4/7/77 [1]

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CHAIRMAN OF THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

March 31, 1977

The President
The White House
Washington, D. C.

Dear Mr. President:

I was pleased to hear from you this morning. And I very much hope that the attached memorandum, which I had to throw together very quickly, may be of some help to you. I realize, of course, that some items in my listing -- particularly No. 18 and No. 19 -- are extremely difficult, if not practically impossible, in today's political environment.

I am going off to Phoenix tomorrow morning, but I'll be back on Sunday and I would be glad to clarify or to expand upon any items in the enclosed memorandum that may be of interest to you.

With every good wish,

Sincerely yours,

Arthur F. Burns

Enclosure

THE PRESIDENT HAS SEEN.

Stu
C

CHAIRMAN OF THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

March 31, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: ARTHUR F. BURNS

SUBJECT: Proposals to Reduce Inflation

1. Curb the expansion of Federal spending and work diligently towards the gradual elimination of budget deficits.

2. Urge Congress to pass tax measures that will encourage the expansion and modernization of our industrial plant.

3. Resist increased barriers to our imports from foreign countries, and lead the entire world community toward a general reduction in trade barriers.

4. Resist new restrictions on agricultural production and urge Congress to remove some of the remaining restrictions.

5. Relax the regulation of transport industries -- in trucking, railroads, airlines, water transport -- so as to ease entry into the business, relax restrictions on routes, and permit rates to move freely within a zone of reasonableness.

6. Moderate the effects of Federal environmental standards on production costs by postponing target dates for compliance.

7. Establish model building codes that eliminate outdated or unnecessary restrictions, and rationalize present Federal, State, and local environmental regulations -- some of which are overlapping or contradictory.

8. Direct more vigorous enforcement of the antitrust laws.

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9. Appoint an energetic young businessman with a good background in labor relations to head the Council on Wage and Price Stability.

10. Order the Council on Wage and Price Stability to be alert to apparent abuses of economic power, whether by business or labor, and to hold public hearings on price or wage increases when the public interest is significantly involved.

11. In the skilled construction trades, establish national bargaining committees that would have the power to reject local bargaining agreements and, thereby, reduce the likelihood of leapfrogging wage settlements.

12. Establish a national productivity center to assist local labor and business leaders to form productivity councils within individual enterprises in each of our sizable cities, with the objective of raising output per manhour.

13. Reform present Federally-funded training programs so as to emphasize training on the job and training for needed skills.

14. Reduce or eliminate unreasonable restrictions on entry into various professions and skilled trades.

15. Reform pension laws and regulations so as to enable or encourage individuals to postpone retirement.

16. Establish a comprehensive program of job vacancy statistics to supplement current statistics on unemployment.

17. Speed development of fully computerized job banks.

18. Urge Congress to repeal the Davis-Bacon Act in order to curb the escalation of construction costs.

19. Urge Congress to reduce the minimum wage for teenagers so as to encourage employers to hire unskilled youths and perhaps also give them on-the-job training.

20. Address by the President on the dignity of honest work and the evils of featherbedding.

THE WHITE HOUSE

WASHINGTON

March 31, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT

SUBJECT: Arthur Burns

Pursuant to your request, I followed up on your telephone call with Arthur Burns on his inflation statement.

Attached are his talking points. He indicated that he would like to supplement these after his forthcoming trip to Phoenix.

THE WHITE HOUSE
WASHINGTON

April 2, 1977

Bert Lance
Charles Schultze

The attached is forwarded to
you for your information.

Rick Hutcheson

Re: Proposals to Reduce Inflation.

THE WHITE HOUSE
WASHINGTON

April 7, 1977

Stu Eizenstat
Charlie Schultze

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

Rick Hutcheson

Re: Arthur Burns' memo re Proposals to Reduce Inflation

4

THE WHITE HOUSE
WASHINGTON

ACTION	FYI	
		MONDALE
		COSTANZA
X		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
	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
	X	SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
		WELLS
		VOORDE

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

2

April 7, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT

SUBJECT: Input for Anti-Inflation Message

I asked both the AFL-CIO and UAW to give us their written suggestions on inflation. Attached are their comments.

cc: Charles Schultze

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AFL-CIO

Memo on Anti-Inflation Policies

The rate of inflation has slowed down from 12.2 percent at the end of 1974 to 7.0 percent at the end of 1975, and 4.8 percent at the end of 1976. (Consumer prices.) In the first two months of 1977, the inflationary rate was approximately double the December 1976 rate -- largely as a result of rapid increases in food and fuel prices.

These improvements in the rate of inflation were made without any wage and price controls, guidelines, or prenotification or delays in implementing wage and price decisions.

Overall, the major underlying inflationary pressures come from high unemployment and grossly underutilized plant and equipment. Today, 7.3 percent of the labor force is looking for work, with an unemployment rate higher than any in the postwar period, except for the last two years. During 1976, $209 billion worth of potential output was lost due to the high levels of unemployment. Moreover, each 1 percent increase in the unemployment level, above high employment levels, costs the federal Treasury nearly $20 billion, and state and local government treasuries nearly $5 billion -- through reduced tax receipts and higher unemployment and welfare payments. Industry is operating at only 80.7 percent of capacity. Firms have increased prices in order to make a profit at these lower, less-economical levels of production. Some recent price increases seem to be anticipatory of either future cost increases or fears of control, rather than actual cost or market pressures.

During the last three years, workers have not only been victimized by high unemployment rates but also by the failure to achieve real gains in income. Real spendable weekly earnings of nonsupervisory workers in private industry are 4 percent below their level of 1973. Real average hourly compensation for all non-farm workers in the private sector is up only 1.8 percent from three years ago.

In addition to broad-gauged monetary and fiscal stimulative policy, as well as overall manpower programs, additional targeted policies should be undertaken to meet particular bottleneck pressures on the economy, with adequate planning to foresee potential shortages and allow for the build-up of sufficient resources and stockpiles to mitigate shortage-induced cost and price increases. With advance information, many potential bottlenecks could be avoided before they become forces of inflationary pressure.

Particular programs should address themselves to these price factors:

(1) Basic agricultural policy should be aimed at stabilizing food prices so that such prices are fair both to the farmer and to the consumer. Adequate stockpiles should be maintained to protect domestic supplies and insure price stability.

(2) Energy allocation is the preferred method for directing segments of the economy towards alternative energy sources such as coal and water. Energy policy should not depend upon price or selective tax increases for allocation of scarce of oil and gas.

(3) An adequate supply of money and lower interest rates are necessary to encourage general expansion of the economy and to help spur the new investment that is needed to sustain an expansion. Interest rates for home mortgages need to be reduced for housing to be fairly priced and in adequate supply. The difference between a 6 percent and a 9 percent 30-year mortgage on a $30,000 loan is $22,000 over the term of the loan and $61 on the monthly loan payment. Mortgage interest rates on new homes averaged 8.98 percent in February, nearly 1½ percentage points higher than in 1972, and 3 points higher than the 6 percent rate of the mid-1960s.

(4) Health care needs a new effective means of delivery through national health insurance, while simultaneously limiting profiteering.

(5) Anti-trust laws need to be strictly enforced in order to encourage real competition throughout the economy. These laws have fallen victim to court delays and legal shenanigans. These legal thickets must be abolished, if the government is to prevent monopolistic practices, including administered pricing of goods, cornering of markets and dividing markets by cartels.

Wage and price controls are impractical and unable to meet inflationary problems. In peacetime, the government is not equipped to monitor the thousands of price decisions constantly made in the economy, nor is it equipped to second-guess the wage decisions made in thousands of collective bargaining situations.

4/5/77

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA—UAW

LEONARD WOODCOCK, PRESIDENT

EMIL MAZEY, SECRETARY-TREASURER

VICE-PRESIDENTS

PAT GREATHOUSE • KEN BANNON • DOUGLAS A. FRASER • DENNIS McDERMOTT • IRVING BLUESTONE • ODESSA KOMER • MARC STEPP

STEPHEN I. SCHLOSSBERG
GENERAL COUNSEL—WASHINGTON
1125 15TH STREET, N. W.
WASHINGTON, D. C. 20005
PHONE: (202) 296-7484

JOHN A. FILLION
GENERAL COUNSEL—DETROIT

April 5, 1977

Mr. Stuart Eizenstat
Asst. to the President for
Domestic Affairs & Policy
The White House
Washington, D. C. 20500

Dear Stu:

Yesterday you asked for a brief statement by today of the UAW's ideas on inflation control.

I am enclosing a draft of a resolution we presently plan to propose to the Resolutions Committee of our May Convention.

At Leonard Woodcock's suggestion, the UAW economists have been working to develop a program. Unfortunately, this is the best we have come up with at this moment, but we will continue to work on this problem.

We believe that much of the inflation we face is external and that it does not yield to simplistic solutions.

While we are not satisfied with this draft. I particularly call your attention to the necessity for a sector by sector approach (item 5 on page 5) and the wage price review board concept (item 6 on page 5).

I'm sorry not to give you a better paper, but we will continue to work on this issue.

Best regards.

Sincerely,

Stephen I. Schlossberg

Enclosure
cc: Leonard Woodcock
SIS:bf
opeiu#494

P.S. I am also enclosing the report "Forging America's Future," in which Leonard and I worked. The UAW particularly supports the Center For Statistical Policy analysis, starting on page 41. I.W. believes many of our problems are compounded by ignorance.

UAW,

DRAFT #3.

INFLATION

Our members - in fact, all Americans - have been doubly hurt by the inflation experienced since the last UAW convention: they have faced higher prices, and the Nixon-Ford Administration used that as an excuse to promote high unemployment.

The double-digit rates of inflation of 1973-75 played havoc with the lives of millions of people. The combination of inflation and recession brought the largest annual increase in the ranks of families officially defined as living in poverty since the government began compiling statistics in 1959. Through the interaction of inflation, shorter hours, and higher taxes, working people saw the purchasing power of their paycheck shrink to its lowest level since 1965. Even now, the average paycheck of blue-collar workers buys less than in 1972. And of course the poor and the old, the most vulnerable, suffered the most.

Recently, the overall trends of consumer price increases have been slowing down. During the past year, prices went up about 5 percent. When we met in Los Angeles three years ago, the annual rate was 10 percent. Nevertheless, conservative business forces are trying to use the still fresh memories of that higher inflation to combat the increasing public demand for full employment policies. Their motivation is clear: they mistakenly believe that their thirst for greater profits can best be served by a continuation of high joblessness. A loose job market offers the potential for keeping the lid on wages, and keeping workers divided among racial, sex, age and skill

lines -- which of course curtails their power. These scare tactics should not confuse or divert us from our legitimate objective: a job at decent wages for everybody who is willing and able to work.

In fact the "stagflation" -- unemployment with rising prices -- we endured is one of the best arguments against the conservative approach. We can develop procedures to deal with inflationary forces, and achieve full employment. Better planning to anticipate problems, plus programs aimed at trouble spots, are needed.

Some of the root causes of the tremendous inflation of 1973-75 were highly unusual, but that does not preclude their reappearance. Our dependence on foreign oil has deepened, so OPEC continues to be in a position to extract higher prices for oil from our country, as well as from the rest of the world. Shortages of one food item or another, coffee being the most recent example, keep springing up. At the same time, fluctuations in the supply of basic commodities -- such as wheat which declined catastrophically about four years ago but is currently plentiful -- show that it is possible and indeed imperative to regulate the supply by practices such as stockpiling. Food and energy are crucial to the public welfare and take a large portion of the average family's consumption expenses -- about 33 percent, according to official Bureau of Labor Statistics estimates. Government has to intervene directly in order to prevent consumers from being hit with what amounts to a regressive, and in all likelihood steadily increasing, tax on their earnings.

Medical care is another sector meriting special attention. Having doubled its price in the last decade, it is currently the fastest rising component in the Consumer Price Index: in 1976, it went up twice as much as the index as a whole. The UAW has long advocated a National Health Insurance program to provide all Americans with quality health care at reasonable prices. The experience of Medicare and Medicaid shows that, as such a program is enacted, carefully planned measures will have to be taken to increase and reallocate the supply of professional and hospital services.

Food, energy and medical care are good examples of sectors where bottlenecks developed into enormous inflationary pressures; others are likely to arise in the future. Adequate housing has been in short supply for many years. We need to plan ahead: to detect these troublespots before they become full-fledged bottlenecks, so that programs to curtail demand and stimulate supply in those industries can be undertaken.

Another factor affecting inflation is the practice of price abuse by the monopolistic and oligopolistic sectors in the economy. The effect of their power on prices has been recently overshadowed by the shocks in food and fuel and the distortions in health care costs. However, the fact remains that corporations in the concentrated sector retain the muscle to increase prices and attain their profit targets without having to worry about the effect of such actions on the demand for their product. For many years, the UAW has called for an unbiased Price-Wage Review Board with adequate power to cast the spotlight on unjustified increases. Both business and labor would be within the Board's jurisdiction, but as a practical matter, the

problem is much more in the area of price increases. As various government officials have recently pointed out: the time schedules for wage increases under collective bargaining are well known, but businesses can increase prices -- and executive compensation -- at any time without advance notice.

Finally, working people must be protected against whatever inflation does occur. The fight has to be carried on both at the bargaining table and in Washington. In order to protect ourselves and our retirees from the loss of purchasing power, COLA formulas have to be strengthened and their coverage expanded, Social Security payments should be tied more closely to the increases in consumer prices, and the federal government should offer some guarantee to small savers that the value of their funds will not be eaten up by inflation.

The UAW calls for the following program to protect working people from the effects of rising prices, to prevent a recurrence of the inflationary wave of 1973-75, and to control the price abuses in the monopolistic and oligopolistic sectors of the economy:

1. Democratic National Planning to assure full employment without uncontrolled inflationary pressures.

2. A food policy to stabilize prices to consumers, protect legitimate farmers -- not agribusiness -- from ruinous fluctuations in the price of crops, and encourage full production. A first step would be the establishment of government-controlled marketing

boards to manage reserves of essential foodstuffs, both in the domestic and the international markets.

3. An energy policy which -- along with other objectives -- would minimize the hardship that curtailed energy supplies and rising prices have imposed on working people.

4. A National Health Insurance program that would place adequate medical care in the reach of every American without aggravating the inflationary pressures brought about by this sector.

5. Programs designed to detect potential shortages and imbalances on a sector-by-sector, industry-by-industry basis and to make corrections before the development of inflationary pressures.

6. A Price-Wage Review Board and Consumer Counsel with the power to require corporations in the highly-concentrated sectors of the economy to delay price increases for a 60-day waiting period. The Board would use this time to investigate -- with subpoena power -- whether the hike is justified, and to publicize its findings.

7. Issue by the Treasury Department of Purchasing Power Bonds: an instrument with an inflation related rate of interest. For example: the interest rate paid in January would be three percent above the growth of the Consumer Price Index over the preceding 12 months. This instrument should be geared and confined to small savers and individuals attempting to set away funds for their old age, and to pension funds. The latter would then be able to pay out benefits adjusted for changes in the cost of living.

8. Increases in Social Security benefits sufficient to guarantee an adequate retirement income to all Americans, with semiannual rather than annual adjustment for cost-of-living increases. The floor of three percent increase in the Consumer Price Index for the adjustment to kick in should be removed.

THE WHITE HOUSE
WASHINGTON

April 7, 1977

Stu Eizenstat

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

Rick Hutcheson

cc: The Vice President
Charles Warren
Frank Moore
Jack Watson

Re: Wetlands Protection

THE WHITE HOUSE
WASHINGTON

cc Chas Warren

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

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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

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	FOR INFORMATION
	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

THE WHITE HOUSE
WASHINGTON

Mr. President:

Frank has no comment. Jack concurs with Stu and with Charles Warren in favor of Option One.

OMB suggests a possible third alternative:

a. Include in the Environmental Message a strong statement favoring wetlands protection;

b. avoid for the time being a strong negative statement on Wright's amendment; and

c. seek to promote a compromise between House and Senate Committees to fund the waste treatment grant program for one year in the Jobs bill and deal with other water pollution amendments separately.

---Rick

THE PRESIDENT HAS SEEN.

avoid unnecessary involvement

THE WHITE HOUSE

WASHINGTON

April 2, 1977

MEMORANDUM FOR THE PRESIDENT

FROM STU EIZENSTAT by hlp

SUBJECT WETLANDS PROTECTION

This memorandum summarizes a longer paper on this issue from Charles Warren (attached), and provides my comments.

Summary of the issue

Section 404 of the Federal Water Pollution Control Act provides for federal protection of the nation's wetlands through a requirement that any discharger of dredged or fill material in a wetland first obtain a permit from the Corps of Engineers. Legislation to be considered by the House on April 5 would amend Section 404 and exclude about three-fourths of the total wetland area from the federal protection it now receives. Congressman Jim Wright is the principal sponsor of this amendment, arguing that 404 provides undue federal regulation of farming and forestry and that wetlands protection should be a state responsibility. Proponents of Section 404 point to a poor job of state wetland regulation prior to enactment of the provision, and feel that revision of regulations implementing 404 have removed the problem of overregulating farming and forestry. Proponents believe that without a federal role wetlands will not be adequately protected.

Options

Option 1: Support the current wetlands program (oppose the Wright amendment), with a modification to permit a larger role for states having adequate programs.

o This is supported by the following Departments and agencies: Army, Interior, Commerce, Justice, Transportation, Environmental Protection Agency, Council on Environmental Quality and OMB.

o It provides maximum wetlands protection without requiring permits for normal farming and forestry, and allows state involvement where appropriate.

Option 2: Support the Wright amendment to 404

o This is supported by Agriculture

o It would exempt private action in most wetlands

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from federal regulation, and would reduce federal paperwork accordingly.

o It would not prevent you from submitting legislation to deal separately with wetlands protection. (Chances of passage of such a bill, however, are poor.)

Additional discussion

The House aims to pass the legislation containing the amendment to Section 404 next week, and to attach this bill to their already passed Public Works job bill. The legislation also contains funding for EPA's sewage treatment plant construction grant program. The Senate included funds for this program in their version of the jobs bill. Senator Muskie is vigorously opposed to Section 404, and the wetlands issue is likely to become a sticking point in the conference on the jobs bill. Your position on this issue could affect floor action in the House prior to sending the issue to conference, and will certainly be a factor when the jobs bill reaches the conference stage.

I recommend that you support Option 1, opposing weakening of the 404 program, and that you let this position be known before the House acts next Tuesday. (If you have reached a decision by Monday it would be helpful since Bizz Johnson has asked for a reading of our position before he meets with the leadership Monday afternoon.) A fuller exposition of your position on wetlands could be included in the environmental message later in the week. This decision would put the House on notice of your position before the Conference, and may ultimately help avoid a deadlock on the jobs bill.

Approve Option 1 ✓ Approve Option 2 _____

See Me _____

JC

Attachment:
Memo from Charles Warren

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WARREN MEMO (summarized

Done.
Withdraw petitions

THE WHITE HOUSE
WASHINGTON

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

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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

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

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

March 30, 1977

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Wetlands Protection

Decision Issue: Whether to continue to support the current federal/state wetlands protection program or to support pending legislation which would withdraw federal regulation from most wetlands.

Background

The draft Environmental Message and a House bill which would amend the Federal Water Pollution Control Act provide a timely opportunity for you to state the Administration position on wetlands protection.

The Nation's wetlands are protected under federal law primarily by Section 404 of the Federal Water Pollution Control Act. The Act applies to all "waters of the United States," including wetlands. Section 404 (as interpreted by the courts) requires anyone who would discharge dredged or fill material into a wetland to obtain a permit from the Corps of Engineers.

In draft form, the Environmental Message has you supporting strong federal wetlands protection and the Section 404 permit program. In addition, the Message puts the Administration on record favoring (1) administrative measures to reduce red tape and excess regulation of normal farming and forestry activities and (2) legislation that would authorize approval of states with adequate programs to assume responsibility for administering the Section 404 program. All interested agencies (Army, CEQ, Commerce, EPA, Interior, Justice, OMB, Transportation) support this position, and EPA and Army have so testified. Agriculture would prefer separate legislation for wetlands protection, or an exclusion for soil conservation practices; otherwise, it supports items (1) and (2) above. Environmental groups have made preserving Section 404 one of their primary objectives.

Section 16 of H.R. 3199, which was reported out of the House Public Works Committee last week, would roll back the jurisdiction of Section 404 from all waters (including wetlands) to waters that support navigation and their adjacent wetlands. The effect of the bill would be to

exclude about three quarters of the nation's wetlands from federal protection (unless the states invite the Corps to regulate their wetlands, as the bill would allow). Moreover, by redefining the term "navigability," the bill would cut back the authority of the Corps to protect navigation that could be adversely affected by activities in other waters.

H.R. 3199 has considerable momentum because it also includes authorizations for continuation of the municipal sewer grants program. The Senate has no companion bill (sewer grant authorizations were added to the jobs bill in the Senate), but the Senate may be forced to go to conference on the wetlands issue in order to get out the grants authorization. (Douglas Costle wrote Bizz Johnson last week urging that the grants authorization be separated from the rest of the bill). An Administration position on section 16 could be instrumental in its being retained or deleted on the House floor. The same agencies which support the draft Administration position in the Environmental Message oppose section 16, except that Agriculture wants separate wetlands legislation.

Protecting wetlands is one of the cornerstones of the Environmental Message in the current draft. The issue cannot be addressed, however, without addressing Section 404 as part of it.

Status of
Wetlands Protection

Some 40% of our wetlands have been destroyed between 1850 and now. Currently, a few states regulate activities in wetlands and water courses with widely varying standards and mixed success. We are still losing wetlands at a rate of about 300,000 acres per year, despite state and expanded federal protection.

Decision Options

The choice is whether to continue to support the current federal/state wetlands protection program (and oppose section 16 of the House bill) or to abandon this program for separate legislation (and support section 16).

Support Current Federal/State Wetlands Protection Program

° would preserve current authority to regulate discharges of dredged and fill material into all water of the United States, including tidal and freshwater wetlands.

° would propose legislation authorizing states with adequate programs to assume responsibility for administering the major part of the Section 404 program (the Corps would retain jurisdiction in traditionally navigable waters).

° would exclude many normal farming and forestry activities from permitting as appropriate, and provide flexibility for the Corps to handle activities with minimal wetlands impacts.

° is supported by Army, CEQ, Commerce, EPA, Interior, Justice, OMB, and Transportation.

Oppose Current Federal/State Wetlands Protection Program

° would roll back Section 404's jurisdiction to commercially navigable waters and their adjacent wetlands (portions of most coastal wetlands, about a quarter of the freshwater wetlands).

° would eliminate historically navigable waters and tributaries of navigable waters from Corps' authority to protection navigation.

° would exempt private actions in most wetlands from federal regulation, and reduce federal paperwork accordingly.

° would exempt federal projects from regulation.

° would retain opportunity to prepare separate wetlands protection legislation.

° is supported by Agriculture.

Charles Warren
Chairman

THE WHITE HOUSE

WASHINGTON

Date: March 30, 1977

MEMORANDUM

FOR ACTION:
Stu Eizenstat
Frank Moore NC
Jack Watson - supports on anti program
Bert Lance

FOR INFORMATION: The Vice President
Bob Lipshutz

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Charles Warren memo 3/30/77 re Wetlands Protection.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 5:00 P.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)

Bill - call
around on This

Rich

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

March 30, 1977

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Wetlands Protection

Decision Issue: Whether to continue to support the current federal/state wetlands protection program or to support pending legislation which would withdraw federal regulation from most wetlands.

Background

The draft Environmental Message and a House bill which would amend the Federal Water Pollution Control Act provide a timely opportunity for you to state the Administration position on wetlands protection.

The Nation's wetlands are protected under federal law primarily by Section 404 of the Federal Water Pollution Control Act. The Act applies to all "waters of the United States," including wetlands. Section 404 (as interpreted by the courts) requires anyone who would discharge dredged or fill material into a wetland to obtain a permit from the Corps of Engineers.

In draft form, the Environmental Message has you supporting strong federal wetlands protection and the Section 404 permit program. In addition, the Message puts the Administration on record favoring (1) administrative measures to reduce red tape and excess regulation of normal farming and forestry activities and (2) legislation that would authorize approval of states with adequate programs to assume responsibility for administering the Section 404 program. All interested agencies (Army, CEQ, Commerce, EPA, Interior, Justice, OMB, Transportation) support this position, and EPA and Army have so testified. Agriculture would prefer separate legislation for wetlands protection, or an exclusion for soil conservation practices; otherwise, it supports items (1) and (2) above. Environmental groups have made preserving Section 404 one of their primary objectives.

Section 16 of H.R. 3199, which was reported out of the House Public Works Committee last week, would roll back the jurisdiction of Section 404 from all waters (including wetlands) to waters that support navigation and their adjacent wetlands. The effect of the bill would be to

exclude about three quarters of the nation's wetlands from federal protection (unless the states invite the Corps to regulate their wetlands, as the bill would allow). Moreover, by redefining the term "navigability," the bill would cut back the authority of the Corps to protect navigation that could be adversely affected by activities in other waters.

H.R. 3199 has considerable momentum because it also includes authorizations for continuation of the municipal sewer grants program. The Senate has no companion bill (sewer grant authorizations were added to the jobs bill in the Senate), but the Senate may be forced to go to conference on the wetlands issue in order to get out the grants authorization. (Douglas Costle wrote Bizz Johnson last week urging that the grants authorization be separated from the rest of the bill). An Administration position on section 16 could be instrumental in its being retained or deleted on the House floor. The same agencies which support the draft Administration position in the Environmental Message oppose section 16, except that Agriculture wants separate wetlands legislation.

Protecting wetlands is one of the cornerstones of the Environmental Message in the current draft. The issue cannot be addressed, however, without addressing Section 404 as part of it.

Status of
Wetlands Protection

Some 40% of our wetlands have been destroyed between 1850 and now. Currently, a few states regulate activities in wetlands and water courses with widely varying standards and mixed success. We are still losing wetlands at a rate of about 300,000 acres per year, despite state and expanded federal protection.

Decision Options

The choice is whether to continue to support the current federal/state wetlands protection program (and oppose section 16 of the House bill) or to abandon this program for separate legislation (and support section 16).

Support Current Federal/State Wetlands Protection Program

° would preserve current authority to regulate discharges of dredged and fill material into all water of the United States, including tidal and freshwater wetlands.

° would propose legislation authorizing states with adequate programs to assume responsibility for administering the major part of the Section 404 program (the Corps would retain jurisdiction in traditionally navigable waters).

° would exclude many normal farming and forestry activities from permitting as appropriate, and provide flexibility for the Corps to handle activities with minimal wetlands impacts.

° is supported by Army, CEQ, Commerce, EPA, Interior, Justice, OMB, and Transportation.

Oppose Current Federal/State Wetlands Protection Program

° would roll back Section 404's jurisdiction to commercially navigable waters and their adjacent wetlands (portions of most coastal wetlands, about a quarter of the freshwater wetlands).

° would eliminate historically navigable waters and tributaries of navigable waters from Corps' authority to protection navigation.

° would exempt private actions in most wetlands from federal regulation, and reduce federal paperwork accordingly.

° would exempt federal projects from regulation.

° would retain opportunity to prepare separate wetlands protection legislation.

° is supported by Agriculture.

Charles Warren
Chairman

THE WHITE HOUSE

WASHINGTON

Date: March 30, 1977

MEMORANDUM

FOR ACTION:
Stu Eizenstat
Frank Moore ✓
Jack Watson
Bert Lance

FOR INFORMATION: The Vice President
Bob Lipshutz

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Charles Warren memo 3/30/77 re Wetlands Protection.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 5:00 P.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 [illegible] Staff Secretary immediately. (Telephone 7052)

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

APR 1 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: Bert Lance

SUBJECT: Wetlands Protection under Section 404 of the Federal Water Pollution Control Act

The attached memorandum from Chairman Warren discusses options for an Administration position on Federal regulation of wetlands. The issue is prompted by the environmental message and by pending House action on H.R. 3199, the Federal Water Pollution Control Act Amendments of 1977. H.R. 3199 includes a provision which limits the scope of Federal regulation by the Corps of Engineers under Sec. 404 of the 1972 law.

The memo analyzes the alternative policies for wetlands protection and fairly presents the alternatives. However you should also consider the relationship of this issue to early enactment of the Public Works Jobs bill.

The Senate Public Works Committee added to the Jobs bill a two-year authorization ($4.5 Billion, $4.5 Billion) for the Environmental Protection Agency sewage treatment construction grant program. Without additional funding, 11 States will run out of money by September.

In response, the House Public Works Committee accelerated action on Water Act Amendments. The House Bill (H.R. 3199):

- restricts Section 404 regulatory authority, which the Committee believes was unduely expanded by a 1975 court decision

- provides a three-year authorization ($5 Billion, $6 Billion, $6 Billion) for sewage grants

The House may succeed in forcing a conference with the Senate on both the Jobs bill and Water Act Amendments. (Although the House already passed a Jobs bill, conference action is being held up until H.R. 3199 can be passed).

Administrator Costle wrote to Chairman Bizz Johnson stating the Administration supports action on funds for only the Construction Grants program at this time, and will provide recommendations on other substantive amendments at a later date. The letter was not well received by the House Public Works Committee.

A third option to the two presented by Chairman Warren should also be considered and is recommended by OMB.

The third option is:

(a) For the present time include in the Environment Message a strong, positive statement on wetlands protection

(b) Avoid for the time being a strong negative statement on Sec. 16, recognizing it is Jim Wright's provision

(c) Seeking immediately to promote a compromise between House and Senate Committees to fund the waste treatment grant program for one year in the Jobs bill and deal with other water pollution amendments separately.

Date: March 30, 1977

MEMORANDUM

FOR ACTION:
Stu Eizenstat
Frank Moore
Jack Watson
Bert Lance

FOR INFORMATION: The Vice President
Bob Lipshutz

xc Cary
Sullivan
Fletcher
Rubenstein

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Charles Warren memo 3/30/77 re Wetlands Protection.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 5:00 P.M.

DAY: Friday

DATE: April 1, 1977

ACTION REQUESTED:

__x__ Your comments

Other:

STAFF RESPONSE:

____ I concur. ____ No comment.

Please note other comments below:

extended - by Phone
till 10 am Sat.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required

THE WHITE HOUSE

WASHINGTON

Date: March 30, 1977

MEMORANDUM

FOR ACTION:
Stu Eizenstat
Frank Moore — NC
Jack Watson ✓
Bert Lance

1977 MAR 30 PM 5 36

FOR INFORMATION: The Vice President
Bob Lipshutz

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Charles Warren memo 3/30/77 re Wetlands Protection.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 5:00 P.M.

DAY: Friday

DATE: April 1, 1977

ACTION REQUESTED:

__x__ Your comments

Other:

STAFF RESPONSE:

____ I concur. ____ No comment.

Please note other comments below:

I Support Current program.

J. Watson

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required

THE WHITE HOUSE
WASHINGTON

April 7, 1977

Stu Eizenstat

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

Rick Hutcheson

Re: Anti-Inflation Message

13

THE WHITE HOUSE
WASHINGTON

ACTION	FYI	
		MONDALE
		COSTANZA
	X	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
	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

April 5, 1977

MR. PRESIDENT:

Attached is the input on the anti-inflation message which you requested me to obtain from the Secretaries of State, Labor and Agriculture.

Stu Eizenstat

XC Cam Gmsbrg

Stu - All good J

UNDER SECRETARY OF STATE-designate
FOR ECONOMIC AFFAIRS
WASHINGTON

THE PRESIDENT HAS SEEN.

April 4, 1977

MEMORANDUM

TO: Mr. Stuart Eizenstat
Assistant to the President
for Domestic Affairs and Policy
The White House

FROM: Richard N. Cooper

SUBJECT: Anti-Inflation Message

You requested any thoughts I might have on how the President might address the question of inflation. I am not sure how best to respond to your request, particularly since my ideas are for the most part conceptual, rather than specific in nature. I think it is important that the President put his message into a broad context of overall economic management, rather than focusing narrowly on inflation. I also think it is important that he take the occasion to say what cannot be easily done and to indicate the relationships between inflation and other key economic variables, something previous Presidents and cabinet ministers have failed to do. At the risk of being not entirely responsive to what you want, let me offer a sketch of the four main points I think should be made. If you would like to pursue any or all of them further, I would be happy to do so. The sketch runs something like this:

1. During the past decade, some bad breaks and some bad policies produced the legacy of inflation with which we Americans--and indeed most peoples around the world--now find ourselves. Presidents Nixon and Ford tried to beat inflation out of the economy by reducing total demand. The result was the highest level of unemployment since the 1930's., with all its attendant economic and social hardship. The costs of this policy are high, yet the rewards have been meager, for once inflation is imbedded in the economy, it is hard to reduce it. We have undertaken a program of economic stimulation in order to reduce the hardships of high

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for Preservation Purposes

unemployment. But we do not want to rekindle inflation. On the contrary, we want the expansion to proceed in such a way that inflation can continue to moderate. There are many components to that. At the present time, the economy is slack and can produce higher output and incomes without higher prices. High unemployment and idle productive capacity assure an ability to raise production without the need to raise prices. But business and labor must cooperate by not pressing for ever higher prices and wages, for if they do so, renewed government efforts to reduce inflation will lead once again to higher unemployment.

Over the years, labor productivity in the American economy grows at a rate of 3 percent a year, or perhaps a bit below that. Therefore, in the long run, wages--the rewards to labor--also must rise at a rate not greater than 3 percent if we are to avoid inflation altogether. We cannot hope realistically to achieve total stability in the price level within a short period of time. With concerted effort we can reasonably hope to reduce the rate of inflation by perhaps one percent a year over the next six years so that gradually inflation is expunged from the American economy. That means that wage settlements must decline gradually over this period at the rate of one percent a year until they reach 3 percent. It also means that price increases in the administered sectors of the economy should decline by about one percent a year. We do not want a formal system of wage and price controls, nor do we even want a system of detailed voluntary guidelines to bring this about. What we need, however, is a shared vision of the objective and the path to the objective, combined with a system for monitoring our progress and for undertaking discussions with those sectors of the economy where price or wage movements are badly out of line with the path toward non-inflationary growth which we are striving to achieve. (Charlie Schultze has some more detailed proposals for such a monitoring system.) Reducing the inflation rate will, no doubt, become somewhat more difficult after a few years as we approach a more moderate level of unemployment. We therefore need to develop and perfect our approaches to monitoring price and wage settlements now, while the task is relatively easy.

Interpreting economic events during this period will require sophistication. Some commodity prices are highly sensitive to business activity. These prices fell during the recession and are now depressed. These prices, of course, will rise during the next several years. That rise does not presage inflation, only recovery. The price of manufactured goods need not rise correspondingly because

of recovery-induced increases in productivity.

2. A second major component to our policy to reduce inflation involves increasing the productive capacity of the economy. Most of the productive capacity of the American economy is in the private sector. Business firms have no incentive to invest when business is slack and capacity is idle. It is not surprising that the capacity of the American economy has grown only slightly during these last three years of recession. Firms need to plan ahead in expectation of steady recovery, and a government commitment to that recovery is the best stimulus that can be provided to private investment. Our stimulus package involves a temporary tax cut, rather than a permanent one, precisely to allow for some temporary impetus to demand in the hope that business investment will catch on and provide further stimulus to the economy, as the direct impact of the temporary tax reduction recedes. A permanent tax cut might place private consumption in competition with private investment, whereas a temporary tax cut will not. (I add this here--and the point could be further elaborated--because of feedback I get from my academic colleagues that the Administration has not done an effective job of countering Arthur Burns' argument against a temporary, as opposed to permanent tax cut.)

The stimulus package also includes some direct incentives to investment, notably the option of an investment tax credit. Moreover, it is important that, as recovery proceeds, interest rates not rise unduly, for that would discourage investment. To increase further the productivity of the American economy, we should also expedite the execution of already existing investment plans. Because of changes in national priorities, it now often takes much longer to plan and construct a new productive facility than was the case a decade ago. While still retaining our new priorities, we should be able to reduce the often seemingly endless delays that have been introduced to new plant construction and operation. (This section on increasing productivity capacity and labor productivity could, if desirable, be further elaborated. Is there something we can say that will lend greater certainty to business regarding anti-pollution regulations and enforcement of OSHA?)

3. The American economy does not function in isolation. On the contrary, it is imbedded in an increasingly complex set of economic relationships with the rest of the world. We are dependent on the rest of the world for many products; we rely on the rest of the world to service many of our needs. And the rest of the world in turn is dependent on the United States and relies on the United States for many of its needs. Some of the shocks to our own economy come from abroad, as was the case with big increases in oil prices; but the rest of the world also serves to attenuate some of the shocks that are generated within the United States, as when we drew resources from the rest of the world during the Viet-Nam boom of the late 1960's. An important component of any policy against inflation is maintaining a competitive pricing environment, and liberal trade is one of the most effective ways to do that. We serve our own needs as well as those of other countries by maintaining a liberal trading environment. Such an environment increases incomes both at home and abroad, but also increases competition and reduces the scope for unwarranted price increases both at home and abroad. (Again, this point could be elaborated further, depending on how much emphasis the President wants to put on it in light of his decision on shoes and his pending decisions on other import cases.)

4. A final section could include numerous actions which the government can take regarding its own direct role in the economy as a purchaser of goods and services and as a regulator of private transactions. (CEA has a list of such actions and can offer details, which ranges from agricultural marketing regulations to government purchasing requirements for medicade. The issues are many, involving countless aspects of government policy. Perhaps the President could indicate that effect on prices of government actions will be given much greater weight than in the past.) (End of sketch outline.)

I have deliberately excluded here any reference to proposals which explicitly link changes in taxation to price and wage performance, such as a tax penalty to corporations that increase wages more than some

stipulated figure, or a tax reduction to wage earners whose wages rise by less than some stipulated figure. I urged such a link three years ago, when I thought the time was right. I would not favor such a link at the present time. But if for some reason the stimulus package that is now before Congress fails, then I think we should revive the idea of tax incentives for good wage and price behavior, including the possibility of per capita grants to state and local governments that reduce their sales taxes. But I would not include such ideas in the present message.

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

APR 5 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM FOR: THE PRESIDENT

FROM: SECRETARY OF LABOR Ray Marshall

SUBJECT: Anti-Inflation Policies

Your statement on inflation should meet the following goals:

1. Demonstrate the need for anti-inflation policies

   - Inflation hurts the poor and those with fixed incomes.
   - Inflation destroys the public's faith in their government and political system.
   - The present 6 percent rate of inflation will not decline unless policies are designed to reduce it. Inflation could even accelerate in the near future due to problems in particular industries.

2. Describe the general causes of inflation and the specific causes of our recent inflation

   - Demand. Prices rise when buyers try to buy more than the economy can produce. This is not the present situation.
   - Costs. Particular costs can be increased because of bad harvests or weather, because of unwise governmental regulations or tax policy, because of OPEC type cartels, or because of bad industrial organization as in the case of medical care.
   - Momentum. Inflation can sustain itself as wage increases cause prices to rise and price increases cause wages to rise.

- Recent History. Inflation was less than 4 percent in 1972. It accelerated in 1973 primarily because of OPEC, bad harvests, and other bad cost experience. The present inflation is due to momentum alone.

3. Reject wage and price controls

   - Wage and price controls do not work.
   - Wage and price controls are inequitable.
   - Wage and price controls attack the symptom, not the cause of inflation.

4. Present a comprehensive program to fight inflation in two ways

   - Insulate the economy from shocks that increase costs.
   - Slow the momentum of the existing inflation.

I have enclosed a brief description of two policies that are essential parts of a comprehensive policy. These policies would attempt to deal with the basic causes of inflation.

The first deals with industry committees. Both labor and management now recognize that they cannot raise their real incomes by raising their wages and prices. Increases in real income must come from increases in real output. It should also be recognized that increases in real output can be threatened by inflation. The common stake of employers and employees in non-inflationary increases in output provides an incentive for them to work together on these committees. It is proposed that a committee be established in each major industry with labor, management and government participation. The goal of these committees will be to facilitate the expansion of output in a non-inflationary way.

The second policy describes government actions to reduce costs.

Enclosure

Enclosure: Policies to Reduce Inflation

I. Industry Committees

Close working relations between government, labor and business should be promoted by the creation of a joint committee for each major industry. These committees would help moderate inflation in several ways.

- Future manpower needs of the industry can be addressed so that shortages and surpluses of labor can be avoided. Needs for retraining and relocation can be anticipated by discussions of this kind and an overall balance between the supply and demand for labor can be enhanced. Training can occur when unemployment is high so that shortages can be avoided as employment increases.

- The effect of specific government regulations on prices and costs would be made known to government officials whose main interest is to moderate inflation.

- The effect of work rules on productivity will be made known to unions.

- Government will receive an early warning of pending inflation or of the inflationary effects of such events as an OPEC price increase, a devaluation, or a shortage of a particular product caused by a strike an embargo or a natural disaster.

- The effect on cost items such as health insurance, pension laws and tax policies would be made known to government.

- The effect on costs of forthcoming wage negotiations would be made known. Productivity enhancing measures could be included in packages thought to have unusually large wage increases.

- Business could be made aware of its need for capacity if the government's long-run goals for unemployment and output are to be met.

- No formal wage and price controls would be used in these committees though they would be made aware of the government's general expectations for inflation, unemployment and productivity over the next five years.

- No intervention in labor management negotiations would be undertaken by these committees though they would keep themselves informed of the progress of such negotiations.

- Industries where such consultations would be particularly useful are coal, construction and medical care. An effective labor-management committee is now at work in the retail food industry working independently of government.

II. Government Policies to Reduce Costs

Policies could be constructed to reduce cost inflation by one-half to one percent for each of the next three years. If these policies are carried out in close communication with business and labor, these once and for all cost reductions could be transformed into permanent reductions in the rate of inflation. The industry committees noted above would discuss prices and costs against a background of a forecast reduction in the rate of inflation during the next four years. Government would bear the responsibility for lowering costs in a manner consistent with the forecast.

Specific policies to reduce costs include:

- Payroll tax reductions
- Interest rate reductions
- Regulatory cost reductions.

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

April 2, 1977

LOG

Date 4/2
PG for BL
Routing CLS

MEMORANDUM FOR CHARLIE SCHULTZE

FROM: HOWARD HJORT

On March 31 you asked the Secretary for some language to be included in the President's anti-inflation message or statement.

The attached is for that part of the proposed statement that talks about the Commodity Reserve Program.

It is too long. But I hope you find it of use.

From a decade or more of relative stability, the domestic agricultural sector recently experienced a series of unprecedented economic shocks. We saw a drawing down of our grain reserves, commitment of land reserves, and six consecutive years of record export volumes. While commodity prices and farm incomes reaching near record levels reflected these conditions, and the increased export earnings prevented unfavorable balances in our trade accounts, there were deleterious offsetting effects as well.

Food prices escalated at rapid rates during this period; consumer expenditures for food rose from $150 billion in 1972 to $209 billion in 1975. This increase affected all consumers, but most severely those at the lower end of the income distribution and those already most hard pressed to obtain nutritionally adequate diets. There were other unsettling side effects as well. The increased food prices served to fuel inflation throughout the domestic economy, the vestiges of which are with us today.

Food prices are highly visible and widely publicized. Perhaps for this, more than any other economic indicator, they are especially important in determining the inflationary expectations of consumers and largely condition the wage demands of labor.

The situation at present has moderated, from the extremes. We are now seeing depressed farm product prices, and with the continual escalation of production costs, farm incomes declining as a result. But unfavorable weather in our own farm belt or in major production regions of the world could again result in production shortfalls, sharply increased prices, and another round of inflation. It is now obvious that the boom and bust cycles in agriculture, largely brought about by domestic and worldwide weather

conditions, are not in the best interests of the producer, the consumer, or the nation as a whole. Therefore, important components of the anti-inflation program must deal with price stabilization and inflation control in agriculture and the food system.

To these ends, we are pursuing development on several fronts of a comprehensive commodity reserves policy. These reserves will serve to further a variety of national objectives. However, we are looking to this program principally, not to administer prices, but to remove the extreme peaks and valleys of price movements while still allowing the market to perform the important allocative function.

We are developing a domestic producer-held food grain reserve while we have excess supplies of these grains. Judicious administration of this reserve will provide protection against weather induced extreme food price increases and the associated inflationary pressures, but permit the increased revenues to accrue to those who produced the grain. These reserves are modest in size and the cost in incentives to producers to hold the grain is small relative to the potential benefits. The establishment of this reserve is a component of our overall domestic agricultural policy and consistent with our objectives in the international area.

The United States is also committed to greater stability in world commodity markets through international cooperation. The commodities of particular concern are grains and sugar--ones which have shown the widest fluctuations and had strongest impacts on the domestic and world economy in recent years.

Since 1974, ~~we have~~ the United States has been engaged in talks at the International Wheat Council examining the possible bases for a new International Wheat Agreement.

We are now re-examining our position on the role of prices and reserve stocks and will soon present a new proposal in the Wheat Council. The objective is to bring greater stability to the world wheat market than has been present in the past few years. It is our view that a new agreement should contain provisions which in some way link reserves to price movements.

We are also concerned about potential price fluctuations for feed ~~grains~~ because of the large impacts on the domestic livestock sector, ultimately reflected in consumer food prices. I have, therefore, raised the market price support levels for feed grains and soybeans. ~~We will proceed in the coming months to develop policy proposals for feed grains similar to those for wheat.~~

The United States is prepared to carry its fair share of the international reserve stocks required to meet the program objectives. However, we will not unilaterally stabilize the world grain market.

The United States would also like international cooperation in bringing greater stability to the world sugar market. We are in favor of a new sugar agreement with minimum and maximum world prices and a buffer stock. We are developing our positions for the meetings on sugar which begin this month in Geneva.

We are also prepared to respond positively to other international proposals for commodity stabilization agreements, particularly those of primary interest to the developing countries. The United States has agreed in principle to a common fund approach for financing commodity stockpiles after individual commodity agreements are made. Meetings are currently being conducted under the auspices of the United Nations Conference on Trade and Development toward reaching agreements for a number of commodities and for a common fund to finance the buffer stocks.

THE WHITE HOUSE
WASHINGTON

April 7, 1977

Bob Lipshutz
Stu Eizenstat

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

Rick Hutcheson

cc: Frank Moore
Jack Watson

Re: Administration Testimony Re Sex Discrimination Bill

THE WHITE HOUSE
WASHINGTON

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

THE PRESIDENT HAS SEEN.

Leave me out of it for now J

THE WHITE HOUSE

WASHINGTON

April 5, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ
STU EIZENSTAT

SUBJECT: Administration Testimony Re Sex Discrimination Bill

On April 6, hearings will begin on legislation which would guarantee to pregnant workers the right to use accrued sick leave and related benefits for medical disability during pregnancy and immediately following delivery. (The bill is designed to overturn the Supreme Court's December 1976 ruling that exclusion of pregnancy from such benefits programs does not constitute sex discrimination under Title VII of the Civil Rights Act of 1964.) Justice, Labor and EEOC will testify in favor of the bill.

The legislation is needed if women in industry are to receive compensation for the brief periods of absence medically required for healthy childbearing. Passage of the bill would not affect the Federal budget, since the Federal Government already affords its pregnant employees the treatment which the legislation would require of all employers. Corporations such as Xerox and IBM also provide such coverage, but other companies do not and therefore oppose the bill because they feel it would increase their costs somewhat; OMB believes, however, that the impact on the economy would be insubstantial.

The legislation (introduced by Senator Williams and Congressman Hawkins with some 80 co-sponsors) is supported by the heads of the interested agencies, including Griffin Bell and Bert Lance. It is being pushed by a large coalition of women's groups, as well as the AFL-CIO.

The agencies which will testify in favor of the bill wish to know whether, in the future, they may state that the measure has your personal support. We recommend that you give such authorization.

APPROVE _____ DISAPPROVE _____

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

April 6, 1977

Midge Costanza
Hamilton Jordan
Bunny Mitchell

The attached is forwarded to you for your information.

Rick Hutcheson

Re: Administration Testimony
Re Sex Discrimination Bill.

THE WHITE HOUSE
WASHINGTON

Bill
call around on This
To Pres This afternoon

ACTION	FYI	
		MONDALE
	X	COSTANZA
		EIZENSTAT
	X	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
X	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
X	LOG IN/TO PRESIDENT TODAY
X	IMMEDIATE TURNAROUND

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

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

PRES. S'

THE PRESIDENT HAS SEEN.

C

THE WHITE HOUSE

WASHINGTON

April 6, 1977

MEETING WITH DR. ROBERT FROSCH
Thursday, April 7, 1977
3:30 p.m. (15 min.)
The Oval Office

From: Hamilton Jordan

I. PURPOSE

To meet Dr. Robert Frosch who has been recommended as Administrator of the National Aeronautics and Space Administration.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: On March 31st you indicated you would interview Dr. Robert Frosch, who was recommended to you by Frank Press for the position of Administrator of NASA. You asked that we check with Harold Brown and Jim Schlesinger. Both were contacted and indicated that Frosch was acceptable to them. Attached at Tab A is the March 31st memorandum and a copy of Schlesinger's and Brown's comments.

B. Participants: Robert Frosch.

C. Press Plan: No announcement to the press. White House Photographer.

Attachment

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for Preservation Purposes

THE WHITE HOUSE

WASHINGTON

Ham -
Check first with
H Brown & Schlesinger
J

March 31, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN

SUBJECT: NASA ADMINISTRATOR

This is a difficult post to fill. None of the candidates previously recommended by Frank Press for NASA were willing to come to Washington to accept the post. Frank undertook a new search, and his recommendations are attached. We have assurances that all three recommended would accept the post if offered.

The best candidate appears to be Bob Frosch, who is Frank's first choice. I recommend you interview Frosch if you are interested.

I will agree to interview Frosch V

I want to interview other candidates

_____ (Lovelace)

_____ (Cortright)

Attachments

COMMENTS ON ROBERT FROSCH:

From Harold Brown:

He knows Frosch, has worked with him. Believes him to be a good choice. He considers him very good technically. Frosch would not in his opinion upset the agency people, and at the same time would be acceptable to the scientific and technical community. He would not be likely to get the Administration in trouble.

From Jim Schlesinger

Bob Frosch is a highly respected technical person, with a realistic understanding of policy issues. He would make an effective, though not dramatic, head of NASA.

Robert Alan Frosch
56 McCallum Drive
Falmouth, Massachusetts 02540
New York City May 22, 1928

EDUCATION

1947	A.B. Columbia University
1949	A.M. Columbia University
1952	Ph.D. Theoretical Physics, Columbia University

EXPERIENCE

1951-53	Scientist, Hudson Labs, Columbia
1953-54	Assistant Director, Theoretical Division
1954-56	Associate Director
1956-63	Director
1963-65	Director, Nuclear Test Detection ARPA
1965-66	Deputy Director, ARPA
1966-73	Assistant Secretary Navy R&D
1973-75	Assistant Exec. Director UN Environment Programme
1975---	Associate Director for Applied Oceanography, Woods Hole Oceanographic Institution

PUBLIC SERVICE & OTHER DATA

1967-69	Chairman Inter-Agency Committee on Marine Research, Education & Facilities
1969---	Department of Defense member of Committee for Policy Review, National Council on Marine Resources & Engineering Development
1967,'70	Chairman, U.S. Delegation to Intergovernmental Oceanographic Commn. meetings UNESCO, Paris
1966	Recipient Arthur S. Flemming Award
Present	Fellow A.A.A.S. Acoustical Soc. Am., IEEE.; mem. Am. Geophysics Union. Seismol. Soc. Am., Soc. Exploration Geophysicists, Marine Tech. Soc.

PUBLICATIONS

Researched and published numerous science and technology articles

PERSONAL

Married - 2 children

PRESIDENT'S READING COPY FOR

NUCLEAR STATEMENT 4/7/77

THE PRESIDENT HAS SEEN.

MORE THAN THIRTY YEARS AGO THE UNITED STATES WENT TO THE UNITED NATIONS AND OFFERED TO PLACE INTRINSICALLY DANGEROUS ASPECTS OF NUCLEAR ENERGY UNDER INTERNATIONAL CONTROL. THE NATION'S COMMITMENT TO PREVENTING NUCLEAR PROLIFERATION BEGAN THERE. FIVE PRESIDENTS BEFORE ME HAVE HELD FIRMLY TO THAT COMMITMENT. LAST FALL, ON OCTOBER 28, MY PREDECESSOR ANNOUNCED IMPORTANT CHANGES IN U. S. NUCLEAR POLICIES. TODAY I AM CONFIRMING AND EXTENDING PRESIDENT FORD'S DECISIONS.

N.S.C. offers this as an alternative way to begin your announcement.

JP

THERE IS NO DILEMMA TODAY MORE DIFFICULT TO RESOLVE THAN THAT CONNECTED WITH THE USE OF NUCLEAR POWER. MANY COUNTRIES SEE NUCLEAR POWER AS THE ONLY REAL OPPORTUNITY, AT LEAST IN THIS CENTURY, TO REDUCE THE DEPENDENCE OF THEIR ECONOMIC WELL-BEING ON FOREIGN OIL -- AN ENERGY SOURCE OF UNCERTAIN AVAILABILITY, GROWING PRICE, AND ULTIMATE EXHAUSTION. THE U. S., BY CONTRAST, HAS A MAJOR DOMESTIC ENERGY SOURCE -- COAL -- BUT ITS USE IS NOT WITHOUT PENALTIES AND OUR PLANS ALSO CALL FOR THE USE OF NUCLEAR POWER AS A SHARE IN OUR ENERGY PRODUCTION.

THE BENEFITS OF NUCLEAR POWER ARE THUS VERY REAL AND PRACTICAL. BUT A SERIOUS RISK ACCOMPANIES

WORLD-WIDE USE OF NUCLEAR POWER -- THE RISK THAT COMPONENTS OF THE NUCLEAR POWER PROCESS WILL BE TURNED TO PROVIDING ATOMIC WEAPONS.

WE TOOK AN IMPORTANT STEP IN REDUCING THE RISK OF EXPANDING POSSESSION OF ATOMIC WEAPONS THROUGH THE NON-PROLIFERATION TREATY, WHEREBY MORE THAN 100 NATIONS HAVE AGREED NOT TO DEVELOP SUCH EXPLOSIVES. BUT WE MUST GO FURTHER. THE U. S. IS DEEPLY CONCERNED ABOUT THE CONSEQUENCES FOR ALL NATIONS OF A FURTHER SPREAD OF NUCLEAR WEAPONS OR EXPLOSIVE CAPABILITIES. WE BELIEVE THAT THESE RISKS WOULD BE VASTLY INCREASED BY THE FURTHER SPREAD OF SENSITIVE TECHNOLOGIES WHICH ENTAIL DIRECT ACCESS TO PLUTONIUM, HIGHLY ENRICHED URANIUM OR OTHER WEAPONS USEABLE MATERIAL. THE QUESTION I HAVE HAD UNDER REVIEW FROM MY FIRST

DAY IN OFFICE IS HOW CAN THAT BE ACCOMPLISHED WITHOUT FOREGOING THE TANGIBLE BENEFITS OF NUCLEAR POWER.

WE ARE NOW COMPLETING AN EXTREMELY THOROUGH REVIEW OF ALL THE ISSUES THAT BEAR ON THE USE OF NUCLEAR POWER. WE HAVE CONCLUDED THAT THE SERIOUS CONSEQUENCES OF PROLIFERATION AND DIRECT IMPLICATIONS FOR PEACE AND SECURITY -- AS WELL AS STRONG SCIENTIFIC AND ECONOMIC EVIDENCE -- REQUIRE:

-- A MAJOR CHANGE IN U. S. DOMESTIC NUCLEAR ENERGY POLICIES AND PROGRAMS; AND

-- A CONCERTED EFFORT AMONG ALL NATIONS TO FIND BETTER ANSWERS TO THE PROBLEMS AND RISKS ACCOMPANYING THE INCREASED USE OF NUCLEAR POWER.

I AM ANNOUNCING TODAY SOME OF MY DECISIONS RESULTING FROM THAT REVIEW.

FIRST, WE WILL DEFER INDEFINITELY THE COMMERCIAL REPROCESSING AND RECYCLING OF THE PLUTONIUM PRODUCED IN THE U. S. NUCLEAR POWER PROGRAMS. FROM OUR OWN EXPERIENCE WE HAVE CONCLUDED THAT A VIABLE AND ECONOMIC NUCLEAR POWER PROGRAM CAN BE SUSTAINED WITHOUT SUCH REPROCESSING AND RECYCLING. THE PLANT AT BARNWELL, SOUTH CAROLINA, WILL RECEIVE NEITHER FEDERAL ENCOURAGEMENT NOR FUNDING FOR ITS COMPLETION AS A REPROCESSING FACILITY.

SECOND, WE WILL RESTRUCTURE THE U. S. BREEDER REACTOR PROGRAM TO GIVE GREATER PRIORITY TO ALTERNATIVE DESIGNS OF THE BREEDER, AND TO DEFER

THE DATE WHEN BREEDER REACTORS WOULD BE PUT INTO COMMERCIAL USE.

THIRD, WE WILL REDIRECT FUNDING OF U. S. NUCLEAR RESEARCH AND DEVELOPMENT PROGRAMS TO ACCELERATE OUR RESEARCH INTO ALTERNATIVE NUCLEAR FUEL CYCLES WHI CH DO NOT INVOLVE DIRECT ACCESS TO MATERIALS USEABLE IN NUCLEAR WEAPONS.

FOURTH, WE WILL INCREASE U. S. PRODUCTION CAPACITY FOR ENRICHED URANIUM TO PROVIDE ADEQUATE AND TIMELY SUPPLY OF NUCLEAR FUELS FOR DOMESTIC AND FOREIGN NEEDS.

FIFTH, WE WILL PROPOSE THE NECESSARY LEGISLATIVE STEPS TO PERMIT THE U. S. TO OFFER NUCLEAR FUEL

SUPPLY CONTRACTS AND GUARANTEE DELIVERY OF SUCH NUCLEAR FUEL TO OTHER COUNTRIES.

SIXTH, WE WILL CONTINUE TO EMBARGO THE EXPORT OF EQUIPMENT OR TECHNOLOGY THAT WOULD PERMIT URANIUM ENRICHMENT AND CHEMICAL REPROCESSING.

SEVENTH, WE WILL CONTINUE DISCUSSIONS WITH SUPPLYING AND RECIPIENT COUNTRIES ALIKE, OF A WIDE RANGE OF INTERNATIONAL APPROACHES AND FRAMEWORKS THAT WILL PERMIT ALL NATIONS TO ACHIEVE THEIR ENERGY OBJECTIVES WHILE REDUCING THE SPREAD OF NUCLEAR EXPLOSIVE CAPABILITY. AMONG OTHER THINGS, WE WILL EXPLORE THE ESTABLISHMENT OF AN INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION PROGRAM AIMED AT DEVELOPING ALTERNATIVE FUEL CYCLES AND A VARIETY

OF INTERNATIONAL AND U. S. MEASURES TO ASSURE ACCESS TO NUCLEAR FUEL SUPPLIES AND SPENT FUEL STORAGE FOR NATIONS SHARING COMMON NON-PROLIFERATION OBJECTIVES.

WE WILL CONTINUE TO CONSULT VERY CLOSELY WITH A NUMBER OF GOVERNMENTS REGARDING THE MOST DESIRABLE MULTILATERAL AND BILATERAL ARRANGEMENTS FOR ASSURING THAT NUCLEAR ENERGY IS CREATIVELY HARNESSED FOR PEACEFUL ECONOMIC PURPOSES. OUR INTENT IS TO DEVELOP WIDER INTERNATIONAL COOPERATION IN REGARD TO THIS VITAL ISSUE THROUGH SYSTEMATIC AND THOROUGH INTERNATIONAL CONSULTATIONS.

"BASED ON THE BEST INFORMATION AVAILABLE TO US AT PRESENT IT APPEARS THAT WE WILL HAVE AN ACCUMULATED SPENDING SHORTFALL AND REVENUE COLLECTIONS EXCESS AMOUNTING TO SOMETHING LIKE 10 BILLION DOLLARS.

"THIS MAKES THE ~~9.6 BILLION DOLLARS IN~~ REBATES EVEN MORE ESSENTIAL TO OUR ECONOMIC HEALTH.

"THIS EXTRA MONEY SHOULD GO BACK TO AMERICAN CONSUMERS QUICKLY TO AVOID A DRAG ON OUR ECONOMIC RECOVERY. THE REBATE IS THE ONLY WAY TO DO IT.

"THE ACTUAL AMOUNT OF THE ACCUMULATED SHORTFALL AND EXCESS COLLECTIONS MAY VARY AS THE YEAR GOES ON, HOWEVER, IT IS CLEAR THAT THE AMOUNT WILL BE

(This has been cleared w/ Schultze, Blumenthal & Bo Cutter of OMB. JLP)

SIGNIFICANT. IT IS ALSO CLEAR TO ME THAT THE BEST THING TO DO WITH THIS MONEY IS TO GIVE IT BACK TO THE TAXPAYERS."

ADDITIONAL INFORMATION

1. THIS PROBLEM OF SHORTFALL AND EXCESS COLLECTIONS HAS BEEN GOING ON SINCE 1976. WE INHERITED IT AND ARE MAKING EVERY EFFORT TO AVOID IT IN THE FUTURE.

2. THIS ALSO WILL MEAN THAT OUR DEFICIT WILL BE REDUCED WHICH SHOULD BE COMFORTING TO THOSE WHO SHARE YOUR DESIRE TO HOLD THE DEFICIT DOWN AND MOVE TOWARD A BALANCED BUDGET.

3. ANOTHER WAY TO LOOK AT IT IS THAT THE REBATE WILL NOT MEAN A LARGER DEFICIT.

4. SCHULTZ AND BLUMENTHAL BOTH FEEL THAT YOU SHOULD BE CAREFUL NOT TO TIE YOURSELF TO THE EXACT 10 BILLION DOLLAR FIGURE. IT IS AN ESTIMATE,

BUT YOU CAN SAY FOR SOME THAT WE WON'T BE ABLE TO MAKE IT ALL UP.

(SCHULTZE DOESN'T LIKE IDEA OF YOUR MAKING POINTS 2 AND 3. BLUMENTHAL DOES.)

What does this statement imply for the Clinch River Reactor?

The need for the Clinch River Reactor is being analyzed by a panel of experts at ERDA in the light of the new policies I have announced here today: specifically, that the date for commercial introduction of the breeder is being postponed because we are confident that the current generation of light water reactors will be sufficient to meet our nuclear energy needs for about the next twenty years.

The ERDA panel is also investigating the technicial feasibility of a number of new breeder designs.

THE WHITE HOUSE
WASHINGTON

April 7, 1977

Bert Lance

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

Rick Hutcheson

Re: Congress and the Budget

6.

THE WHITE HOUSE
WASHINGTON

April 7, 1977

The Vice President
Stu Eizenstat
Frank Moore
Jack Watson

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

Rick Hutcheson

Re: Congress and the Budget

THE WHITE HOUSE
WASHINGTON

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
✓	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

ADMINISTRATIVELY CONFIDENTIAL

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN.

APR 1 1977

INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM: Bert Lance Bert Lance by WBC

SUBJECT: Congress and the Budget

This memorandum

-- outlines the growing budget problem, and

-- suggests a short-term strategy for dealing with the problem.

Budget Problems

Congress is having problems in holding the budget line:

-- The House Committee is recommending a 1978 Budget Resolution increasing your budget deficit:

	February budget	House Committee	Difference
Receipts	$401.6	$398.1	-$3.5
Outlays	459.4	462.3	+3.0
Deficit ...	-57.7	-64.3	-6.5

Tab A shows the details.

Chairman Giaimo is worried that he cannot hold to this deficit level on the House floor or in the Senate. However, he thinks that many members of Congress will support strong Executive leadership to hold down the budget.

-- Chairman Giaimo received requests from House Committees for spending that added to $482 billion, over $22 billion above your budget total. Of course, not all of these initiatives will materialize. But we can easily identify $9.0 billion in increases that are quite feasible, including $2.0 billion resulting from rejection of some of your reduction proposals.

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-- Other increases are likely, including $1.8 billion for social security (including effects of recent court actions), and lesser amounts for energy, environment, and farm export initiatives.

Strategy

1. First Budget Resolution

° While the first Budget Resolution sets the overall targets for spending in the Congress, they are not binding. If the ceilings are set too high, the Appropriations Committees (and other spending committees) have much less incentive to reduce spending below these levels and have difficulty in resisting the pressures to do so.

° After discussing the budget situation at next Tuesday's leadership breakfast, I suggest that we meet with Senator Muskie as soon as possible in order to have some impact on the Senate budget levels before markup which will conclude on April 6 or 7. I will identify key initiatives to pursue with the leadership and Senator Muskie. These will include restoration of defense cuts and elimination of House Committee add-ons for larger items and politically sensitive items (such as water projects). These areas will be selected carefully with both programmatic and political advice.

° Frank Moore's staff should plan a concerted effort in the floor debates on the Budget Resolution since the functional budget targets in the resolution cut across many departments which thus reduces the effectiveness of agency liaison staff.

2. Authorizing Bills

° The authorizing bills which must be reported to the House or Senate by May 15 have a great potential for adding pressure to raise Congressional spending. Many of these bills are entitlements which mandate subsequent appropriations.

° By April 12, OMB will compile a list of key authorizing bills with major budgetary threat potential. This list will likely include such items as the farm bill, certain HEW entitlements, energy legislation moving prior to your message, and congressional inaction on legislative proposals to restructure programs for more efficiency.

° After selecting the target bills, Cabinet officers and agency liaison staff should be contacted to provide Administration-wide support for our positions on these initiatives.

3. Spending Bills

- After enactment of authorizations, two-thirds of the budget requires approval by the Appropriations Committees and their 13 subcommittees (with the rest provided directly through the revenue committees and other legislative committees). House Appropriations Committee subcommittee markups on the FY '78 Budget start in late April.

- I recommend that you and I meet by April 25 with Chairmen McClellan and Mahon to discuss the importance of holding the line this coming year.

- To support your budget proposals in the spending committees, I recommend that Cabinet members and agency budget and liaison staffs be properly motivated to work with these committees to hold back major budget increases. This is especially crucial at this stage given the fragmented way that spending legislation is enacted. OMB will prepare a list of Administration budget priorities affecting spending committees by April 20.

For the longer term, we need to devise a strategy to cope with spending initiatives that will keep the budget from being balanced. We are working on an approach.

Tab A

ACTION ON 1978 BUDGET RESOLUTION
HOUSE COMMITTEE

The House Budget Committee completed mark-up on the first resolution for fiscal 1978 on March 30. The committee adopted the following totals (in billions of dollars):

	February Budget	House Budget Committee	Difference
Receipts.....	401.6	398.1	-3.5
Outlays.....	459.4	462.3	+3.0
Deficit.....	-57.7	-64.3	-6.5
Budget Authority.....	507.3	500.8	-6.5

The committee also established budget authority and outlay targets for each function. Technically the functional targets are only advisory. A bill is subject to a point of order only if it breaches the ceiling on total outlays and budget authority or the floor on receipts in the resolution. Nevertheless the functional targets in a resolution, and the major program components assumed for each function, do have considerable influence on subsequent congressional action. In particular, substantive committees feel free to act on bills that permit moving up to the targets, if not above.

The committee estimate of 1978 receipts is $3.5 billion below the budget estimate. Somewhat more pessimistic economic assumptions account for $2.5 billion of the difference, with the remainder due largely to the impact of the House passed tax bill.

While both the House and Senate Budget Committees avoid line item budgeting, the House Committee (unlike the Senate Committee) is fairly explicit about the amounts assumed for specific programs. The attached table shows the major differences between the House Budget Committee marks and the February budget.

The committee cut budget authority for defense by $4.1 billion and outlays by $2.3 billion. Budget authority for Defense Department program activities was cut by $1.8 billion, with a further $1.3 billion cut reflecting transfers of unexpended balances for new programs. The committee also assumed reestimates and cuts for military aid, cuts for nuclear programs and additional stockpile sales.

For domestic programs, the committee added roughly $3.5 billion in budget authority and $3.1 billion in outlays for congressional initiatives and rejection of administration proposals in a variety of areas. Reestimates due to differing economic assumptions and other factors raised the committee level of budget authority by $2.7 billion and outlays by $2.2 billion. In addition, the committee estimates assumed that $8.6 billion of budget authority requested for 1978 -- largely for public works and public service employment -- would be provided in 1977.

Differences between the February Budget
and the House Budget Committee Mark
for the First Resolution on 1978
(in billions of dollars)

	Budget Authority	Outlays
Defense		
DOD:		
Program reductions	-1.8	-1.1
Financial adjustments	-1.3	-.3
Other:		
Military sales and grants	-.6	-.6
Stockpile sales	-.2	-.2
Nuclear weapons	-.2	-.1
Total defense	-4.2	-2.3
Nondefense		
Congressional initiatives and rejection of Administration proposals:		
Education:		
Restore impact aid	.5	.3
Forward funding to encourage elimination of impact	.2	---
Other education	.8	.4
Subtotal, education	1.5	.8
Jobs and training	.2	.2
Social services	.2	.2
Veterans benefits	1.2	1.2
Health:		
Medicare and medicaid -- delay cost control and other changes	*	.2
Discretionary programs	.4	.2
Subtotal, health	.4	.4
Income security:		
Reallocate revenue from medicare to OASDI	.1	---
Coal miners	.2	.1
AFDC and SSI	.2	.2
Special milk restoration	.1	.1
Earned income credit (tax bill)	.1	.1
Subtotal, income security	.7	.5

	Budget Authority	Outlays
Community development, commerce and transportation:		
SBA lending program	.5	.4
Transportation	.8	.3
Reject business tax credit	-.2	-.2
Community and regional program	.8	.5
Total, community development, commerce and transportation	1.9	1.1
Natural resources, environment and energy:		
Strategic petroleum reserves	-1.0	-1.0
Water resources	.4	.3
Other	1.1	.9
Total, natural resources	.5	.2
Taxable bond option	-1.0	-*
Contingency allowance	-1.8	-1.5
All other (net)	-.3	-*
Subtotal, congressional initiatives	3.5	3.1
Reestimates:		
Retirement programs	1.7	1.3
Unemployment benefits	.8	.7
Welfare and food programs	-.4	-.8
Medicare and medicaid	-.6	-.6
GI bill benefits	-.3	-.4
Offshore oil receipts	1.5	1.5
Net interest	.7	.7
Agricultural commodity programs	---	.5
All other reestimates (net)	-.7	-.7
Subtotal, reestimates	2.7	2.2
1978 funds to be provided in 1977		
Public service employment	-5.9	---
Local public works	-2.0	---
Commodity Credit Corporation (prior year losses)	-.7	---
Subtotal, 1977 funding	-8.6	---
Total, nondefense	-2.3	5.3
TOTAL CHANGES	-6.5	3.0

* 50 million or less

EYES ONLY

THE WHITE HOUSE
WASHINGTON

April 2, 1977

The Vice President
Hamilton Jordan
Frank Moore

The attached is forwarded to you for your information.

Rick Hutcheson

Congress and the Budget

THE WHITE HOUSE

WASHINGTON

April 6, 1977

SIGNING CEREMONY - S.925 - EMERGENCY DROUGHT RELIEF
Thursday, April 7, 1977
2:10 p.m. (10 Minutes)
Cabinet Room

From: Frank Moore F.M.

I. PURPOSE

To sign into law S.925 which provides temporary authorities to the Secretary of the Interior to take emergency actions for relief of the effects of the current drought.

II. PARTICIPANTS

See Tab A

III. PRESS PLAN

Full Press Coverage

IV. TALKING POINTS

1. I'm pleased that all of you could be here this afternoon to share with me the signing of this important legislation.

2. As you know, for the past 2 years, the West and Midwest have been subjected to unprecedented drought resulting in significant economic losses and human suffering.

3. Although significant aid has been provided to the stricken areas, substantially more must be done. In signing this bill into law, we are taking the first step toward providing this needed assistance.

4. I want to express my deep appreciation to the members of the Senate, the House of Representatives, Secretary Andrus and others at the Department of the Interior who worked together to prepare this legislation. I want to especially thank Senator Jackson who could not be with us today and Congressman Meeds for their legislative leadership on this bill.

PARTICIPANTS

The President

Secretary Andrus

SENATE

Alan Cranston
Hubert Humphrey
Quentin Burdick
Wendell Anderson
Howard Cannon
Floyd Haskell
Frank Church
James McClure

HOUSE OF REPRESENTATIVES

Lloyd Meeds
Morris Udall
George Miller
Manuel Lujan
Don Clausen
Gunn McKay
Mike McCormack

OTHER

Frank Moore
Jack Watson
Roger Stewart
Walter Kallaur
Ron Peterson
Albert Berry Crawford, Western States Governors Policy Group
Chris Ferrand
Keith Higgenson
Edwin Sullivan
Gary Catron
Charles Markell
Don Crabill
Ken Glazer

10:00 a.m.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 6, 1977

MEETING WITH DEMOCRATIC MEMBERS OF THE NEW YORK, NEW JERSEY, MARYLAND, VIRGINIA AND WEST VIRGINIA DELEGATIONS

April 7, 1977
10:00 a.m. (60 minutes)
The State Dining Room

From: Frank Moore

I. PURPOSE

To meet with the Democratic members of the New York, New Jersey, Maryland, Virginia and West Virginia Delegations.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: This is the first in a series of regional meetings.

B. Participants: list attacned.

C. Press Plan: White House photographer only.

III. TALKING POINTS

1. You should start with an apology for scheduling this first meeting for the morning after the House recessed. You could indicate the sense of urgency you felt about setting up these one-on-one meetings and express your hope that this meeting may, in fact, help make their district visits more productive.

2. Indicate you think it will be valuable to those members present to be able to put faces to the names and voices of your senior staff and that it will be very helpful for you and your staff to be able to get to know of their concerns in this small group setting.

3. General remarks stressing the importance of the relationship between you and the Hill. You should aim at trying to generate in these Members a sense of responsibility and commitment to you and the Administration's goals.

4. Open discussion.

Participants:
The President, Representatives James Addabbo (7,NY), Jerome Ambro (3, NY), Herman Badillo (21, NY), Jonathan Bingham (22, NY), Dan Daniel (5, Va), Thomas Downey (2, NY), Joseph Fisher (10, Va), James Florio (1, NJ), Herbert Harris (8, Va), Elizabeth Holtzman (16, NY), James Howard (3, NJ), Edward Koch (18, NY), John LaFalce (36, NY), Joseph Le Fante (14, NJ), Clarence Long (2, Md), Stanley Lundine (39, NY), Matthew McHugh (27, NY), Andrew Maguire (7, NJ), Parren Mitchell (7, Md), Richard Ottinger (24, NY), Edward Pattison (29, NY), Otis Pike (1, NY), Nick Joe Rahall (4, WVa), Charles Rangel (19, NY), Fred Richmond (14, NY), Peter Rodino (10, NJ), Robert Roe (8, NJ), Ben Rosenthal (8, NY), David Satterfield (3, Va), James Scheuer (11, NY), John Slack (3, WVa), Stephen Solarz (13, NY), Gladys Spellman (5, Md), Sam Stratton (28, NY), Frank Thompson (4, NJ), Theodore Weiss (20, NY). From the staff: Larry Bailey, Pat Carroll, Hugh Carter, Nancy Darr, Patti DeSouza, Lee Dogoloff, Karen Fizer, Les Francis, Jane Frank, Richard Harden, Barry Jagoda, Bruce Kirshenbaum, Frank Moore, Valerie Pinson, Bob Russell, Greg Schneiders, Jack Watson, Mark Siegel.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Meeting with Archbishop Jean Jadot
Thursday, April 7, 1977
3:00 p.m.
(15 minutes)
The Oval Office

(by: Fran Voorde from your Belgian Catholic!

I. PURPOSE: Courtesy Call

II. BACKGROUND, PARTICIPANTS, PRESS:

A. Background: Jadot asked to pay courtesy call.

Jadot is Pope Paul VI's representative in the United States - carries title of Apostolic Delegate to the U.S. --- Vatican City State has diplomatic ties with 82 countries (U.S. not one of them)

Jadot has been in Vatican Diplomatic Corps since 1968, serving previously in Laos, Malaysia, Singapore, Thailand, Cameroon, Gabon, equatorial Guinea.

He is a progressive, warm, pastoral - consider the United States his parish now - has visited in 48 of the 50 States.

He is very much interested in the third world, has concern for minorities, in international and economic justice.

Born in Belgium - 1909.

B. Participants: The President and Archbishop Jadot (Msgr. Raymond Powers will accompany the Archbishop but will not sit in on meeting.)

C. Press: Brief Photo opportunity at beginning of meeting.

III. INFORMATION:

A. Jadot met with the Vice President recently and forwarded attached letter to you following that meeting.

B. pronounced Ja-dough

C. Addressed first as "Your Excellency"; then as "Archbishop Jadot".

D. Visited often with President Ford.

March 30, 1977

Mr. President:

I have the honor to convey the following message from Pope Paul VI.

His Holiness deeply appreciated the visit of Vice President Mondale and was most grateful for your message which was delivered by Mr. Peter Sarros, the Assistant to Ambassador Henry Cabot Lodge.

The Holy Father was particularly impressed by the statement made by the Vice President and reiterated in your letter that his message of justice, freedom, compassion and peace will form the centerpiece of your Government.

It is Pope Paul's prayer that, under your sensitive administration, the United States will remain in the forefront of those who are striving to defend justice and peace.

In accord with the religious nature of his office, Pope Paul wishes to cooperate fully with you, Mr. President, and with other concerned Statesmen throughout the world in efforts to promote the recognition of the truths so beautifully expressed in the Declaration of Independence, namely, "that all men are created equal; that they are endowed by their Creator with certain inalienable rights; that among these are Life, Liberty and the pursuit of Happiness."

Please accept, Mr. President, the assurances of my highest consideration.

Archbishop Jean Jadot
Apostolic Delegate

The President
The White House
Washington, D.C.

THE WHITE HOUSE
WASHINGTON

April 7, 1977

The Vice President
Stu Eizenstat
Bob Lipshutz
Jody Powell
Jack Watson

For your information, the attached memo was signed by the President and given to Bob Linder for appropriate release.

Rick Hutcheson

Re: Immunizing the Nation's Children Against Preventable Disease

THE WHITE HOUSE
WASHINGTON

ACTION	FYI	
	X	MONDALE
		COSTANZA
	X	EIZENSTAT
		JORDAN
	X	LIPSHUTZ
		MOORE
	X	POWELL
	X	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
X	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE

THE WHITE HOUSE
WASHINGTON

April 5, 1977

NOTE TO: THE PRESIDENT

FROM: Jack Watson

RE: IMMUNIZING THE NATION'S CHILDREN AGAINST PREVENTABLE DISEASE

Because of your personal interest in the subject, I thought that you might want to send the attached letter to the heads of Executive Departments and Agencies.

Respectfully,

Jack

Attachment

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

As you may know, approximately 20 million of the Nation's children under the age of 15 are not fully protected from preventable childhood diseases. At my request, the Secretary of Health, Education, and Welfare will initiate this week a continuing, high-visibility program and public information campaign to promote desirable childhood immunization. Our goal over the next two years is to reduce as much as humanly possible the numbers of youngsters without medical protection against many major childhood afflictions.

I want each of you to join in this nationwide initiative by taking direct and widespread actions to stress the very great importance of childhood immunization to all federal employees and to initiate effective, agency-wide information programs on how parents can obtain the needed immunizations for their children. Secretary Califano will send to you a packet containing the details of our nationwide program and a memorandum that will highlight any aspects of direct interest and concern to those of us in federal service.

I sincerely believe this single measure of preventive health care can and will affect the future lives and well-being of countless numbers of the Nation's children. I hope each of you will do what you can personally to inform those with whom you work and the Nation's citizens about it. At my request, Mr. Califano will periodically keep us all informed of the progress of this key health initiative and of the additional measures we each may take to assure its success.

Jimmy Carter

THE WHITE HOUSE

WASHINGTON

April 5, 1977

MEMORANDUM FOR THE HEADS OF

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As you may know, approximately 20 million of the nation's children under the age of 15 are not fully protected from preventable childhood diseases. At my request, the Secretary of Health, Education and Welfare will initiate this week a continuing, high-visibility program and public information campaign to promote desirable childhood immunization. Our goal over the next two years is to reduce as much as humanly possible the numbers of youngsters without medical protection against many major childhood afflictions.

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THE WHITE HOUSE
WASHINGTON

April 7, 1977

Charles Warren -

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

Rick Hutcheson

Re: Energy Message

THE WHITE HOUSE
WASHINGTON

cc Chas Warren

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON

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		SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
		WELLS
		VOORDE

THE WHITE HOUSE
WASHINGTON

Mr. President:

This was sent by CEQ in response to your request (through Stu) for environmental comment on the energy policy.

Rick

THE PRESIDENT HAS SEEN.

C

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

April 4, 1977

TO: Stu Eizenstat

FROM: Charles Warren, Chairman
Gus Speth
Marion Edey

RE: Energy Message

At your request, the following are items for consideration in the development of an energy message.

1. Planning Data and Forecasting Capability

Data

The government should address the fact that to a great extent the data upon which government policies are based come from industry sources and are not perceived to be credible by a large segment of the public. Thus, we have an "oil glut" on the west coast and a "natural gas" shortage during the winter, both of which occurred as a result of false information negligently or intentionally given government agencies. The public must be assured by credible and objective means of the nature and extent of the energy problem as it is understood for at least the next 20 years.

2. Conservation

Conservation is like the weather; everyone talks but does little about it. It is a fact that stringent conservation measures will buy time to select proper supply option, but also it will accomplish a reduction in the rate of demand growth minimizing the impacts of increasing supply to accomodate demand.

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There are basically two means of conserving, (a) by price (through taxation or surcharge) and (b) by regulation.

The former will yield quicker results as it affects actions by people, while the latter affects things and thus the benefits are not experienced until after turnover of inventory. This distinction is most important as efficient buildings, automobiles, and appliances are long-term strategies only, while price will afford short-term as well as long-term benefits.

The problem is that price increases whether by a BTU or other tax are hard to sell to consumer groups and the public generally. A response which is believed to be acceptable includes concepts such as "lifeline" and the use of energy tax revenues to offset other and current revenue measures. An analysis will reveal user taxes and surcharges are not as regressive as supposed.

3. Supply Options

Our suggestions for energy supply options are contained in the energy section of the draft Environmental Message which you have. But one additional point which should be made is that present policies which make it necessary to increase supply in order to maximize profits need to be changed. Utilities still maximize profits by production. We should make it possible for them to maximize profits by conserving and then we suspect we would witness voltage reduction, load management, co-generation, alteration of rate structures, etc., all of which are conservation techniques that utilities now either oppose or delay.

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

April 4, 1977

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THE WHITE HOUSE
WASHINGTON

April 7, 1977

Secretary Blumenthal
Charlie Schultze
Stu Eizenstat
Jack Watson

For your information the attached was returned in the President's outbox.

Rick Hutcheson

Re: Energy Program and Impact on the Economy

THE WHITE HOUSE
WASHINGTON

cc Schultze
Blumenthal

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

	ENROLLED BILL
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	CAB DECISION
	EXECUTIVE ORDER

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		SCHLESINGER
		SCHNEIDERS
		SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
		WELLS
		VOORDE

PRIORITY

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

April 5, 1977

Rick: Please forward to the President — JW

1977 APR 5 PM 6 48

THIS IS WHAT WAS SEEN.

MEMORANDUM FOR THE PRESIDENT

FROM: W. M. Blumenthal and Charles L. Schultze WMB & CLS

The energy program, as we presently understand it, will be very far-reaching with major impacts on the economy as a whole, on individual industrial sectors, and on our international relations. It is important that the implications of these effects be understood by us with sufficient clarity to allow us to make the best possible choices. We don't think they now are.

Since we are operating under the tight restrictions of the April 20 deadline, which in practice means that the major elements of the program have to be set within the next few days, we are almost at zero hour. None of us has found it possible to provide even approximate judgments on the many important questions involved. In fact, the information upon which such judgments have to be based is in most instances not yet readily available.

The following major uncertainties are still to be addressed:

I. Impact on the U.S. Automobile Industry

1. What are capital requirements for conversion to smaller cars and are they available?

2. How can we avoid a violation of international trading rules in the GATT so central that the MTN could be destroyed and several key U.S. trading partners most adversely affected?

3. What is the employment effect on the industry?

4. What are the likely economic effects, e.g. anticipatory buying of "gas guzzlers," the used car market, overall price effects, the impact on inflation of the gas guzzler tax-rebate?

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5. Will auto manufacturers be able to raise prices on smaller cars to capture part of the rebate if the rebate is denied to competing imports?

II. Standby Gas Tax

1. Without being certain we think the probabilities are high that most of the stages of this tax will in fact be imposed. Each 10 cents adds $12 billion to gasoline expenditures, what is the impact on the domestic price level, taking into account escalator clauses and the like?

2. How should this tax best be recycled to avoid both inflation and unemployment effects?

3. Will the combination of the gas guzzler tax-rebate and the potential gasoline tax have major impacts on investment, employment, income distribution, and the poor?

III. Oil and Natural Gas Pricing

1. What is the impact on the economy of alternative ways to move to higher oil and gas prices?

2. How should the price change be divided between wellhead taxes and producer price increases, and what would be the effects of different alternatives on the economy and on oil company profits?

3. How should the revenues from the wellhead tax be employed?

IV. Coal Conversion

1. What is the effect on coal prices?

2. How much conversion would be made not to coal but to electricity and, given the long lead time for public utility investment, will there be sufficient electricity capacity to avoid frequent brown-outs?

3. What will be the investment requirements to convert to coal?

V. Mandatory Retrofitting of Homes and Public Buildings and Mandatory Fuel Efficiency Standards for Industries

1. What will be the impact on the housing market?

2. Will we introduce a whole new set of regulatory requirements into American industry?

3. What will the prospect of such standards do to current investment plans?

4. Will industries massively postpone investments waiting for the standards to be promulgated?

5. If oil and gas prices are raised, do we need regulatory standards as well?

VI. Peak Load Pricing and Other Utility Measures

1. Will the proposed measures effectively transfer rate-making from states to the Federal Government?

In addition to these major questions on the impact of the program, its other important relations to the rest of your legislative goals must be considered. For example, will the April 20 announcement further jeopardize final favorable action on the stimulus? Will the revenue and tax aspects of the energy program unmanagably complicate achievement of the goal of major tax reform? (For example, will anyone be willing to support the energy proposals until he knows precisely how the revenues will be recycled?)

Conclusion:

Important questions remain to be answered. The success or failure of the energy program depends on our ability to answer them. To find the answers requires (a) more time, and (b) at least some limited expansion of the group involved in preparing the proposal.

The issue, therefore, is whether or not an April 20 announcement in the detail presently contemplated is possible. One alternative would be to postpone the date. Another would be to announce on April 20 your general goals and your overall approach, allowing more analysis before specifics are presented.

THE WHITE HOUSE
WASHINGTON

April 5, 1977

Stu Eizenstat

The attached is forwarded to you for your information.

Rick Hutcheson

Re: Energy Message

THE WHITE HOUSE
WASHINGTON

April 7, 1977

Les Frances -

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

Rick Hutcheson

Re: President's Meeting with Members of Congress 4/7

THE WHITE HOUSE
WASHINGTON

cc Les Francis

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

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

		ARAGON
		BOURNE
		BRZEZINSKI
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		H. CARTER
		CLOUGH
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		FIRST LADY
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		HARDEN
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		JAGODA
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		KRAFT
		LANCE
		LINDER
		MITCHELL
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		SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
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		VOORDE

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

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April 5, 1977

MEMORANDUM FOR: FRANK MOORE

FROM: LES FRANCIS

SUBJECT: President's Meeting with Members of Congress, Thursday, April 7

The following themes should be included in the President's discussion with Members of Congress attending the Thursday morning meeting:

1. Several items of real importance to the Administration and the Congress will be sent to the Hill in the next few weeks, including messages on the environment, social security financing, clean air act, health cost containment and others. The President welcomes a thorough study and debate by Congress, realizing that through that kind of debate and interaction the legislative process is allowed to succeed.

2. The energy package that the President plans to announce on April 20 will be tough and far reaching. Dr. Schlesinger and his staff have been consulting with Members of Congress on elements of the plan. Input from the Hill and from the private sector has been invited and received.

   In addition, the President will brief leaders of both houses -- including appropriate committee chairmen -- prior to his appearance before the joint session scheduled for April 20.

3. The economic stimulus package -- including the $50 rebate -- is still needed. While recent reports have been encouraging, the fact is that direct stimulus is needed to provide jobs and to increase consumer purchases.

   The Republican effort to substitute a permanent tax reduction must be defeated because it will mitigate against meaningful tax reform later and will preclude major program initiatives in areas such as welfare reform and health insurance. Also of major political impact, the Republican effort is designed to force a wedge between the Congress and the President.

The major thrust of the President's comments should be in the

area of the budget. Points to cover are:

1. The House version of the FY 78 first Budget Resolution increases the deficit over the Administration's proposal by $6.5 billion, to a total of $64.3 billion.

2. Attempts will be made on the floor to increase outlays even more, by perhaps as much as $9 billion.

3. If we do not hold the line on the FY 78 budget, severe problems most certainly will follow:

   -- Public, press, and Republican criticism that a Democratic President and a Democratic Congress are incapable of working together to control spending.

   -- Hugh expenditures and deficits now will prevent us from doing the kinds of things we want to do in important program areas such as welfare reform, national health insurance, education, transportation, etc.

   -- The President is pledged to move toward a balanced budget during his first term. If the deficit goes as high as some wish that goal will be impossible to reach.

4. The President must strongly enlist the support of those in attendance to line up with him to hold the line on the first resolution and on subsequent authorizing and appropriations legislation.

NOTE: THE PRESIDENT SHOULD EXTEND THANKS TO CHAIRMAN GIAMO AND OTHER MEMBERS OF THE BUDGET COMMITTEE FOR THEIR HELP IN KEEPING THE INCREASES TO A MINIMUM

L.F.