5/24/77 [1]

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THE PRESIDENT'S SCHEDULE

Tuesday - May 24, 1977

8:15	Dr. Zbigniew Brzezinski - The Oval Office.
8:45	Mr. Frank Moore - The Oval Office.
9:00 (20 min.)	Vice President Walter F. Mondale - Oval Office.
9:30	Mr. Jody Powell - The Oval Office.
10:00	Welcome Ceremony for His Royal Highness Prince Fahd bin 'Abd al-Aziz Al-Saud Crown Prince and Deputy Prime Minister of the Kingdom of Saudi Arabia. The South Grounds.
10:30 (90 min.)	Meeting with His Royal Highness Prince Fahd. (Dr. Zbigniew Brzezinski) - The Cabinet Room.
1:20 (10 min.)	Mr. Charles Blitzer. (Mr. Barry Jagoda). The Oval Office.
1:30 (15 min.)	Ceremony in Recognition of National Small Business Week. (Ms. Midge Costanza). The Rose Garden.
2:00	Mr. Bert Lance - The Oval Office.
2:30 (15 min.)	Ambassador Mike Mansfield. (Dr. Zbigniew Brzezinski) - The Oval Office.
3:00 (60 min.)	Meeting Concerning Undocumented Aliens. (Mr. Stuart Eizenstat) - The Cabinet Room.
7:30	Working Dinner (Business Suit) for His Royal Highness Prince Fahd - The Residence.

filed
5/20/77

THE PRESIDENT HAS SEEN.

Jimmy -
I forgot to
tell you. We've
made Prince
Faseil of Saudi
Arabia one of
our family. He
loves Michael.
I LY2B!
Ruth
C/

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THE WHITE HOUSE
WASHINGTON

May 24, 1977

Stu Eizenstat -

Re: The President's Inaugural Address

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

For your information, we have the document in our files.

Rick Hutcheson

cc: Hugh Carter

THE WHITE HOUSE
WASHINGTON

Note to Sta - we have the document in our file

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
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		CARP
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		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 P[illegible] HAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 23, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT

SUBJECT: Your Inaugural Address

Mrs. Lyndon Johnson asked Bob Hardesty at the University of Texas to call to inquire if it would be possible to borrow your original manuscript of your Inaugural Address for an inaugural exhibit she is planning at the Johnson Library from July 1 - September 30, 1977. The Johnson Library is under the security control of GSA and the National Archives. They would supply all the necessary security in transporting the manuscript to and from Austin and also while it is on exhibit.

Other inaugural addresses to be included in this exhibit are: President Washington's first, President Lincoln's second, President Franklin Roosevelt's first and President Kennedy's.

If there is any additional information you need before making this decision, let me know and I will get back to Hardesty.

I recommend that you grant this request as a favor to Mrs. Johnson and because I am certain it will be kept safely until it is returned to you.

____✓ Approve _____ Disapprove

JC

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for Preservation Purposes

THE WHITE HOUSE

WASHINGTON

May 24, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT

SUBJECT: Schultze Proposed Letter to Gus Hawkins

Gus Hawkins has requested the Administration's views on the present Humphrey-Hawkins bill. Schultze has proposed a response in which he enumerates six points of disagreement:

1) The commitment to 4% unemployment written into the Hawkins bill. Schultze suggests short and long range unemployment targets and a 4.75% long range unemployment goal.

2) The lack of commitment to reduced inflation. Schultze asks for policy flexibility in reconciling the goals of unemployment and inflation.

3) Manpower training and other specifically enumerated programs. Schultze asks for more general language.

4) Planning and reporting requirements. Schultze asks for greater flexibility.

5) The Federal Reserve. Schultze suggests Congressional rather than Executive review of Federal policy.

6) Full employment budget. Schultze suggests dropping the requirement that the full employment budget always be in balance.

These disagreements go to the heart of the Humphrey-Hawkins bill. They crystallize the distance between the Administration's economic views and those of the Black Caucus and other Congressional liberals. Publication of this letter will maximize the degree of criticism and embarrassment that the Administration can expect.

The EPG will take this issue up on Friday. I recommend that we postpone a decision pending that meeting. Prior to an Administration response, I believe you should discuss this issue with the principals involved.

President Did not See this package ---

Letter recalled ------ (per Rick)

Just File.

THE WHITE HOUSE

WASHINGTON

May 24, 1977

MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson

SUBJECT: CHARLES SCHULTZE MEMORANDUM RE HUMPHREY/HAWKINS

I have three comments:

(1) Since the EPG is meeting to discuss the Humphrey Hawkins bill on Wednesday, I think it would be best to defer going to the President with a draft letter to Congressman Hawkins until after that meeting.

(2) We seem to be sliding into an either/or argument about full employment versus inflation. I think we should adhere to our long-standing position that we can hold down unemployment and inflation at the same time. The language on page three of the proposed letter implies that we have to make a choice between inflation and unemployment, and that, if we do, lowering inflation comes first. I do not think we want to convey that implication to the Congress.

(3) The section on page 4 entitled "The Full Employment Budget" could be damaging to us publicly because it could be read as an equivocation on our part as to our goal of a balanced budget by 1981.

May 25, 1977 Siegel on Shultze letter to Hawkins

I hope that there is no confusion on anyone's part on what we are attempting to do here -- that is, change everything about Humphrey-Hawkins except the name of the bill. I'm afraid that both the congressman and Senator will view it this way, but it is clearly the consensus of the EPG. EPG wants us to stress the jobs and planning aspect of H.R. 50, and nothing else. I think the Schultze letter should attempt to acheive this limited goal a bit more emphatically. On the other hand, I am a bit concerned that the President will not like Charlie's language on five year national goals, in that it sounds a bit deterministic and socialistic (i.e. "Five Year Plan). Since Humphrey is the big propoent of planning and establishing goals for the future of the nation's economy, and Hawkins is the big job man of the team, I think the letter to Hawkins should be heavy on emphasizing and jobs, and make reference to the fact that our's is the only developed nation on earth that does not have a plan for future gowth and needs.

Politicially, we can expect the liberals, black and labor to be displeased by our position, but Humprehy-Hawkins doesn't have any chance anyway, and no one expects us to come even this close to endorsing its provision. In that context, the Schultz letter is acceptable, but I would recommend that the coersive tone of the last sentence be modified. We do not need to throw down the gauntlet so explicity.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 23, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CLS

SUBJECT: Humphrey/Hawkins Bill

Attached is a letter from Congressman Hawkins to me about the Humphrey/Hawkins bill, and a draft reply which we plan to discuss in the EPG meeting on Wednesday. We have been stretching out this matter for some time now, but I think the string may have run out.

Even though this draft statement has not been discussed at the EPG, I thought you ought to see it earlier since we are being pressed to make a response quickly.

As you will note, the last paragraph of the reply to Congressman Hawkins offers to negotiate, but within the framework of some major changes in the bill. It also states that we would have to propose the changes in public hearings if they cannot be agreed upon in advance.

enclosure

AUGUSTUS F. HAWKINS
29TH DISTRICT, CALIFORNIA

COMMITTEES:
EDUCATION AND LABOR
SUBCOMMITTEES:
EQUAL OPPORTUNITIES, CHAIRMAN
MANPOWER, COMPENSATION, AND HEALTH AND SAFETY
POSTSECONDARY EDUCATION

HOUSE ADMINISTRATION
SUBCOMMITTEES:
ELECTRICAL AND MECHANICAL OFFICE EQUIPMENT, CHAIRMAN
ACCOUNTS
PERSONNEL AND POLICE

WASHINGTON, D.C. 20515
TELEPHONE: 225-2201

JOHN W. SMITH
ADMINISTRATIVE ASSISTANT

LOS ANGELES OFFICES:
936 WEST MANCHESTER AVENUE
TELEPHONE: 750-0260

HUNTINGTON PARK OFFICE:
2710 ZOE AVENUE
TELEPHONE: 587-0421

CHARLES E. KNOX
SPECIAL ASSISTANT

Congress of the United States
House of Representatives
Washington, D.C. 20515

May 11, 1977

Honorable Charles Schultze
Chairman, Council of Economic Advisors
Room 314
Old Executive Office Building
Washington, D.C. 20506

Dear Dr. Schultze:

I appreciated your coming over to my office on May 5th with Secretary Marshall and your CEA colleague to discuss H.R. 50, the "Full Employment and Balanced Growth Act", and I was encouraged by the indications that the sponsors and the Administration may be able quickly to minimize or even eliminate any remaining differences with respect to this proposal.

I regret that Committee duties prevented me from being present throughout the entire meeting, but I was there long enough to get the total picture. As to eliminating a specific goal and timetable for the reduction of unemployment, it was made clear why neither the sponsors nor the supporters of the Bill could agree to this, although some variations in the language, or additions to it, might be possible. As to some general streamlining, and removing the large number of 90 day provisions, that may be feasible. As to the last-resort provisions, which are essential, I believe a rereading of the bill and the new pamphlet will convince you that the "prevailing wage provision" and others to which you earlier objected have been removed, but some changes in the language may be possible. As to the anti-inflationary provisions, any suggestions you may have for their strengthening will be carefully considered, including the provision relating to holding inflation to the rate at time of enactment.

However, time is now of the essence, and the sponsors have been generous in awaiting the Administration's views. For these and other reasons going to the basic responsibilities of the sponsors and others in the Congress, I do not believe that it would be profitable for you, or others working with

you, to attempt extensive redrafting, which would also involve very extensive further delays. A "substitute" draft of the bill considering its long history, would be unworkable and inimical.

I therefore suggest that you indicate, as briefly as feasible, your suggested changes if any, not excluding legislative language where necessary. The sponsors would give these suggestions very prompt attention, translate into legislative language any agreed upon suggestions, and then meet with you again for further discussion. But again, I stress the need for deliberate speed, and would appreciate by phone your estimate now as to when you will be ready.

With all good wishes,

Sincerely,

AUGUSTUS F. HAWKINS
Member of Congress

AFH:ss
cc: Secretary Marshall
Senator Humphrey

5/23/77

DRAFT FOR THE ECONOMIC POLICY GROUP
ON H.R. 50 (THE HUMPHREY-HAWKINS BILL)

Dear Mr. Congressman:

Thank you for your letter of May 11, following up the discussion which you had with Secretary Marshall and me about H.R. 50.

As the President has stated on many occasions, this Administration is committed to the objective of achieving a fully employed economy while at the same time reducing the rate of inflation.

The Administration endorses the overall thrust of H.R. 50. However, we believe that some changes in the bill would make it a more useful framework for effective policy-making in dealing with unemployment and inflation.

This letter enumerates the provisions of H.R. 50 that the Economic Policy Group believes need to be modified to enhance our ability achieve our common goals.

Numerical Full Employment Goal

It seems inappropriate to include in the bill a single numerical full employment goal, applicable on a permanent basis. Because of continuing changes in the composition of the labor force and the difficulty of determining the possible effectiveness of programs now underway to reduce structural unemployment and to increase the skills of the work force, we cannot be certain of our ability to the reduce the unemployment rate for adults 20 years of age and over to 3 percent within

4 years, as specified in the Bill. An inviolate commitment to reach that particular goal could possibly generate an acceleration of inflation, which might lead to a recession and higher unemployment later on.

There is an alternative possibility that might be satisfactory to the sponsors of the bill. With some modification in its current language, the bill could require the President to submit annually to the Congress short-run (two-year) goals and longer run (four to five years) targets for the major economic variables -- unemployment, output, inflation, etc., -- and to recommend general and specific policies to meet those goals and targets. The bill itself might then specify that the long-run target for unemployment contained in the President's first annual submission not be higher than some predetermined number. The overall unemployment rate target for 1981, which the Administration has already announced is 4-3/4 percent, and we believe that would be an appropriate number to include in the bill. The bill could also contain language indicating that this is still an interim target, and one which the President and the Congress should seek to better in subsequent years.

Inflation Goal

The inflation goal in the Bill as it now stands does not reflect the desire of the Administration to make progress in reducing the present rate of inflation. Moreover, the Bill

specifies that efforts to reduce the rate of inflation "...should not be sought through any weakening of the goals and timetable relating to reduction of unemployment..." Such a provision would inhibit the use of macroeconomic policy to combat inflation until full employment is reached.

We believe that achievement and maintenance of full employment cannot be realized unless inflation is brought under better control. The goal of achieving reasonable price stability should therefore be given more prominence, and allowance should be made for policy flexibility in reconciling conflicts between the two goals.

Manpower training, public service jobs, and other structural measures

The Administration has already proposed extensive use of public service jobs as a means of reducing unemployment and will include major proposals for public service employment in its program for welfare reform. It has substantially expanded youth employment and other manpower programs. We believe that detailed specifications and time tables for submission of various labor market and structural measures ought not to be included as they now are in Title II of H.R. 50. The Bill, rather, might spell out in broad language the kinds of policies the President ought to consider in achieving the employment and other objectives of the legislation.

Planning and Reporting Requirements

The Administration does not believe that it is wise or necessary to establish an extensive and costly new planning mechanism. By and large, the capability for doing longer run analysis already exists within the Federal Government,

although we agree that its effectiveness can be improved. The large number of short-term reporting requirements specified in the Bill would impose a severe burden on the Administration at a time when it is already trying to formulate far-reaching initiatives in several areas.

Requiring the President to recommend to the Congress policies consistent with achievement of the Nation's economic goals is appropriate, but the language of the Bill should provide the flexibility needed to pursue those courses of action that experience indicates are most effective.

Sections dealing with the Federal Reserve

The provisions in H.R. 50 dealing with the Federal Reserve appear to mandate an ongoing public confrontation between the monetary authority and the Executive Branch. Such a confrontation will contribute little to the effective coordination of monetary and fiscal policy, and it may raise constitutional issues. A possible alternative would be to have the Congress establish its own set of economic goals and targets, after a review of the Presiden't Economic Report and charge the Federal reserve to pursue a monetary policy consistent with those objectives.

The Full-Employment Budget

The requirement that the full-employment budget always be in balance would unduly limit the use of macroeconomic policy for economic stabilization, and should be dropped.

* * * * * * * * * * * * * *

If you, and other sponsors of the bill, believe that agreement might be reached along the general lines outlined above, our staffs could begin discussions on specific language that would be mutually acceptable. On the other hand, you may feel that the changes we suggest are, in principle, unacceptable. In that case we would, of course, be prepared to present our views in the normal course of testimony whenever hearings on H.R. 50 are scheduled.

THE WHITE HOUSE

WASHINGTON

Date: May 23, 1977

MEMORANDUM

FOR ACTION:

The Vice President
Stu Eizenstat attached
Hamilton Jordan
Frank Moore
Jack Watson - hold until after EPC Mtg 5/26; see other attached comments

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Charlie Schultze memo 5/23 re Humphrey/Hawkins Bill.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: IMMEDIATE TURNAROUND

DAY:

DATE:

ACTION REQUESTED:

_x_ **Your comments**

Other:

STAFF RESPONSE:

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

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

THE WHITE HOUSE

WASHINGTON

Humphrey / Hawkins

for Mike

ACTION	FYI	
X		MONDALE
		COSTANZA
X		EIZENSTAT
X		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

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

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		JAGODA
		KING

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

FOR ACTION:

The Vice President
Stu Eizenstat
Hamilton Jordan
Frank Moore
Jack Watson

FOR INFORMATION:



1977 MAY 23 PM 4 04

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Charlie Schultze memo 5/23 re Humphrey/Hawkins Bill.

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Other:

STAFF RESPONSE:

____ I concur. ____ No comment.

Please note other comments below:

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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 23, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CLS

SUBJECT: Humphrey/Hawkins Bill

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enclosure

AUGUSTUS F. HAWKINS
29TH DISTRICT, CALIFORNIA

COMMITTEES:
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SUBCOMMITTEES:
EQUAL OPPORTUNITIES, CHAIRMAN
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Congress of the United States
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Washington, D.C. 20515

RAYBURN HOUSE OFFICE BUILDING
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TELEPHONE: 225-2201

JOHN W. SMITH
ADMINISTRATIVE ASSISTANT

LOS ANGELES OFFICES:
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TELEPHONE: 750-0260

HUNTINGTON PARK OFFICE:
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CHARLES E. KNOX
SPECIAL ASSISTANT

May 11, 1977

Honorable Charles Schultze
Chairman, Council of Economic Advisors
Room 314
Old Executive Office Building
Washington, D.C. 20506

Dear Dr. Schultze:

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With all good wishes,

Sincerely,

AUGUSTUS F. HAWKINS
Member of Congress

AFH:ss
cc: Secretary Marshall
Senator Humphrey

The Vice President
Stu Eizenstat
Hamilton Jordan
Frank Moore
Jack Watson

313 Xc Cap Johnston

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Charlie Schultze ~~memo~~ 5/23 re Humphrey/Hawkins Bill.

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: IMMEDIATE TURNAROUND

DAY:

DATE:

ACTION REQUESTED:

_x_ Your comments

Other:

STAFF RESPONSE:

____ I concur. ____ No comment.

Please note other comments below:

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

May 23, 1977

MEMORANDUM

FOR ACTION:

The Vice President
Stu Eizenstat
Hamilton Jordan
Frank Moore
Jack Watson

FOR INFORMATION: LF

HL
SL
P/S circulate

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Charlie Schultze ~~memo~~ 5/23 re Humphrey/Hawkins Bill.

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TIME: IMMEDIATE TURNAROUND

DAY:

DATE:

ACTION REQUESTED:

_x_ Your comments

Other:

STAFF RESPONSE:

____ I concur. ____ No comment.

Please note other comments below:

Senate Liaison 24 MAY 77

H.L. 4/27 BC
We need to go slow - I think it could die without our help.

Concur - Les Francis 5/31

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THE WHITE HOUSE
WASHINGTON

May 24, 1977

Charlie Schultze
Stu Eizenstat

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

Rick Hutcheson

Re: Minimum Wage Proposals

3

THE WHITE HOUSE
WASHINGTON

ACTION	FYI	
		MONDALE
		COSTANZA
	X	EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
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Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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		B. RAINWATER
		SCHLESINGER
		SCHNEIDERS
	X	SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
		WELLS
		VOORDE

Stu:
Let's hold for while -
J

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 24, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CLS

SUBJECT: Economic effect of alternative minimum wage proposals

We have examined the effects on prices and employment of several alternative minimum wage proposals.

Table 1 gives the impact of five different proposals, assuming in each case that the minimum is indexed each July to the manufacturing straight time wage averaged for the twelve months ending in March. (The employment estimates are particularly controversial; the Labor Department believes that the employment effects are minimal.)

The price effects show the ultimate increase in the price level; they would occur gradually over several years.

Option 5 is a different, and in many ways attractive alternative. Up until recently there was a differential between employees in trade, agriculture, service, and domestics on the one hand, and other covered employees. (There was a 10¢ differential for trade, service, and domestics and a 20¢ differential for farm workers). Since youth are disproportionately employed in trade and service industries, the "split option" has some of the same effects as a differential for youth, without many of its disadvantages.

A "split option" has two potential disadvantages: first, the Congress would be likely to make the split temporary, and thus erode its advantages, second, the public service jobs in the welfare reform package would almost certainly be set at the higher of the two minimums, and might, therefore, set up incentives to draw workers away from the lower minimum wage trade and service occupations.

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In addition, I understand that a proposal has been made to base the calculation on the manufacturing wage average for six rather than twelve months prior to the effective date. Since wages are, and will be rising, using a shorter and later base period raises the average against which the minimum is indexed and results in a higher minimum wage. If wages are rising at 7 percent a year, the change has approximately the same effect as increasing the indexing percentage by 0.9 percentage points. Thus a 50 percent indexation becomes (almost) 51 percent, and at current wage rates would be worth an additional 5 cents on the minimum wage. The faster wages rise, the bigger the advantage of a shorter averaging period, and vice-versa.

Finally, none of the recent discussion has covered the "tip-credit provision" of the Dent bill. Currently employers are credited for up to 50 percent of the minimum wage for tips received by employees. Removal or substantial reduction of this credit would mean very large increases in the effective minimum wage for restaurants, fast-food shops, and the like -- all of whom are employers of young people.

Table 1

Employment and Price Effects of Alternative Minimum Wage Proposals

		Increase in price level (percent)	Decrease in employment (thousands)
Option 1:	Administration proposal $2.50 indexed at 50%	0.3 - 0.6	-55 to -110
Option 2:	$2.60 now; subsequently indexed at 51%	0.4 - 0.8	-80 to 160
Option 3:	$2.65 now, subsequently indexed at 52%	0.5 - 1.0	-95 to -190
Option 4:	$2.70 now, subsequently indexed at 53%	0.6 - 1.1	-110 to -220
Option 5:	"Split option" - trade, agricultural services, and domestic set at $2.50 (50%); others at $2.70 (53%)	0.45 - 0.9	-75 to -150 1/

1/ These estimates may be high.

THE WHITE HOUSE
WASHINGTON
May 24, 1977

The Vice President
Midge Costanza
Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jody Powell
Jack Watson

The attached is forwarded to you for your information.

Rick Hutcheson

Re: Economic effect of Alternative minimum wage proposals.

THE WHITE HOUSE
WASHINGTON

May 24, 1977

Hugh Carter -

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

Rick Hutcheson

Re: Funeral Wreath for
General Hershey

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

		ARAGON
		BOURNE
		BRZEZINSKI
		BUTLER
		CARP
	X	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.

THE WHITE HOUSE

WASHINGTON

May 23, 1977

ok
J

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER HC

SUBJECT: Funeral Wreath

General Hershey will be buried at Arlington Cemetery on Wednesday, May 25.

It has been customary of past Presidents to send a wreath when someone of General Hershey's stature passes on; or, in the case of a personal friend, a basket of flowers. Cost is approximately $25.

If you approve, I will make arrangements with the White House Florist for delivery of a wreath.

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5-24-77

Mike Mansfield

THE WHITE HOUSE
WASHINGTON

No Shokus
Trade - OECD - Steel - broad
Trade surplus - imports
Tokai - next week
Military - 17.
Korea
China

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

C

May 24, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE F.M.

The Muskie amendment to reduce part of the farm bill to the House numbers just lost 50 to 45.

Many good Democrats like Jackson and Magnuson voted against us.

We still have the House floor action and the conference to go, ~~but it is probably not premature to ask Stu Eizenstat to begin drafting a veto memorandum.~~

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memo withdrawn
per NSC/OMB

R. Ha

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

MAY 24 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: Bert Lance
Director

SUBJECT: Impact of Foreign Aid Increases on the Budget

The EPG is recommending that Secretary Vance announce in Paris that the United States will seek an average increase in foreign aid of 15 percent annually, resulting in a doubling of aid over the next five years. While understanding the commitment to a doubling of aid, we believe that this specific formulation is unwise for several reasons.

1. It forces larger than necessary increases in the 1979 budget. Even though the annual 15 percent increase would be explained as only an "average", your January budget submission for 1979 will be the first real test of your intentions. Your credibility would suffer if the proposed increase was not at least close to 15 percent over 1978. However, under current planning a 15 percent increase is not likely because the major increases in international financial institution programs have already been sought in 1978 and no further increases are planned until the next round of replenishments in 1980 and beyond. Thus, because of the irregular pattern of the increases for these multilateral programs, much larger than proportionate increases would have to be sought for the smaller bilateral programs. In fact, the 15 percent formula would necessitate a 1979 budget $1.2 billion higher than OMB will recommend to you at the foreign affairs budget preview session now scheduled for June 3.

2. You should have an opportunity to review the program and budgetary implications of the several alternatives for doubling foreign aid before multibillion dollar international commitments are made. We believe that certain of our current aid programs would particularly benefit from a thorough zero-based review. A highly publicized and specific initiative now, prior to such systematic evaluation, will make it particularly difficult for you to direct changes in those programs where new approaches seem most needed. Also, the attached OMB staff paper (Tab A) indicates that the choice of which foreign aid elements are to be doubled has a major budget impact. Under a conservative definition of the relevant programs, budget authority would increase

from $5.6 billion in 1977 to $9.4 billion in 1982; under a looser definition, budget authority would have to increase to $13.7 billion in 1982 -- a difference of $4.3 billion! We believe the former definition results in the most appropriate program mix. However, you should also be aware that our recommended approach may create an "image" problem. The index most often cited to measure a nation's aid effort is that of official development assistance (net flows) as a percent of GNP. This index does not rise significantly under any alternative, and in fact declines under the option we suggest. You may therefore have to choose between effective aid programs on the one hand and a more forthcoming U.S. image on the other. In any event, your decision should not be made more difficult by the premature commitment implied by our being too specific in next week's CIEC forum.

Recommendation. Because the increases implied by the 15 percent formula and some of the alternatives for doubling aid would result in high cost programs of doubtful effectiveness, we believe you should review the specific program proposals prior to authorizing any further U.S. commitments. This is important not only to minimize problems in meeting the 1981 goal of balancing the budget, but also to avoid unnecessarily complicating the already difficult problem of getting Congress to appropriate the full 1978 foreign aid requests, especially for the crucial fifth IDA replenishment. Specifically we recommend:

. That the United States limit its public commitment at CIEC to "a substantial increase in foreign aid" as proposed by the other donor countries, rather than risk difficult questions on the specifics of the commitment to double foreign aid by 1982.

Approve _____ Disapprove _____

. That the general commitment to double foreign aid not be publicly announced until you have had the opportunity to review the specific program and budget implications of the alternative formulations in the June 3 budget review.

Approve _____ Disapprove _____

BACKGROUND PAPER ON DOUBLING FOREIGN AID

The recent Presidential decision to double U.S. foreign aid (subject to congressional consultations) has not yet been translated into specific program proposals. OMB staff are concerned that the implementing decisions be reached in a manner which avoids preempting the zero base budget reviews of these programs as much as possible.

Of particular concern is the "base" program which is to be doubled over five years. We assume that 1977 (rather than 1978) should be the base year and that appropriations requests (rather than disbursements) should be the measure of program level. Nonetheless, even given these assumptions, the choice of which foreign aid components are to be doubled has a major budgetary impact and should be viewed in terms of program costs and effectiveness as well as the diplomatic advantages of announcing big increases. There are two major issues:

- Should security supporting assistance--primarily aid to the Middle East--be included in the base even though its program levels are determined primarily by U.S. security rather than development goals?

- Should U.S. (callable capital) guarantees of international financial institution (IFI) borrowing be included in the base even though they do not reflect concessional aid to the poorer LDCs?

Depending on the program base, budget authority for economic and financial assistance would rise from $5.6 billion in 1977 to between $9.4 billion and $13.7 billion in 1982. Outlays would increase from $5.1 billion in 1977 to between $5.7 billion and $9.1 billion in 1982. The following table indicates how OMB would allocate programs to get to three different doubling targets.

Alternatives for Doubling Aid
($ in billions)

	1977 Base	1982 #1 Development Assistance	1982 #2 Subfunction 151	1982 #3 ODA Total
1977 BA Base (Amount being doubled)	-	3.7	5.6	5.3
1982 BA (OMB projection of specific program increases to achieve doubling)				
Concessional Development Assistance (ODA)				
IFI paid in capital	.8	1.5	1.8	2.0
International Orgs.	.2	.3	.3	.5
AID	1.1	2.1	2.6	3.1
PL-480	1.2	.5	1.2	2.8
	3.3	4.4	5.9	8.4
Other concessional aid (ODA)				
Supporting assistance	1.8	(1.9)*	1.9	1.9
Other	.2	(.2)*	.2	.2
	2.0	(2.1)*	2.1	2.1
Non-concessional aid				
IFI callable capital	.4	2.9	3.2	(3.2)*
1982 BA totals for each option (doubling the 1977 base)	-	7.3	11.2	10.5
Total BA (Subfunction 151)	5.6	9.4	11.2	13.7
Total Outlays (151)	5.1	5.7	6.9	9.1
ODA Flows**	4.8	5.4	6.5	8.7
ODA Flows as % of GNP	.26	.18	.21	.28

* Excluded from the doubling calculation

** The OECD formula for ODA Flows is a "net" calculation which subtracts repayments on prior loans from current year expenditures. "ODA flows" is thus slightly less than the 151 Total Outlays level under each option.

Alternative #1: Double "Development Assistance" as defined in the U.S. budget (OMB recommendation). This approach would exclude security supporting assistance (classified as security assistance), but include callable capital. Under the tentative OMB recommended allocation (pending further program evaluations), AID and IFI programs would be about doubled, but P.L. 480 cut back sharply because of its perceived inefficiencies. The bulk of the increase would be in non-concessional callable capital which does not result in budget outlays. OMB believes this approach would be the most defensible on programmatic grounds, but it would be regarded by those advocating large aid increases as an inadequate response to LDC needs and demands.

Total budget authority would rise from $5.6 billion in 1977 to $9.4 billion in 1982; outlays would only increase to from $5.1 billion to $5.7 billion, primarily because of the substitution of slow spending IFI and AID programs for fast spending P.L. 480. Net flows of "Official Development Assistance" (ODA) as a percent of GNP--the most common measure of donor performance--would actually decrease to .18 percent of GNP in 1982 from .26 percent in 1977 because of the low outlays.

Alternative #2: Double total economic and financial assistance (probable agency request). At this higher level, OMB would recommend AID and IFI increases of two to three fold over the five-year period, but would permit P.L. 480 to remain at the 1978 level despite doubts about the program's effectiveness.

Budget authority would rise to $11.2 billion in 1982; outlays would be $6.9 billion, and net ODA flows would increase to .21 percent of GNP, still substantially below the 1977 level of .26 percent. This alternative could be publicly defended as a doubling of the appropriation request for total economic and financial assistance, but it would fall far short of the expected increases in ODA flows, again largely because OMB would recommend increases in slow spending AID and IFI programs rather than less efficient P.L. 480.

Alternative #3: Double Official Development Assistance (possible agency request). This option would require a larger total increase because the OECD definition of ODA excludes callable capital. In order to reach this higher level, OMB believes that it would be necessary to increase P.L. 480 very substantially (from $1.2 billion to $2.8 billion) because further increases in the other programs, which we believe to be more effective, would probably not get congressional support.

Budget authority would rise to $13.7 billion in 1982 and outlays to $9.1 billion. This approach would increase ODA net flows to .28 percent of GNP, still only slightly above the U.S. level in 1977 and significantly below the average of all OECD donors in 1976.

Conclusion

The issue papers being prepared for the Presidential budget preview session on June 3 discuss proposed increases in each of the various aid programs. The OMB recommendations for each program are based on our best current judgment of relative program effectiveness. We believe that the program increases contained in that presentation should be about the maximum that could be efficiently administered without shifting emphasis to large balance-of-payments loans (which have been found relatively ineffective in the past). The one exception to these increases is our recommended reduction in P.L. 480, and these changes become the major swing factor, thereby adding to the urgency of undertaking a thorough zero base evaluation of the food aid programs.

Even with our net increases in total aid, the aggregate levels will be less than expected by many aid advocates and the recipient countries. This will be especially true given the low ODA flows resulting from the OMB recommendations on program mix. Consequently, if the decision is made to reduce P.L. 480 because of questions about its effectiveness, our public stance will have to include explicit treatment of the fact of declining U.S. ODA flows. Specifically, we would have to argue the declining relevance of ODA as a measure of donor effort, primarily on the grounds that it covers only concessional aid disbursements to the poorest countries at a time when we have greatly increased our hard lending to many countries (such as Korea, Brazil) which no longer need continuing concessional aid.

If this approach is not acceptable, it may then be necessary for diplomatic reasons to consider one of the higher alternatives. This would, however, risk forcing a less effective aid program mix and increase the difficulty of balancing the budget in 1981. In addition, significantly higher levels of aid would meet substantial congressional resistance, and we would risk being unable to fulfil the increased LDC expectations which we would have generated.

THE WHITE HOUSE
WASHINGTON
May 24, 1977

Hamilton Jordan
Zbigniew Brzezinski
Charles Schutlze

The attached is forwarded to you
for your information.

Rick Hutcheson

Re: Impact of Foreign Aid Increses
on the Budget.

1:30 p.m.

THE PRESIDENT HAS SEEN.

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for Preservation Purposes

THE WHITE HOUSE

WASHINGTON
May 24, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS

SUBJECT: Small Business Administration Ceremony

1) This is a good occasion for a recognition of the small business virtues -- independence, ingenuity, efficiency, and common sense.

During the campaign, you said about small businesses what you said about the family: that we should make sure our government policies don't hurt these valuable building blocks of our society and economy. You promised to remove the barriers -- of unfair taxation and senseless regulation -- which hurt small businesses, and you're carrying that out.

2) Small businesses are just as vital now as they have been at every other time in our history. One of the best examples is energy: we're preparing to invest a lot of money in R&D for conservation and new energy sources. Much of that will go to large institutions and corporations -- as it must; but you know that some of the very most valuable ideas will come from small, independent businessmen (and women) and inventors.

3) The SBA has always been an illustration of our commitment to small business. Sometimes it's been badly managed, sometimes it's made mistakes, but you know from your own experience as a small businessman how valuable its help can be. The money it invests pays greater dividends than almost anywhere else in government.

You've told Vernon Weaver you want to see the SBA Management Assistance Program -- the one-on-one counselling program by retired business executives -- expanded to help the struggling small business man (or woman).

4) Larry Comer, the National Small Business Person of the Year, was born in Plains and now lives in Americus. Just a coincidence, of course, but you're glad to see local boys making good. Billy was in the running until he moved up to the Media Baron category.

Comer began his business -- the Metalux Corporation -- in 1964, with the help of an SBA loan. He received another loan later on, and has benefitted from the advice of SCORE, the Service Corps of Retired Executives. His company began with three employees and now has 375.

Incidentally, the company makes lighting fixtures and other sorts of lighting equipment, and is determined to help with our energy conservation efforts. It's companies like this that will determine whether we succeed in these efforts or fail.

5) The two runners-up to Larry Comer are Ms. Marie Tarvin of El Paso, and Jerry Dean Schimmelpfennig (shimmel-fennig) of Mount Pleasant, Iowa.

6) There are 9 women among the 54 winners here and a substantial representation from minority groups. The SBA has proven in the past that it is one of the best ways for minorities to join fully in the richness of American life, and you are glad that it is still performing that function.

THE WHITE HOUSE
WASHINGTON

May 24, 1977

Bob Linder -

As discussed, I checked with Bob Lipshutz's office about the handling of the letter to Mr. Van Dam. They would like the letter dated May 23, 1977 and delivered just as soon as possible to Mike Egan at the Justice Department.

Trudy Fry

cc: Bob Lipshutz

5/23/77

THE WHITE HOUSE

WASHINGTON

May 23, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ
MARGARET McKENNA

SUBJECT: Replacement of U. S. Attorney, Eastern District of Michigan

On the recommendation of Senator Donald Riegle, Jr. of Michigan, the Justice Department has recommended Mr. James K. Robinson to be the United States Attorney for the Eastern District of Michigan. The incumbent U. S. Attorney, Philip Van Dam, has refused to resign. The Justice Department believes that Mr. Robinson is better qualified for the job than the incumbent.

We agree with the Justice Department that you have the authority to remove the incumbent U. S. Attorney and suggest that you sign the attached letter.

THE WHITE HOUSE

WASHINGTON

To Philip M. Van Dam:

Pursuant to the authority vested in me by Title 28 of the United States Code, section 541, you are hereby removed from the office of United States Attorney for the Eastern District of Michigan, to take effect upon appointment and qualification of your successor.

Sincerely,

Jimmy Carter

Honorable Philip M. Van Dam
United States Attorney
817 Federal Building
231 West Lafayette
Detroit, Michigan 48226

1:30 PM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 19, 1977

MEETING WITH SMALL BUSINESS REPRESENTATIVES

Tuesday, May 24, 1977
1:30 p.m.
Rose Garden

From: MARGARET COSTANZA MC

I. PURPOSE

To meet with and honor the State and Territorial Small Business Winners and to present the Award to the Small Business Person of the Year.

II. BACKGROUND PARTICIPANTS AND PRESS PLAN

A. Background: The 53 State Winners were selected by the individual District Advisory Councils and presentations were sent to the Central Office to be judged for the national winner.

B. Participants: The 53 State Winners (includes the District of Columbia, Guam and Puerto Rico) are listed as Tab A.

C. Press Plan: Group Photo with President and coverage to be coordinated with Press Office.

III. TALKING POINTS

1. Judging was done by a panel of approximately 100 National Advisory Council members. The participants were judged on the following nine points:

   a. Staying Power
   b. Growth in Number of Employees
   c. Increase in Sales Dollar and/or Unit Volume
   d. Current and Past Financial Reports
   e. Original Entrepreneurship
   f. Innovativeness of Product or Service Offered
   g. Response to Adversity
   h. Contributions by Nominee to Aid Community Projects
   i. Personal Characteristics

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2. The National Small Business Person of the Year Winner is Larry Comer, President of Metalux Corporation of Americus, Georgia.

   Note: While he considers himself a native of Americus, he was born in Plains, Georgia, on June 18, 1933.

3. Metalux Corporation, a manufacturer of fluorescent lighting fixtures and equipment, was founded in 1964 with the help of an SBA bank loan and employed three people; with the help of a second SBA loan, it now employs 375 people. Mr. Comer is past president of the Americus and Sumter County Chamber of Commerce. For further biography, see Tab B.

4. Also in the audience will be Thomas Perry who counseled President Carter on his first SBA loan and has recently met with the President.

5. The two runner-ups are a woman, Marie Tapply Tarvin, from El Paso, Texas, who is the President of Sun City Delivery Service, Inc., and a man, Jerry Dean Schimmelpfennig, who is the President of Scientific Applications, Inc., a company highly involved in the energy field dealing with insulation.

6. The Honorable Vernon Weaver, SBA Administrator, will greet the President and introduce him to the audience. The President will then respond with remarks and upon conclusion will present the award to the National Small Business Person of the Year.

Enclosures: Tab A - List of 53 State Winners
Tab B - Biography of Winner, Larry Comer

TAB

A

The state and territory winners include: Irvin F. Siegal, Alabama; George Richard Winters, Alaska; Thomas B. Ogden, Arizona; Richard L. Kimbrough, Arkansas; Gary M. Allen and Dale A. Wilson, California; Joseph M. Dunn, Colorado; William A. Rice, Connecticut; Henry J. Oyhenart, District of Columbia; A.J.W. Novak, Florida; Larry Comer, Georgia; Chuck Machado, Hawaii; Joe Hunter, Idaho; Pierce Barker Jr., Illinois; Mark Corey and Steve Corey, Indiana; Jerry Dean Schimmelpfennig, Iowa; Mercurio Mascorro, Kansas; Robert Kamman, Kentucky; Helen A. Pope and Barbara H. Stephenson, Louisiana; Paul J. Gelardi and Anthony L. Gelardi, Maine; Joseph S. Mattingly, Maryland; Abraham Bashara, Massachusetts; Orville D. Merillat, Michigan; Paul Riedell, Minnesota; Bobby D. Farris, Mississippi; Frank L. Reynolds, Missouri; Ruth Louise Townsend, Montana; Morris M. Kaplan, Nebraska; Robert L. Mendenhall, Nevada; William B. Wilkins, New Hampshire; Guy T. Bock, New Jersey; Matias and Connie Martinez, New Mexico; Kevan M. Green, New York; Mary Belle Cleamons Graham, North Carolina; Larry R. Strand, North Dakota; Joseph G. Bellian, Ohio; Gertrude Boyle, Oregon; Harry G. Austin Jr., Pennsylvania; Victor S. Maldonado, Puerto Rico; Samuel Forte, Rhode Island; Matz Lischerong, South Carolina; George C. Whyte Jr., South Dakota; Earl Benard Blasingame, Tennessee; Marie Tapply Tarvin, Texas; Mary B, Kazan, Utah; Robert J. Desautels, Vermont; Alfred Irving Mollen, Virginia; William A. Raven Sr., Washington; K. Jim Williams, West Virginia; Herman Williams, Wisconsin; Alta Clarene Law, Wyoming; and Wilbur La Motta of the Virgin Islands.

-end-

TAB

B

U.S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

For Additional Information Contact:
K Drew
653-6748

NATIONAL SMALL BUSINESS PERSON OF THE YEAR

LARRY COMER
President of Metalux Corporation of Americus, Georgia
NOTE: Born in Plains, GA 6-18-33

Metalux Corporation is a manufacturer of flourescent lighting fixtures and equipment, and Mr. Comer started the company in 1964, with the help of an SBA-bank loan. The company, which started with only three employees, now employs 375 people.

A second SBA-bank loan assisted in the company's growth and valuable advice and counsel has been provided the firm through the Service Corps of Retired Executives.

Mr. Comer holds both Bachelor of Science and Master of Science degrees from the Georgia Institute of Technology and is an active participant in community activities.

He is a past president of the Americus and Sumter County Chamber of Commerce and presently on the Board; is a Director of the Americus and Sumter County Industrial Development Authority; a member of the Young President's Organization; he teaches Sunday School and is a Methodist lay speaker. He served in the U.S. Navy with two years of active duty and for six years as a Lieutenant in the Naval Reserve.

He is married to the former Jane Little, and they are the parents of a son and a daughter.

* * *

THE WHITE HOUSE
WASHINGTON
May 23, 1977

The Vice President

Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jody Powell
Jack Watson

The attached is forwarded to you for your information.

Rick Hutcheson

Re: Meeting with Small Business Representative.