1/13/78

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Bob Lipshutz to Pres. Carter, 7 pp. re: Peanut oil saleq	1/12/77	C
Memo	Bob Lipshutz to Pres. Carter, 17 pp. re: CAB decision Chicago/Vancouver route	1/13/78	C
Memo	Cyrus Vance, Harold Brown & Zbigniew Brzezinski to Pres. Carter, 13 pp. Separate folder	1/10/78	A

FILE LOCATION
Carter Presidential Papers-Staff Offices, Office of the Staff Sec.-Pres. Handwriting File 1/13/78 BOX 67

RESTRICTION CODES

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THE PRESIDENT'S SCHEDULE

Friday - January 13, 1978

8:00 — Dr. Zbigniew Brzezinski - The Oval Office.

9:00 — Dr. Arthur A. Burns - The Oval Office.

10:30 (60 min.) — Meeting with Group of Business Leaders. (Mr. Jack Watson) - The Cabinet Room.

12:00 — Lunch with Mr. George Meany - First Floor Family Dining Room.

2:30 (30 min.) — Editors Meeting. (Mr. Jody Powell). The Cabinet Room.

4:00 — Depart South Grounds via Helicopter en route Camp David.

THE WHITE HOUSE
WASHINGTON

conf'd

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

ACTION	FYI	
	✓	MONDALE
		COSTANZA
		EIZENSTAT
	✓	JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
✓		McINTYRE
		SCHULTZE

		ENROLLED BILL
		AGENCY REPORT
		CAB DECISION
		EXECUTIVE ORDER

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

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

		KRAFT
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

ID 780062 THE WHITE HOUSE

WASHINGTON

DATE: JAN 10 78

FOR ACTION: JIM MCINTYRE

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN NC

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT REORGANIZATION PROJECT'S STUDY -- CONFIDENTIAL (in safe)

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY 1200 PM THURSDAY JAN 12 78

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 780062 T H E W H I T E H O U S E

WASHINGTON

DATE: JAN 10 78

FOR ACTION: RICHARD PETTIGREW

~~CONFIDENTIAL~~

INFO ONLY:

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT VANCE/BROWN/BRZEZINSKI CONFIDENTIAL MEMO DATED 1/10/78 RE REORGANIZATION PROJECT'S STUDY

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY
BY 1200 PM FRIDAY JAN 13 78

In safe

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

DECLASSIFIED
E.O. 12356, SEC. 3.4(b)
WHITE HOUSE GUIDELINES, FEB. 24, 1983
BY [illegible] NARS, DATE 5/4/92

ID 780062 THE WHITE HOUSE

WASHINGTON

DATE: JAN 10 78

FOR ACTION: JIM MCINTYRE

~~CONFIDENTIAL~~

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT REORGANIZATION PROJECT'S STUDY -- CONFIDENTIAL

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY 1200 PM THURSDAY JAN 12 78

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. (X) NO COMMENT. ( ) HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

DECLASSIFIED
E.O. 12356, SEC. 3.4(b)
WHITE HOUSE GUIDELINES, FEB. 24, 1983
BY [illegible] NARS, DATE 5/1/92

T00062

THE WHITE HOUSE
WASHINGTON
January 13, 1978

Zbig Brzezinski

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

Please forward Secretaries Vance and Brown the attached copies of the President's decision.

Rick Hutcheson

cc: Jim McIntyre

RE: REORGANIZATION PROJECT'S STUDY

~~CONFIDENTIAL~~ ATTACHMENT

confid

THE WHITE HOUSE
WASHINGTON

Vance + Brown
via 213

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

don't include comments

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

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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

	ARAGON
	BOURNE
X	BRZEZINSKI
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	FALLOWS
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	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

MEMORANDUM ~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

ACTION

THE PRESIDENT HAS SEEN January 10, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: CYRUS VANCE CRV
HAROLD BROWN HB
ZBIGNIEW BRZEZINSKI ZB

DECLASSIFIED
E.O. 12356, Sec. 3.4
PER 1/22/92 NSC Ltr RE NSC-91-97
BY JG NARS, DATE 5/1/92

SUBJECT: Reorganization Project's Study

We understand that the President's Reorganization Project (PRP) still plans to initiate a study on the integration of defense policy with national priorities. The proposed study would examine the "formulation and implementation of foreign and defense plans and programs" to "ensure that broad national and foreign policy considerations are properly weighed."

Such a study might have been useful in the early stages of the Administration. But now a system which you took a large part in shaping is working and beginning to produce results; it is designed to facilitate the processes that the PRP proposes to study. Not only have the PRM/NSC process and NSC committees functioned as planned, but Defense, State and NSC have worked out procedures for improved coordination of the defense program. Also, Defense has instituted changes in its internal program/budget process that will bring you into the process at two critical junctures -- early in the year when you approve the Consolidated Guidance (CG) and in late summer when you review the Status Report (SR).

To begin a reorganization study now would suggest that these procedures are not working: an announcement of a study would surely generate public interest and press commentary, as you have already seen with the three Defense reorganization studies. Further, a long study would require time and attention and would disrupt the already full agenda that we have put before our staffs.

Although we are not adverse to taking stock after the new procedures have had time to work, we feel that the PRP's proposed study would not be helpful. However, your authority is needed to cancel the study, since PRP understands you to have authorized the study when you approved the Defense studies in August.

RECOMMENDATION

That you authorize Zbig to inform Harrison Wellford of the cancellation of the proposed study.

Approve _____ Disapprove ✓

JC

~~CONFIDENTIAL~~ CONFIDENTIAL

MCINTYRE COMMENT

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

January 13, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. Jim McIntyre

SUBJECT: Reorganization Project Study on the Integration of Defense Policy with National Priorities

Cy Vance, Harold Brown and Zbig Brzezinski have sent you a memo proposing that you cancel the Reorganization Project's proposed study on the integration of defense policy with national priorities. The issue summary for this study (copy attached) was approved by you along with our three DOD studies last summer. We held off launching the study until the three DOD studies had begun.

The Vance-Brown-Brzezinski memo suggests that the integration study is not now timely because new procedures have been established that will improve coordination among DOD, State and NSC and will bring you into the DOD budget process far earlier than in the past. The memo further suggests that our study might be appropriate once these procedures have been operational for a time.

We agree that the study should be deferred until later this year, but not canceled. We therefore propose to undertake the study, with the participation of all affected agencies, late this year after the new procedures have had an opportunity to work.

Attachment

Approved by [illegible]

President's Reorganization Project
Issue Summary

Integrating Defense Policy with National Priorities

Issue: What changes in organization and processes would improve the integration of national policy perspectives into Defense decisionmaking.

Summary of Problems and Opportunities

Defense policy must form part of overall national policy. Yet the integration of defense programs into the larger framework of U.S. priorities has often been uneven or erratic, and on occasion the linkage between U.S. foreign policy and U.S. defense policy has been weak or lacking. In part, the reasons for these shortcomings are structural and organizational.

Numerous studies of our foreign and defense policy machinery concerning weapons development, force posture, or strategic doctrine have shown that decisions made within the Department of Defense without significant input from outside agencies may prove to have significant long term implications for national priorities or U.S. foreign policy. The natural complexity of the defense planning process, the long lead time required in developing weapons systems, and the difficulty of translating "foreign policy" objectives into defense program and budget decisions contribute to the problem.

Nevertheless, the current decisionmaking system, with its emphasis on ad hoc arrangements, has not always contributed to the early identification of defense issues with foreign policy implications nor ensured that broad national goals were considered in the formulation and implementation of defense policy. Many major defense programs -- the B-1 bomber, the neutron bomb, MIRV weapon systems, for example -- have received appropriately broad analysis and review only when issues have surfaced at the Presidential level. At that point, the momentum behind such programs is often so great as to make it difficult to revise or reverse decisions previously taken. On other defense programs where there exist major trade-offs between military and foreign policy objectives -- developing a replacement for the M-60 tank while supporting NATO weapons standardization, for example -- guidance to DOD is by nature broad in character and unable by itself to guide DOD in translating national policy into specific program decisions.

In the past, line agencies with foreign and national policy perspectives, such as the State Department, the Arms Control and Disarmament Agency (ACDA), and even the Office of

International Security Affairs (ISA) within DOD have tended to become involved in the defense programming cycle too late to have a significant impact. Additionally, State, ACDA and ISA have been hampered by a lack of specialized staff and of timely access to program information. Those elements within DOD that currently do play an important role in program determination have generally not sought broad national or foreign policy guidance.

Specifically, three questions exist with regard to our decisionmaking machinery:

- How to ensure that key agencies outside of DOD receive early information on defense plans and programs which could have significant foreign and national policy implications?

- How to strengthen the analytical and planning competence of entities within and without DOD to enable them to make apprropiate policy contributions on defense issues?

- How to improve current machinery for the translation of appropriate guidance into specific defense program decisions?

Current Initiatives:

- The newly established Arms Export Control Board will play a coordinating role in the field of arms transfer policy. This is likely to improve coordination among the interested agencies, but will not alter the fact that some of the parties lack the competence or the perspective necessary to enable them to fulfill their proper roles.

- Defense Secretary Brown plans to establish a new Under Secretary for Policy between his office and ISA. He also hopes to redirect ISA toward monitoring defense programs and to bring State and ACDA into the consideration of defense issues with foreign policy implications.

- The Assistant Secretary of State for Political-Military Affairs is trying to enhance the analytic abilities of his staff and to bring State into the DOD budget process at an earlier point.

Comment: Under new leadership, both PM and ISA are seeking new cooperative relationships aimed at better coordination of defense and foreign policy and a closer integration of policymaking between the two agencies. It is still too early to judge the long-term effect of these efforts.

Prior Initiatives

Since 1951, there have been at least 65 studies of the U.S. foreign policy machinery. Their recommendations have been many and varied, but several themes recur: suggestions that the Department of State (or perhaps some expanded version of State) should coordinate agency policies and activities with international implications and that the personnel of State should have greater competence in specialized fields with international implications (e.g., military affairs, economics, science). The principal recommendations of two major recent studies were:

Heineman Report (1967)

1. State should be "coordinator" of foreign and national security policy.

2. State should review the entire foreign affairs budget (including DOD and intelligence community).

3. Establish Under Secretary of State for Security Affairs.

Murphy Commission (June 1975)

1. ISA should play an increased role in shaping the defense program and budget.

2. A single senior State Department official for both political-military and national security affairs.

3. The selection and training of Foreign Service Officers should recognize the need for competent national security analysts.

4. The political-military capability of the regional bureaus in State should be upgraded.

Recommended Action

The President's Reorganization Project should conduct a study to determine how we can improve the current mechanism for assuring the timely and effective integration of national objectives into Defense program planning and implementation. Particular questions to be studied would include: the roles

of State's Under Secretary for Security Assistance and Bureau of Politico-Military Affairs, the Defense Security Assistance Agency and the Office of International Security Affairs, and the Arms Control and Disarmament Agency; information management, reporting, and assessment capabilities throughout the U.S. Government on political-military issues relating to foreign and defense policies; and the staffing and coordination of overseas diplomatic activities related to defense programs.

Potential Benefits

- Assure an appropriate relationship of defense programs to overall national objectives and goals.

- Assure that all agencies are better informed of defense issues with foreign policy implications and are capable of playing their appropriate roles in the decisionmaking process.

Constraints:

- Jurisdictional conflict among agencies.

- The difficulty in translating foreign policy objectives into defense programs and the long lead time within DOD in weapons acquisition, logistics, personnel, strategic policy, etc.

- The weakness of various non-DOD agencies in terms of knowledge and competence to influence decisions on specialized issues, even if they are afforded early opportunities to comment.

Agencies, Groups, and Individuals Concerned

- Agencies: State, DOD, ACDA, NSC, OMB.

- Groups: The principal groups interested would be the employees of State and other affected agencies, although many academics and other private groups can be expected to take an interest in any study touching on our foreign or defense policy machinery.

Related Issues

- Defense Top Management

- Defense Resource Management

- National Military Command Structure

780129

THE WHITE HOUSE
WASHINGTON
January 13, 1978

Stu Eizenstat
Jim McIntyre
Peter Bourne

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

Rick Hutcheson

cc: The Vice President
Frank Moore
Jack Watson

NATIONAL HEALTH INSURANCE

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 12, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
JIM McINTYRE
PETER BOURNE

SUBJECT: National Health Insurance

We recommend that the new PRM process now be initiated to complete our policy development for National Health Insurance. There will be few issues in the next three years with greater interagency impact, and few for which the new process is better suited.

The various NHI options raise difficult questions involving the tax system, employer-employee relationships, and the federal budget. Thus, participation by Commerce, Labor, Treasury, OMB, and CEA is required. In addition, since NHI raises questions concerning the federal government's direct provision of health services through the VA and DOD, these agencies should also participate in the deliberations.

In sum, NHI is the ideal domestic issue for which to use the formal Policy Review Process. HEW, of course, will continue to be the lead agency.

If you approve, we will then begin working with Secretary Califano to prepare the Issue Definition Memorandum.

✓ Approve (recommended)

_____ Disapprove

_____ Discuss

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for Preservation Purposes

ID 780129

THE WHITE HOUSE

WASHINGTON

DATE: JAN 13 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT
HAMILTON JORDAN
JACK WATSON
MIDGE COSTANZA
FRANK MOORE
CHARLES SCHULTZE

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT EIZENSTAT/MCINTYRE/BOURNE MEMO DATED 1/12/78 RE NATIONAL HEALTH INSURANCE

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY ~~JAN 13~~ 78

ACTION REQUESTED: THIS MEMO IS FORWARDED TO YOU FOR YOUR INFORMATION

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

10:00 A.M.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 12, 1978

C

MEETING WITH BUSINESS LEADERS

Friday, January 13, 1978
10:00 a.m.
Cabinet Room

From: Stu Eizenstat
Bob Ginsburg

I. PURPOSE

To outline and discuss the Administration's comprehensive economic program and to enlist the cooperation and support of the business leaders.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: For about an hour prior to your entrance, your principal economic advisers will brief the business leaders on:

(1) the Administration's economic goals and strategy;

(2) the FY 1979 budget;

(3) the tax program;

(4) efforts to reduce structural employment; and

(5) anti-inflation policy, stressing the deceleration approach.

B. Participants: For business leaders attending, see Annex.

C. Press Plan: None.

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III. TALKING POINTS

A. 1977 Accomplishments:

-- Unemployment rate - down by almost 1 1/2%

-- Employment - up by over 4 million

-- Real output - up by almost 6%

-- Business investment - up by 8%

-- Corporate profits (after tax) - up by 11 1/2%

-- Inflation - slowed, particularly in second half of the year

-- Tough problems faced - energy policy, social security financing, minimum wage, welfare reform

B. Remaining Problems:

-- Stubborn underlying 6 - 6 1/2% inflation rate

-- Maintaining momentum in reducing unemployment, particularly black and teenage unemployment

-- Continued large trade deficit, primarily due to high oil imports

-- Enactment of energy program

-- Need for stronger business investment if we are to continue steady economic growth, avoid inflationary pressures, and move toward a balanced budget

C. FY 1979 Budget:

-- Outlays of about $500 billion - 8% above 1978, smallest increase since 1973 (only 2% real growth)

-- Outlays constitute 22% of GNP compared to 22.6% in 1978, moving toward 21% by 1981

-- Deficit of about $60 billion, down slightly from 1978

-- Deficit could have been cut $15-20 billion without proposed tax cut--tax cut needed to offset fiscal drag and for continued strong economic growth

-- Will make progress toward balanced budget

-- Cannot promise actual balance in FY 1981--that will depend upon strength of private economy and particularly the investment decisions made by the business leaders

D. Comprehensive Economic Program:

1. Major domestic emphasis in 1978 will be on the economy. But passage of the energy program has to be the first legislative priority--until we get that behind us, uncertainties will remain on the part of both business and our foreign allies and it will slow the pace of the rest of our economic program. Therefore, the support of the business leaders for rapid enactment of the energy program will be extremely helpful for our overall economic prospects.

2. President's Economic Message will set out a comprehensive economic strategy. Business has expressed some concern about the overall direction of Administration economic policy. Message will address that concern, setting our basic economic course for the next several years.

3. The essential elements of the economic strategy are:

(a) Budget policy. Reduction in the percentage of GNP taken by government spending and movement toward a balanced budget.

(b) Tax program.

-- $25 billion net tax cut ($6 billion for business) to offset the fiscal drag from increased social security and energy taxes and to keep the economy on a steady 4 1/2 - 5% growth rate.

-- Tax cut is relatively modest (1.1% of GNP as compared to 2.2% for JFK's tax cut) and not inflationary.

-- The depth of the tax cuts will be possible only because we are also raising revenue from reforms. President is committed to achieving reforms.

-- Business leaders may not agree with several reform items but should focus on the overall package -- its bottom line -- for business, which is highly favorable. (In fact, many of the President's political supporters will probably criticize the business tax cuts as being too large.)

-- Business leaders should be urged to support the overall thrust of the package and not spend all their energies fighting the President over particular items.

(c) Employment programs.

-- Maintenance for FY 1979 of continued high level of public service and youth employment programs.

-- Additional $400 million for a targeted private sector youth employment program -- to provide subsidies for on-the-job training. President will be seeking the support of these and other business executives for this program. NAB will be revived, with considerable participation for local business councils. Business must help with youth unemployment problem.

(d) Anti-inflation policies.

-- Government is doing its part through a tight FY 1979 budget, proposals to eliminate telephone excise and reduce employers' UI taxes, and continued regulatory reform efforts, as well as deceleration in Federal salary increases.

-- The Administration rejects wage and price controls or economic slowdown as methods for reducing inflation.

-- Deceleration is a reasonable, voluntary approach -- taking account of each industry's costs and prices but seeking an effort from everyone to wind down inflationary pressure.

-- Business leaders should be urged to cooperate with economic advisers in making the deceleration process work.

Annex

PARTICIPANTS

John deButts, AT&T

Clifton Garvin, Exxon

Robert Hatfield, Continental

Ben Heineman, Northwest Industries

Reginald Jones, General Electric

Irwin Miller, Cummins Engine

Thomas Murphy, General Motors

Peter Peterson, Lehman Brothers

Donald Regan, Merrill Lynch

Irving Shapiro, duPont

12:00 PM

THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

January 12, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: Group Legal Expenses and Your Meeting with George Meany Tomorrow

There is one point about group legal expenses that is not brought out in the Eizenstat or Blumenthal tax reform memos. This is now a tiny loophole, but only because it is a new one. It could easily grow very rapidly, promoted by a legal industry that currently sells about $10 billion of personal legal services annually. It threatens to become a very large revenue loser in years ahead.

Eliminating this reform from the package is, therefore, not a small thing. This fact could be stressed in your conversation with George Meany tomorrow, as one element of an approach to get his support for your economic program. A similar approach to Doug Fraser at some point would help.

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THE PRESIDENT HAS SEEN.

C

ADMINISTRATIVELY CONFIDENTIAL

Department of Energy
Washington, D.C. 20585

January 13, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM SCHLESINGER
JIM MCINTYRE
STUART EIZENSTAT
CHARLES SCHULTZE
MIKE BLUMENTHAL
FRANK MOORE

1-13-78

SUBJECT: Proposed Energy Bill Strategy and Positions

This memorandum recommends Administration positions on the remaining natural gas and tax policy issues in the energy conference and outlines legislative strategies to achieve those positions. We all concur on the recommended legislative strategy and the major substantive positions.

SUMMARY

The major issues still facing the energy conference are:

- o Natural Gas. New efforts to develop a compromise bill, with Senator Jackson playing a central role.
- o Crude Oil Equalization Tax. The level of producer incentives (to be provided under existing administrative authority) and the size and scope of a trust fund for energy development and transportation.
- o Oil and Gas User Tax. Agreement on an oil and gas user tax that achieves significant oil savings.
- o Tax Credits. Elimination of the major budgetary drain from the tax credits added and expanded by the Senate ($38 billion over the House credits).

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The tax conference will not move forward until a gas compromise is developed. Our strategy must, therefore, concentrate on resolving the natural gas issues. We are reommending that Senator Jackson be involved more fully and that the pre-Christmas compromise be used as a base for a natural gas agreement.

On the tax issues, the Senate is insisting on increased oil producer revenues and a trust fund as a price for agreement on a Crude Oil Equalization Tax (COET). We recommend that producer incentives be increased to the level currently allowed by law until 1979 (10 percent annually) and then continuing that increase each year until 1981. We believe that the trust fund can be held to 25 to 30 percent of COET net revenues.

Massive industrial lobbying has made an effective oil and gas user tax difficult to obtain. The numerous tax credits in the Senate bill also pose a serious problem, although Senator Long has indicated a willingness to drop most of them if increased oil producer revenues are part of the COET settlement. In making such concessions we should get commitments on deletion of Senate bill credits.

The recommendations in this memorandum would result in an overall energy bill that would achieve:

- oil imports savings of approximately 2.8 million barrels a day in 1985

- consumer costs very close to current law and only $25 billion greater than the House bill by 1985.

- total budgetary deficit of $16 billion (including increased tax receipts from greater oil producer revenues) or $25 billion if these receipts are excluded.

Outlays under our proposed package are $23.1 billion and tax expenditures are $1.5 billion, totalling $24.6 billion. In addition, $8.3 billion of increased tax revenues would result from increased producer revenues over the 1978-85 period. Treasury and DOE believe that the increase in receipts should be applied to the total deficit, leading to the $16 billion estimate. OMB believes the $8.3 billion is uncertain since comparable estimates were not made for the base case.

We believe that a bill with these results meets your basic goals of protecting consumers, realizing energy savings, and minimizing adverse budget impacts.

NATURAL GAS

Background

The Johnston-Ford compromise offered just before Christmas, set forth in Table 1, would have accomplished the following:

- o New Gas Prices: Beginning at $1.75/mcf upon enactment, new gas prices would increase annually at a rate of 4.5 percent, plus inflation, through 1983. Beginning in 1984, a 15 percent annual increase -- the so-called "floating cap" -- is allowed until the market clearing price is reached.

- o New and old gas definitions: In a formula described as a "donut", gas produced within a 1-mile radius of an existing well receives the current $1.45 price. Within 1 to 2 1/2 miles of existing wells, at a 5,000-foot depth or greater, the gas price would be half way between $1.45 and the new gas price; gas beyond 2 1/2 miles or 1,000 feet below an existing well would receive the new price. Also gas from certain onshore leases not currently in production would receive the new gas price.

- o Intrastate Rollover Contracts Below 91 cents per mcf. Expiring intrastate contracts with current prices below 91 cents (the BTU equivalent of old oil as of December 1, 1977) would receive 91 cents, adjusted annually with inflation.

- o No Rollback of Intrastate Contracts. Expiring intrastate contracts with current prices above the new gas ceiling would not be rolled back.

- o Royalty Gas From State Lands. States would receive the new gas price for royalties from gas production on State-owned lands or for direct State production from those lands.

- o Stripper Gas Wells. Wells producing 60 mcf/day or less would receive a price of $2/mcf plus inflation; wells producing 60 mcf to 100 mcf would receive the "donut" price.

Table 1

1978-85 Revenue Increase of the Pre-Christmas Compromise Over The House Bill
(Billions of Current Dollars)

1.	New Gas Price	4.0
2.	Donut Rule and Expansion of New Gas Definition	2.8
3.	Intrastate Rollover Contracts below $.91 per mcf	2.5
4.	No Rollback of Intrastate Contracts	1.7
5.	Royalty Gas From State Lands	2.0
6.	Stripper Gas Wells	4.3
		17.3

In total, the pre-Christmas compromise would give producers $17 billion more between 1978-1985 than the House bill. This compares with a cumulative 1978-85 difference of about $90 billion between the House and Senate bills.

Level of Producer Revenues

For several reasons, we believe that the level of producer revenues contemplated by the pre-Christmas compromise is reasonable. Central to our reasoning on this point are recently revised estimates of the actual costs of natural gas over the last year and new projections for the coming years.

New data indicates that the actual consumer costs for natural gas have been higher over the last year than anticipated. Most of the increase is due to higher intrastate prices but high volumes of emergency sales to the interstate market at unregulated prices also account for this increase in overall gas prices.

Stated another way, the pre-Christmas compromise proposal would have about the same total consumer impact as no legislation (though it may be inadvisable to emphasize this publicly for strategic reasons). The compromise would, however, have the following major benefits:

- Eliminating the artificial distinction between the intrastate and interstate markets and thereby providing much more gas for the interstate market
- Providing much stronger producer incentives for discoveries of new gas
- Requiring incremental pricing of natural gas for low priority uses.

In fact, we believe producer revenue increases slightly above the pre-Christmas level would be tolerable, given the revisions in base case projections.

Elements of a Compromise

Conversations with Senator Jackson and others indicate that the pre-Christmas compromise is an acceptable starting

point for new negotiations. They feel that the level of producer revenues is in the ballpark, and some of the mechanisms for achieving that level are acceptable.

There are, however, numerous formulae or mechanisms by which the same general level of producer revenues could be generated. These mechanisms vary in their degree of consistency with overall NEP objectives.

Possible methods for modifying the compromise include:

- addition of an incentive price for OCS gas produced from leases entered into after July, 1976. (This would provide additional incentives for the production from the Baltimore Canyon on the Atlantic OCS.)

- decrease in revenues from both royalty gas on state lands and stripper gas wells, and possibly an increase for new onshore wells through modification of the donut rule.

At this point, it is not possible to pin down precisely which combination of mechanisms will produce a workable compromise, although Table 1 provides one illustrative possibility.

To give you a general feeling for the merits of the several available mechanisms for increasing producer revenues, we have ranked each of the elements of the pre-Christmas proposal, as well as the new OCS proposal, on the basis of energy effectiveness and economic efficiency. In general, our goal should be to foster a compromise which avoids reliance on the mechanisms at the bottom of the list.

- <u>Those most likely to increase gas production and induce conservation</u>

  -- A starting point for the price of new gas above $1.75.

  -- Added incentive for OCS gas leased after July, 1976 (none of which is in production).

- o Proposals that do not stimulate new production but would provide increased producer revenues without major market distortions.

  -- Allow intrastate rollover contracts a minimum of 91 cents per mcf.

  -- No rollback of intrastate contracts.

  -- Donut Rule.

- o Proposals that may cause distortion in the market and in some cases, actually discourage production.

  -- Royalty Gas from State Lands.

  -- Rapid Annual Escalation of New Gas Price.

  -- Higher Prices for Stripper Wells.

The proposal that stimulate production deserve support. Proposals under the second category are less desirable because, although they produce no major distortions, they do not significantly stimulate gas production. Our strongest opposition should be directed at the proposals which cause market distortions and could discourage production. More discussion of the detailed proposals follow:

- o Royalty gas from State lands

  Higher prices for royalty gas production from State lands, both new and old, promise little energy supply benefit. It could increase Congressional pressure for revenue sharing on OCS and Federal coal lands, however, and could encounter trouble in the full House and Senate, since most of the benefit goes to a small number of States (e.g., Louisiana, Oklahoma, and Texas). If a royalty gas provision is absolutely necessary for a bill, we would propose to limit its applicability substantially.

- Initial price versus rapid price escalation

  An annual rate of escalation of 4.5 percemt (above inflation) from $1.75 through 1983, and thereafter by 15 percent a year, could create some incentive to hold back production. It would be preferable, holding the level of increased producer revenues constant, to trade off the rate of escalation of the new price with other measures, such as an increase in the new price in early years. For example, a $1.75 per mcf starting price with escalation at 4.5 percent per year plus inflation generates the same level of producer revenues as a starting price of $2.03/mcf which increases at 2 1/4 percent per year plus inflation. Raising the $1.75 starting price, however, may be very difficult politically.

- Stripper wells

  A $2.00 per mcf price for stripper gas wells is unnecessary, creates difficult administrative problems, and may actually cause marginal well owners to reduce production in order to qualify for the stripper price. We propose trying to reduce the producer revenues from this category.

Overall, we believe it is most fruitful to guide the conferees along the following lines:

- Trading off the final price escalation with an increase in the initial price to reduce incentives to hold back gas. Because this is a highly sensitive political issue, we propose to discuss this further with the conferees.

- Increasing the level of incentive for offshore production.

- Cutting back on the higher prices for stripper wells, and

- Reducing the eligibility of gas produced from state lands from receiving the higher incentive price.

Legislative Strategy

Any hope for success on natural gas lies in securing a commitment from Senator Jackson to work for a compromise. As a result of Jim Schlesinger's January 7 meeting with him, Jackson has become convinced that the costs of continuing current law are unacceptable since producer revenues are increasing without providing any of the benefits of combining the inter and intrastate markets or increasing production incentives. Jackson now seems committed to working out a compromise which achieves these policy benefits, even if the level of producer revenues must be slightly higher.

Jackson is now in a position to move toward a compromise which several of the pro-deregulation Senators could accept while losing only Senator Abourezk from his own bloc. Jackson has spoken with Senator Metzenbaum and is encouraged, though persuading him to accept a compromise will still be difficult. The impact of Senator Metcalf's death on final resolution of the natural gas legislation is unclear.

Jackson has initiated and will continue a number of discussions with both House and Senate Conferees. At this juncture, we recommend letting Jackson proceed with these discussions without substantive recommendations from the Administration. He is in a better position to deal with the Senators than we are, and since the House feels that the ball is now in the Senate's court, gaining votes among the Senate conferees is critical. We should, of course, be willing to respond to any request for information or assistance which Jackson might make.

Should Jackson's efforts later appear to break down, we should be prepared to step in, between the factions, or perhaps with a substantive proposal. In either case, the general positions and preferences outlined in this section of the memo can serve as a guide. We do not recommend that you become substantively involved at this time, however.

TAX LEGISLATION

The major issues in the tax portions of the energy legislation include:

- o producer incentives and trust fund required to obtain Senate agreement on COET
- o the coverage and tax rate of the oil and gas user tax to obtain adequate oil and gas savings, as well as revenues to offset corresponding tax credits
- o the adverse budgetary impact of the large number of credits added and expanded by the Senate (business, residential and incentives for new fuels production)
- o refundability of a number of the tax credits.

Summarized below are the energy savings and budget impacts of each major issue.

TABLE 2

SUMMARY EFFECTS OF HOUSE AND SENATE TAX BILLS

ISSUE	ESTIMATED OIL IMPORT ENERGY SAVINGS (MMBD by 1985)		NET BUDGET IMPACT (78-85) ($ in billions)	
	House	Senate	House	Senate
Crude Oil Equalization Tax (COET)	.23	None	0	None
Oil & gas user tax (incl. corresponding business tax credits)	.90	.90	+$4.7	-5.7
Other tax credits				
- Home heating and elderly	N/A	N/A	None	-15.3
- Business tax credits	.21	.35	-2.5	-11.5
- Residential tax credits	.30	.33	-4.8	-10.1
- Fuel production tax credits	None	.14	-0.5	-2.7
- Other	0	0	+$7.3*	-.3
Gas guzzler tax	.18	None	+0.9	None
Totals	1.82	1.72	+$5.1	-$45.6

* Includes +$7.5 for repeal of the deduction for state and local tax on gasoline.

In general terms, the Senate bill provisions for each of the above issues, as compared to the House bill, cost substantially more from a budget standpoint. The estimated deficit from the Senate bill is $67 billion, while the deficit from the House bill is $18 billion over the 1978-85 period when taxes, tax credits and outlays are combined.* Of the deficit, $12.5 billion represents expenditures for the second 500 million barrels for the strategic oil reserve. Therefore, the basic approach in negotiations on the individual issues should be to preserve House bill provisions that both save considerable energy and protect the budget.

So far, the discussions with the tax conferees have been very tentative and focused on individual items. It will soon be necessary to begin linking items such as providing producer incentives and the COET trust fund in return for deletion of certain tax credits and other measures. In doing so, we should depend heavily on the House conferees to assist us in achieving our substantive objectives.

Specific issues and our recommendations on them are as follows:

COET TAX AND RELATED TRUST FUND AND REBATES

There are three items at issue in securing conference agreement to include COET in the final bill:

- o the size and type of new producer incentives
- o the portion of the receipts that go into the trust fund and the use to which they are put
- o getting the Senate to drop its costly home heating oil tax credit and tax credit for the elderly ($15 billion) and agree to the home heating oil rebate in the House bill.

* Technically, the House bill, as passed, results in a surplus of $8.2 billion because it does not provide tax rebates from COET after 1978. The number shown above assumes full rebate of COET after 1978.

Senator Long appears to be willing to support COET as long as a number of producer incentives are provided by DOE and a trust fund for energy and transportation is included. He has also indicated that he is willing to drop most of the tax credits in the Senate bill assuming satisfaction on the producer incentives. The House conferees will be concerned about the level of producer incentives and the size of the trust fund.

- Price Incentive to Producers. The basic approach we are recommending centers on making a commitment now to increase the national composite price for domestic crude oil by 10 percent annually. The national composite price was established by the Energy Policy and Conservation Act. Under that Act, as amended, the Secretary of Energy can increase producer revenues up to 10 percent annually until May 1979; that level includes inflation. Any increases above the composite require the President to submit an action to Congress which could be vetoed by either House. After May 1979, this restriction on DOE's authority is terminated. Most of this 10 percent increase would be for inflation which is automatically adjusted. The remainder would represent a real price increase. It should be noted that if COET is passed, the higher rate of growth of the composite will, after 1980, affect only Treasury revenues and COET rebates but not consumer prices.

  To implement such an agreement, DOE would provide a number of producer incentives, such as a more liberal definition of new oil eligible for the world price, higher prices for production of old oil, and higher prices for production from marginal wells.

  We believe that the House conferees probably will go along with the recommendation for a 10 percent annual increase. This level of increase will not be viewed as a significant concession by some segments of the industry which believe they are "owed" this level of price increase through existing law. We believe that Senator Long will go along with this level of increased producer revenues.

- Trust Fund. Senator Long, as well as other members of the Senate Finance Committee, have been pressing

for a trust fund to finance new energy and transportation projects. Accepting the notion that some trust fund will be necessary to gain acceptance for COET, we recommend the following:

- all 1978 revenues would be rebated
- for 1979-81, only 25 to 30 percent of COET revenues, exclusive of the home heating oil rebate, would be available for the trust fund
- expenditures from the trust fund would be authorized and appropriated annually with no compulsory spending requirement
- the trust fund would finance a broad range of energy and transportation activities, with broad latitude given to the Executive branch in choosing projects (such as energy development, conservation and oil storage).

Under the recommended approach, we would use a significant portion of trust fund receipts to pay for the out-year costs of energy programs in the base budget. This would be done by opposing specified allocations for particular energy programs. We would, however, support the Ribicoff amendment which provides an authorization of $400 million per year for FY 1979, 1980 and 1981 for transportation.

There has been some discussion among the Senate conferees on agreeing to a limited trust fund in exchange for a weak oil and gas user tax close to that passed by the Senate. Although a small trust fund is necessary to protect the equity of your program, the loss of a meaningful oil and gas user tax would also significantly reduce oil savings and increase budget expenditures, both contrary to the goals of your program.

o Heating Oil Credits. One feature of the COET you proposed was a dollar for dollar rebate of the tax imposed on oil for home heating use. This feature was added to lessen the impact on households and to be consistent with treatment of natural gas pricing. The Senate added new energy credits which include

$6.7 billion for the elderly and $8.6 billion for home heating oil and propane use--$15.3 billion total during 1978-85. These credits can be compared to the $5.6 billion that would have been rebated from the home heating oil rebate under the Administration and House proposal. We recommend opposition to the Senate credits and support for the House home heating oil rebate under COET.

OIL AND GAS USER TAX AND COAL CONVERSION CREDITS

Table 3 summarizes the energy savings and budget impact of the Administration, House and Senate oil and gas user tax proposals. Although the savings estimated from the House and Senate bills are similar, most of the savings from the Senate bill occur from the tax credits and not from the user tax itself.

TABLE 3

SUMMARY EFFECTS OF OIL AND GAS USE TAX

	Oil Equivalent Energy Savings (1985) (MMBD)	Budget Impacts (78-85) ($ in billions)
Administration (NEP)	3.30	$34.4
House Bill	1.25	4.7
Senate Bill	1.15	-5.7
Recommended Compromise	1.35	-0-

The program we are recommending would result in actual oil savings of about 1 million barrels a day. Although this is a significant reduction from your original program, there will be strong pressures to emasculate this tax further. There has been intense lobbying against the oil and gas user tax, particularly in States such as Louisiana which are heavy users of natural gas. Therefore, it will require major efforts to retain even the moderate tax measure we are recommending as a compromise.

- o Tax coverage and rates. We recommend the following Administration position on the oil and gas users tax for industry:

  - Oil Tax Rates: Same as Administration bill for boilers ($3 a barrel), with lower tier tax ($1 a barrel) available for certain categories, such as cogenerators.

  - Gas Tax Rates: Same as Administration bill (equal to distillate fuel oil), except phase-in tax in a manner to lessen the impact on facilities in producing States.

  - Coverage: The tax will apply only to boiler use of oil and natural gas, eliminating the need for a complex exemption procedure for process uses contained in the House version of the bill.

Also under the House bill, existing plants would be taxed throughout their useful life. As a compromise, the Joint Tax Committee staff has developed a three-stage system of taxation for existing units based on expected useful life of the facilities:

- o The first third of the life of plants would not be taxed;

- o The second third of useful life would be taxed at the lower tier tax rate;

- o The final third of the life would be taxed at the upper tier rate.

The oil savings loss from this alternative are small but the budget impacts are large (minus $2.6 billion). We will push for the full coverage in the House bill.

- o Exemption for units which are exempted from the regulatory program: The Senate bill provides an automatic exemption from the user tax for units which are exempted from the regulatory program. In the House, a similar provision was defeated in the Ad Hoc Energy Committee and on the floor. This provision would greatly weaken the impact of the user tax on new facilities and would create severe administrative problems for the regulatory program. We recommend opposition.

- Utilities: Because of strong political pressure from electric utilities, we believe the weaker Senate bill represents the only feasible outcome. The bill covers only coal-capable, existing facilities and contains a number of exemptions for new facilities. Since DOE will have adequate regulatory authority for new facilities and considering that all new power plants will likely be coal or nuclear anyway, the weaker Senate bill should not be a problem for new facilities. For existing facilities, the major incentive to convert would come through the tax credit rather than from the use tax provisions.

- Investment Tax Credit for Utilities and Industry: The Senate bill allowed an additional 15 percent refundable tax credit for coal conversion in addition to the regular 10 percent investment tax credit (ITC). The House bill provided an additional 10 percent nonrefundable tax credit for coal conversion up to 100 percent of the tax liability. Senator Long has indicated that he wants at least one of the seven refundable tax credits provided in the Senate bill. His primary interest is in obtaining a refundable tax credit as a precedent for the Tax Reform Bill. Treasury, CEA and OMB that believe a refundable tax credit would be a very bad precedent and would likely lead to an extension of the concept of refundability to the general investment tax credit. CEA and Treasury further believe that, in light of the extension of the ITC to structures by the new tax bill, a 10 percent nonrefundable credit is sufficient. Although DOE believes the refundable tax credit has substantive merit for utilities, it is willing to accept a 15 percent nonrefundable credit as a compromise to the precedent problem. CEA and Treasury prefer limiting the incentive to an additional 10 percent non-refundable credit but recognize that a 15 percent credit for utilities may be necessary politically. Because of the greater value of the rebate for industry, a 10 percent nonrefundable credit represents an adequate incentive. DOE estimates that if a refundable tax credit is necessary to get a bill, the greatest energy savings would come from utilities. The following table sets forth the cost and savings for the various utility options:

TABLE 4

UTILITY SAVINGS AND BUDGET IMPACTS

	Oil Equivalent* Savings-1985 (MMBD)	Budget Impacts (78-85) ($ in billions)
15% nonrefundable ITC	.40	-3.3
15% refundable ITC	.50	-3.7

CEA, Treasury and OMB believe that the savings between the 10 and 15 percent would be roughly proportional. DOE believes the savings for the 15 percent ITC would be significantly greater than for the 10 percent ITC.

The total impact of this series of recommendations on the oil and gas user tax adds up to oil and gas savings of 1.4 million barrels per day and oil import savings of 1.0 million barrels per day. The revenue impact of these proposals is about neutral with an added $3.2 billion in collections for the industrial program and a loss of $3.3 billion for the utility program.

OTHER TAX CREDITS

- Summary: In addition to the tax credits discussed under the COET and oil and gas user tax, the Senate bill added and expanded other credits far in excess of the House bill as summarized below.

TABLE 5

REVENUE EFFECTS OF OTHER TAX CREDITS

	Budget Impact (78-85) ($ in billions)		
	Senate	House	Difference
Other business tax credits	-$11.5	-$2.5	-$9.0
Residential tax credits	-$10.1	-$4.8	-$5.3
Fuels production credits	- $2.7	-$0.5	-$2.2
Total	-$24.3	-$7.8	-$16.5

*The actual level of savings achieved is dependent on environmental standards, actions of public utility commissions and other factors.

- Other Business Tax Credits: The House bill, which is generally consistent with your April proposal, includes a 10 percent nonrefundable tax credit for insulation, cogeneration, and certain energy efficient equipment. The major Senate bill add-ons include making the credits tax refundable, broadening coverage of House credits, extending the period in which credits are available to January 1986 and adding to the list of eligible measures as summarized below:

TABLE 6

REVENUE EFFECT OF OTHER BUSINESS TAX CREDITS

	Budget Impact (78-85) ($ in Millions)
Coke ovens	-$1,366
Nuclear and hydroelectric power equipment	-$1,289
Silicone controlled rectifier units	-$1,185
Synthetic gas, liquid producing equipment	-$915
Heat pumps	-$474
Shale oil equipment	-$222
Electric arc furnaces	-$161
Replacement fluorescent lights	-$117
Geothermal electric power equipment	-$99
Replacement electric motors	-$85
Geopressurized methane equipment	-$75
Transportation equipment	-$55
Ocean and tidal power equipment	-$40
Electric car (R&D Costs)	-$32
Total	-$6,115

None of these items added by the Senate are expected to result in significant energy savings.

We recommend the following:

- Oppose refundability
- Oppose extension to 01/86; support extension to 01/83, subject to phase-out modifications described later.

- Oppose all extensions or add-ons to eligible measures except geothermal electric power and electric cars

- Support authority for Treasury in consultation with DOE to add to the list

The House bill includes a provision which denies the existing 10 percent investment tax credit for oil and gas burning equipment and air conditioning. This was not in your proposal, but we believe it will be effective in making investments in such equipment less attractive and result in an estimated $822 million in additional tax revenues.

- Residential Tax Credits: The House bill, which is consistent with your April proposal, includes a non-refundable tax credit of 20 percent of the first $2,000 for qualifying expenditures for insulation, storm windows and doors, caulking/weatherstripping, clock thermostats and certain furnace modifications. The Senate bill includes all House bill items and also makes the tax credit refundable ($222 million), extends the period of eligibility from January 1985 to January 1986 ($78 million) and expands the list of eligible measures as shown below:

TABLE 7

REVENUE EFFECT OF RESIDENTIAL TAX CREDITS

	Budget Impact (78-85) ($ in millions)
Equipment using wood or peat fuel	-$2,456
Complete furnace replacement	-$1,538
Evaporative cooling devices	-$485
Heat pumps	-$155
Replacement fluorescent lighting systems	-$114
Miscellaneous	-$183
Total	-$4,931

None of these items is expected to result in significant energy savings, with the exception of evaporative cooling devices (10,000 barrels of oil equivalent per day).

We recommend the following:

- Oppose refundability
- Oppose extension of effective date
- Oppose most additions to eligible measures except:
  - expanded definition of clock thermostats
  - allowing Treasury in consultation with DOE to add cost-effective items to the list and
  - propose that residential credits resulting from investments made in 1977 be allowed on 1978 tax returns

There will be some disgruntlement if the credit is delayed for a year. On the other hand, IRS believes that this is necessary to avoid serious administrative problems in processing 1977 returns.

- Fuel Production Subsidies: The House bill includes provisions for eliminating the minimum tax for independent oil and gas producers and for expensing of intangible drilling costs for geothermal development. Both are consistent with your proposal. The Senate bill includes the following add-ons:

TABLE 8
REVENUE EFFECTS OF FUEL PRODUCTION SUBSIDIES

	Budget Impact (78-85) ($ in Millions)
Industrial development bonds for coal gasification and liquefaction, biomass conversion, and for "local" furnishing of electricity	-$532
22% depletion allowance for geothermal resources (excluding geopressurized methane)	-$22
10% depletion allowance for geopressurized methane	-$41
Subsidy of $3 a barrel for oil shale	-$584
Subsidy of $.50 per mcf for geopressurized methane	-$166
Subsidy of $.50 per mcf for gas from tight rock formations	-$649
Miscellaneous incentives	-$129
Total	-$2,348

The energy production from these credits is the equivalent of 175,000 barrels of oil a day.

We recommend the following:

- o Oppose expanding the scope of industrial development bonds.
- o Agree to a 10 percent depletion allowance for all geothermal resources, including geopressurized methane.
- o Oppose the production credits for oil shale, geopressurized methane and gas from tight rock formations.

The oil shale credit and the credits for unconventional gas are particularly troublesome. We recommend, as a compromise, that DOE be authorized to guarantee the price for oil produced from specified oil shale projects. Funds for such price guarantees would be made available from the trust fund. If future oil prices were considerably higher than they are today, the level of Federal subsidy would be minimal or nonexistent.

Senator Talmadge feels strongly about this provision and has indicated an unwillingness to compromise. We recommend you talk to the Senator and indicate the Administration's strong opposition to this provision. If you agree, we will prepare a back-up paper on the points to be made.

The $.50 per mcf subsidy for geopressurized methane and unconventional sources of natural gas is also a problem. We understand there is no strong support for the subsidy for gas from tight rock formations and that Senator Long would drop his support for the geopressurized methane tax credit if Senator Talmadge were willing to drop the oil shale credit. As well as pushing for deletion of this credit in the tax conference, we should also assure that the subsidy be deducted from the prices available to producers under the natural gas legislation.

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for Preservation Purposes

OTHER TAX ISSUES

Because the additions and expansions of the business tax credits by the House and Senate have substantially changed the program proposed by the Administration, Treasury has raised the question of the effective date for the added or modified business tax credits. While we will attempt to keep objectionable tax credits out of the compromise, we may not be successful in all cases. Where we fail, we will at least try to set the effective date at the date of enactment, rather than making it retroactive to April 20, 1977.

DOE and Treasury believe there is merit in phasing the tax credits out over a number of years rather than in terminating them abruptly in one year. They are working together to develop an appropriate phase-out schedule that would achieve the same energy savings, while providing this mechanism for terminating the credits over time.

GAS GUZZLER TAX

The Conferees have agreed on a gas guzzler tax that is almost identical to the House bill. However, the final agreement is contingent on agreement with the non-tax energy conferees on Senator Metzenbaum's minimum standards amendment.

AMENDMENTS TO THE TRADE EXPANSION ACT

The Senate tax bill will take away your authority to impose import fees. That amendment was proposed in the Senate Finance Committee by Senator Dole and was strongly opposed by Senator Long. There should be no problem in getting this amendment dropped in conference. We recommend the Administration strongly oppose this amendment.

CONCLUSION

In summary, we recommend going along with a few of the credits added in the Senate where costs are low and savings are proportionately high. In most cases, however, we recommend opposition. The total impact of the recommendations in this memorandum would reduce the cost of the tax measures from $51 billion over the House bill to $7 billion.

SUMMARY

As discussed earlier, the major priorities in obtaining a good energy bill include:

- o breaking the natural gas impasse by working closely with Senator Jackson to gain the necessary ten votes in the Senate
- o providing a level of new producer incentives and a trust fund that are limited in scope and are generally acceptable to the House conferees
- o obtaining an oil and gas user tax that will achieve sufficient energy savings without revenue losses
- o eliminating most of the tax credits added or enlarged by the Senate
- o wrapping up the gas guzzler tax.

The program we have recommended in this memorandum would have the following effects:

- o total energy savings of 2.3 million barrels of oil per day. Combined with other measures in the National Energy Plan, total energy savings would be approximately 2.8 million barrels of oil per day
- o a total budgetary deficit of $16 billion (including increased tax receipts from greater oil producer revenues) or $25 billion if these receipts are excluded
- o total producer revenues for natural gas are similar to what would occur if no new legislation were enacted, because of increasingly higher intrastate prices and unregulated interstate sales; these proposals would increase producer revenues about $17 billion above the House bill, compared to the difference of $100 billion between the two bills.
- o increased revenues to oil producers of $7.2 billion between now and October, 1981.

It will not be easy to achieve our recommended position. Agreement on natural gas legislation will be difficult because of the long and bitter history on this issue and the current differences among the conferees. Consumer groups and consumer-oriented members of Congress will be very concerned about increased producer revenues and the trust fund. All the tax credits have support from special interest groups. And there is heavy opposition to a meaningful oil and gas user tax by industry.

It is necessary to create an atmosphere that will transcend narrow interests to a broader National interest. The point must be made that the lack of an energy bill is stifling investment in the U.S., and is creating uncertainty among the nations of the world about our resolve to deal with the energy problem in an aggressive manner.

A particular problem facing us is how to deal with floor action on COET in light of the increased taxes arising from the Social Security bill. Therefore, it is important that the COET refunds be closely tied in with the tax reduction program. The budget will indicate that additional tax refunds will be made available under the COET beyond those in your basic tax program. As members vote for COET, they can tell their constituents they are also voting for greater tax relief and that the effect on disposable income will be similar with or without COET, i.e., increased costs resulting from the tax would be refunded.

We propose to meet with Speaker O'Neill and Ways and Means Chairman Ullman to assure that the schedule for the tax bill and for the energy conference do not conflict. We are hopeful that after the initial hearing of Administration witnesses on tax legislation, the conferees from the Ways and Means Committee can devote their time to the energy bill before further hearings are held in late February.

Once it appears a gas compromise is imminent, we would propose to push the tax conferees to wrap up that part of the legislation. These two actions should be tied together since you are committed to conferring with consumer groups and consumer-oriented Congressmen before agreeing to any compromise. It is desirable that this discussion only take place once since these groups are likely to be critical of any new producer incentives.

Overall, we believe active involvement between yourself and other members of the Administration and the conferees is desirable to move the legislation forward. We believe that we could be most effective in providing a vehicle for compromise rather than in staking out firm Administration positions. We also believe it is necessary to work very closely with the House conferees and continuously solicit their advice on how to proceed. With careful groundwork, we are cautiously optimistic that it will be possible to obtain a good bill from the energy conference.

ID 780195 T H E W H I T E H O U S E

WASHINGTON

DATE: JAN 16 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT HAMILTON JORDAN

JODY POWELL JACK WATSON

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT SCHLESINGER/MCINTYRE/EIZENSTAT/SCHULTZE/BLUMENTHAL/MOORE MEMO DATED 1/13/78 RE PROPOSED ENERGY BILL STRATEGY AND POSITIONS - AD. CONFIDEN.

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY JAN 16 78

ACTION REQUESTED: THIS MEMO IS FORWARDED TO YOU FOR YOUR INFORMATION

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

130

THE WHITE HOUSE
WASHINGTON

January 13, 1978

Jody Powell

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

Rick Hutcheson

cc; Sec. Schlesinger

RE: HOME HEATING OIL MONITORING SYSTEM

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
✓		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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

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

		KRAFT
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
	✓	SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

THE PRESIDENT HAS SEEN. cc: Jody. To Emory J

Department of Energy
Washington, D.C. 20585

January 12, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: DEPUTY SECRETARY OF ENERGY O'Leary 1-12-78

SUBJECT: Home Heating Oil Monitoring System

At your press conference on Thursday, January 12, Mr. Alan Emory of the Watertown Times, Watertown, New York, asked the following question:

> "You have said that you want a fair energy bill for Congress, and you have indicated repeatedly, today again, a warning about funneling undue amounts of money from the pockets of the consumers to the oil companies. Yet your Energy Department has told some Northeastern Congressmen that it will no longer continue weekly monitoring of home heating oil prices; that it will not monitor fuel prices at the refinery gates; and that if the prices to consumers do go up unduly this winter they will take action next winter. Now, how does that affect the consumers against a ripoff?

The reporter's information regarding the status of the monitoring system is incorrect. The Department of Energy (DOE) has, in fact, been monitoring and collecting middle distillate price data, at all distribution levels as well as at the refinery gate, beginning with the month of November 1977. This data collection effort was undertaken in conjunction with a redesign of the monitoring system, and it is anticipated that the final system to monitor home heating oil prices will be signed into effect by the Administrator of the Economic Regulatory Administration by Friday, January 13, 1978. In addition to monthly verified reports, this system includes a pilot quick-response program to monitor prices on a weekly or bi-weekly basis which DOE has funded and made available to the States.

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Although the formal system has not been in effect beyond data collection, DOE has been keeping a careful watch on home heating oil prices; and no significant price increases have been noted during this winter heating season.

The Energy Information Administration (EIA) of DOE will conduct a survey of the sellers of No. 2 heating oil to obtain information on actual prices and will publish such information monthly. During the current heating season, DOE will review this price information and any other available information on heating oil to determine whether any further regulatory actions are appropriate.

An index of the prices charged by refiners, to other than ultimate consumers for No. 2 heating oil, will be computed and published monthly. DOE will develop benchmark margins for home heating oil at the wholesale and retail levels, which will allow sufficient margins to ensure the competitive viability of independent marketers. DOE will hold a public hearing in August 1978 to consider the need for further regulatory action with regard to No. 2 heating oil in light of all available information. This hearing schedule will not preclude DOE from taking emergency action this heating season in the event that undue price increases are detected by any of the monitoring systems.

THE WHITE HOUSE
WASHINGTON

Rick — 9/12

A copy has been sent to Kathy. She said is basically OK. It's up w/ the President

RS

Department of Energy
Washington, D.C. 20585

January 12, 1978

MEMORANDUM FOR: Rick Hutcheson

FROM: Frank R. Pagnotta

SUBJECT: PRESIDENTIAL PRESS CONFERENCE

Attached is a Memorandum from John O'Leary, Deputy Secretary of Energy (and Acting Secretary while James Schlesinger is out of the Country) responding on behalf of the Secretary to the President's request for information regarding the query raised at the press conference this afternoon by Alan Emory of the Watertown Times. His question was in regard to the "DOE discontinuing to monitor weekly home heating oil prices" -- a statement which is incorrect.

Attachment

THE WHITE HOUSE
WASHINGTON
January 13, 1978

Jim McIntyre

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

Rick Hutcheson

cc: Stu Eizenstat
Jim Fallows
Jody Powell
Charles Schultze
The Vice President
Zbig Brzezinski

MESSAGE TO CONGRESS ON 79 BUDGET

THE PRESIDENT HAS SEEN.

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

January 12, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: Jim McIntyre Jim

SUBJECT: Your Message to Congress on the 1979 Budget

Attached is a proof of your message to the Congress on the 1979 budget.

This version has been reviewed by, and reflects comments of, Treasury, CEA, Jody Powell, Stuart Eizenstat, and Jim Fallows. Copies were made available to the Vice President's office and the National Security Council.

In order to keep to our printing deadlines, we would appreciate your approval or modification of this message by Friday evening, January 13.

Note: You asked yesterday about the use of budget contingencies in the past. This list shows the amounts used in the past five budgets for the budget year and the year preceding compared with our 1979 proposal.

	Amounts shown (millions) --	
Budget for --	For year preceding budget year	For budget year
1979 (proposed)	- 0 -	1,700
1978	- 0 -	1,500
1977	200	1,500
1976	200	500
1975	300	500
1974	475	750

We believe $1.7 billion is a prudent figure in light of claims that we have identified that might need to be covered by the allowance.

Attachment

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ok
JC

PRES–MONO–1
NEW GALLEY

Limited to OMB Use Only

BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The first complete budget of any new administration is its most important. It is the administration's first full statement of its priorities, policies, and proposals for meeting our national needs. Last February, after just one month in office, I submitted a revised budget to the Congress. That revision changed the direction of the prior administration's budget, but was—of necessity—based upon a review of limited scope. I promised then that future budgets would reflect detailed, zero-based reviews of Federal spending programs, reform of the tax system, and reorganization of the Government. This budget is my first major step in meeting that promise. It reflects, I believe, a determination to face and make difficult decisions in a manner ~~which~~ that places the common good above that of any particular interest.

This budget represents a careful balancing of several considerations:

—The importance of a fiscal policy that provides for a continuing recovery of the Nation's economy from the 1974–75 recession;

—The obligation of the Government to meet the critical needs of the Nation and its people;

—The fact that resources are limited and that Government must discipline its choices and its scope; and

—The need for careful and prudent management of the taxpayers' resources.

THE BUDGET TOTALS

(In billions of dollars)

	1977 actual	1978 estimate	1979 estimate
Budget receipts	357	400	439
Budget outlays	402	462	500
Deficit (−)	−45	−62	−61
Budget authority			

My budget provides for total outlays of $500 billion, an increase of $38 billion, or 8%, over the 1978 budget, and receipts of $439 billion. This budget total is a restrained one that:

—Meets essential national needs;

—Imposes strict priorities upon Federal expenditures; and

—Decreases the share of the Nation's gross national product taken by the Federal Government from 22.6% to 22.0%.

This budget places us on a path that will permit a balanced budget in the future if the private economy continues its recovery over the coming years.

At the same time, my budget embodies a fiscal policy that will strengthen the economic recovery. I propose a progressive tax reduction of $25 billion to help assure continued economic recovery and reduction in unemployment. An integral part of this tax reduction pro-

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January 11, 1978—REVISED

PRES–MONO–2

posal is a set of ~~proposals~~ recommendations for tax reform that will make the tax system simpler and more equitable. Without the reduction, I would have been able to announce a decline in the deficit of $15 to $20 billion between 1978 and 1979. With the reduction, the budget deficit will still decline slightly, because of careful restraints on expenditures. But I judged that the most important priority this year was to reduce the burdens on taxpayers. Only in this way can we ~~insure~~ a vigorous economy, a declining unemployment rate, a strong expansion of private investment, and a stable budget balance in future years.

While the expenditures I recommend in this budget are restrained, they are, nevertheless, directed toward overcoming our Nation's crucial problems. I have looked carefully at existing approaches to these problems and improved those approaches where possible. The spending priorities of the past ~~have been~~ shifted toward long-neglected areas. These new priorities are based on the following judgments:

—*An effective national energy plan is essential to reduce our increasingly critical dependence upon diminishing supplies of oil and gas, to encourage conservation of scarce energy resources, and to stimulate conversion to more abundant fuels.*

The national energy plan I proposed last spring defined these goals. This budget includes the programs and initiatives designed to meet those objectives. Included are increased emphasis on conservation and nonnuclear research and development, energy grants and technical assistance to States and localities, accelerated acquisition of the strategic petroleum reserve, and greater emphasis on nuclear waste management. I continue in the unswerving belief that the Nation's leaders have the obligation to plan for the future, and that the national energy plan is essential to the future health and vigor of the American economy. The United States also must take the lead in minimizing the risks of nuclear weapons proliferation as we advance nuclear power technology. Thus, this budget increases research and development funding for systems that present fewer risks than the plutonium-fueled liquid metal fast breeder reactor.

—*The essential human needs of our citizens must be given high priority.*

In the spring of 1977 I proposed a long-overdue reform of the Nation's welfare system. This reform recognizes that this is a Nation of men and women who do not wish to be wards of the Government but who want to work and to be self-sufficient. It includes a combination of employment opportunities and incentives for those who should work, and a floor under the income of those who cannot. This budget anticipates that Congress will pass the program for better jobs and income, and begins the process of careful planning for the implementation of an efficient, equitable system.

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PRES–MONO–3

The budget also recognizes that ~~insuring~~ the opportunity to compete and excel remains ~~the most~~ important ~~help we can extend~~ to our people. To give all children the healthiest possible start in life, I propose major expansion of medical care and nutritional supplements for low-income expectant mothers and infants. In addition, I propose major increases in educational assistance at all levels. Because of the continued high level of unemployment, particularly among minorities, I believe public employment programs should be continued at high levels for another year. Major increases in programs stressing employment for unemployed youth are recommended. A new effort will be mounted to place more disadvantaged persons in private sector jobs by increasing the involvement of the business community in local employment and training programs.

I view a workable urban strategy as an important link in a well-articulated domestic program and essential to the continuing recovery of the national economy. This budget includes increases for many programs benefiting urban areas and supports several efforts to improve these programs. I anticipate sending to the Congress early in the spring a set of further proposals dealing with the Nation's urban problems.

—The Nation's armed forces must always stand sufficiently strong to deter aggression and to assure our security.

My request for defense provides for the steady modernization of our strategic forces, and for substantial improvements in the combat readiness of our tactical forces. To parallel commitments made by our European allies, I am proposing significant increases in our overall defense effort, with special emphasis on those forces and capabilities most directly related to our NATO commitments. The defense budget I recommend also emphasizes modernization and research and development to meet future challenges to our security. But at the same time, I am restraining defense expenditures by introducing important efficiencies and by placing careful priorities upon our defense needs. The 1979 defense budget is prudent and tight. Consistent with campaign pledges to the American people, it is $8 billion below the defense budget projected for 1979 by the previous administration.

—The Federal Government has an obligation to nurture and protect our environment—the common resource, birthright and sustenance of the American people.

This budget provides for substantially increased emphasis on protection of all our environmental resources, for new attention to our common heritage, and for substantial additions to our system of public lands, so that the most important of our unspoiled areas can remain forever in the hands of the people.

—The Federal Government must lead the way in investing in the Nation's technological future.

Shortly after taking office, I determined that investment in basic research on the part of the Federal Government had fallen far too low over the past decade. Accordingly, I directed that a careful review be undertaken of appropriate basic research opportunities. As a result of that review, this budget proposes a real rate of growth of almost 5% for basic research in 1979. I believe this emphasis is important to the continued vitality of our economy.

This budget also reflects this Administration's commitment to two important approaches to making government work more efficiently and responsively: reorganization and zero-base budgeting.

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January 11, 1978—REVISED

PRES–MONO–4

The reorganization effort ~~I have launched~~ seeks more than just a streamlining of organization structure and the elimination of overlaps and duplication. It seeks to make our Government more responsive, more efficient, and more clearly focused on the most pressing needs of our society. In 1977 I proposed—and the Congress accepted—a Cabinet-level Department of Energy, a streamlined Executive Office of the President, and a consolidation of our international information activities. In 1978 I will propose further reorganizations in such areas as the Federal Government's civil rights activities and the Federal civil service system to make it more responsive and effective.

As I promised during my campaign, zero-base budgeting systems have been applied throughout the Federal Government. This budget is the product of a comprehensive zero-base review of all Federal programs, both existing and new. In reviewing each agency's proposals, I have used zero-base budget alternatives and agency rankings to compare and evaluate the many requests competing for resources. As a result, we have gained a better understanding of Federal programs and have made better, more evenhanded judgments. ~~Finally,~~ Because of this system the budget includes significant dollar savings and improvements in the way programs are operated.

of this first year's effort

With experience, zero-base budgeting should be even more effective in future years.

Other significant changes in the budget process are reflected in this document. First: I have directed the Office of Management and Budget to establish a multi-year budget planning system using longer range budget projections. This will ~~insure~~ that budget decisions ~~are~~ are made with full awareness of their longer range implications. Second: we are using better techniques for estimating outlays so as to avoid the chronic "shortfalls" of recent years. Third: we have explicitly related the classification of the budget in terms of functions performed by Government programs to the national needs and agency missions served, as called for in the Congressional Budget Act of 1974.

ensure

In formulating this budget I have been made acutely aware once more of the overwhelming number of demands upon the budget and of the finite nature of our resources. Public needs are critically important; but private needs are equally valid, and the only resources the Government has are those it collects from the taxpayer. The competition for these resources and my belief and commitment that we must firmly limit what the Government taxes and expends have led me to the premises on which my first budget is based.

- —Critical national needs exist—particularly human and social ones—to which resources must be directed.
- —Resources are scarce; their use must be planned with the full awareness that they come from the earnings of workers and profits of business firms.
- —The span of government is not infinite. Priorities must be set and some old priorities changed. If we are to meet adequately the most critical needs, some demands must also be deferred. Government action must be limited to those areas where its intervention is more likely to solve problems than to compound them.

Government

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urpose

PRES-MONO-5
PRES-MONO-6

—We have an obligation to manage with excellence, and to maintain proper priorities within the $500 billion proposed in this budget. We all know that in a budget of this scale—larger than the gross national product of all but three nations in the world—there are dollars wasted and dollars misspent. These must be ~~minimized~~ minimal.

These premises are unexceptionable in general, but difficult and controversial to apply. They have guided my actions in formulating this budget and they will continue to do so in the future. But to be successful I will need, and will work for, the help and cooperation of the Congress. Both the Congress and the Executive have a clear, joint interest in an approach that helps us to meet the demands of the future. In recent years the Congress has taken important steps—through the establishment of the congressional budget process—to improve its own means of establishing priorities. This administration has worked closely with the congressional appropriations and budget committees and has found them invaluable sources of advice. We will continue in this spirit of cooperation, and I look forward to working with the Congress and its leadership to obtain adoption of my budget for fiscal year 1979.

JIMMY CARTER.

JANUARY 23, 1978.

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THE WHITE HOUSE
WASHINGTON
January 13, 1978

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

11th Annual Report on Status of National Wilderness Preservation System

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT

SUBJECT: 11th Annual Report on Status of the National Wilderness Preservation System

Attached is the 11th Annual Report on the Status of the National Wilderness Preservation System. The Wilderness Act directs the Secretary of the Interior to review all roadless areas of 5,000 contiguous acres or more within the National Park System to determine if the land should be preserved through inclusion in the National Wilderness System. This report covers a period before your Administration, calendar year 1974.

I recommend that you sign the attached transmittal letter sending the report to the Congress.

There is no need for you to read the report.

TWO SIGNATURES ARE REQUESTED

TO THE CONGRESS OF THE UNITED STATES:

Pursuant to the Wilderness Act (78 Stat. 890, 891) I am pleased to submit the Eleventh Annual Report on the Status of the National Wilderness Preservation System. The contents of this Report cover a period of time prior to my Administration, calendar year 1974. The statistical tables include those wildernesses designated by the Act of January 3, 1975 (88 Stat. 2096).

Jimmy Carter

THE WHITE HOUSE,

THE WHITE HOUSE
WASHINGTON
January 13, 1978

Peter Bourne

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

Rick Hutcheson

RE: DRUG MESSAGE FOLLOW-UP

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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

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

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

PRESIDENT

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

C

INFORMATION 12 January 1978

TO: THE PRESIDENT

FROM: RICK HUTCHESON

SUBJECT: Summary of Peter Bourne Memo, "Drug Message Follow-Up"

The Departments of State, Defense, HEW, and, in particular, Justice, have been quick to respond positively to your August 2 Message on Drug Abuse. Peter plans to hold follow-up meetings his year to ensure continued implementation of your directives. Departmental highlights:

Justice

- established joint FBI/DEA teams with 100 agents investigating drug trafficking by organized crime in New York, Chicago and Los Angeles. This effort has identified several major crime figures involved in drug-related activities;
- expanded from 19 to 22 the number of special drug units;
- is examining ways of providing resources and technical assistance to state and local governments, which deal with drug abuse; and
- completed 35 investigations of barbiturate manufacturers, and the entire 120 audits should be completed by June 1978.

Health, Education and Welfare

- will have all health care facilities under its jurisdiction review prescribing practices for sedative/hypnotic drugs to reduce inappropriate use;
- will research the causes and prevention of substance abuse to identify and coordinate existing programs and policies and increase public awareness of drug abuse;

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- has completed a study of sedative/hypnotic drugs which recommends against removing barbiturates from the market now. HEW is exploring the possibility of restricting the improper use of sedative/hypnotic drugs through regulations and programs to regularize labels and compare the advantages and disadvantages of drugs in the same class, and by developing new drug legislation for FDA; and

- in conjunction with ODAP, is funding the Institute of Medicine to research the practices of physicians prescribing sedative/hypnotic drugs.

State

- is continuing to work with high level officials of foreign nations and the U.N. on international narcotics control. Progress has been especially encouraging in Mexico: one-third more poppy fields were destroyed between December 1, 1976 and October 31, 1977 than in the similar period one year earlier; the percentage of heroin entering the U.S. from Mexico has dropped from 80-90% of the total in 1976 to a current level of 67%; heroin purity levels are falling while street prices continue to increase. In Burma and Thailand, there have been an increased number of significant drug seizures, and plans are underway to develop crop substitution programs in Thailand with target dates of reducing opium production by 50% in 1979 and by 90% in 1981. Programs are also being developed for Afghanistan and cocaine producing countries; and

- AID is completing guidelines instructing its Missions to include economic development activities in illicit drug producing regions in their overall development programs.

Treasury

- U.S. representatives in international financial institutions (IFIs) continue to urge the banks to give priority consideration to projects aimed at eliminating the illicit production of narcotics. Thus far, only the Asian Development Bank has responded positively. Treasury will explore with Mr. McNamara ways the IFIs can more effectively be used to accomplish this.

CIA

- has participated in a government-wide study of the overall narcotics intelligence effort;

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- is augmenting its coverage of the Golden Triangle area of Southeast Asia, the opium growing areas of Pakistan and Afghanistan, Mexico and the cocaine producing countries of South America; and

- is developing an improved capability to monitor world opium poppy cultivation.

Defense

- has greatly decreased (by 80% 1972-1976) barbiturate use and is urging physicians to further review their prescribing practices. good

Veterans Administration

- has initiated review of prescribing practices under its jurisdiction, instigated educational programs for its physicians, and published guidelines for psychiatric therapy and medications. let me know results

Labor

- has identified Federal employment/training programs which can help former abusers;

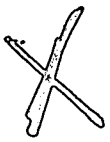
- will encourage increased coordination between local drug abuse programs and local employment and training programs.

Transportation

- will soon conduct a study to determine the frequency of marijuana and other drugs in traffic accidents and fatalities.

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ID 780109



THE WHITE HOUSE

WASHINGTON

DATE: JAN 12 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT
JODY POWELL
JIM MCINTYRE
STU EIZENSTAT
JACK WATSON
ZBIG BRZEZINSKI

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT BOURNE MEMO DATED 1/12/78 RE DRUG MESSAGE FOLLOW-UP

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY JAN 12 78

ACTION REQUESTED: THIS MEMO IS FORWARDED TO YOU FOR YOUR INFORMATION

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
	/	MONDALE
		COSTANZA
	/	EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
	/	POWELL
	/	WATSON
	/	McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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

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

		KRAFT
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

THE WHITE HOUSE

WASHINGTON

January 12, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: PETER BOURNE P.B.

SUBJECT: DRUG MESSAGE FOLLOW-UP

Following your Message to the Congress on Drug Abuse of August 2, you asked me to monitor the special tasks assigned to various government Departments and agencies. Their responses have been uniformly positive. Specifically, the Department of Justice has shown resourcefulness and ingenuity in fulfilling its responsibilities. Likewise, the Departments of State, Defense, and Health, Education, and Welfare were quick to carry out your directives.

The targeting of developmental assistance to areas where narcotic drugs are illicitly produced requires action by AID, the State and Treasury Departments, the international financial institutions, and other international bodies such as the UNDP and the U.N. Drug Fund. Given the complexity of this issue and the involvement of several U.S. agencies and both donor and recipient countries, I plan to hold follow-up meetings during this year to ensure implementation of this directive. The Department of Labor initiatives will also require continued monitoring, since the employment of ex-drug abusers continues to be a difficult problem. The highlights of the Departmental actions follow. I will continue to oversee these efforts and assist where needed.

<u>The Department of Justice</u>

- Established joint FBI/DEA teams with 100 agents investigating drug trafficking by organized crime in New York, Chicago and Los Angeles. This effort has identified several major crime figures involved in drug-related activities.

- Is working with the Department of State to draft a statute allowing revocation of passports for drug traffickers.

- Has separated legislation to give the government requisite authority to freeze assets from a larger bill to get early action, and this legislation is currently being reviewed by Justice and Treasury.

JAN 12 1978

109

- Expanded from 19 to 22 special drug prosecutorial units and issued formal guidelines for the program.

- Advises against legislation that would deny pre-trial release for drug traffickers as a class, and recommends a study on the general question of pre-trial release with emphasis on continuing criminal enterprises such as narcotics trafficking and organized crime.

- Believes the revision of the Federal Criminal Code, S. 1437 will adequately revise the Federal criminal sentencing process, including suitable penalties for major trafficking offenses.

- Recommends, in conjunction with Treasury, against amending the Tax Reform Act considering current Congressional and public concern with issues of privacy. Instead, recommends continuing with the present Act with thorough documentation of problems generated which appear to lessen our ability to effectively investigate and prosecute drug traffickers, organized crime, and white collar crime.

- Currently is examining ways of providing resources and technical assistance to State and local governments, which deal with drug abuse. A Diversion Investigation Unit program exists in 12 States, and a legislative proposal is being developed to broaden assistance programs.

- Completed 35 investigations of barbiturate manufacturers, and the entire 120 audits should be completed by June, 1978.

The Department of Health, Education, and Welfare

- Will have all health care facilities under its jurisdiction review prescribing practices for sedative/hypnotic drugs to reduce inappropriate use by providing information, auditing, surveying, reviewing prescribing practices, and educating physicians.

- Will research the causes and prevention of substance abuse to identify and coordinate existing programs and policies; develop effective knowledge, techniques and programs; disseminate information and findings; and increase public awareness of drug abuse.

- Is discussing the possibility of co-locating the intramural research activities relating to the abuse of drugs, alcohol, and tobacco on the National Institutes of Health campus to facilitate coordination among them and among the other health institutes.

- Has completed a study of sedative/hypnotic drugs which recommends against removing barbiturates from the market now. HEW is exploring the possibility of restricting the improper use of sedative/hypnotic drugs through regulations and programs to regularize labels and compare the advantages and disadvantages of drugs in the same class, and by developing new drug legislation for FDA.

- In conjunction with ODAP, is funding the Institute of Medicine to research the practices of physicians prescribing sedative/hypnotic drugs to determine how to positively impact them.

- Advocates expanded services for drug abusers in primary care facilities and is exploring ways to accomplish this through grants, improved training for health professionals, and improved capacity for identification and treatment in general care facilities under HEW jurisdiction.

The Department of State

- Is continuing to work with high level officials of foreign nations and the U.N. on international narcotics control. Progress has been especially encouraging in Mexico: one-third more poppy fields were destroyed between December 1, 1976 and October 31, 1977 than in the similar period one year earlier; the percentage of heroin entering the U.S. from Mexico has dropped from 80-90% of the total in 1976 to a current level of 67%; heroin purity levels are falling while street prices continue to increase. In Burma and Thailand, there have been an increased number of significant drug seizures, and plans are underway to develop crop substitution programs in Thailand with target dates of reducing opium production by 50% in 1979 and by 90% in 1981. Programs are also being developed for Afghanistan and cocaine producing countries.

- AID is completing guidelines instructing its Missions to include economic development activities in illicit drug producing regions in their overall development programs.

The Department of the Treasury

- Plans to have the U.S. Executive Directors in the international financial institutions (IFIs) continue to urge the banks to give priority consideration to projects aimed at eliminating the illicit production of narcotics by providing farmers alternative sources of income. Thus far, only the Asian Development

Bank has responded positively by having an anti-opium clause inserted in a loan agreement with Afghanistan. Treasury will explore with Mr. McNamara ways the IFIs can more effectively be used to accomplish this.

The Central Intelligence Agency

- Has participated in a government-wide study of the overall narcotics intelligence effort which should lead to increased coordination and effectiveness.

- Is augmenting its coverage of the Golden Triangle area of Southeast Asia, the opium growing areas of Pakistan and Afghanistan, Mexico and the cocaine producing countries of South America.

- Is developing an improved capability to monitor the world opium poppy cultivation in order to analyze the political and economic aspects of international drug trafficking.

The Department of Defense

- Has greatly decreased (by 80% 1972-1976) barbiturate use and is urging physicians to further review their prescribing practices.

- Has determined that existing controls are adequate and will consider further controls when the results of the Institute of Medicine study are known.

The Veterans Administration

- Has initiated reviews of prescribing practices of both individuals and institutions under its jurisdiction, instigated educational programs for its physicians, and published guidelines for psychiatric therapy and medications.

- Sent a Professional Services Letter to VA institutions discussing clinical use and abuse potential of sedative/hypnotic drugs and directing in-service education on the subject for all physicians.

The Department of Labor

- Has identified Federal employment/training programs which can help former abusers; however, the planning and operation of these programs are delegated to the State and local jurisdictions so they may utilize the resources in the manner that will most benefit their communities.

- Will encourage and facilitate increased coordination between local drug abuse programs and local employment and training programs, and is recommending the development of program models, regulations, training and information dissemination.

The Department of Transportation

- Is designing and will soon conduct a study to determine the frequency of marihuana and other drugs in traffic accidents and fatalities.

ID 780109

THE WHITE HOUSE

WASHINGTON

DATE: JAN 12 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT
JODY POWELL
JIM MCINTYRE
STU EIZENSTAT
JACK WATSON
ZBIG BRZEZINSKI

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT BOURNE MEMO DATED 1/12/78 RE DRUG MESSAGE FOLLOW-UP

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY JAN 12 78

ACTION REQUESTED: THIS MEMO IS FORWARDED TO YOU FOR YOUR INFORMATION

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

January 12, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: PETER BOURNE P.B.

SUBJECT: DRUG MESSAGE FOLLOW-UP

Following your Message to the Congress on Drug Abuse of August 2, you asked me to monitor the special tasks assigned to various government Departments and agencies. Their responses have been uniformly positive. Specifically, the Department of Justice has shown resourcefulness and ingenuity in fulfilling its responsibilities. Likewise, the Departments of State, Defense, and Health, Education, and Welfare were quick to carry out your directives.

The targeting of developmental assistance to areas where narcotic drugs are illicitly produced requires action by AID, the State and Treasury Departments, the international financial institutions, and other international bodies such as the UNDP and the U.N. Drug Fund. Given the complexity of this issue and the involvement of several U.S. agencies and both donor and recipient countries, I plan to hold follow-up meetings during this year to ensure implementation of this directive. The Department of Labor initiatives will also require continued monitoring, since the employment of ex-drug abusers continues to be a difficult problem. The highlights of the Departmental actions follow. I will continue to oversee these efforts and assist where needed.

~~The Department of~~ Justice

- Established joint FBI/DEA teams with 100 agents investigating drug trafficking by organized crime in New York, Chicago and Los Angeles. This effort has identified several major crime figures involved in drug-related activities.

- Is working with the Department of State to draft a statute allowing revocation of passports for drug traffickers.

- Has separated legislation to give the government requisite authority to freeze assets from a larger bill to get early action, and this legislation is currently being reviewed by Justice and Treasury.

- Expanded from 19 to 22, special drug ~~prosecutorial~~ units ~~and issued formal guidelines for the program.~~

- Advises against legislation that would deny pre-trial release for drug traffickers as a class, and recommends a study on the general question of pre-trial release with emphasis on continuing criminal enterprises such as narcotics trafficking and organized crime.

- Believes the revision of the Federal Criminal Code, S. 1437 will adequately revise the Federal criminal sentencing process, including suitable penalties for major trafficking offenses.

- Recommends, in conjunction with Treasury, against amending the Tax Reform Act considering current Congressional and public concern with issues of privacy. Instead, recommends continuing with the present Act with thorough documentation of problems generated which appear to lessen our ability to effectively investigate and prosecute drug traffickers, organized crime, and white collar crime.

- ~~Currently~~ is examining ways of providing resources and technical assistance to State and local governments, which deal with drug abuse. ~~A Diversion Investigation Unit program exists in 12 States, and a legislative proposal is being developed to broaden assistance programs.~~

- Completed 35 investigations of barbiturate manufacturers, and the entire 120 audits should be completed by June, 1978.

~~The Department of~~ Health, Education, and Welfare

- Will have all health care facilities under its jurisdiction review prescribing practices for sedative/hypnotic drugs to reduce inappropriate use ~~by providing information, auditing, surveying, reviewing prescribing practices, and educating physicians.~~

- Will research the causes and prevention of substance abuse to identify and coordinate existing programs and policies; ~~develop effective knowledge, techniques and programs, disseminate information and findings;~~ and increase public awareness of drug abuse.

- Is discussing the possibility of co-locating the intramural research activities relating to the abuse of drugs, alcohol, and tobacco on the National Institutes of Health campus to facilitate coordination among them and among the other health institutes.

- Has completed a study of sedative/hypnotic drugs which recommends against removing barbiturates from the market now. HEW is exploring the possibility of restricting the improper use of sedative/hypnotic drugs through regulations and programs to regularize labels and compare the advantages and disadvantages of drugs in the same class, and by developing new drug legislation for FDA.

- In conjunction with ODAP, is funding the Institute of Medicine to research the practices of physicians prescribing sedative/hypnotic drugs ~~to determine how to positively impact them.~~

- Advocates expanded services for drug abusers in primary care facilities and is exploring ways to accomplish this through grants, improved training for health professionals, and improved capacity for identification and treatment in general care facilities under HEW jurisdiction.

~~The Department of~~ State

- Is continuing to work with high level officials of foreign nations and the U.N. on international narcotics control. Progress has been especially encouraging in Mexico: one-third more poppy fields were destroyed between December 1, 1976 and October 31, 1977 than in the similar period one year earlier; the percentage of heroin entering the U.S. from Mexico has dropped from 80-90% of the total in 1976 to a current level of 67%; heroin purity levels are falling while street prices continue to increase. In Burma and Thailand, there have been an increased number of significant drug seizures, and plans are underway to develop crop substitution programs in Thailand with target dates of reducing opium production by 50% in 1979 and by 90% in 1981. Programs are also being developed for Afghanistan and cocaine producing countries.

- AID is completing guidelines instructing its Missions to include economic development activities in illicit drug producing regions in their overall development programs.

~~The Department of the~~ Treasury

- ~~Plans to have the~~ U.S. ~~Executive Directors~~ representatives in ~~the~~ international financial institutions (IFIs) continue to urge the banks to give priority consideration to projects aimed at eliminating the illicit production of narcotics ~~by providing farmers alternative sources of income~~. Thus far, only the Asian Development

Bank has responded positively by having an anti-opium clause inserted in a loan agreement with Afghanistan. Treasury will explore with Mr. McNamara ways the IFIs can more effectively be used to accomplish this.

The Central Intelligence Agency

- Has participated in a government-wide study of the overall narcotics intelligence effort which should lead to increased coordination and effectiveness.
- Is augmenting its coverage of the Golden Triangle area of Southeast Asia, the opium growing areas of Pakistan and Afghanistan, Mexico and the cocaine producing countries of South America.
- Is developing an improved capability to monitor the world opium poppy cultivation in order to analyze the political and economic aspects of international drug trafficking.

The Department of Defense

- Has greatly decreased (by 80% 1972-1976) barbiturate use and is urging physicians to further review their prescribing practices.
- Has determined that existing controls are adequate and will consider further controls when the results of the Institute of Medicine study are known.

The Veterans Administration

- Has initiated reviews of prescribing practices of both individuals and institutions under its jurisdiction, instigated educational programs for its physicians, and published guidelines for psychiatric therapy and medications.
- Sent a Professional Services Letter to VA institutions discussing clinical use and abuse potential of sedative/hypnotic drugs and directing in-service education on the subject for all physicians.

The Department of Labor

- Has identified Federal employment/training programs which can help former abusers; however, the planning and operation of these programs are delegated to the State and local jurisdictions so they may utilize the resources in the manner that will most benefit their communities.

- Will encourage ~~and facilitate~~ increased coordination between local drug abuse programs and local employment and training programs, ~~and is recommending the development of program models, regulations, training and information dissemination.~~

~~The Department of~~ Transportation

- ~~Is designing and~~ will soon conduct a study to determine the frequency of marihuana and other drugs in traffic accidents and fatalities.

THE PRESIDENT HAS SEEN. 2:30 pm.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM January 12, 1978

To: The President

From: Walt Wurfel (W)

Re: Your Q and A Session with Non-Washington Editors/News Directors, 2:30 p.m., Friday, January 13, Cabinet Room

This group will meet with you after being briefed by Jay Janis (HUD), Richard Wyrough, Dr. Brzezinski, Michael Koleda (WH Conference on Balanced National Growth and Economic Development), and Al Alm (Energy). (An agenda is attached).

The participants come from 29 states. Thirty-four are newspaper or editorial page editors. Five are broadcasters. (A list of participants is attached).

A photo pool will be in the Cabinet Room the first two minutes.

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THE WHITE HOUSE

WASHINGTON

A G E N D A

January 13 Briefing
Editors and News Directors

8:30 - 8:40 a.m.	Coffee and Donuts
8:40 - 9:00 a.m.	Welcome WALT WURFEL Deputy Press Secretary PATRICIA BARIO Associate Press Secretary PAT BAUER Editor, White House News Summary
9:00 - 10:00 a.m.	JAY JANIS Under Secretary Department of Housing and Urban Development
10:00 - 10:15 a.m.	Break
10:15 - 11:00 a.m.	RICHARD WYROUGH Deputy Director and Senior Adviser Office of Panamanian Affairs Department of State
11:00 - 11:45 a.m.	ZBIGNIEW BRZEZINSKI Assistant to the President for National Security Affairs
11:45 - 12:45 p.m.	Buffet Lunch with MICHAEL KOLEDA Executive Director White House Conference on Balanced National Growth & Economic Development
12:45 - 1:00 p.m.	Break
1:00 - 2:00 p.m.	ALVIN ALM Assistant Secretary for Policy and Evaluation Department of Energy
2:00 - 2:15 p.m.	En Route to Cabinet Room
2:15 - 2:30 p.m.	JODY POWELL Press Secretary to the President
2:30 - 3:00 p.m.	Q and A with PRESIDENT CARTER
3:00 - 3:45 p.m.	Filing Time

JANUARY 13 BRIEFING
PARTICIPANTS

ARIZONA: Jerry McElfresh, editor, Scottsdale Progress. Progressive paper with conservative readers. Owner/publisher is Democrat Jonathan Marshall, who ran unsuccessfully against Goldwater. Concerns: copper (mining, imports, stockpiling); water project cuts (Orne Dam).

CALIFORNIA: Ted Fritts, executive editor, Bakersfield Californian. Influential, moderate paper in central California. Fritts is a good friend of Sen. Cranston. Concerns: 160-acre water limit, oil production, farming.

CONNECTICUT: Linnette Burton, Wilton Bulletin. Small weekly.

FLORIDA: George Blake, managing editor, Fort Myers News-Press. Gannett paper. Concerns: food stamp fraud; water and road (interstate) problems. Newspaper was '77 finalist in AP Managing Editors Assn. Public Service Awards.

Gene Burns, news director, WKIS Radio, Orlando.

GEORGIA: Elliott Brack, Gwinnett Daily News, Lawrenceville. Good friend of Frank Moore.

ILLINOIS: John B. Winsor, president, Winsor Newspapers, Canton. Conservative Republican. Winsor is president of the Inland Daily Press Assn., third largest national press association.

Marx Gibson, Joliet Herald-News. Fairly conservative Copley paper serving Chicago metropolitan area.

INDIANA: Larry Giesting, editor, Rushville Republican. Very conservative paper in an agricultural area. May ask about SBA.

Bill Schrader, editor, Bloomington Herald-Telephone. Paper tends to be progressive in this college town. Possible questions on HUD Community Development grants, mass transit and federal aid to highways.

IOWA: James B. Wilson, publisher, Carroll Daily Times-Herald. Small Republican paper in Democratic county. Wilson is a close personal friend of Ed Campbell, state Democratic Party Chairman. Questions on farm prices, trade restrictions.

KANSAS: Stuart Awbrey, editor, Hutchinson News. Progressive for this agricultural area. (Newspaper took wheat in payment for a newspaper subscription.)

KENTUCKY: Vance Trimble, editor, Kentucky Post, Covington. Scripps-Howard daily serving northern Kentucky. Trimble is a Pulitzer-Prize winning investigative reporter. Concerns: Califano's anti-smoking push; Panama treaties.

MARYLAND: John Byrd, managing editor, Cumberland News. Conservative Democratic newspaper; emphasis on economic and unemployment issues.

MASSACHUSETTS: John Hughes, editor, Christian Science Monitor, Boston.

MINNESOTA: Les Sellnow, editor, Brainerd Dispatch. Small, conservative daily. Concerns: steel strike, farm strike, powerline dispute and Indian affairs.

Norman Gold, editor and publisher, American Jewish World, Minneapolis. Gold is president of the American Jewish Press Assn. He may ask for a comment for a special religious service honoring Soviet Jewry to be held in Minneapolis Friday night.

MISSOURI. R.M. White, II, president, publisher and editor, Mexico Ledger. Conservative, but supports Eagleton. Ex-NY Herald-Tribune editor, his family has owned the Ledger for generations. White is a respected world traveller, a personal friend of Walter Cronkite, and recently suggested (in a telegram to you) a four-finger "human rights hand sign" for use as Churchill used the "V" for victory. Will probably ask about human rights or your foreign trip. An award-winning paper.

NEBRASKA: Bill Schock, editor, Falls City Journal. Ultra-conservative paper. Pro-defense; anti-Panama treaties. May ask about soybean prices.

NEVADA: Steve Frady, editor, Nevada Appeal, Carson City. New editor of this small town daily in the state capital. Concerns: Lake Tahoe pollution; gambling; appointment to Bureau of Land Management (Gregg, your nominee, is not popular there because of his pro-environmentalist stand).

David Henley, co-publisher, Lahontan Valley News, Fallon. Small weekly in a farming community. Concerns: drought; water rights. Henley is a Lt. Commander in the Naval Reserve and is currently working at the Naval Public Affairs in the Pentagon.

NEW HAMPSHIRE: Robert H. Foster, publisher, Foster's Democrat, Dover. Small conservative daily. States'-rights stand. Concerns: government spending, specifically Economic Development Administration funding.

NEW JERSEY: David Mazzarella, editor, Bridgewater Courier-News. Small Gannett daily serving northern New Jersey. Moderate, pro-Carter. Concerns: federal aid to New Jersey, tax breaks, business incentives.

NEW YORK: William Sexton, associate editor, Newsday, Garden City.

NORTH CAROLINA: Jim Wilson, editor, Burlington Times-News. Small, moderate, independent daily. Farming and textile industry are the major businesses in the community. Concerns: tobacco supports, textile industry.

OHIO: Arthur Hudnutt, editor Elyria Chronicle-Telegram. Very conservative Republican paper in rural area. Influential in NE Ohio. Concerns: Panama and farm prices.

OREGON: Eric Allen, Jr., editor, Medford Mail Tribune. Progressive Ottoway daily. Endorsed you in '76. Pro-Panama treaties. Disagreed with water project cuts. Allen is influential state-wide; paper won Pulitzer Prize in '30s. Concerns: forest service budget hold-up by OMB; environment.

RHODE ISLAND: William Crouse, managing editor, Woonsocket Call. Family-owned moderate daily.

Bruce Sundlun, owner, WJAR-TV/Radio, Providence. Good friend of Sen. Pell, chairman of his reelection finance committee. Owns broadcasting stations in 5 states.

SOUTH CAROLINA: Jim Brown, editor, Anderson Mail. Liberal, Democratic daily. Fair editorial policy. Viewing Panama treaties with open mind; no stand yet. Endorsed you in '76. Concerns: farming; Russell dam; unemployment.

Dave Partridge, news director, WGZL Radio, Greenville. Partridge is on the national board of Radio/Television News Directors Association.

Richard Gannaway, president and publisher, Tri-County Publishing Co., Lancaster. Dr. Gannaway, a former college professor, is an academic specialist in US-Latin American relations; his editorials on your positions on Panama and Cuba have been positive.

TENNESSEE: Tom Sweeten, managing editor, Knoxville Journal. Family-owned Republican newspaper now in third generation. Publisher, Charles Smith III, is ultraconservative, specifically in defense matters. Sweeten reflects these views.

Richard Smyser, editor, Oak Ridge Oak Ridger. Editorial policy dictated by publisher, Tom Hill, who was chairman of the "Save the Breeder" effort. Could be persuaded on Panama.

TEXAS: Bob Houston, managing editor, Beaumont Journal. Conservative, Democratic paper. No stand on Panama treaties. Concerns: water projects and oil industry.

VERMONT: Glenn Gershaneck, managing editor, Rutland Herald. Second largest paper in state, one of two that go statewide; does not follow a party line.

VIRGINIA: Terry Jemison, managing editor, Alexandria Gazette. Small suburban-Washington daily. Claims to be oldest in America.

WYOMING: John Field, KYCU-TV, Cheyenne. Invited at request of Cong. Roncalio. Serves Colorado, Nebraska and Wyoming.

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THE WHITE HOUSE
WASHINGTON
January 13, 1978

Stu Eizenstat
Bob Lipshutz

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder
RE: DOCKET 31564 (SUPER APEX PROPOSED BY AIR INDIA)

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
	/	EIZENSTAT
		JORDAN
	/	LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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

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

		KRAFT
	/	LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

LAST DAY FOR ACTION: January 20

THE WHITE HOUSE

WASHINGTON

January 13, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ
STU EIZENSTAT

RE: CAB Decision Re
Transatlantic Super-APEX Fares
Proposed By Air India (Docket 31564)

This is another in the series of CAB decisions vacating suspensions of super-APEX fares following negotiation of an appropriate ad hoc agreement with the country involved--in this case India. These fares represent 50 percent discounts for Air India service between the United States and various cities in Europe and Africa. The ad hoc agreement permits the fares to be suspended in the future if they prove predatory.

By signing the attached letter, you will permit these discount fares to be quickly implemented. We recommend that you approve the Board's action by signing the letter.

✓ Approve _____ Disapprove

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

I have reviewed your proposed order (Docket 31564) dated January 9, 1978. That order would vacate previous suspensions to allow super-APEX fares proposed by Air India to and from various cities in Europe and Africa to be quickly implemented.

I have decided to take no action and allow the Board's order to stand.

Sincerely,

Jimmy Carter

Honorable Alfred E. Kahn
Chairman
Civil Aeronautics Board
Washington, D. C. 20428

THE WHITE HOUSE
WASHINGTON

January 13, 1978

Jody Powell

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

Rick Hutcheson

RE: BURNS RESIGNATION LETTER

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
	/	POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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

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

		KRAFT
	/	LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

C

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

January 12, 1978

The President
The White House
Washington, D. C.

Dear Mr. President:

I have given careful thought to the question of continuing to serve as a member of the Federal Reserve Board and have decided not to do so. This decision is based on my conviction that Mr. Miller deserves the fullest opportunity to establish his leadership at the helm of our Nation's central bank. The continued presence of a former Chairman could, in my judgment, be a complicating distraction.

I am mindful, of course, of the desirability of easing the transition at the Board and also of affording you time to name a new Board Member. With these and also personal considerations in mind, I propose March 31, 1978 -- or any earlier convenient time -- as the effective date of resignation.

I take leave of my present office with deep gratitude for the opportunity I have had to serve under you and five of your predecessors. America is a blessed country and it has been good to its people. Adopted citizens, such as myself, perhaps know this even more keenly than do the native born. That is why their love of this land of freedom and opportunity is so often all-consuming. I need hardly add that you can count on me if I can ever be of significant help in your efforts on our country's behalf.

With every good wish to you,

Sincerely yours,

Arthur F. Burns

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THE WHITE HOUSE
WASHINGTON

rick--

as mentioned, to be

hand delivered

thanks -- susan

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

January 12, 1978

The President
The White House
Washington, D. C.

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With every good wish to you,

Sincerely yours,

Arthur F. Burns

THE WHITE HOUSE

WASHINGTON

January 13, 1978

Dear Chairman Burns:

It is with sincere regret and a deep sense of personal loss that I accept your decision to resign as a member of the Federal Reserve Board.

We have worked together closely over the past year, and my respect for your sound judgment and integrity has grown steadily. Your advice and counsel have been of enormous value to me in dealing with the difficult decisions I had to make during my first year as President.

Your leadership of the Federal Reserve over the past eight years occurred at a time when our nation, and others around the world, were forced to grapple with economic problems of extraordinary complexity. Our country has been fortunate to have a person of your experience and knowledge at the helm of the central bank during this difficult period.

Because of your impeccable honesty, your wisdom, and your frank and courageous presentation of your professional opinions, citizens in every walk of life have come to know and respect you during your long period of public service. In expressing my own profound thanks to you, I am conveying the sentiments of a grateful nation.

I will miss very much the frequent personal contact that we have had over the past year, and I trust that in the future your services will still be available to me and to the nation.

Sincerely yours,

Jimmy Carter

The Honorable Arthur F. Burns
Chairman of the Board of Governors
Federal Reserve System
Washington, D.C. 20551

Best personal wishes from me and Rosalynn - J.C.

THE WHITE HOUSE
WASHINGTON
January 13, 1978

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for your information. The original has sent by messenger to David Blumberg.

Rick Hutcheson

RE: MIDDLE EAST

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 12, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STUART EIZENSTAT

SUBJECT: Letter from David M. Blumberg

Attached is a very warm and supportive letter personally given to me for submission to you from the President of B'nai B'rith, David Blumberg, which is quite supportive of your Middle East efforts.

He is hopeful for a simple acknowledgement and will then be glad to publish his letter and yours in response. He indicated that if our press office wished to publish both, that would be satisfactory. B'nai B'rith is having a national meeting in Washington this weekend and he is hopeful of being able to have your response by that time.

During the course of our conversation, he indicated that he felt the majority of the Jewish population in the United States -- but probably not the vocal leadership -- would be willing to accept Jordanian control of the West Bank if there were some security protections for Israel, and, likewise, he stated that he felt the majority of the Jewish community was somewhat disappointed by Begin's offer.

cc: Zbig Brzezinski
Hamilton Jordan
Bob Lipshutz
Jody Powell

B'NAI B'RITH 1640 RHODE ISLAND AVENUE, NORTHWEST, WASHINGTON, D.C. 20036 • (202) 393-5284

DAVID M. BLUMBERG
President

January 10, 1978

The President
The White House
Washington, D. C.

Dear Mr. President:

B'nai B'rith is much encouraged by the momentous turn of Middle East events.

We believe the efforts of your Administration during the past year have been, on balance, a positive influence in helping to stimulate the movements toward peace negotiations.

Inevitably, the initiatives of President Sadat and Prime Minister Begin -- the anticipation these have evoked -- have led to widespread public analyses and debate of the Administration's postures and actions in the developing events. Within the American Jewish community, and elsewhere, there has been, in the past, concern over Administration expressions of policy that could be interpreted as equivocal and inconsistent with our Nation's long-standing Middle East objectives.

But these concerns need to be measured against several overriding realities reflective of your Administration. These are:

First, the consistency of your own fundamental commitment to a secure and sovereign Israel and to peace and stability for all peoples of the Middle East.

Second, the continuing, indeed strengthened, position of the United States as a credible and respected third-party in the current explorations for peace between Egypt and Israel.

It is therefore my perspective that, overall, your efforts have enhanced the prospects for peace which, while far from certain, appear brighter than at any time in the past generation.

Clearly the complexities compounded by thirty years of hostility still persist. The negotiations between Israel and Egypt will be arduous, the problems difficult and sensitive. It is in these circumstances that the good offices of the United States -- as friend to both parties -- can be persuasive in ways which do not negate but serve to encourage the process of direct negotiations toward a just and durable solution.

In the past, Mr. President, you have enunciated as conditions for a Middle East settlement a need for the Arab states to accept fully the reality of Israel, to end their economic boycotts against Israel and to further open frontiers; and, on Israel's part, to restore territories for the Palestinians, such areas preferably linked politically to Jordan, but in any event under political conditions that would be without threat to the future security of Israel.

These principles -- if my reading of events is not faulty -- are implied in the forthcoming negotiations between Israel and Egypt. In that respect, Mr. President, your efforts toward that end are to be commended.

We now respectfully urge that the Administration, in its assistance to the direct negotiations, sustain these principles by seeking their realization in such counsel as the United States is called upon to offer.

Sincerely,

David M. Blumberg

DMB/s

THE WHITE HOUSE

WASHINGTON

January 13, 1978

To David M. Blumberg

I wish to express my appreciation to you and to B'nai B'rith for your letter of January 10, expressing support for the efforts now in progress to reach a true and permanent peace in the Middle East.

Each of us has a great degree of responsibility to do everything within our power to assist the people and leaders of the Middle East nations in every appropriate manner to reach this long-desired goal.

Your observations and advice are greatly appreciated.

Rosalynn joins me in sending our warmest personal regards to you and Janice.

Sincerely,

Jimmy Carter

Mr. David M. Blumberg
President
B'nai B'rith
1640 Rhode Island Avenue, N.W.
Washington, D. C. 20036

THE WHITE HOUSE
WASHINGTON

January 13, 1978

Landon Butler
Tim Kraft

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

Rick Hutcheson

MEANY MEETING

12:00 PM

MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

C

MEMORANDUM TO THE PRESIDENT

FROM: LANDON BUTLER
BILL JOHNSTON

DATE: JANUARY 13, 1978

SUBJECT: MEETING WITH GEORGE MEANY

General

Your lunch with George Meany Friday will be private and off-the-record; no staff will be present. In general, it will be appropriate for you to cover the following overall topics:

- A review of 1977.
- A review of your 1978 agenda.
- Your economic and tax package

This Memorandum explains in detail how the Administration's priorities gibed with the AFL-CIO's priorities last year, and how we are likely to fare next year. In summary, we have had no significant disagreements with labor since the minimum wage issue was resolved, and there are no major clashes on the horizon. Your Administration's record of responsiveness to the concerns of the American labor movement is excellent; Mr. Meany knows that, and is appreciative.

Mr. Meany and the AFL-CIO

Mr. Meany has moved very skillfully to bring the more liberal union presidents into the fold. International union presidents like Glenn Watts and Jerry Wurf, who were critical and restless a year ago, are now very comfortable with the AFL-CIO's policies. The AFL-CIO Convention in Los Angeles last month was a model of harmony.

At this point in his life, Mr. Meany, like Mayor Daley in his last years, has survived to be an extremely respected member of the political community. Like Tip O'Neill, he can influence the political climate with an off-the-record remark.

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Miscellaneous Items to Discuss

- Dinner for labor leaders. In Hamilton's December 9 Memorandum to you, he proposed two dinners with the labor leaders. He thinks the best time for the first dinner would be in late February, before the labor law reform bill goes to the Senate floor.

  You may want to propose such a dinner to Mr. Meany at your meeting today.

- The AFL-CIO and the Democratic Party. The selection of John White as DNC Chairman gives us the chance to improve relations between the DNC and COPE (the AFL-CIO's political arm). Mr. Meany, however, realizes that the unruly DNC operation and the highly-disciplined, old-fashioned COPE operation mix like oil and water. You may simply want to suggest to Mr. Meany that you hope he will encourage Al Barkan and the presidents of politically active unions to explore ways to be more supportive of DNC.

Last Year's Domestic Record with Labor

- Labor Law Reform. The strong package we negotiated with the AFL-CIO passed the House easily.

- The Minimum Wage. We supported the largest single increase in history, and our help was important in defeating the youth sub-minimum.

- Cargo Preference. We did not back away from the labor position, despite severe criticism.

- Common Site Picketing. Secretary Marshall testified in favor of passage of this measure.

- We responded to labor's concerns in each of the industries with severe trade problems: shoes, tvs; textiles and steel. While our proposals have not been all that labor asked for, we have always been responsive.

- Our macroeconomic policy, including the stimulus package we proposed last winter, has obviously been a success. We have reduced the unemployment rate from 7.8% to 6.4% while creating 4.1 million jobs, the most in any year in history.

- Finally, labor was very pleased with your decision to replace Dr. Burns.

Last Year's Foreign Policy Record with Labor

Labor was particularly pleased with:

- Your ILO decision.
- Your human rights initiatives.
- Your conduct of the Middle East negotiations

This Year's Agenda

We believe that this year's agenda should also find us in agreement with the AFL-CIO on most issues.

A. Economic Policy Including the tax cut, our budget deficit will be $63 billion in FY 1979, only $1 billion below the FY 1978 level. We agree with the AFL-CIO that we need more stimulus in order to keep the economy expanding and unemployment falling rapidly. Our economic message will indicate clearly that we will not try to reach a fully balanced budget by 1981 unless we have unusually strong growth in the private sector.

Our 1979 budget will provide for:

B. Employment Generation

- Our PSE program will not phase out as we had indicated but will remain at 725,000 jobs in FY 1979, to be phased down only when unemployment falls to lower levels.
- We will begin demonstrating our welfare jobs approach in several cities, with $200 million set aside for the creation of an estimated 50,000 of an eventual 1.4 million jobs.
- Authorization for our Youth programs will be increased by $250 million to $1.35 billion.
- We will begin a new $400 million private sector initiative to help youth and other disadvantaged workers to move into the private economy.

- Tax Cuts We will propose a $25 billion tax cut of which $16.5 billion will go to individuals and $6.5 billion to businesses to encourage more rapid capital investment. This 1-3 ratio of business to individual cuts is similar to the ratios for tax cuts of previous administrations.

  These tax cuts will more than offset recently legislated social security tax increases for most workers. For example, the typical worker in the $15-20,000 income bracket will save $278 on his income tax bill. Even though his Social Security taxes will rise by $52 he will still save $226.

  In addition some of the reforms we will propose are aimed at tax preferences on DISC and deferral of income. The AFL-CIO has criticized these laws, arguing that they have encouraged the exportation of American jobs overseas.

  Also we will not propose to tax company-paid legal insurance as we had originally planned, if the unions will agree to support the rest of our reforms.

C. New Spending Programs

The AFL-CIO may criticize our budget for cutting taxes too much and failing to increase spending sufficiently. While we have held down spending, our budget provides significant improvements in many of the programs generally favored by organized labor:

- Our housing budget will rise by 13% or $1.3 billion.

- Education spending is slated to rise by $1.3 billion, including $700 million extra for Title I of ESEA.

- Health expenditures are being increased, including an expanded ($271 million) child health assessment program, and extension of medicare to cover low income expectant mothers ($118 million) and a new ($100 million) program to help prevent unwanted pregnancies.

  In addition to these programs we may be asking for new spending as part of our urban policy initiative in March.

D. Anti-Inflation/Deceleration

Mike Blumenthal and Ray Marshall met Thursday with Lane Kirkland to explain your proposals for the deceleration of inflation. Although the AFL-CIO is skeptical of any proposal which might lead to wage and price controls, Lane seems genuinely to be searching for a way to be responsive to your concerns.

Any wage and price program puts the AFL-CIO in a very difficult institutional bind. A union is an elected, contractural agent in the advisory proceding of collective bargaining; asking a union to pull its punches in wage negotiations is like asking a defense attorney to do less than his best for his client. Further, Lane is not at all sure that the AFL-CIO could deliver on its commitments.

As of now, the AFL-CIO is not likely either to support or criticize the deceleration proposal.

E. Other Top Priorities

- Labor Law Reform may come to the Senate floor in early February depending on Senator Byrd's scheduling decisions. (The Panama Canal issue may delay action on labor law reform, and Mr.Meany may press you to ask Byrd to schedule the reform bill ahead of the Canal. In light of the possibility of bitter partisan debate on both issues we suggest you not give Mr. Meany a commitment on this question.) Senate Committee markups in lat January may modify some of the bills provisions in order to insure passage. As we have indicated before we are prepared to use our efforts to break a filibuster.

- Civil Service Reform Next Spring we will be sending Congress our proposals for reforming the civil service system. Organized labor is concerned about a number of provisions in these proposals. Their chief concerns include procedures for insuring due process for employees threatened with discharge, and inclusion of fringe benefits in comparability computations. In addition the AFL-CIO is urging us to propose legislation to increase the rights and powers of federal employee unions in our package, as a quid pro quo for their support of the other reforms. Continuing negotiations have not yet clarified exactly how much the unions will require on this issue as the price of their support.

  You may wish to indicate to Mr. Meany that you believe that it would be unwise to cloud the legislative picture with the issue of federal employee collective bargaining rights prior to the passage of labor law reform.

  In addition Mr. Meany will be concerned with our proposed 6% pay cap for federal employee COLA increases, arguing that such a cap would betray your commitment to comparability between the public and private sectors. (At the Department of Agriculture in February you said "I would certainly favor the concept of comparability... I would certainly favor comparable increases in salary.") You may wish to raise this issue directly with Mr. Meany, even though he is sure to disagree with you. He may appreciate your straightforwardness and we have a strong case for the need for leadership in this area to help break the cycle of inflation.

- National Health Insurance We are working closely with the AFL-CIO staff to develop NHI proposals for submission to Congress by the end of this session. There are major substantive and political problems with this issue including the role of private insurers, and the cost of the system. You may wish to draw Mr. Meany out on whether he is confident that an election-year Congress that has just gone through the painful process of raising Social Security taxes is likely to want to take firm stands on this highly controversial program.

- Trade Policy We intend to continue our policy of promoting free trade, while responding to the specific temporary problems of hard hit industries and enforcing rigorously requirements for fair trade. With one of every 6 manufacturing jobs and 1 of every three planted acres dependent on exports neither organized labor nor the country can afford a trade war.

  In our upcoming MTN negotiations we will be seeking improved safeguards to allow us to erect temporary import barriers and we will also push for tighter rules on product subsidies that affect trade. The products on which we expect to offer concessions will generally exclude the most import sensitive items such as steel, shoes, and sugar.

  On other trade issues we expect some progress in the latest round of discussions with the Japanese and we are still insisting that Japan must reach a trade balance by 1979. We are fulfilling our commitment to negotiate strong bilateral "orderly marketing agreements" for textiles. For example our new agreement with Hong Kong allows no growth in textile imports in 1978, and in later years there will be 3% or less growth for most sensitive items such as apparel. Both the Amalgamated Clothing workers and the ILGWU have praised the Hong Kong agreement.

- Humphrey Hawkins We intend to seek passage of this legislation but we believe that the measures that we have proposed to help realize the goals set forth in the bill (tax cuts and employment programs) deserve greater immediate priority.

- Urban Policy We will be delivering an urban message and budget amendments to Congress in early spring. Our urban programs will focus on help for all cities, while trying to target the most assistance on the neediest cities. We will emphasize economic development and we will be trying to build in incentives for the states to be more responsive to urban needs. We anticipate a large role for community and neighborhood and volunteer organizations.

One possible aspect of our program may be of particular interest to Mr. Meany - a proposal to increase funding for labor intensive public works projects that would employ large numbers of disadvantaged workers as apprentices. This proposal is contingent on our ability to work out an agreement with the head of the construction trades unions, Bob Georgine, that would allow non-Davis-Bacon wage rates for the disadvantaged workers on the projects. Our preliminary discussions with Georgine have not yet indicated whether the unions are willing to compromise on this issue.

We Can't Do Without the SALT II Agreements

By Thomas J. Downey

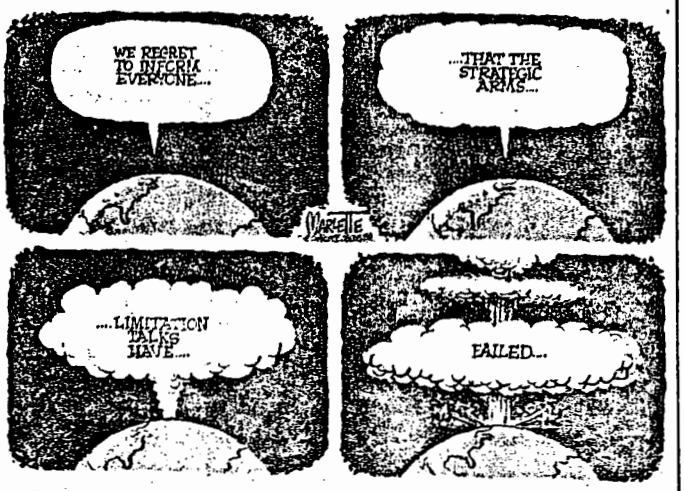
I had not planned to comment on the SALT II package until after it had been concluded and submitted to the Congress for approval. But since opponents of SALT have observed no similar restraint and have gained considerable public attention for their misconceptions, I believe it is incumbent upon someone to explain why the objections to SALT II now being voiced are invalid and must be overridden.

Everywhere I turn I hear someone claiming that our SALT negotiators are "giving away the store" and are grievously degrading the strategic balance. Such goblin stories are entirely incorrect, for at least two reasons.

First, they are based on selective leaking of classified information that emphasizes those aspects of the SALT agreement that restrict the United States. Those of us who have seen the document know there is a much more impressive list of provisions restricting the Soviets, but most of us are unwilling to violate national secrecy regulations for the sake of making debating points.

Second, the right question is not, "Who is giving up the most?" (The answer to this one, as I have suggested, is that the Russians are.) The right question is, "What will this agreement do for U.S. military security?" Without disclosing classified information, it is possible to discuss what would happen to national security in the event that certain provisions cited by SALT critics were in fact to appear in the final agreement. Let us consider six principal points of objection in turn.

Despite the assertions of their critics, the SALT II negotiators have not given away any important strategic advantages to the Soviets.



ICBM numerical limits are too high, permitting Soviet ICBMs the potential for a first strike against our Minuteman ICBM silos. This objection reflects a lack of understanding of basic strategic weapons technology. Given accuracy achievable by the United States in the early 1980s and by the Soviets perhaps five years later, an attack involving two warheads per silo will destroy better than 90 per cent of the victim's silos of any feasible hardness. Since the newer Soviet ICBMs carry six and eight warheads (MIRVs) each and the proposed U.S. M-X will carry even more, one attacking accurate MIRV missile will always be able to destroy several victim silos. Thus, there is *no* equal numerical limitation that can protect the silos of either side. Silos can only be protected by preventing the deployment of high-confidence, high-accuracy missiles or by requiring that all MIRVs be scrapped.

The heavy ICBM sublimit, raised from the March, 1977, U.S. proposal of 150 to about 300, increases the Soviet potential for the first strike against our Minuteman ICBMs. This is not a significant issue because the difference between a heavy Soviet ICBM such as the SS-18 with 15,000 pounds throwweight and a medium ICBM such as the SS-19 with 7,000 pounds throwweight is almost trival. Since the lethality gain from doubling throwweight can alternatively be attained by reducing inaccuracy a mere 30 per cent, and since inaccuracy reductions of this order tend to be achieved about every three years, a 1977 heavy missile will be no more effective than a 1980 medium missile, a 1983 medium missile will be twice as effective as either, a 1986 medium will be four times as effective, a 1989 medium eight times, etc.

To state the problem in more concrete terms: If Soviet accuracy can be constrained to its 1978-79 level, even a thousand attacking heavy ICBMs could not destroy the majority of our ICBMs. If Soviet accuracy and confidence are not constrained, our Minuteman silos will not be able to survive an attack in the mid-late 1980s even if the Soviets have no heavy missiles at all.

The 2,500-kilometer interim range limit on air-launched cruise missiles limits their coverage of Soviet targets if launched from outside the range of Soviet defenses. True, but only to a minor degree during the three years in which this limit will be effective. Moreover, during the next three years the new cruise missile will play only a minor part in our strategic deterrent. After the expiration of the three year protocol, when the cruise missile will be entering large-scale deployment and when the growing reach of Soviet defenses will require longer range, we will be under no obligation to renew the limit and doubtless will refuse to do so. The difficulty of verifying cruise missile range is likewise no problem for us since the Soviets will have no long-range cruise missiles at all during the next three years.

One might ask why, if this provision is so meaningless, is it in the agreement? It is in because the Soviets insisted. We gave them what they thought to be solid meat but which we know to be thin air; this is what smart negotiators are paid to do—and after watching them in action I can report that our negotiators are smart indeed, and tough as nails besides.

Limitations on the Soviet Backfire bomber are not sharply defined. The Backfire, with its small payload, marginal target coverage and zero alert rate, is strictly a secondary strategic weapon even if it can do all its proponents claim it can and even if the Soviets exploit every elasticity in the treaty. Even an operational fleet of hundreds of Backfire bombers could do nothing to the United States that Soviet ICBMs would not have done hours before the Backfires arrive.

Moreover, consider that we ring the Soviet Union with very large numbers of high-performance nuclear-capable "tactical" jet aircraft that can reach and destroy large portions of Russia's industrial base. The more we insist on expanding SALT definitions to encompass Backfire, the more reluctant will be the Soviets to forbear from insisting on encompassing these forward-based weapons. Those who evaluate U.S. military security in terms of our strength vs. that of the Soviets should consider that a SALT definition of "manned bomber" thus extended would hurt us more than it would the Soviets.

The 600-kilometer interim range limit on ground-launched cruise missiles (GLCMs) reduces their utility in a NATO conflict. We have little need for longer-range GLCMs even if they are not restricted by SALT. At such ranges, we are not talking about battlefield nuclear weapons but about semi-strategic weapons that can reach deep into Warsaw Pact staging and support areas. Use of such weapons would provoke nuclear retaliation that would almost certainly annihilate Western Europe; such use would be the antithesis of the "keep the war confined" rationale behind the neutron bomb. Moreover, for such deep attacks by the United States, land-launched cruise missiles are unnecessary since ballistic missiles and bomber-launched cruise missiles can serve the same purpose.

'Those who ... urge SALT II's defeat will do severe damage to U.S. national security, if they prevail.'

There is, however, another angle to the GLCM story that should be considered: For obvious psychological and historical reasons, the Soviets break into a cold sweat at the thought of long-range, ground-launched cruise missiles based in Germany. Turning control of these weapons over to the Germans, even in time of extreme crisis, would be counter to U.S. policy. But the Soviets are vividly aware that there is no way we can give them concrete assurance this policy will never change. Thus, the very vigorous Soviet opposition to GLCMs is based on fear of the Germans rather than on any aspect of the U.S./Soviet military balance.

It is obvious that this gives us an ideal bargaining chip: A device we can afford to forego and for which the other side will pay a high price to see that we do forego. Critics of arms control have a useful role to play here in the next round of talks. By insisting that we not give up long-range GCLMs unless we receive significant concessions in return, they can strengthen the hand of our negotiators.

The omission of the 12-test annual limit on ballistic missile flight tests proposed by the administration in March is unfortunate. Limitation or prohibition of ballistic missile flight testing appears to offer the best hope of preventing the deployment of high-confidence, high-accuracy first-strike ballistic missiles. This proposal constituted a giant step by the Carter administration out of the confines of the relatively insignificant numerical questions that have dominated previous arms control agreements and into the far more important field of qualitative limitations. Since this provision, the key to improving stability and terminating the strategic arms race, would do more for us than all other arms control provisions combined, I too am disappointed that it will not be in SALT II. But it never really had a chance in March; it was a radical new concept and the Soviet decision-making process does not respond favorably and quickly to radical new concepts. The 12-test limit—or, much better, a zero-test limit—is something to be hammered out over the next year or two and incorporated into SALT III. This is why SALT II must not be made into a political football.

It appears that we will be offered a SALT II consisting largely, although not entirely, of quantitative controls reflecting the limited sophistication of the previous administration, which authored most of its provisions. Its limitations notwithstanding, SALT II is the product of hundreds of man-years of work and of massive political investment by both sides. Whether one regards the quantitative SALT II as the essential foundation for a qualitative SALT III or as an obstacle to it is a semantic distinction; the fact remains that the former must be signed and ratified before we can move on to the latter.

True, we could conceivably forget about SALT II and get to work on a new agreement dealing with both quantitative and qualitative limitations. But momentum would be lost and we would have to go for several years with no formal limits on offensive weapons. While experience with explicit formal U.S./Soviet arms control agreements has been very good, experience with informal understandings has been poor.

The arguments of Paul Nitze and other critics notwithstanding, SALT II will do us no harm and will restrict Soviet capability more than our own. Whether it in itself will be of major direct benefit to mankind's efforts to prevent nuclear war will depend on certain provisions that, according to press reports, are not yet resolved and which therefore should not be the subject of public discussion. In any case, SALT II is essential because of its precursor relationship to SALT III and because it is infinitely preferable to non-limitation, which is our only real alternative. Those who, because of misunderstanding of the significance of various strategic weapons, urge SALT II's defeat will do severe damage to U.S. national security, if they prevail. □

Rep. Thomas J. Downey (D-West Islip), a member of the House Armed Services Committee and a congressional adviser to SALT, recently returned from a week at the Strategic Arms Limitation Talks in Geneva.

NEWSDAY, SUNDAY, DECEMBER 4, 1977

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THE WHITE HOUSE
WASHINGTON
January 13, 1978

Frank Moore

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

Rick Hutcheson

RE: SEN. METCALF

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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

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

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

If you want to call Mrs. Metcalf, she will not be leaving Idaho until 6:30, and can be reached during the next hour....or later after she returns to Montana.

THE PRESIDENT HAS SEEN.

done
F

THE WHITE HOUSE

WASHINGTON

January 12, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE FM/pd

We just received word that Senator Lee Metcalf has died. The Senator apparently died in his sleep last night and was found by his son this afternoon.

Mrs. Metcalf (Donna) is on route to Helena, Montana, and will arrive there this evening if you want to telephone her. She was visiting her ailing mother in Idaho at the time of the Senator's death.

Jim Fallows is working on a statement for you to release. The Vice President's staff will issue a separate statement.

As you know, Max Baucus has been running hard in Montana. If the Governor appoints a successor, you can be sure it will be someone who will oppose Max. I have asked the Justice Department to check on the procedure for filling this vacancy.

I just talked with Max Baucus and he said it is likely that the Governor will appoint a "caretaker."

Additionally, the natural gas vote was locked at 9-9 with Senator Metcalf with us. The break is now 9-8. Because the entire Energy Committee was on the Conference, there are no Committee members from which to choose a replacement for Senator Metcalf on the Conference. An attempt to replace the Senator with a non-Energy Committee member would likely produce a floor fight.

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132

THE WHITE HOUSE
WASHINGTON

January 13, 1978

Jack Watson

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

Rick Hutcheson

RE: CALL TO GOV. EXON

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
	/	WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
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		ARAGON
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		H. CARTER
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		HARDEN
		HUTCHESON
		JAGODA
		GAMMILL

		KRAFT
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

THE PRESIDENT HAS SEEN.

done
F

THE WHITE HOUSE

WASHINGTON

January 11, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Patricia Yarham
Confidential Assistant
to Jack Watson

SUBJECT: CALL FROM GOVERNOR JIM EXON OF NEBRASKA

Mr. President:

Larry Gilson is with the Vice President and Jack Watson on their trip out West and just called to ask me to convey the following message to you.

Jack Watson talked with Governor Exon, in response to his calls to you, at 7 p.m. our time. Both he and the Vice President recommend that you return the call to Governor Exon who wishes to talk with you about agricultural problems and, in particular, the farm strike. (For your information, the Vice President, Secretary Bob Bergland and Jack do have a meeting scheduled with the Governor on Friday, January 13th, in Reno, Nevada.)

Thank you.

"Situation bad - don't raise false hopes -

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for Preservation Purposes

78052

THE WHITE HOUSE
WASHINGTON

1/13/78

To Griffin

If Mike said
This, it wasn't
accurate/helpful

J.C.

FBI
ENFORCEMENT
BUREAU

Wash. Star 1/13/78

Controversial U. S. Attorney

Marston Says President Pressured to Sack Him

By Edward T. Pound
Washington Star Staff Writer

A controversial Philadelphia federal prosecutor who is being ousted from office by the Carter administration says a top Justice Department official told him in November that "pressure . . . from on high" was being brought for his removal.

U.S. Attorney David W. Marston, whose aggressive prosecutions have convicted several powerful Pennsylvania Democrats, said it was clear from the Justice Department official's message that President Carter was pressuring Attorney General Griffin B. Bell to sack him.

According to Marston, the message was conveyed by Associate Attorney General Michael J. Egan, a powerful department official and one of Bell's closest aides. Egan, who favors Marston's retention, was out of the city and could not be reached for comment.

MARSTON, 35, WAS named U.S. attorney for the eastern district of Pennsylvania 18 months ago by former President Gerald R. Ford, but his tenure is about to end, as events of recent days have shown.

His retention during the first year of the Carter administration has been opposed by some Pennsylvania Democrats, including two congressmen reportedly under investigation by his office in connection with corruption allegations. The controversy heated up yesterday, however, when the president acknowledged at a news conference that he had contacted Bell to "expedite" Marston's removal.

Carter said he phoned Bell after being contacted by Rep. Joshua Eilberg, D-Pa., who asked that the replacement process be expedited. Eilberg is one of the congressmen under scrutiny by Marston's office, but the president said he was not aware of a department investigation of the congressman.

See MARSTON, A-6

MARSTON

Continued From A-1

Eilberg, chairman of a House judiciary subcommittee, and Rep. Daniel J. Flood are among the Pennsylvania Democrats who have been pressuring for Marston's removal. Flood, who also is being investigated by Marston, headed a delegation of Pennsylvania congressmen who called for replacement of Marston as early as last March.

The Carter administration's decision to replace Marston has caused a furor in Philadelphia, where prominent lawyers and civic groups have issued strong statements supporting Marston's retention.

Henry T. Reath, a spokesman for a group of prominent Philadelphia lawyers, charged that the move to oust the young prosecutor has "the serious appearance of an act of obstruction of justice" by the Carter administration — a reference to Marston's investigation of congressmen Eilberg and Flood.

Reath, a Democrat, also said that if Marston is ousted it will mean that Carter has reneged on a "solemn promise" during the presidential campaign to keep politics out of the selection of judges and federal prosecutors.

MARSTON, A HARVARD graduate and former aide to Sen. Richard Schweiker, R-Pa., said the first clear signal from the Carter administration that he was going to be dumped came Nov. 13 in a conversation with Egan, the associate attorney general.

Marston said he was in Washington for a U. S. Attorneys' conference when he saw Egan at a reception. He gave this account:

"I went up to Egan and I said, 'How's my health.' He said he thought I had done a good job and he'd like to keep me, but 'I'm afraid we'll have to move on you by late spring.'

"Egan then said that Congressman Eilberg had called the president and the president had returned the call . . . and that Eilberg had told the president, 'I don't care who it is, but you've got to get that guy out of there.' "

Carter contacted Bell and the attorney general then instructed Egan that the matter had to be expedited, Marston said he was told.

"Egan said when the pressure comes from on high, something has to be done to relieve the pressure," Marston said. "I interpreted that to mean that because of the Eilberg contact, Carter was determined to replace me. He (Egan) made it clear that Carter was pressuring Bell to replace me."

Marston said he didn't understand the urgency on the part of the Carter administration to remove him after Eilberg's phone conversation with the president. "Why did the president of the United States feel compelled to expedite my removal?" Marston said. " . . . There was this sense of urgency. I undertand that Eilberg called the president and the president — the White House operator —

Bell said at a press conference yesterday, however, that he made the decision early last year to replace Marston. He said he rejected the advice of Egan and Peter F. Flaherty, former deputy attorney general, to retain the Republican prosecutor. The attorney general said he decided to keep Marston at least a year to avoid a loss of public confidence that might arise if he replaced a prosecutor who was actively investigating political corruption.

Bell said that when Carter called him about two months ago the president "wanted to know why it was taking me so long" to replace Marston and urged him to expedite the change.

Bell said the administration was committed to "merit selection" of federal prosecutors. He said Marston was a good administrator, but was a "political appointee," and was not a trial lawyer. Earlier in the week, in an appearance before the National Press Club, Bell indicated that Marston would be replaced primarily because of the longstanding patronage system involving prosecutorial selections.

Bell told reporters yesterday that Eilberg had urged him on several occasions early last year to replace Marston, but Eilberg "stopped calling me" after Bell said he made it clear he was not ready to make the change.

APPARENTLY REFERRING to press accounts about the Philadelphia investigation, Bell said he had not heard of any Justice Department probe of Eilberg until Wednesday night. He refused to comment on whether there was such an inquiry, and suggested that Marston should have notified him or other department officials of any probe.

Marston declined to discuss the investigation, but department sources confirmed that the U.S. attorney had notified a department official of the investigation Nov. 16.

Sources said Marston told Russell T. Baker Jr., deputy assistant attorney general in the criminal division, that Eilberg was a potential target of an investigation involving allegations of kickbacks in connection with a multimillion addition to the Hahnemann Hospital in central Philadelphia. Eilberg's law firm represented a hospital which received federal funds for the project.

Baker immediately notified his superior, Assistant Attorney General Benjamin R. Civiletti, who heads the criminal division, according to the sources. Baker, who recently was selected by Carter to be U.S. attorney in Baltimore, declined to comment.

Eilberg and Flood, the second official identified as as being under investigation, were not available for comment. An aide to Flood said the congressman has never been officially notified he was under investigation.

Eilberg is a close ally of Philadelphia Mayor Frank Rizzo. Marston has been investigating corruption in the Rizzo administration, and also is looking into charges of police brutality.

Marston gained his most notoriety, however, for obtaining convictions of two of Philadelphia's leading Democrats — State Sen. Henry J. Cianfrani, former chairman of the Senate Appropriations Committee, and State Rep. Herbert Fineman, former speaker of the House — on corruption charges.

SINCE TAKING office, the Carter administration has replaced 72 of the 94 U.S. attorneys around the country. The firings, in some cases, have generated controversy, but not as heated as in the Marston case.

In Detroit, Philip Van Dam, a Republican, was sacked after he refused to step down last spring.

In Chicago, Samuel K. Skinner resigned when it became clear he was not going to be retained as U.S. attorney. Skinner built a reputation as a dogged prosecutor and helped convict numerous public officials, including former Illinois Gov. Otto Kerner.

And in New Jersey, Jonathan L. Goldstein, another prosecutor who vigorously went after corrupt politicians, was forced out.

U.S. Firm Is Fined

A South African subsidiary of Gardner-Denver Co. was fined $20,000 after several of its employees illegally exported American-made goods to Rhodesia in violation of a U.N. embargo, the government announced Thursday.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 13, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER

SUBJECT: Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

INCOMING	WEEK ENDING 1/6	WEEK ENDING 1/13
Presidential	22,975	29,745
First Lady	1,735	1,810
Amy	635	665
Other First Family	35	60
TOTAL	25,380	32,280
BACKLOG		
Presidential	4,190	8,830
First Lady	140	615
Amy	0	0
Other	0	0
TOTAL	4,330	9,445
DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED		
Agency Referrals	8%	19%
WH Correspondence	55%	47%
Direct File	21%	15%
White House Staff	4%	4%
Other	12%	15%
TOTAL	100%	100%
NOT INCLUDED ABOVE		
Form Letters and Post Cards	9,929	8,868
Mail Addressed to White House Staff	11,588	15,150

cc: Senior Staff

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MAJOR ISSUES IN
CURRENT PRESIDENTIAL ADULT MAIL
Week Ending 1/13/78

ISSUES	PRO	CON	COMMENT ONLY	NUMBER OF LETTERS
Support for Attorney General's Decision to Replace U.S. Attorney David Marston (1)	0	100%	0	2,957
Support for Returning the Crown of St. Stephen to Hungary	2%	98%	0	542
Support for Tougher Restrictions on Steel Imports	98%	1%	1%	493
Increased Federal Funding for Farmers	95%	2%	3%	328
Suggestions Re: Tax Reform Package	0	0	100%	324
Support for Panama Canal Treaties	3%	95%	2%	318
Support for Labor Law Reform Bill S.1883, H.R.8410 (2)	0	93%	7%	273
Suggestions Re: Middle East Peace	0	0	100%	252
Support for National Health Care, Kennedy-Corman Bill, S.3, H.R.21	100%	0	0	190
President's Overseas Trip (3)	40%	37%	23%	178
			TOTAL	5,855

~~(See Notes Attached)~~

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 13, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER

SUBJECT: Weekly Comment Office Report (Per Your Request)

CURRENT ISSUES	PRO	CON	TOTAL	
Attorney General's Decision to Replace David Marston	-	100%	6,313	
Returning Crown of St. Stephen to Hungary	-	100%	118	
Mrs. Carter Walking Behind President in Saudi Arabia	-	100%	52	
Expansion of Present Israeli Settlements	-	100%	46	
Unclassified			78	
				6,607
AGENCY REFERRALS				
Social Security			37	
Veteran's Administration			19	
Other			48	
				104
MISCELLANEOUS				
Non-Substantive			24	
Support			3	
White House Requests			57	
				84
GRAND TOTAL				6,795

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THE PRESIDENT HAS SEEN.

C

THE WHITE HOUSE

WASHINGTON

13 January 1978

MEMORANDUM FOR THE PRESIDENT

FROM: RICK HUTCHESON RH

SUBJECT: Status of Presidential Requests
Complete Monthly Listing

EIZENSTAT:

1. (2/16) Opportunity for regulatory reform -- In Progress, (memo on possible 1978 regulatory initiatives expected 1/17).

2. (1/9) Tell Bob Bergland to do minimum necessary to honor his promise concerning the barley price supports -- Done (Message Conveyed). done

BRZEZINSKI:

1. (12/19) Assess with the Vice President and Frank Moore the best strategy for congressional action regarding the Turkish and Greek DCA's -- In Progress, (expected by 1/17).

2. (12/12) You and Secretary Vance work out a draft statement regarding South Korea, acknowledging imperfections, but emphasizing commitment to ROK security and strategic need for US. Don't let Tongsun Park case disrupt relations. The President will decide when to make the statement. (1/13) We still need this in a speech -- The Vice President, Vance or you -- In Progress. done

MOORE:

1. (12/19) You and Esther go over these memos on the Consumer Agency Bill -- In Progress, (report expected in 1/20 Weekly Legislative Report).

JORDAN:

1. (2/25) Let's firm up the Renegotiation Board -- In Progress, (no Congressional action expected in 1978; most probably dead). done

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2. (8/4) (First Lady) Comment on 8/2 memo from Jordan concerning two vacancies on Advisory Council on Historical Preservation -- In Progress, (the First Lady's recommendation of Joseph Mahan is being processed to fill a 2/78 vacancy, pending a security check which is expected to be completed by 1/20). (9/29) Put Calvin Carter (or his wife Pat) on Historical Preservation Board -- In Progress, (to fill current vacancy, pending a security check which is expected to be completed by 1/20). done - Notify me only if not carried out

MCINTYRE:

1. (7/11) Our emergency loan/grant criteria are too lax; check with Secretary Bergland -- In Progress, (expected 2/15).

2. (1/9) (and Eizenstat, Marshall, Kreps and Blumenthal) Give the President a decision memo on a Presidential statement on a National Center for Productivity and Quality of Working Life -- In Progress, (expected 1/30). ?

SCHLESINGER:

1. (12/5) Please give the President a written assessment of your top 45 people regarding demographic make-up -- In Progress, (expected on 1/17 upon the Secretary's return for his foreign trip, previously expected 1/10). Expedite

2. (12/28) Analyze the attached material from Senator Humphrey concerning possible new energy sources -- In Progress, (expected 1/17).

HARRIS:

1. (8/11) Push this; work with Lehman, Pepper, Stone, Childs and condomimium groups regarding condominium recreation leases -- In Progress, (with Senior Staff, expected 1/18 for the President's review).

ATTORNEY GENERAL:

1. (12/2) The President would like for McIntyre, Eizenstat and your designee to present a reorganization plan, budget analysis and language for the crime message in January -- In Progress, (expected 1/26).

MARSHALL:

1. (1/10) Do all you can on the kinds of jobs related to energy conservation -- Message Conveyed. done

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BERGLAND:

1. (1/10) Do all that you can for the chestnuts (re "New York Times" article on the hopes for saving the American chestnut)-- Message Conveyed. done

RAFSHOON:

1. (9/13) Proceed with plans regarding National Arts Festival; then see the President before final commitment -- In Progress, (expected in mid February)

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THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

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

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

		KRAFT
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

THE WHITE HOUSE
WASHINGTON

rick--

please send me cc

thanks -- susan

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 14, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN HJ.

SUBJECT: STATE OF THE UNION MESSAGE

Attached is a paragraph which was prepared by Vernon Jordan for possible inclusion in the State of the Union Message. As you will recall, you asked Vernon to do this at your meeting on January 12th. I think it would be a good idea to include this--if not the actual words, at least the idea.

Attachment

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President
DONALD H. McGANNON

Senior Vice-President
JEANNE SPURLOCK

Vice-Presidents
COY EKLUND
JOYCE HUGHES
JAMES R. KENNEDY

Secretary
GEORGE JENSEN

Asst. Secy.
ELIZABETH L. FITTER

Treasurer
FREDERICK D. WILKINSON

Assistant Treasurer
CECIL R. FORSTER, Jr.

Executive Director
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I. Owen Funderburg
Alfreda M. Garibaldi
James H. Gilliam
Patricia J. Grace
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Walter G. Haas, Jr.
Jesse Hill, Jr.
William A. Hilliard
W. Hayne Hipp
Richard J. Jacob
Charles W. Johnson
Lane Kirkland
Clarence G. Littlejohn
William Lucy
Ronald A. McKinley
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Louis Martin
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Bishop Samuel S. Morris, Jr.
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John W. Porter
Ida A. Powell
Evelyn J. Reingold
Eric Lee Sass
Herbert S. Schlosser
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National Urban League, Inc.

The Equal Opportunity Building
500 East 62nd Street, New York, N.Y. 10021
Telephone: (212) 644-6500

January 13, 1978

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

Dear Mr. President:

Pursuant to our conversation yesterday, here is a suggested paragraph for your State of the Union Address.

Sincerely,

Vernon E. Jordan, Jr.
President

VEJ:yd

Contributions to the National Urban League are tax deductible

THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

January 13, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Attached is a draft memo from you to Mike and me, as we discussed this morning.

I have put in a Wednesday deadline since I doubt if we can meet an earlier one.

Attachment

TWO SIGNATURES ARE REQUESTED

THE WHITE HOUSE

WASHINGTON

January 13, 1978

MEMORANDUM FOR THE SECRETARY OF THE TREASURY
CHAIRMAN OF THE COUNCIL
OF ECONOMIC ADVISERS

I would like to be informed and involved in the preparation of plans to deal with the dollar problem should further difficulties arise.

As a first step, please prepare for me by next Wednesday a joint memorandum which identifies the options open to us in meeting contingencies that might occur during the period ahead. In his meeting with me this morning Chairman Burns spoke about issuing Treasury securities in foreign currencies. I would like your preliminary views on this, on what alternatives we might consider to restrict oil imports further if the need arises, and on the other options you think we ought to consider.

After studying the memorandum I will meet with you to discuss it. I think at that time we should also discuss what our basic objectives ought to be, under various circumstances.

Jimmy Carter

THE WHITE HOUSE

WASHINGTON

January 13, 1978

MEMORANDUM FOR THE SECRETARY OF THE TREASURY
CHAIRMAN OF THE COUNCIL
OF ECONOMIC ADVISERS

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Jimmy Carter

THE WHITE HOUSE
WASHINGTON

Bus leaders
1/13/78

Inflation memo

Comps - Govt = bus

Private discussions

> rhetoric of 4/77

don't impede bus invest

GE orders - settling -

Cap good orders ↗

McGraw Conv GE

3 - 4½ - 6

Fed budget ok

Trade deficit, $ ↘

> Energy bill

> Enhanced exports - State Dept

Ex-Im Bank competitive

Discouraged DISC - Deferral

24 000 jobs - foreign

GE 39 m + 5 DISC & 72 X

Defend - 25 mil

600,000

47
8

THE WHITE HOUSE
WASHINGTON

Pete - Mfg goods + $15 B

Minority employment

Percy/HH energy conservation

= Dunlop = Labor Reform = Contracts

= Concern re services industry

(Hospital Costs)

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"Bridging" action

Sell Treasury securities abroad
Tailor to make attractive

$30 B.I → overseas
- Central banks have bought them
- Reluctant purchasers
- Their domestic $ money supply ↑
- Inflation occurs
- If they're no longer willing to buy $ Who will?

---

a) Treas sec denominated in foreign currency
Lower interest - more exchange risk

b) Bundesbank right to sell to their member banks

Sell SDR's
Sell some gold (later careful re France)

Treasury Dept memo
↑
call back by Burns

Burns 1/13/78

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

President Jimmy Carter

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Unemp ↘ 1½ Emp ↗ 4 mil
GNP + 5± Bus invest +8
Corp profits +11½ Infl
Energy - Sec Sec - Min Wage - Wfare

=

6-6½ % infl
Unemp pockets
Trade deficit
Energy bill

=

'79 Budget +2%, <-73
% outlays 22? → 22 → 21
Tax cut vs deficit
↘ 1-1½ % GNP

=

Emphasize economy

Burns - Treas Sec sale abroad
Garwin - Exxon - Fed land

Revised:
1/13/78
8:15 a.m.

THE PRESIDENT'S SCHEDULE

Friday - January 13, 1978

8:00	Dr. Zbigniew Brzezinski - The Oval Office.
9:00	Dr. Arthur A. Burns - The Oval Office.
10:00 (60 min.)	Meeting with Group of Business Leaders. (Mr. Jack Watson) - The Cabinet Room.
12:00	Lunch with Mr. George Meany - First Floor Family Dining Room.
2:30 (30 min.)	Editors Meeting. (Mr. Jody Powell). The Cabinet Room.
4:00	Depart South Grounds via Helicopter en route Camp David.

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THE WHITE HOUSE
WASHINGTON

January 13, 1978

Jim McIntyre

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

Rick Hutcheson

SURFACE EFFECT SHIP

THE PRESIDENT HAS SEEN.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

ok
J

JAN 12 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre Jim

SUBJECT: Surface Effect Ship

You asked me to outline for you the status of the Navy's Surface Effect Ship (SES) program, and to describe in brief the budget issue involved. The SES, a high speed (over 80 knots) vehicle supported by a fan-generated cushion of low pressure air, has been undergoing tests since 1972. The two test craft are in the 100 ton class.

The Navy had planned to spend $395 million in 1979-83 to develop a much larger (3000 ton) version for open ocean ASW. FY 78 funding totalling $44M is programmed for vehicle design and subsystem work, with California-based Rohr Industries holding the contract. (Pre-1978 sunk costs: $352M)

In the Defense Budget Review, Secretary Brown and his staff cancelled the FY 79 SES program early in their scrub of the Service requests. The arguments include these:

- $400M is a quite significant amount to spend on a program which may not result in actual construction of operational combat SES's, and for which the specific mission requirement is open to question.

- SES mission requirements have been based in great part on effectiveness assumptions regarding reduced vulnerability and increased mobility. The vulnerability advantage, predicated initially on outmaneuvering torpedoes, is seriously degraded by today's cruise missiles and land-based aircraft (Backfire, etc.), two areas of major Soviet emphasis. On the mobility side, to the extent that we ourselves utilize cruise missiles and aircraft in ASW, our need for a faster surface ship is reduced correspondingly.

- Considerable technological risks, particularly in propulsion components, seals, and lift fans, exist in the leap from 100 to 3000 ton ships.

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- Purely physical problems exist in operating at high speeds. The "bumpy ride" problem has been severe, raising questions regarding electronics equipment reliability and crew performance.

The Navy itself is split on the advisability of SES, and key uniformed leaders have told us privately that spending large sums of money to gain increases in surface ship speeds is unwise in a world of accurate cruise missiles and long range aircraft. They argue that the relevant speed differential is between that of a conventional ship and that of an aircraft. This makes SES interesting technically but unattractive when compared to ASW alternatives competing for scarce budget dollars.

There was unanimous DOD/OMB/NSC agreement in the budget review that SES should be terminated. Defense does not now envision a production requirement for an operational SES. The five years of testing have shown much about what SES can and cannot do, and the large expenditures in 1979-83 seemed much better applied to other more critical defense R&D. We understand that Admiral Zumwalt had spoken to the Vice President on the subject, and as a result, Defense reexamined the issue. Secretary Brown continues to believe that, given other priorities, the program should be terminated. We strongly support that view.

Bill

THE WHITE HOUSE
WASHINGTON

The First Lady has seen.

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January 13, ~~1977~~ [1978]

To Ros

Dear Mr.President:

Your son Jack relates (in enclosed article) how much you love Camp David.

So I hope you'll add to that enjoyment there this weekend by reading what he and others think of you--and your presidency--one year later.

Since time was limited, after the Mideast and Caron & Chip portions of that August interview, I gathered comments and anecdotes from those near and dear to you for this anniversary article. And then Jody expanded on the human interest replies you gave me.

I'm sorry the Vice President's closing comment on your quip about the job was published on the top 'blurb' because I think its out of place there. Otherwise, I hope you like this.

I did another one--with other people--for the newspaper worldwide syndicate--for January 20th release and will send same to you.

Respectfully,

Trude

P.S. I still hope you'll be part of my major article, with other heads of State,

"ISRAEL AT 30"

(It'll begin with Clark Clifford and President Truman in 1948)



Jimmy Carter: "My First Year"

"This job is impossible," the President frankly admits. In an exclusive interview (above), he talks candidly about what you really win—and lose—when you become the most powerful political figure in the world.
By Trude Feldman

"If all the nights in the next four years are like this, I'll enjoy it."

That's what Jimmy Carter said about the presidency one year ago, on the eve of his inauguration as 39th President of the United States, at a gala in his honor at Washington's Kennedy Center.

In the year that has passed, neither all the nights nor all the days have been like that one. The President's popularity has sharply declined. There is mounting criticism of the way he deals with Congress. He has been accused of reversing positions; of doing too much too quickly. There has even been talk that he is destined to be a "one-term president."

Nevertheless, Jimmy Carter says he enjoys the presidency and gives no indication that his enthusiasm for the world's most demanding job has lessened. "The challenges are enormous," he said. "That's what makes this job so rewarding. But, I'm keeping up with it and I feel confident.

"Once one attains the presidency of the United States, there is no higher office. I want to be the best President our country has had. If I'm not, it won't be because I haven't tried."

President Carter thrives on his position as the world's most powerful political figure. He likes it all—from trying to gain congressional approval of a new Department of Energy and enactment of the anti-boycott bill, to hosting Japanese Premier Fukuda —a fellow peanut farmer.

Leaning back in a wing chair, his hands folded until he gestures to make a point, Jimmy Carter reflects on his first year in the White House, talking about the joys and the satisfactions as well as the frustrations of the office. *(continued on page 170)*

Jimmy Carter

continued from page 99

He also talks about the stress of the presidency on him and his family. "I've had the normal responsibilities of family life as well as those of leadership," he told me. "But I can say it has been a good year, a gratifying year.

"As a matter of fact, this experience has brought the family even closer together because we have a sense of mutual purpose and mutual responsibility."

He says that so far he subscribes to what President John F. Kennedy once observed about the presidency—that no matter what one thinks or expects before he moves into office, there is actually nothing that can prepare one for its difficulties and complexities.

During his campaign, Jimmy Carter promised an open presidency, and this has influenced the style of his administration. "I want the people to know that it is their government and that they have access to me and those who work for me. We have nothing to conceal.

"Sitting in this office is awesome," he says, "and I don't want to be overcome by it. I try to minimize the trappings so that people will be comfortable and not intimidated. I want frank assessments of what's going on around me, so that I'll be aware of the attitudes people have toward me and the administration."

To attain this openness, President Carter pays careful attention to his daily schedule. One factor that is disturbing is when adequate time isn't allocated for him to study, to think and to read.

"He likes a well-ordered, well-paced day that provides for preparation before each meeting," says Tim Kraft, the President's appointments secretary. "He gets more than a hundred and fifty pages of urgent reading material each day. If he is going to get through it—and he usually does—that means he must be organized."

One day, Kraft and his scheduling director, Fran Voorde, were called into the Oval Office. "The President pointed to that day's schedule—it had fourteen major appointments lined up one after the other," Kraft said. "He told us, 'I don't want to see another schedule like this if you want to continue in the scheduling office.' "

President the culprit

It turned out, however, the President himself was the culprit. "When I pointed out," Kraft said, "that three of those fourteen appointments he had added himself, he countered that we 'should schedule more flexibly, so I have time to see people at my own discretion.' "

Tim Kraft explains that if the President seems "impatient or sharp, it means he has been hard pressed on a given day. But when he gets upset, he just digs in and works harder. He doesn't give way to fits of frustration."

The President was on his way to his daughter Amy's birthday party when Tim Kraft told him that a Cabinet member needed three to five minutes on an urgent matter. "With a faint grin, the President said, 'Make sure we keep it at three to five minutes because I want to go to Amy's party.' " Then, "after seeing the Cabinet member," Kraft recalls, "he went to the party, involving himself wholeheartedly as the father of the birthday girl. Afterward he returned to work in the Oval Office. Knowing the President, I'm sure he called that Cabinet member to pick up where they left off earlier."

While some presidents have complained that family life underwent psychic trauma in the goldfish-bowl atmosphere of the White House, Jimmy Carter differs. "We like living here," he tells me. "It has not been a quote 'prison' unquote, and I don't consider life here a violation of our privacy."

He does, however, treasure his private life. It's the rare guest who is invited to the second floor living quarters, where the President loves to sit and chat with his family on the Truman balcony, opposite the Washington Monument. The Carters treat the Truman balcony like a front porch, often relaxing there with the Sunday newspapers before Sunday School and church. At such times the President usually wears blue jeans or slacks and a sweater.

He likes to keep Sundays for himself and the family, but sometimes public duties call. During the past year, he has given up some of his "family time" for official duties—greeting Secretary of State Cyrus Vance when he returned from Moscow, or meeting with Vice President Walter F. Mondale when he came home from Europe, or stopping off in Minneapolis to pick up Senator Hubert Humphrey on Air Force One.

Much as he enjoys the White House, President Carter also enjoys getting away from it. His favorite retreat is Camp David in the Catoctin Mountains of Maryland, where he swims and plays tennis. "I love being outdoors," he says, "and that is one of the truly glorious and serene places. When I'm there I walk or bicycle on the paths—and sometimes I even spot a deer."

The Carters' eldest son, Jack, recalls that on their first visit to Camp David, his dad "showed off the place as if it were his own new toy—that's how much he loves it."

Rosalynn Carter gave her husband a book on trees for his last birthday, and he had a contest to see who could identify the most of some 60 different species that grow at Camp David. "I like to watch Amy cavort about and collect leaves," the President muses. "She now has her own collection."

Like other presidents before him, dating back to F.D.R.—who called the presidential retreat "Shangri-La" Jimmy Carter finds Camp David an ideal hideaway. He returns to the White House refreshed and eager to resume his taxing schedule.

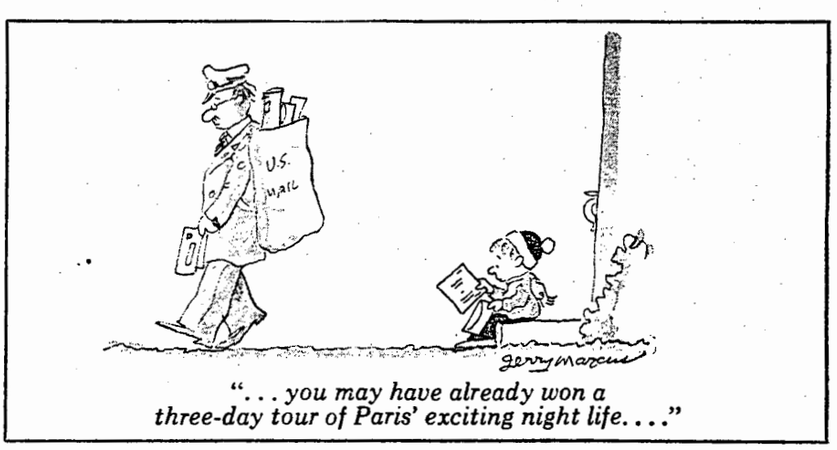
Tim Kraft says that the staff seldom bothers the boss when he is at Camp David. "Once, however, I needed direction on an immediate matter, so I went to the front porch where I found the President building some kind of 'do-it-yourself' playhouse with Amy. He was completely absorbed, putting it together from a set of diagrams.

"I teased him, saying, 'It'll never fly.' He teased right back. 'Don't blame this one on me,' he said, 'I'm working from instructions.' "

How does the President react when it doesn't "fly," when someone goofs?

Presidential Press Secretary Jody Powell, who has made his share of mistakes, says that "If you've made a mistake or have done something wrong, he gives you a chance to explain. He listens," Powell tells me, "and then tells you whether or not he accepts your explanation. But he doesn't throw it up to you again and again. That's the end of it. He assumes that if you made a mistake, you already feel badly about it; and nothing he can say will make you any more determined not to repeat an error."

(continued)



"... you may have already won a three-day tour of Paris' exciting night life...."

Jimmy Carter

continued

Jody Powell gives as an example his own most striking error. He leaked a false report to a Chicago newspaper in which he said that Senator Charles Percy of Illinois had flown on private jets belonging to Bell & Howell, the firm Percy once headed.

"I told the President I had made a dumb mistake and the best thing to do was to apologize to Senator Percy. The President agreed, and we closed the issue. On the other hand, if I had taken a different attitude and defended an obvious wrongdoing, the President might well have acted differently. But he would never have been abusive or tried to make me feel worse than I already felt."

When Jimmy Carter really gets upset, he has been known to impale close aides with a cold stare. "Yes, I get the cold stare every now and then," Powell confesses. "It's his way of showing displeasure or anger. But he doesn't allow it to affect relationships. He keeps members of his staff on their toes by demanding a high level of preparation on questions. If you go in to see him to present a case and you're ill-prepared, you could wind up with egg on your face. But you'll have done that to yourself. The President just asks questions until he discovers if you know what you're talking about. If you don't, it could be a very embarrassing experience, but again, not because he is abusive or harsh. He never even raises his voice to me. . . ."

If the President insists that his staff be well-informed, he makes the same demands on himself. Reading is a dominant activity in Jimmy Carter's life. On a typical day, he will awaken at 5:30 A.M. and read for an hour—before, during and after breakfast. Upon returning to the living quarters for supper around seven, he spends an additional two or three hours reading and doing paperwork. "I know I have a lot to absorb," he says, "and I'm learning all the time."

Period of learning

He emphasizes that the first year in the White House has been a period of learning—not only of acquiring knowledge but of learning how to relate to Congress and the public. "I've learned when to compromise and when not to compromise with Congress while building a feeling of mutual respect," he said. "I also recognize that the constituents of congressmen are my constituents as well, and I have the same right and responsibility as do congressional members to reach the people for support."

The presidency has not been without its disappointments or surprises. "One of the surprises has been a lack of confidentiality around Washington on some matters that I think should not be made public," the President says. "I've been disconcerted at some of the C.I.A. revelations, for instance. I think they have damaged our ability to obtain intelligence information from other countries. It is difficult to achieve the fine balance that preserves confidentiality about intelligence sources and also upholds the principles of free speech and a free press."

Carter says that just as legislative reform takes time, so does a "change in the attitude" of some congressmen toward the White House. "I've tried to make some basic changes," he says. "I want them to know, for instance, that I'm accessible and that my Cabinet secretaries are encouraged to make their own department decisions. Congressmen need not come to the White House, to someone like a Haldeman or an Ehrlichman, to get every answer on domestic affairs. And Secretary of State Vance is making use of the Foreign Service to pursue international matters.

"After so much centralized power, it has been a slow process to convince Congress that we're back on the track, but I'm trying."

A year in the White House has convinced Jimmy Carter that he needs all the knowledge he can get. "I want the government to be more efficient and better organized," he explains. "At the same time, I want it to be closer to the people, more sensitive to their needs. I want to overcome the sense of alienation that too many Americans feel about their government and to rebuild their trust in their leaders. We've been through difficult times—both politically and economically—but I'm impressed with the strength of this country and I intend to make an impact for the good.

"Next year, I will focus more on long-range analyses of the issues facing us."

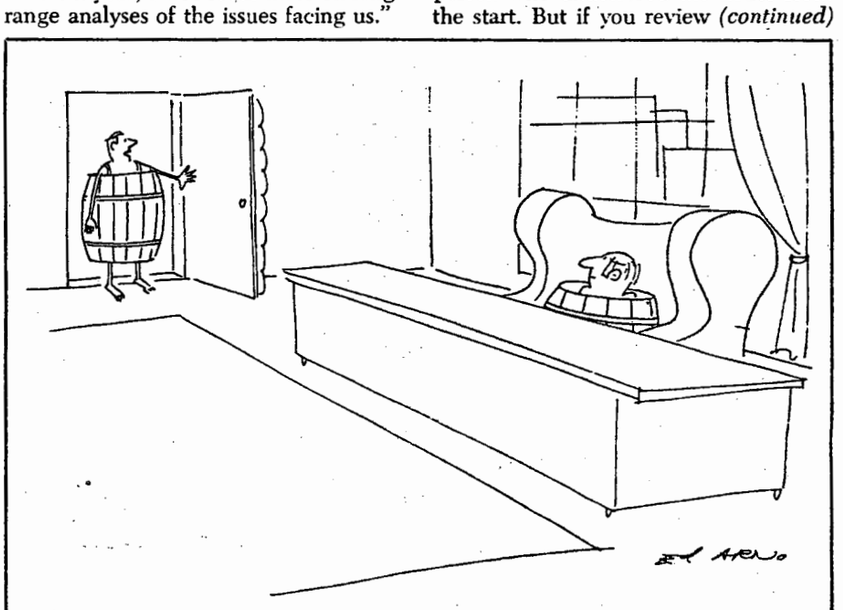
How do those closest to him view Jimmy Carter after a year in the White House?

Ambassador Robert Strauss, the President's Special Representative for Trade Negotiations, has watched several presidents settle into office. "Each matures and settles in a different way," he observes. "Jimmy Carter came to the presidency with not much national experience, but he has a tremendous capacity to learn rapidly. That's what will turn him into an outstanding president."

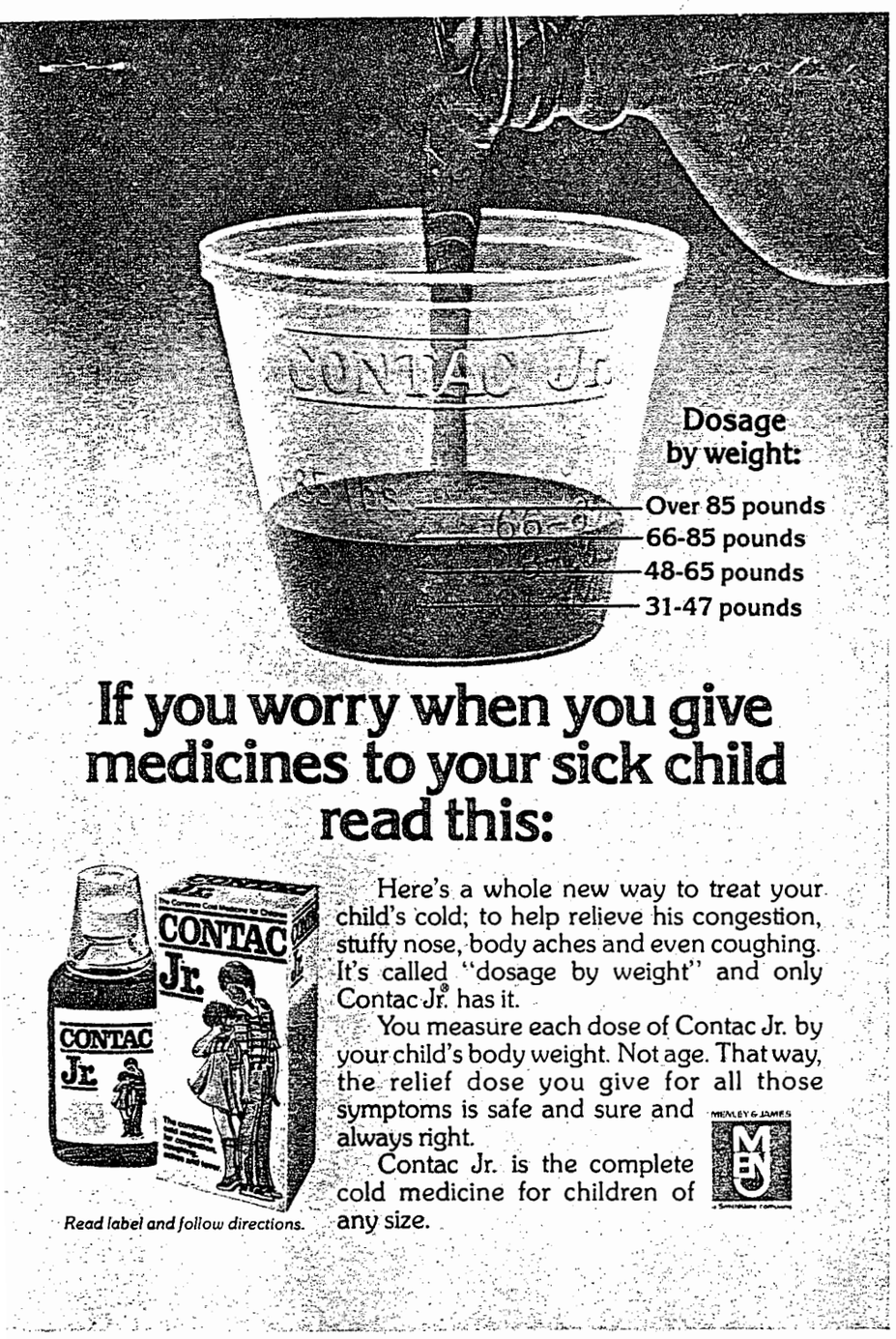
His wife maintains that the presidency hasn't changed her husband much. "But then I didn't expect that it would," Rosalynn says. "He is still the same strong, kind human being I fell in love with."

The Carters' youngest son, Jeff, who lives in the White House with his wife, Annette, agrees. "I don't think the presidency has changed Dad as a father. And I'm glad because I like the way he is. His tennis game may be better now, and his hair is a bit grayer, but he is still Dad. He still finds time for Annette and me and is concerned with my schooling and other interests. He is so determined that I develop his reading habits, he shares his books with me. He even manages time for us to discuss them."

While Jimmy Carter remains a loving husband and father, he has—in the words of Vice President Mondale—"grown and developed remarkably" as Chief Executive since last January. "No one realizes the weight of the presidency until he is here," the Vice President explains. "From the first day Jimmy Carter walked into the Oval Office, he has had to learn to utilize all of his personal resources. There is no question that he has grown in the job. If you look at the transcript of his first press conference, you'll find a person who understood the issues from the start. But if you review *(continued)*



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Jimmy Carter

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his latest press conference, you'll note depth and subtlety of understanding that only comes from enormous experience in domestic and international affairs at the highest level."

The President and Vice President lunch privately once a week, in addition to other daily personal meetings. "We review what we should be doing, the problems facing us and how we should handle them," he told me. "It's a free exchange on matters neither of us would put on paper.

"Sometimes we're both uptight because there is too much to do on that particular day or we're running behind schedule, or there are issues that are pressing hard. Other times our luncheon sessions are more relaxed, with time to include talk about our families, too.

"Our discussions range over almost every subject, and I'm very candid with him," the Vice President adds. "Moreover, I've met few people who accept criticism with as much grace as he does."

Walter Mondale says the President's happiest moments are when he is convinced they have accomplished something of significance. "Take, for instance, the night he delivered the message on energy. He knew it was a good statement, even if it would take tremendous effort to win over certain sectors. He knew it broke new ground and he felt good about it.

"Another high point was the night we started making progress on the SALT talks. He had been working on it for months. I felt his sense of relief and accomplishment. And he had every right to feel good."

"What concerns or frustrates the President?" I asked Mondale.

"The President is most irritable when he doesn't have time to study a problem and has to deal with it before he is completely ready," Mondale answers. "And, sometimes, issues just won't wait and decisions must be made promptly."

Robert Strauss is impressed by the President's skill in decision-making. "He very methodically goes about digesting all the available information," he says. "He reminds me of a fine golfer approaching a difficult shot. He studies the lay of the land, plans where he wants to go—then swings with confidence and without strain. All in all, he is an outstanding executive.

"Having known and worked with Jimmy Carter before he was elected, I know this quality in him, but as President he has scope as a decision-maker, a manager, a leader."

Relishes debating

But if the President hesitates to make up his mind before absorbing all the facts and exploring all the options, he relishes debating the pros and cons of an issue. "He enjoys a good argument on the merits of a case," says his National Security adviser, Zbigniew Brzezinski. "And he is a most effective debater. I argue with him on issues and I often lose. But other times he comes around to a point of view that at first he was reluctant to accept, and that's a good sign."

Dr. Brzezinski says the President is happiest when he accomplishes something specific. "He likes to have things done well," he said. "Many of the programs he now has in mind—or in motion—will, in the long run, prove to be historically significant."

Dr. Brzezinski adds that Jimmy Carter is aware of the limitations of what can be done, of the tremendous obstacles to any genuine reform (stemming from the forces of inertia, vested interests, etc.). "It's difficult to be an active president, and he is one," concludes Dr. Brzezinski. "But this awareness has not yet changed him."

As earnest as Jimmy Carter is about his work, he can also be playful and has a humorous side. Dr. Brzezinski, who meets with him each morning, recounts examples of the Carter humor.

"When the President turned fifty-three last October, I sent him a fictional birthday greeting in the form of a cable from an important foreign leader, with whom we had been having problems. In that fake cable—which looked a hundred

percent like the real thing—a number of urgent concessions were made to American foreign policy. But the last line concluded with an offer: In exchange for the concessions, the foreign leader wanted the President's National Security adviser for a few weeks, after which he'd return me.

"The President acknowledged the birthday 'greeting' with a personal note: 'Dear Zbig, I thought it was an excellent deal—until it said I'd have to take you back.'

"On another occasion, Anatoly Dobrynin (Soviet Ambassador) lunched at the White House. Afterwards, we had vodka and caviar while seated on a chaise longue outside the Oval Office. A little bird was singing at our feet. Someone snapped a photo of us, and a few days later, the President sent me a copy of it, inscribed, 'To Zbig, this is the inevitable outcome of a vodka lunch, but at least the bird looks sober and alert—Jimmy.' "

Down days to himself

Although the President likes to indulge his sense of humor, he is inclined to keep his "down" days to himself. Even though he describes his first year as an "overall pleasant" one, it was nevertheless marred by one event that was "personally painful to me"—the resignation of Budget Director Bert Lance, one of his closest friends and aides.

"It was a tough problem for the President," Walter Mondale recalls, "because they're really good friends. I know Bert's resignation was a decision they made together. Often, outsiders think that high office requires people to become impersonal and brutal, but few of us here are that way with our friends, and thank God, because there ought to be some time for humanity and fairness.

"Even though the President was deeply troubled during that period," the Vice President adds, "he didn't show it—until the end. He doesn't usually spill a lot of emotion. He is a cerebral type."

Jody Powell remembers that on the day the President called the press conference to announce Lance's resignation, Powell "feared the President wouldn't make it through the opening statement. I even suggested that his emotions might get the best of him so he ought to take the written statement and read it with his head down. But he did it his way. You could hear the lump in his throat, and see the mist in his eyes."

Tim Kraft puts it this way: "It was the President's greatest personal setback and one of his most trying times. There was red-eyed fatigue during that period."

Despite the pressures of the presidency, Jimmy Carter takes time to show gratitude to friends and advisers. His sensitivity toward them is one of the qualities that commands loyalty and affection from his staff. *(continued)*

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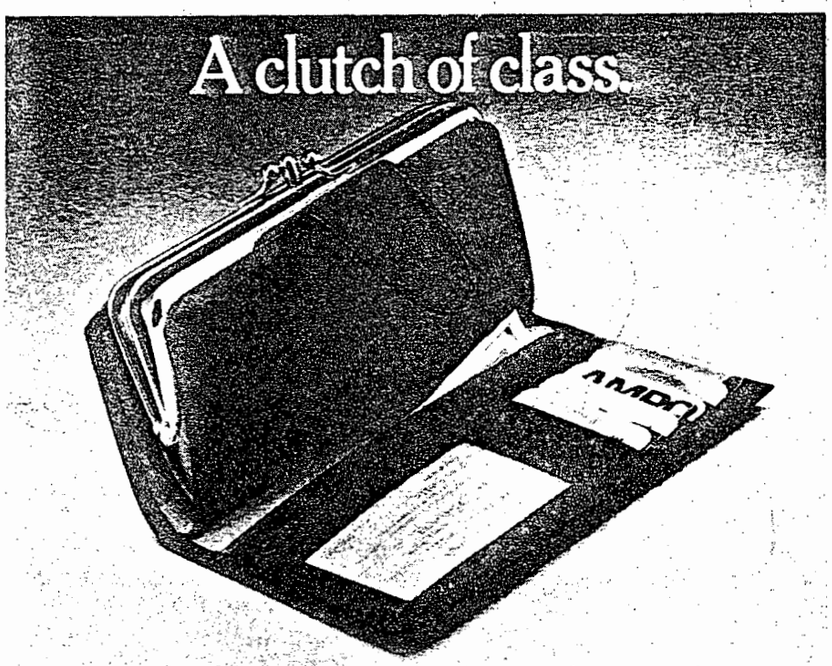


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Jimmy Carter

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Robert Strauss shares the same birthday as Amy Carter. So, after her celebration, the President threw a surprise party for the former Democratic National Chairman in the White House. "The party was his way of saying thanks for my work and support," said an obviously pleased Strauss. "But he surely did surprise me—I thought I was going to an urgent meeting. It shows how sensitive and thoughtful he is, and it meant a lot to me."

And the Vice President remarks: "Not long ago, one of the newspapers published a silly story that I no longer had the same access to the President. I didn't mention it to him, but he personally phoned several reporters to inform them it was misleading. That's the kind of person he is. He has a special sensitivity about personal hurts and slights. Such consideration is rare in politics, but Jimmy Carter has it."

Dr. Brzezinski tells a similar tale. "Once, when there was some unfair criticism of me in the press, the President suggested he phone the reporter to give him the facts. I told him it wasn't necessary, but it's the offer that counts.

"On another occasion, the President wrote a personal letter to a foreign leader pointing out that some particular criticisms of me were unwarranted."

But if the President has experienced a growing popularity with his staff in the past year, the situation with the general public has been just the opposite. Last fall's disappointing popularity rating showed he had dipped below the 50 percent mark in public approval.

The Vice President is philosophical about this. "A good President cannot have unlimited popularity," he tells me. "It just isn't possible."

And Jack Carter adds: "I wasn't surprised at the ratings, because ratings are actually a measure of what you're trying to do—how much you are challenging the status quo."

Bob Strauss explains it thoughtfully: "Jimmy Carter had to move to the front burner many issues whose solutions had been delayed too long. For political reasons, he might have been better off doing it slowly. But he felt that at least the important issues of energy and the Middle East, for example, needed immediate attention. He took political risks—and with his own future—to do what he feels is best for the country.

"In the short run, this may cause him to lose some popularity. In the long run, it'll be good for the country—and, eventually, good for Jimmy Carter."

Of all the problems the President has faced in his first year, the Arab-Israeli conflict has been, perhaps, the thorniest.

"The U.S. occupies two roles in the Mideast," he told me. "First, as the principal friend and supporter of Israel; the other, as a mediator and peace maker. This latter role requires that we enjoy some degree of confidence by all the parties involved in that conflict.

"Now, these two roles are quite difficult. Sometimes they come into conflict. But there is no way we can abandon either role. It's certainly unthinkable and immoral to abandon our role as friend and supporter of Israel. On the other hand, to abandon our role as peace maker and mediator would be disastrous not only for the U.S., but for Israel as well.

"My view is that we just have to accept the fact that there is no easy way to deal with the situation. But we have just seen an unprecedented new development, where an Israeli and an Arab leader sat down to talk. As Churchill said after [the battle of] El Alamein: 'This is not the end. It is not even the beginning of the end. But perhaps it is the end of the beginning.'"

Sometimes when situations look truly impossible, humor serves the President as a relief mechanism. His associates have seen it frequently during the past year.

The Vice President recalls one particular day not long ago when, noting that the President seemed unusually lighthearted, Mondale remarked, "Gee, Mr. President, I'm glad to see you so happy today. Any special reason?

"The President grinned widely and quipped, 'I'm a lot happier now that I realize this job is impossible. . . .'" **End**

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