry Herndon, Executive Director of NEA.

2. Photo with William Shanahan, President of New Hampshire State Education Association, and Dorothy Jenis, past President of NHEA and a member of the Carter/Mondale Steering Committee.

Both of these photos will be used for campaign purposes.

The New Hampshire Education Association Council is expected to endorse you this weekend.

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8:00 AM

THE WHITE HOUSE

WASHINGTON

ADMINISTRATIVELY CONFIDENTIAL

October 16, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON

SUBJECT: Domestic Policy Breakfast
Wednesday, October 17, 1979
8:00 a.m. Cabinet Room

Participants

Vice President
Secretary Harris
Secretary Landrieu
Secretary Goldschmidt
Secretary Andrus
James McIntyre
Hamilton Jordan
Jack Watson

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Secretaries Marshall and Bergland and Stu Eizenstat are unable to attend this breakfast because of out-of-town speaking commitments.

Agenda

1. It would be helpful for you to discuss the recent political events in Florida and Chicago, and the upcoming trip to Boston.

   Florida: Comment on your own analysis of the results. Recent press analyses (such as today's New York Times) are downplaying the win. While thanking them for their individual help, ask their opinion on how the campaign went; how their time was used; what we could have done better.

   Chicago: Describe Jane Byrne's support and, in general, your analysis of the situation in Chicago. You might also ask Moon to comment since he has just returned from 2 days in Chicago.

2. Since Moon, Neil and Cece have all been traveling around the country a great deal lately, I suggest that you ask each of them to give you a brief political report of what they are seeing and hearing. Solicit both their political "intelligence" and their insights and advice about what we should be concentrating on and where.

3. Thank the Secretaries for all their help with the campaign and point out that the Carter/Mondale Committee needs their help in fund-raising, especially between now and the time of your announcement on December 4th.

4. The economy is the other important issue of the week (making the cover of both news magazines). You should reiterate your intention to stick by the present policies. However, you might ask the Secretaries how their programs are affected by the present situation. In addition, you might ask them about their ideas for targeting programs to areas which might suffer unemployment first -- without adding big budget items.

   We need to anticipate what we might do with transportation, housing, economic development, public works and other potentially jobs-intensive government programs, not only for the hard-core unemployed, but for those workers who will be laid-off first if the recession deepens. I have discussed the subject briefly with Neil, and he has some ideas that you should elicit.

cc: Vice President
Hamilton Jordan

ADMINISTRATIVELY
CONFIDENTIAL

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

October 16, 1979

EYES ONLY

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MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: Housing Starts and Personal Income in September; Real GNP in the Third Quarter

Figures will be released tomorrow (Wednesday, October 17) on housing starts (at 2:30 p.m.) and personal income (9:30 a.m.) in September. On Friday, October 19, at 10:30 a.m., the first published estimate of third quarter GNP will be released. All three figures show substantially greater strength in the third quarter than anticipated.

Housing Starts

Housing starts rose 4.2 percent in September to an annual rate of 1,881,000 units. Residential building permits rose by a comparable amount. In both series, the September increase was in multi-family units, and may partly reflect subsidized housing projects begun before the end of the fiscal year. Nevertheless, the stability of single-family starts in the face of high and rising mortgage interest rates is surprising.

Personal Income

Personal income rose 0.6 percent in September, about the same as in August. The rise in aggregate wage and salary incomes accelerated, however, from 0.5 percent in September to 0.8 percent in August. Losses of rental income resulting from hurricanes held down the growth of total personal income last month.

Third Quarter GNP

Real GNP in the third quarter rose at a 2.4 percent annual rate -- exactly offsetting the second quarter decline. Personal consumption expenditures rebounded, as the saving

rate fell by more than 1 percentage point. Net exports also rose strongly. While sales grew strongly, inventories rose slowly, so that considerable progress was made in reducing the overhang of undesired inventories built up in the second quarter.

Interpretation

We believe that two things have been going on:

First, consumer shopping and purchases were temporarily cut back by the late spring gas lines and have now rebounded (aided by heavy discounts on auto prices). Second, apart from this short-run swing, consumers have reacted to the oil-induced cut in their purchasing power by reducing their savings, while keeping their spending high.

We also believe, however, that the combination of continued increases in energy prices, increased effective tax rates due to inflation and, at least temporarily, higher interest rates will lead to a weak economy over the next year or two. A relatively mild recession is still likely to occur, followed by a sluggish recovery.

THE WHITE HOUSE
WASHINGTON

17 Oct 79

The Vice President
Hamilton Jordan
Hedley Donovan
Jody Powell

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

Rick Hutcheson

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		MCDONALD
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	✓	POWELL
		WATSON
		WEDDINGTON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE
		ANDRUS
		ASKEW
		BERGLAND
		BROWN
		CIVILETTI
		DUNCAN
		GOLDSCHMIDT
		HARRIS
		KREPS
		LANDRIEU
		MARSHALL

	MILLER
	VANCE
	BUTLER
	CAMPBELL
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	FRANCIS
	HARDEN
	HERTZBERG
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

October 13, 1979

MEMORANDUM TO THE PRESIDENT

From: Charlie Schultze CLS

Subject: An Outline of Short and Long-Run Anti-Inflation Strategy

In recent weeks I have had a good reception for a speech which (i) sets forth an analysis of the inflation problem; and (ii) shows how the Administration's economic policies are based on a short and long-term strategy for dealing with that problem. I have compressed all of this into a condensed set of notes that you might find useful background material.

Attachment

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THE PROBLEM

I. After two years of substantial and well-balanced growth, the emergence of three closely linked problems in late 1978 and 1979 has threatened the economic health of the nation: (i) accelerating inflation; (ii) surging energy prices; (iii) a sharp slowdown in productivity growth.

II. The Nature of Today's Inflation

A. Even during the 1974-75 recession, inflation was far from eradicated: 6 to 6½ percent underlying inflation remained.

B. Recently, inflation (CPI) has sharply accelerated:

- o 1977, 6½ percent
- o 1978, 9 percent
- o 1979, 13 percent rate (continuing into recent months)

C. Almost all of the acceleration can be traced to two major factors:

- o energy; the huge rise in energy prices added over 3 percentage points to the 1979 inflation rate, and 4 percentage points in recent months
- o homeownership costs; added another 2½ percentage points to the 1979 inflation rate. (The CPI substantially overstates the impact of housing prices and mortgage interest rates on the cost-of-living. In effect, it treats such costs as if all homeowners had to renegotiate their mortgage principal and interest payments upward each month in line with rising home prices and interest rates.)

D. Outside of these two areas (one real, one statistical) the CPI has accelerated very little; the rise in the inflation rate has been confined to a few sectors of the economy

E. Wage rate increases have also shown little acceleration in 1979.

F. But, an additional problem has arisen from the sharp decline in productivity growth. Even with wage moderation, the rise in labor costs of production has accelerated because productivity gains have slowed. Consequences not yet fully reflected in consumer prices.

G. Therefore, major sources of inflation acceleration are:

1. Energy
2. Homeownership costs (partly a statistical illusion)

plus, a broader problem:

3. Slow productivity growth.

STRATEGY TO DEAL WITH INFLATION: SHORT AND LONG-RUN

III. Short run: Prevent temporary double-digit "bulge" in inflation from spreading to rest of economy.

(a) it is absolutely essential to keep highly selective and temporary double-digit inflation from generating a broad based and permanent double-digit wage-price spiral.

(b) if we can keep this from happening in the immediate future, then today's double-digit inflation will taper off to single-digit inflation; (current 60 to 70 percent annual rate increases in energy prices will moderate; lower inflation rate and softening economy should bring some relief on mortgage interest costs.)

But, even with a successful short-run policy, inflation won't subside to the "old" 6½ percent underlying rate when the temporary "bulge" disappears. A new 8 to 9 percent underlying rate is then likely to prevail. Why? The fall in productivity growth to almost zero has raised the underlying rate of inflation.

- o this is far too high an underlying rate
- o moreover, any bad breaks in the future would add a new inflationary impulse, not to 6½ percent but to an 8 or 9 percent rate;

Therefore

IV. Long-Run Strategy has to aim at:

A. Gradually reducing the 8 to 9 percent underlying rate

B. Reducing our future vulnerability to bad breaks.

POLICIES: SHORT AND LONG-RUN

V. Short-Run Policies: Public and private restraint to keep temporary bulge from becoming permanent double-digit wage-price spiral.

A. Budget

1. Reduce growth of spending; lower the share of government in GNP (also a key part of long-run strategy; see below).

2. Cautious fiscal policy; aim at budget balance as rapidly as economy permits:

- o careful not to apply premature or excessive economic stimulus even in weakening economy
- o doesn't mean "head-in-the-sand" approach to problem of recession, but does imply a more cautious response than might be appropriate in a world of less inflationary pressure.

B. Monetary Policy

1. Not Administration's direct responsibility

2. But combination of current restraint and cautious but flexible attitude about applying stimulus later, matches Administration's approach to fiscal policy.

C. Voluntary wage-price guidelines (private restraint)

1. Despite press reports, these have been remarkably successful in keeping the temporary inflation bulge from spreading: most price and wage decisions have been moderate.

2. Admittedly difficult to continue, given this year's history of 13 percent inflation.

3. But recent "Accord," and establishment of Tripartite Pay Committee bodes well for achieving that difficult task.

VI. Long-Run Policies: Designed to moderate underlying inflation rate and to reduce vulnerability to outside shocks.

A. Energy program. The program has several objectives. But from anti-inflation standpoint the most important is to reduce our dependence on imported oil and thereby decrease our vulnerability to new inflationary shocks. This objective is so critical that we are willing to pay a short-run inflationary penalty now (decontrol), to secure less vulnerability in the future. (Spell out major elements of program.)

B. Long-Run Fiscal and Monetary Policies

1. General principle: over the next three to four years we will have to pursue more cautious and restrained monetary and fiscal policies than would normally be the case in a less inflationary era.

2. This does not mean inflexible policies that ignore development of recession tendencies. But for the foreseeable future, monetary and fiscal decisions will have to be approached with an attitude of caution and more (but not exclusive) emphasis on restraint.

3. We have to do this in order to provide a climate in which the underlying rate of wage and price increases (8 to 9 percent) can gradually be pulled down.

C. Federal spending (Release resources for private use)

1. Carter Administration has long-standing policy of reducing spending/GNP ratio. This will free up resources for private use.

2. Over time these resources should go mainly to investment, so as to raise the share of GNP used for that purpose. (Tax reduction of 1978 already aimed in this direction.)

3. This is the most important single thing we can do to help improve productivity growth.

4. (The timing and magnitude of any tax measures designed to accomplish this purpose have to be decided in context of fiscal prudence and caution, as outlined above; i.e. not too early; not too much. But additional resources for productivity-raising investment will be forthcoming from Carter budget strategy.)

D. Regulatory reform (Increase competition and productivity)

1. Economic regulations (air, trucking, rail, etc.): deregulate

2. Social regulations (environment, health, safety): we seek two objectives:

   o proper balance between social gains and economic costs in setting standards;

   o more cost-effective ways of achieving whatever standards are set.

3. Regulatory reform initiatives help in inflation fight chiefly by raising productivity (e.g. higher load factors in airplanes, fewer truck backhauls; lower costs and less disruptions in environmental programs, etc.)

E. Grain reserves (reduce U.S. inflation vulnerability to worldwide crop shortages, without use of trade-restricting embargos)

1. Wheat and feed grain reserves substantially built.

2. Reserve program already has proven a success:

   -- Soviet crop down drastically (225 to 180 million tons).

   -- worldwide, 8% reduction in wheat and 3% reduction in feed grain output

   -- yet, the resulting rise in grain prices has been quite moderate, unlike 1972-73.

SUMMARY

VII. We do have a comprehensive strategy and a set of short and long-term policies to deal with inflation:

A. Short-run

Objective: isolate "temporary" inflation bulge and keep it from generating long-term double-digit wage-price spiral

Methods: fiscal and monetary restraint; wage-price guidelines with new element of business and labor participation

B. Long-run

Objectives: (1) gradually unwind 8-9 percent underlying inflation rate; and (2) reduce vulnerability to outside shocks

Methods:
Energy program (reduce vulnerability)
Grain reserve (reduce vulnerability)
Fiscal and monetary restraint (avoid overheating, reduced pressure for wage and price rises)
Reduce spending/GNP ratio (free resources for productivity raising investment)
Regulatory reform (lower costs, raise productivity, increase competition)

(Note: These long-run policies can and will be filled out, supplemented, and expanded, as the 1981 and later budgets are formulated. Depending on the specific economic circumstances we might, for example;

- o transfer more resources to private investment by investment-oriented tax reductions needs as ADR
- o cut costs by reducing scheduled social security tax increases
- o increase our investment in human resources through improved youth trained programs,
- o etc.

At this present time, of course, we cannot cite or discuss such elements. But even without these, we can present the overall "strategic" framework in which they will be considered.)

11:15 AM

THE WHITE HOUSE

WASHINGTON

October 16, 1979

Electrostatic Copy Made
for Preservation Purposes

MEMORANDUM FOR THE PRESIDENT

FROM: Alfred E. Kahn

SUBJECT: Meeting with Pay Advisory Committee

Wednesday, October 17, 1979
Cabinet Room
11:15 to 11:30

I. PURPOSE

For you to meet with the members of the newly formed Pay Advisory Committee to express your thanks and affirm the goals of the committee.

II. BACKGROUND, PARTICIPANTS AND PRESS

A. BACKGROUND

On September 28 you announced the creation of a Pay Advisory Committee to be made up representatives of business, labor and the public. This is the first meeting of that committee.

B. AGENDA

10:00-11:00	Meeting in the NEOB chaired by Alfred E. Kahn and John Dunlop to discuss procedures, general objectives and to swear in the members.
11:00	Proceed to the White House
11:15-11:30	Meeting with the President in the Cabinet Room.
11:30-12:30	Resumption of meeting in NEOB.

C. PARTICIPANTS Not all of the members of the Committee will be able to attend. As of the writing of this memorandum those planning to attend are:

John T. Dunlop - Chairman
Phyllis Wallace - Professor of Industrial Relations at the Sloan School of Management of the Massachusetts Institute of Technology
Arvid Anderson - Chairman, Office of Collective Bargaining, City of New York
Robert Nathan - Consulting Economist and Chief Executive Officer of Robert R. Nathan Associates
Lane Kirkland - Secretary/Treasurer of the AFL-CIO.
William Wynn - President, United Food and Commercial Workers
John Lyons - President, International Association of Bridge and Structural Iron Workers
Lloyd McBride - President, United Steelworkers of America
Frank Fitzsimmons - President, International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America
Heath Larry - President of the National Association of Manufacturers
Jesse Hill - President and chief executive officer of Atlanta Life Insurance Company
Charles R. McDonald - Chairman, Council of Smaller Enterprises, and President, McDonald Equipment Company of Cleveland, Ohio
John T. Conner - Chairman of the Board, Allied Chemical Corporation
Norma Pace - Senior Vice President, American Paper Institute
Philip M. Hawley - President and Chief Executive Officer of Carter Hawley Hale Stores

D. PRESS White House press pool for the first 3 minutes of the meeting. During this period we would like you to shake hands with the members and thank them for accepting your request to serve on the committee.

E. TALKING POINTS Talking points are attached.

PAY ADVISORY COMMITTEE TALKING POINTS

--I am pleased to be with you today for the first meeting of the new Pay Advisory Committee and I want to thank you all for agreeing to serve. This is a voluntary undertaking unprecedented in the peacetime history of our country.

--Our economy has no more persistent or difficult problem than inflation. It reduces our ability to assure decent jobs and a decent standard of living for all Americans.

--There are two essential pre-conditions for a successful fight against this evil:

First, we must adhere steadfastly to a broad range of austere, and often unpopular, economic policies.

Second, our institutions and our people must regain a sense of shared purpose and cooperation if each is to accept its fair share of the restraint and sacrifice required.

The formation of this Committee, and your willingness to serve on it, gives all of us a basis for hope that these can be met.

--In formulating your recommendations of standards for responsible wage-setting, I urge you to be guided by the twin goals: restraint and fairness. Both of these are essential if we are to succeed in brining inflation under control.

--Administration officials have carried out intensive consultations with the leadership of the American labor movement and with representatives of the business community. I want to express my appreciation to the distinguished men and women who have now agreed to serve on the Committee.

--I would like to add a special word of thanks to John Dunlop, who participated in the negotiations that led to the formation of this Committee and who has now agreed to act as its Chairman.

--And I also want to thank Bill Miller and Fred Kahn for their steady pursuit of this new approach to a cooperative attack on our national problems.

--I want to assure each and every one of you that Fred Kahn's office and my Administration will do everything in our power to assist you in your work.