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THE PRESIDENT'S SCHEDULE

Wednesday - June 7, 1978

7:15	Dr. Zbigniew Brzezinski - The Oval Office.
7:45	Mr. Frank Moore - The Oval Office.
7:55 (2 min.)	Photograph with Senator Edward M. Kennedy and Congressman Paul E. Tsongas. (Mr. Frank Moore) - The Oval Office.
8:00 (30 min.)	Congressional Leaders Breakfast. (Mr. Frank Moore) - First Floor Family Dining Room.
9:25 (2 min.)	Photograph with Eddie and Polly Rushing. The Oval Office.
9:30	Depart South Grounds via Helicopter en route Annapolis, Maryland.
10:30	U.S. Naval Academy Graduation.
12:45	Return to the White House.
1:30 (10 min.)	Senator Daniel P. Moynihan. (Mr. Frank Moore) - The Oval Office.

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2:15 PM

C

THE WHITE HOUSE

WASHINGTON

June 7, 1978

MEETING WITH SECRETARY MARSHALL RE OSHA COTTON DUST REGULATIONS

Wednesday, June 7, 1978
2:15 P.M. (45 minutes)
Cabinet Room

From: Stu Eizenstat

I. PURPOSE

To discuss Secretary Marshall's concerns about June 5 memo from Charlie Schultze to him conveying your instructions about OSHA's draft cotton dust regulations. (A copy of the memo is attached.)

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: On Monday evening, June 5, Charlie Schultze sent to Secretary Marshall a memo conveying your instructions to prepare a new alternative or alternative regulation to control cotton dust in the yarn producing segment of the cotton industry. As you know, Ray requested to meet personally with you before he was required to follow through on the course of action proposed in Charlie's memo, and you granted that request.

You have received numerous memoranda regarding the substantive issues concerning the cotton dust regulations. The most concise discussion of the pertinent issues appears in Charlie Schultze's June 4 decision memo to you, following Ray's meeting here with Charlie and myself on Saturday, June 3. I will not repeat the substantive discussion contained in the June 4 Schultze memo, or other memos on this subject.

One point made by Ray in our June 3 meeting, which was not fully treated in memos you have seen, was that the governing statute may require that determinations about the timing and techniques needed to attain a given worker exposure standard must be

6. I will consider carefully what all of you have said this afternoon, and reread the excellent memoranda you have submitted to me and the Vice President over the past weeks. I will decide the matter promptly.

7. There are great divisions among the public, in Congress, as well as within the Executive Branch over this difficult question, and I will need the support of all of you to implement, and explain my decision, whatever it is. I know I can count on your active support.

8. If a new regulation is necessary, I would like it as expeditiously as possible -- hopefully within no more than 30 days. We can only achieve this with your full support.

Charlie's staff is preparing this document, which should be ready to submit to you by the end of the day. The Department believes that submission of such a document will be helpful in persuading a court not to attempt to compel production of other internal White House documents relating to this matter, in order to evaluate the reasons supporting any eventual decision by the Labor Department to promulgate a regulation conforming to the guidelines in Charlie's June 5 memo.

B. Participants: Assistant Secretary Bingham, Charlie Schultze, the Vice President, and myself.

C. Press Plan: White House Photographer only.

III. TALKING POINTS

1. I am deeply committed to an active Federal role in protecting the health and safety of American workers.

2. One of the most important achievements of this administration has been the magnificent job you have done, Ray and Eula, to turn OSHA around--to get rid of the nit-picking, burdensome, useless regulations, and to focus resources on measures genuinely needed to protect worker safety and health.

3. The essence of my regulatory philosophy is to maximize effectiveness while minimizing unnecessary burdens. You are showing to labor, business, and the public, that that philosophy can work.

4. Charlie has helped all of us understand how critical it is to particular industries and the economy as a whole to apply strict new regulatory standards in a manner which minimizes adverse effects on prices, investment, and jobs.

5. I am beginning to understand what you already well know--how difficult it is to apply these principles to particular regulatory decisions. We have to work together to produce the best decisions we can.

made on a firm-by-firm basis, rather than on an industry-wide basis, as Charlie's June 5 memo proposes. My staff has discussed this question with attorneys from the Labor Department, the Justice Department, and the Council on Wage and Price Stability. We do not believe that the statute would prevent the development or implementation of an alternative or alternatives in accordance with the guidelines set out in Charlie's memo. If Ray raises this legal question in the meeting, I suggest that you ask me to respond.

It appears that copies of Charlie's June 5 memo to Ray have found their way to the press, and news of the fact that the memo was sent, and of its contents, has reached the Hill. Adverse reactions have been reported among supporters of strict OSHA enforcement, such as Representative David Obey; additional reactions can be expected today, prior to the 2:15 meeting.

Yesterday morning, June 6, in the Washington, D.C. District Court, government attorneys representing the Labor Department in litigation concerning the regulation received a strong admonition from the District Judge, when they stated that no decision had yet been made about the timing or content of the regulation. They must appear before the court again this morning, and have been instructed to represent (i) that the President is continuing to confer with Secretary Marshall and other advisors, and (ii) that within 48 hours they will be able to state more precisely to the court when a new regulation will be promulgated. This time-period should give you enough time to determine whether to reaffirm your decision to instruct Charlie to send his June 5 memo.

I strongly recommend that you <u>not</u> decide the issue at the meeting. <u>The Justice Department has advised my staff that it is important that, before you formally make a decision to reaffirm Charlie's June 5 memo, you should have before you a document summarizing the relevant factual considerations, which can subsequently be submitted for the public record as the basis on which your decision was made.</u>

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2:15

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 7, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CLS

SUBJECT: Analysis of OSHA's Proposed Cotton Dust Standard

Attached is the report prepared by the Council on Wage and Price Stability, reflecting discussion of the Regulatory Analysis Review Group Executive Committee, which sets forth the factual basis for a reexamination of OSHA's proposed cotton dust standard.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
726 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20506

June 7, 1978

MEMORANDUM TO: REGULATORY ANALYSIS REVIEW GROUP
EXECUTIVE COMMITTEE

FROM: Barry Bosworth BB by Tom Tyler

SUBJECT: OSHA's Draft Final Cotton Dust Regulation

The Occupational Safety and Health Administration (OSHA) has completed preparation of a draft final standard regulating textile worker exposure to cotton dust. The standard, whose text runs some 400 pages, is a substantially revised version of a proposal OSHA published in December 1976.

OSHA held hearings on this proposal in April-May 1977, and CWPS filed comments with OSHA at the end of the public comment period in June 1977. While OSHA faces no statutory or court ordered deadline for issuing this cotton dust regulation, OSHA is under strong pressure from the courts to issue the final regulation promptly. In June 1975 petitions were filed by the Textile Workers Union of America and the North Carolina Public Interest Research Group

with the Department of Labor requesting a more stringent cotton dust standard. In December 1975 the same parties filed suit in the D.C. Federal District Court, urging the Secretary to promulgate a cotton dust standard promptly.

This memorandum provides our appraisal of the draft final version of this standard.[1/] In brief, the draft final standard is considerably improved compared to the December 1976 proposal. Yet, largely due to restrictions OSHA plans to place on how firms may comply with the standard, we are not persuaded that it will achieve the intended health improvement in the least burdensome way. Thus, after summarizing the health effects of cotton dust and key features of the draft final standard, we outline possible courses of action for your consideration.

1/ Our appraisal, prompted by a May 2 memorandum from Charles Schultze to the Regulatory Analysis Review Group Executive Committee, reflects Executive Committee discussions with OSHA held on May 4 and May 18, and comments by OSHA, DOL, and other agencies.

The statements and analytical work presented in this appraisal are based entirely on the OSHA economic impact analysis, the hearing record, and on the OSHA draft final standard and preamble of May 1978.

The Health Effects of Cotton Dust

Exposure to cotton dust produces a specific respiratory ailment called byssinosis. The standard classification of different grades is as follows:

a. Grade one-half -- occasional chest tightness (only) on the first day of work week.

b. Grade one -- chest tightness and/or breathlessness on Mondays only.

c. Grade two -- chest tightness and/or breathlessness on Mondays and other days.

d. Grade three -- grade two symptoms accompanied by evidence of permanent incapacity from diminished effort tolerance and/or reduced ventilatory capacity.

(Some industrial sources question whether grades one-half and one are serious enough to be called "disease.")

Initially, the individual notices a tightness in the chest occurring on the first day of the work week. The chest tightness may be accompanied by decrease in breathing capacity as measured by pulmonary function tests. If corrective action (e.g., reduction of cotton dust levels, transfer of worker to a less dusty workplace, or use of more effective protective devices such as properly fitted and monitored masks) is taken promptly when the early symptoms appear, ordinarily the disease is reversible and no permanent health impairment results. However, if no corrective action is taken, the problem often progresses to the stage where it bothers the worker on other days of the work week (grade two). This progression, which is characterized by constriction of the bronchial tubes of the lung, leads to a permanent narrowing of these airways. The individual develops a chronic cough with production of phelgm and increasing shortness of breath. At this stage, the condition is readily detectable by pulmonary function measurements. These latter symptoms constitute chronic obstructive lung disease (grade three) which is irreversible and often leads to total disability.

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The Draft Final Standard

OSHA has been working for almost four years to prepare a standard regulating exposure to cotton dust. The initial OSHA proposal was opened for public comment in December, 1976. OSHA held hearings on the proposed standard in April and May 1977. The Council on Wage and Price Stability (CWPS) filed comments on the standard with OSHA in June of last year.

The initial proposed cotton dust regulation was extremely expensive. The annual cost to the industry of compliance with the 1976 proposal was estimated to be $700 million. Moreover, compliance with that standard would have called for $2.7 billion in new capital expenditures. The standard is set in terms of "permissible exposure limits" (PEL) expressed as the amount of ambient respirable dust per cubic meter of air. The original proposal set a uniform standard for exposure to cotton dust for all segments of the textile industry, but stipulated the methods of compliance. The CWPS filing noted its concerns with each of these problems.

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$ + 2 7/8 Cap

The OSHA draft final standard differs from the December 1976 proposal in two noteworthy respects. First, in a departure from previous practices, OSHA intends to set different permissible exposure levels (PEL's) for a risk producing substance (in this case cotton dust) for different segments of an industry. The different levels are set in order to equalize the risk of contracting byssinosis in the different industry segments. The resulting increase in the PEL for some segments compared to the December 1976 proposal results in cost savings relative to the 1976 proposal.

OSHA estimates that the new standard would cost annually about $200 million, a large percentage of which is made up of annualized charges on $625 million in capital costs. (Capital expenditures in 1976 in the textile industry, SIC 2211, 2221 and 2281, which includes synthetics, totaled $450 million.) These estimates represent a considerably smaller burden than the $700 million in annual ($2.7 billion in capital) costs of the 1976 proposal. OSHA's 1976 proposal also provided estimates for a less stringent standard costing $83 million annually ($225 million capital) and a more stringent standard costing $1.7 billion

annually ($7.1 billion capital). None of these cost estimates include the costs of meeting the current standard. These latter costs may be considerable although OSHA has not estimated them.

Secondly, OSHA now proposes to make the regulations effective 270 days after date of publication in the Federal Register. By contrast the 1976 proposal called for phasing in, over a period of 7 years, the requirement to reach the permissible exposure limit solely by engineering controls, while requiring the immediate achievement of that level through the use of respirators. Requiring a short lead time for engineering controls is likely to raise costs relative to a longer lead time. Over time new technological developments in dust control should occur, fewer bottlenecks in the supplying industries should develop. Also, firms will replace old equipment as it becomes economically obsolete rather at an earlier stage, where it still has considerable economic life. CWPS has previously argued, in fact, that a long lead time (without an intermediate permissible level) could substantially reduce, in real terms, the cost of compliance. OSHA has not discussed these considerations in its documents and in fact disagrees with our interpretation that the draft final standard has a shorter lead time than the 1976 proposal.

The new standard contains four different PEL's -- 0.2 mg/m^3 of respirable dust for yarn production, 0.75 mg/m^3 for cotton weaving, 0.5 mg/m^3 for nontextile processing, and no PEL for cotton ginning.[1/] OSHA acknowledges that some workers will be affected by cotton dust below the PEL and in fact will be affected at levels approaching zero concentration. For example, in yarn production, even at the 0.2 mg/m^3 level, 13 percent of the workers are expected to get byssinosis. OSHA is relying on masks and medical surveillance programs to protect these workers. OSHA states in the draft final regulations:

> The standard requires implementation of medical surveillance, employee training, work practices, and other protective provisions in textile mills. The record indicates that while medical surveillance is not foolproof in detecting cotton dust induced health effects, a properly managed program should pick up sensitive workers well before the onset of chronic

---

[1/] The regulation for cotton ginning is to be promulgated separately.

> obstructive pulmonary disease. The consensus of medical testimony supports a several year delay before the irreversible stage of the disease.

Most of the cost associated with the draft final standard (about $175 million of the $200 million estimated annual cost) would fall on the yarn preparation segment of the industry. Most of this cost, in turn, (roughly $125 million annually) arises from setting the PEL level for yarn preparation at 0.2 rather than the less stringent 0.5 mg/m^3. According to epidemiological evidence in OSHA's Economic Impact Analysis, and the recent estimates of costs in OSHA's draft final standard, tightening the PEL from 0.5 to 0.2 mg/m^3 for yarn preparation using engineering controls results in an avoidance of 285 new byssinosis cases (all grades) per year if we assume zero benefits from medical surveillance and mask programs. This represents a cost per case avoided of about $440,000 (using the $125 million cost estimate). If "grade one-half" byssinosis (occasional chest tightness on the first day of the work week) is not considered a health problem, the cost per case avoided of "grades one and two" byssinosis (the more serious cases) rises to $1.1 million.[1/] These estimates of cost per case avoided may be understated because the medical surveillance and worker protection programs

1/ These estimates are subject to considerable uncertainty, and DOL staff has presented estimates outside the cotton dust record that are lower than the OSHA Economic Impact Analysis.

that OSHA is relying upon to attain the 13 percent byssinosis prevalence rate at the 0.2 mg/m^3 level should also eliminate most of these 285 cases.

In addition, the standards OSHA has set on different parts of the industry are not cost-effective. Using the same data as the last paragraph, it appears that the cost per case of byssinosis prevented is from 0.01 to 0.001 as expensive in weaving as in yarn production.

Possible Change in the Draft Final Standard

OSHA has made great strides in applying cost-effectiveness considerations to the structuring of the standard and in reducing the overall costs of the proposal apparently without sacrificing health benefits. Yet, we think OSHA could take additional steps to reduce overall costs while maintaining the health benefits. Most significantly, OSHA could set a performance standard based on actual worker exposure, rather than on the ambient air of the plant.

OSHA has been criticized in the past for heavy reliance on "specification" rather than "performance" standards. Yet the OSH Act clearly directs OSHA to rely on performance standards:

> "Whenever practicable, the standard promulgated shall be expressed in terms of objective criteria and of the performance desired."

Under the specification approach, a firm is told by OSHA how it should and should not meet a standard; in cotton dust, for example, OSHA might recommend engineering controls, but might not allow certain work practices or face masks to be used except when engineering controls are infeasible.

Performance standards specify the goal but not the approach. Thus a pure performance standard for cotton dust would require, say, a standard of 0.2 mg/m^3 for yarn, but would not say how it was to be attained. Firms could use a combination of

engineering controls, work practices, face masks, medical exams, and other methods, so long as the standard was met.

Performance standards allow a firm to utilize the most cost-effective strategy for its own and its employees' circumstances. OSHA has attempted to determine a separate cost-effective mixture of engineering controls, work practices, and mask and medical surveillance programs for each of four rather different industry segments. But as OSHA itself points out, the differences in compliance needs and costs among individual firms in a given industry segment are often also very large. Yet OSHA specifies a hierarchy of compliance methods which reflects its view that, to the extent feasible, the cotton dust in the ambient air within the workplace should be controlled through engineering approaches (i.e., plant alterations to reduce cotton dust in the workplace). By contrast as long as workers are healthy and protected at the prescribed level, each firm could be allowed to determine its own least cost methods of compliance with or without engineering controls; that is, the focus could be shifted to the air that enters a worker's lungs as distinct from the ambient air of the plant.

Industry testimony at the hearings leads us to believe that many firms would find that a mask program (single use respirators) in conjunction with medical surveillance would offer a more effective means of compliance than engineering controls. Other more innovative and more comfortable methods of compliance

offer the hope of more effective techniques for protecting workers. If firms were allowed to comply with this broader type of performance standard, substantial capital costs might be saved with little or no increase in byssinosis. We estimate that a performance standard in yarn with the same or better health effects would be achievable at 15 percent of the costs of the engineering controls. 1/

On the other hand, OSHA argues in the draft final preamble that

> "respirators have many disadvantages which preclude primary reliance or co-reliance on respiratory protection on an equal basis with engineering and work practice controls. The many difficulties with respiratory protection were enumerated at the hearing by respirator expert Bruce Held: because of difficulties in face fit, it is difficult to know whether the respirator actually provides adequate protection; respirators by interfering with vision, hearing, and mobility, can cause safety problems; some employees cannot wear respirators because of breathing difficulties. Finally, it is not appropriate to place the burden of compliance principally on the employee, as would be the case if respiratory protection were the principle means of reducing employee exposure."

1/ Besides engineering controls, another method that firms might use to meet the draft final standard is more substitution of synthetics for cotton. To the extent that our more flexible approach offers alternative, more cost-effective means of compliance, less substitution of synthetics for cotton should occur.

However, at another point in the draft final preamble, OSHA points out that

> "OSHA is well aware of the problems associated with the use of a single use respirator, and recognizes that there are no fit tests available for individual employees to determine proper fit. OSHA, however, agrees with respiratory experts that an employee should be able to detect a facepiece to face leakage of about 20% which a protection factor of 5 would allow. Thus OSHA has concluded that single use respirators would provide an adequate level of protection to employees exposed to cotton dust concentrations at five times the PEL.
>
> There are other considerations favoring use of the single use respirators. Because they are light weight and create a lesser degree of breathing resistance and communication interference, single use respirators have received wider acceptance among workers than have other respiratory devices. Retired and active workers have echoed this acceptance, and the North Carolina Department of Labor (NC-DOL) recommended single use respirators, characterizing them as "the most comfortable, economically feasible, and sanitary in many environments." Wearer acceptance and training is critical to the success of any respirator program."

It should be noted that a protection factor of 5 would reduce cotton dust exposure in the lungs to under the proposed level of 0.2 mg/m^3 as long as the ambient air level was below 1.0 mg/m^3. The current standard, which not all firms now meet is equivalent to approximately 0.5 mg/m^3.

Thus, it appears that OSHA inspectors, by measuring cotton dust in the ambient air and/or by observing workers wearing masks, and as a final check by examining medical surveillance records, could enforce a more flexible performance standard that would provide equal or greater worker protection at

significantly lower costs than OSHA"s draft final standard. Of course if firms are unable to devise a means other than engineering controls that will meet the more flexible performance standard described above, substantial cost savings would not be realized. Yet worker protection would remain uncompromised, and OSHA would have moved an important step closer toward endorsing the more performance-oriented approach endorsed by the Act.

Options

1. Accept the OSHA draft final standard.
2. Ask DOL to prepare one or more alternatives reflecting the following general principles:

   First, the proposed worker exposure standards should become effective promptly, as OSHA proposes.

   Second, for a specified and reasonable period of time, all firms should be allowed to meet the standards without restrictions as to means of compliance, with vigorous OSHA enforcement.

   Third, at the end of such period, firms would be required to meet the proposed standard using engineering controls unless they had demonstrated to OSHA, compliance through other means equally as effective as engineering controls.

THE WHITE HOUSE
WASHINGTON

June 7, 1978

Tim Kraft
Jim Gammill

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

Rick Hutcheson

USO BOARD OF DIRECTORS

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

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
/		KRAFT
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

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THE WHITE HOUSE

WASHINGTON

June 6, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK
JIM GAMMILL JG

SUBJECT: The USO Board of Directors

In response to your question on the attached memorandum recommending the USO Board of Directors, Congressman Clay is one of the Labor activists on the House Civil Service Committee who has not been helpful on the Civil Service Reform bill. However, immediately after the B-1 Bomber vote, our Congressional Liaison staff asked us to find something for Dorothy Stephens. We feel that we need to do this for Congressman Clay, not only because of his past support on the B-1, but because it may help with future dealings on the Civil Service bill.

Frank Moore recommends this appointment.

RECOMMENDATION:

Appoint Dorothy Stephens to the USO Board of Directors.

✓ approve _____ disapprove

THE WHITE HOUSE

WASHINGTON

C

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK
JIM GAMMILL JG

SUBJECT: USO Board of Governors and Board of Directors

The USO is a voluntary civilian agency serving the religious, spiritual, social, welfare, educational, and entertainment needs of men and women in the Armed Services.

The USO is governed by a 24-member Board of Directors and a 119-member Board of Governors. There are six Presidential appointments to the Board of Directors and six Presidential appointments to the Board of Governors. Presidential appointees serve three-year terms. There are presently four vacancies on each of the Boards.

The USO is in need of individuals who can assist the organization with fundraising and public relations.

We recommend the following for appointment to six of the vacancies:

BOARD OF DIRECTORS

Dorothy C. Stephens (District of Columbia): Director of Government Relations and International Operations for the Architectural/Engineering firm of Hellmuth, Obata & Kassabaum, Inc.; formerly assistant to Congressman William L. Clay; graduate of St. Louis University with a Master of Arts. Recommended strongly by Congressman Clay.

Is he helping us with Civil Service reform?

Mikki Ehrenfeld (Massachusetts): Director of Ehrenfeld Productions; graduate of Boston University with M.S. in Film. Producer and director of various film documentaries. ok

Al Loehr (Minnesota): Mayor of the City of St. Cloud; formerly Director of the Veterans Affairs Office for the State of Minnesota; Vice President of the League of Minnesota Cities; member of the National League of Cities; Chair of the Minnesota United Veterans Legislative Council; presently serving as the National Chief of Staff for the National Veterans of Foreign Wars; recommended highly by the Vice President and Senator Anderson. ok

Robert C. Andrews (Georgia): Certified Public Accountant with Arthur Andersen & Company in Atlanta; graduate of the University of Alabama. Recommended by Richard Harden. SR

BOARD OF GOVERNORS

Audrey Ullman (Oregon): Vice Chair of the Multiple Sclerosis Society; Treasurer of the Women's Democratic Forum. Wife of Congressman Al Ullman. SR

Robert Corn (Nebraska): Real estate developer; formerly Postmaster of Papillion, Nebraska for 25 years. Member of the Nebraska Real Estate Commission and Director of the Omaha Public Power District. SR

RECOMMENDATION:

Appoint the above-named slate to the USO Board of Directors and the USO Board of Governors.

ok, but check with Frank on Bill Clay

_____ approve _____ disapprove

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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

EYES ONLY

June 6, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CLS

Subject: Business Plans for Capital Spending

The Commerce Department will release tomorrow (Wednesday, June 7) at 10:00 a.m., its latest survey results on anticipated plant and equipment expenditures by businesses. The news is mildly disappointing.

Businesses are now planning to increase their investment spending in current dollars by 11.2 percent in 1978, compared with a planned increase of 10.9 percent reported in the March survey. Actual spending fell below plans in the first quarter, but there was a more-than-offsetting increase in planned spending for the second half. The yearly total, therefore, has changed little.

We had hoped for a larger upward revision in spending plans this year, but it has not materialized. An 11 percent increase in current dollar spending would mean a real increase of only around 5 to 6 percent -- somewhat less than the 6 to 6-1/2 percent we are forecasting. Last year, businesses ended up spending only about 1/2 percent more on new plant and equipment than they had indicated in the June survey, so we cannot hold out strong hopes that actual results this year will substantially exceed present plans.

Next year, we are counting on business investment as the main factor in sustaining a growing economy. This survey result thus emphasizes the need for investment incentives along the lines set forth in your tax proposals.

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

THE WHITE HOUSE
WASHINGTON

June 5, 1978

Richard Harden

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

Rick Hutcheson

cc: Zbig Brzezinski

RE: MISS LILLIAN'S TRIP TO ROME AND WEST AFRICA

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

Pat's — no copy of attachments to Richard

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
	/	BRZEZINSKI
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		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
	/	HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

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Richard -
Cost ? who pays?
Security needs?
JC

THE WHITE HOUSE

WASHINGTON

May 30, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: RICHARD HARDEN

SUBJECT: Miss Lillian's Trip to Rome and West Africa

As you know, the Food and Agriculture Organization awarded Miss Lillian the CERES Medal and asked through Peter Bourne that she come to Rome to officially receive it. Peter asked me about the possibility of Miss Lillian going and during the course of the discussion we explored the possibility of her adding to her trip a leg to the Sahel area of West Africa as an expression of our concern for the problems of hunger in that area of the world. I discussed the idea with Miss Lillian and she was quite excited about both aspects of the trip.

I then discussed the idea with several people at the State Department, including Dick Moose, the Assistant Secretary for African Affairs. Dick felt that the trip could be useful -- both in regard to our relationship with the countries of West Africa and in helping the American public understand the value of providing aid to these countries. The State Department is preparing a separate memo discussing these points in more detail.

President Jawara of The Gambia, who is also President of the CILSS, will be meeting with Miss Lillian in Plains on Saturday, June 3rd, to extend an official invitation to visit The Gambia, Senegal, Mali, and Upper Volta. The State Department would like to have your permission for Miss Lillian to visit these countries as your official emissary in order that they may begin arrangements immediately after the invitation is extended.

Current plans call for Miss Lillian to receive the CERES Medal in Rome on July 21st and then begin her official visit to West Africa on July 24th. It is anticipated that the African leg of the trip will last 10 days to 2 weeks.

NSC & STATE
COMMENTS

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

C

June 3, 1978

MEMORANDUM FOR: RICK HUTCHESON

FROM: DAVID AARON

SUBJECT: Miss Lillian's Trip to Rome and West Africa

The NSC supports the Department of State's recommendation that Mrs. Lillian Carter visit the Sahel region of West Africa after receiving the CERES Award from the Food and Agriculture Organization in Rome in July 1978, for the reasons outlined in State's memorandum.

The President should be aware at the same time that, depending on the aircraft used, the trip will cost somewhere between $52,000 and $92,000.

DEPARTMENT OF STATE

Washington, D.C. 20520

7810861

June 2, 1978

LIMITED OFFICIAL USE

MEMORANDUM FOR DR. ZBIGNIEW BRZEZINSKI
THE WHITE HOUSE

Subject: Invitation to President's Mother to Visit West Africa

President Jawara of the Gambia, is scheduled to visit Plains, Georgia, Saturday, June 3 to invite the President's mother to visit the Sahel region of West Africa. President Jawara is paying a private visit to the United States in his capacity as President pro tem of the CILSS. CILSS is the French acronym for the Permanent Interstate Committee to Combat the Sahelian Drought. Its members are Chad, Niger, Upper Volta, Mali, Mauritania, Senegal, Cape Verde and the Gambia. (The invitation to be extended by President Jawara would be on behalf of all eight governments.) With eight bilateral and twelve multilateral donors, this group comprises the Club du Sahel, which is responsible for the Sahel Development Program, a development strategy designed to make the area self-sufficient in food production by the end of the century.

The President's mother tentatively plans to visit Rome in the latter half of July to receive the Ceres award from the FAO. If she accepts President's Jawara's invitation, she would then fly to the Gambia where President Jawara is prepared to receive her between the 24th and 26th of July. From the Gambia she would visit Senegal, Mali and Upper Volta. She would return to the United States approximately nine days after the beginning of her visit to the Gambia.

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From the foreign policy perspective, a trip by Miss Lillian to the Sahel would be helpful in drawing attention to one of the poorest areas of the world and one where the United States participates in a long term development program that has received very substantial support from the Congress. It would also underline US support for a group of African moderate states.

The Department recommends that, at an appropriate time, the President announce that he has asked his mother to accept the invitation to visit a group of Sahel countries in order to examine conditions in the area and US support for measures to insulate the area against recurring cycles of drought and famine.

Frank W. Wisner for
Peter Tarnoff
Executive Secretary

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

2967

THE WHITE HOUSE
WASHINGTON

June 7, 1978

Zbig Brzezinski

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

Rick Hutcheson

cc: The Vice President
Hamilton Jordan

SECRET ATTACHMENT

DECLASSIFIED
Per; Rac Project
ESDN; NLC-126-12-43-1-0
BY LLS NARA DATE 4/12/13

MEMORANDUM

~~SECRET~~

THE WHITE HOUSE

WASHINGTON

~~SECRET~~ GDS

June 6, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI

SUBJECT: Cut-Off of Fissionable Materials and the SSOD

You have decided that we should not propose negotiations on a cut-off of production of fissionable materials for nuclear weapons while not disavowing our past statements on this issue. This leaves open the question of whether we are prepared to enter negotiations on a cut-off if proposed by other states at the SSOD. You asked that we consult you on any such clarification of policy.

Harold Brown, joined by Warren Christopher for Cy Vance, believes that we should not agree at this time to enter negotiations on a cut-off should such negotiations be proposed by other states at the SSOD. However, ACDA wishes to leave open the option of launching negotiations in response to other initiatives. In any event, we will want to join, if possible, the final document of the SSOD which is likely to include a general call for cut-off negotiations.

Do you agree with the following clarification of our policy?

> The U.S. Government is not prepared, at this time, to agree to enter into specific negotiations on a cut-off, should such negotiations be proposed by other states. However, we should be prepared to go along with a final document of the SSOD which includes a general call for negotiations on a cut-off.

Yes ✓ No _____

DECLASSIFIED
Per; Rac Project
ESDN; NLC-12-434-0
BY KS NARA, DATE 4/17/13

~~SECRET~~ GDS

~~SECRET~~

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8:00 AM

THE WHITE HOUSE

WASHINGTON

June 6, 1978

CONGRESSIONAL LEADERSHIP BREAKFAST
Wednesday, June 7, 1978
8:00 a.m.
Family Dining Room

From: Frank Moore F.M./pd

I. PARTICIPANTS

See Tab A

II. PRESS PLAN

White House Photo Only

III. AGENDA

1. Labor/HEW Appropriations. My people have spent most of today on the Hill working on this issue. You should be aware that the Speaker will respond to your concern over excessive spending as follows: (a) he believes it is a hopeless cause and one on which you should not risk enemies; (b) in the 11 (out of 13) appropriations bills which have been reported by the Committee, they have keep total spending to $2 billion less than your request; and (c) you and the Congress are arguing over priorities and not over amounts of money and that Labor/HEW is a Democratic priority.

Three Members (Gunn McKay, Andy Jacobs and Jim Mattox) have agreed to introduce amendments on Thursday which would reduce the add-ons by half. My staff is continuing to pursue this and I will be able to give you a further report at 7:45 tomorrow morning.

2. Water Policy. You should ask the Leadership for their help in implementing this important new policy. You should point out that this is the first time in four fiscal years that there will be new planning and construction starts and that you plan to announce these in the next day or so.

3. New York City Loans. The full House will vote on Thursday. You should point out that your proposal

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for long-term loan guarantees is significant in that it is an effort to assure that this is the last time we will have to do this for a city. You should add that you are encouraged by the progress New York City has made thus far in working out their problems and that you believe the proposal is sound and contains the necessary safeguards to assure that the City does its part in achieving a balanced budget. (We expect to win in the House on Thursday, but a good solid win and your personal interest will do much to help with the Senate.)

4. Cotton Dust Standards. There is a great deal of interest in this on the Hill. Congressman Dave Obey is already furious. You should be aware that this may be brought up at breakfast.

5. Labor Law Reform. You should ask Senator Byrd for a report on cloture. He is well aware of your concern over the back-up of other legislation that is being created by the filibuster.

6. '78 Elections. See Tab B

7. Civil Service Reform and Reorganization. The Senate Governmental Affairs Committee begins mark-up Wednesday and will continue Thursday and Friday. OMB, DPS, and CSC personnel are working with Members and staff to narrow areas of difference vis-a-vis our proposals. You should ask Senate Leadership to convey to Senator Ribicoff, Sasser and other Committee Democrats the need to report out a good, solid bill, one which is generally in tune with our position.

Democrats on House Post Office and Civil Service will hold their last caucus from 9:30 to 12:00 Wednesday. The Speaker and/or Jim Wright should be asked to convey to Nix and Udall your appreciation for the work they have done so far and to reiterate the importance of getting a bill reported out this month.

8. Local Public Works. Momentum is building in the House for a third round of Local Public Works (LPW III). Congressman Robert Roe has 100 co-sponsors on his bill. Roe chairs the Public Works Subcommittee on Economic Development which will consider LPW III and Labor Intensive Public Works (LIPW) sent up as part of the Urban Policy. Commerce suggests that the House will begin moving on this within two weeks.

You should again stress with the Leadership your support for LIPW as opposed to LPW III because they provide more long-term employment, they provide for the rehabiliation of public facilities, they are labor intensive and thus less inflationary and they can be discontinued when unnecessary (LPW projects whose authorization expired in September, 1977 are still under construction and $3.8 billion of the $6.0 billion obligated has yet to be disbursed.)

9. FYI - when you were in Chicago, Cong. Rostenkowski asked you for an extension of funds for O'Hare Airport. He was notified yesterday that the Department of Transportation has granted the $120 million for the extension and he plans to thank you at breakfast. He would also like to spend one or two minutes with you following breakfast.

TAB

A

PARTICIPANTS

The Vice President

Senator Byrd
Senator Cranston
Senator Inouye
Speaker O'Neill
Cong. Wright
Cong. Brademas
Cong. Foley
Cong. Rostenkowski
Cong. Chisholm

Dr. Brzezinski
Stu Eizenstat
Jody Powell
Frank Moore
Bill Cable
Dan Tate
Bob Thomson
Valerie Pinson
Bill Smith

TAB

B

6. '78 Elections. In light of today's big primaries you should mention a few things about the campaign:

-- We are continuing our efforts on behalf of Democratic incumbents as well as non-incumbents in open seats. You are now receiving regular reports from me on the status of Democratic campaigns, and you should emphasize this to the Leadership. Congressional Liaison is coordinating appearances on behalf of candidates for House, Senate and gubernatorial races.

-- We are paying particular attention to the marginal races -- where our resources can be of greatest benefit -- and the Leadership should be made aware of this. You might suggest that they advise Members who face tough re-election fights that the Administration can provide representatives to help in fundraising efforts or attracting media coverage.

-- Since January, you have been in 10 different states on behalf of 13 candidates.

-- Since January, the Vice President has made 26 appearances for candidates, including two major campaign swings. (He has another trip scheduled in July).

-- During the same period of time, your Cabinet has made a total of 75 appearances for Democrats.

-- The grand total of appearances scheduled thus far for all candidates by all spokespersons (President, Vice President, Cabinet, Senior Staff, Subcabinet, First Family) is 389.

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THE PRESIDENT HAS SEEN.

1:30 PM

THE WHITE HOUSE

WASHINGTON

June 6, 1978

MEETING WITH SENATOR DANIEL P. MOYNIHAN
Wednesday, June 7, 1978
1:30 p.m. (10 minutes)
Oval Office

From: Frank Moore FM/BD

I. PURPOSE

To discuss tuition tax credit.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Senator Moynihan requested the meeting to discuss the Packwood/Moynihan bill.

Senator Moynihan serves on the following committees:

Committee on Environment and Public Works
  Subcommittee on Transportation
  Subcommittee on Regional and Community Development
  Subcommittee on Nuclear Regulation
Committee on Finance
  Subcommittee on International Trade
  Subcommittee on Unemployment Compensation, Revenue Sharing, and Economic Problems
  Subcommittee on Public Assistance (Chairman)
Select Committee on Intelligence
  Subcommittee on Collection, Production and Quality
  Ad Hoc Working Group on Secrecy and Disclosure

His wife's name is Liz.

The House version of the tuition tax credit bill passed the House last week. The Senate version passed committee last winter and is awaiting action on the Senate floor. Attached is a comparison of the two versions of the bill.

B. Participants: The President
Senator Daniel P. Moynihan (D-N.Y.)
Frank Moore
Dan Tate

C. Press Plan: White House Photo.

III. TALKING POINTS

Domestic Policy has prepared Attachment #2 for your use.

TALKING POINTS
(from DPS)

Attachment #2 - Talking Points (prepared by domestic policy)

I. INCOME DISTRIBUTION

Packwood/Moynihan bill shifts a major federal investment in education to families with incomes over $20,000 without providing additional support to most needy families. About 40% of the credit will go to families with incomes over $20,000. These families already send about 60% of their offspring to college, compared with low income families who send about one-third of their offspring.

II. COST

Although the initial cost is low, the loss of revenue jumps about $3 billion between 1980 and 1981 when elementary and secondary schools and graduate and part-time college students are added.

III. ELIGIBILITY

Packwood/Moynihan shifts responsibility for cost of local public schools to the federal government by including public elementary and secondary schools which charge tuition.

IV. REGRESSIVITY

By offsetting all student aid in computing tuition and fees available for a tax credit, few low income families will be able to take advantage of refundability in Packwood/Moynihan.

V. TREATMENT OF FEDERAL STUDENT AID

Tuition tax credit is revenue to parents which under both tax credit bills must be ignored in determining how much federal student aid money a student can receive. This gives higher income students an advantage over low income students.

VI. REASONS ADMINISTRATION OPPOSES TUITION TAX CREDITS

A. Tax credits provide benefits to those who need them the least (income distribution).

B. Tax credits further fragment federal education policy making the Treasury Department-IRS the largest contributor to federal aid to education.

C. Tax credits are expensive (cost).

D. Tax credits add administrative burden and increase paperwork for institutions, IRS, and the taxpayer.

E. Tax credits signal and encourage white flight from public schools along with middle income flight.

F. At the elementary and secondary level, tax credits to church-affiliated schools are probably unconstitutional.

G. At higher education level, tax credits would have little effect on choice because a $250 or $500 tax credit would provide minimal help for families facing college costs of several thousand dollars.

VII. ADMINISTRATION PROPOSAL PROVIDES BETTER AID TO RISING COLLEGE COSTS AND MAINTAINS FEDERAL ROLE IN AIDING CHILDREN IN PRIVATE SCHOOLS

A. Administration higher education proposal would:

1. Provide a $250 minimum Basic Educational Opportunity Grant to students with family incomes up to $25,000.

2. Extend interest subsidy in the Guaranteed Student Loan Program to families in all income ranges.

3. Increase funds for other campus-based student aid programs.

4. Give targeted aid to families who need it.

B. Administration elementary and secondary proposal would:

1. Improve access of eligible students in private school to federal categorical aid programs, e.g. handicapped children, aid to disadvantaged, gifted and talented, etc.

2. Redress more quickly problems which arise when public school administration's do not adequately serve private school children, by strengthening legislation under-which the federal government can contract with independent bodies to serve private school children.

3. Increase representation of private school educators on all federal education advisory councils and meetings.

4. Keep federal role as supplementary.

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1:50 PM

THE WHITE HOUSE

WASHINGTON

June 6, 1978

MEMORANDUM FOR: PRESIDENT CARTER

FROM: Hamilton Jordan H.J.

SUBJECT: Meeting with Gene Triggs
Wednesday, June 7, 1:50 p.m.

Earlier this month I sent you a note indicating that Mr. Kirbo, John White, Frank Moore and I had discussed the Deputy Secretary spot for Agriculture, and it was our recommendation that you interview Gene Triggs for the job. Frank has spoken to Gene and he is coming in to discuss it with you.

Gene was highly recommended by both D. W. Brooks and Owen Cooper. Preliminary checks by Frank with Hill people have been favorable. If you are comfortable with Mr. Triggs after having spoken to him, we all suggest you offer him the position. We will arrange for him to see Bob Bergland after his appointment with you.

Gold Kist inc. 244 Perimeter Center Parkway, N.E./P.O. Box 2210 Atlanta, Ga. 30301
Phone (404) 393-5154

D.W. Brooks—Chairman of the Board Emeritus

MEMORANDUM TO PRESIDENT CARTER
ON THE POSSIBLE APPOINTMENT OF
GENE TRIGGS AS DEPUTY SECRETARY OF AGRICULTURE

Since we operate all the way across the South from Virginia through Texas and Oklahoma, Charlie Kirbo has asked me to help the Administration find a person to take Mr. John White's place as Deputy Secretary of Agriculture.

We have considered a large number of people and the ones whom we felt would be qualified have stated that they are not in position to accept the appointment even if it were given to them. Several whom we did not feel were qualified would like to be appointed. Because of this situation, it has been rather difficult to find someone who was both qualified and willing to accept the appointment.

After looking at Mr. Gene Triggs some three times, we have finally come to the conclusion that he is the best qualified person we have been able to locate in the South, and who is willing to take the appointment. Mr. Triggs has not had all the administrative experience that we would like to see in a Deputy Secretary, but in every other way, he is fully qualified. He has had enough administrative experience to where we feel that he is the best qualified we have been able to find up to this time.

Mr. Triggs was reared on a farm, was graduated from Mississippi State in Agriculture, has been a County Agent, worked for the State Asst Comm Department of Agriculture, was head of the Agricultural Industrial Board for the State of Mississippi, and for many years has been the Assistant to Mr. Owen Cooper, who was President of Mississippi Chemical Corporation. Working with Mr. Cooper, he has received invaluable experience over a period of years. Mississippi Chemical Corporation is one of the most successful of the agribusiness farm groups in the South. It is one of the excellent farmer cooperatives which has been organized in the South, and has been well operated by Mr. Cooper with the assistance of Mr. Triggs. Owen Cooper recommends him very highly and suggests if there is any question in your mind concerning his qualifications, that you feel free to

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call him at Mississippi Chemical Corporation, Yazoo City, Mississippi.

I have cleared Mr. Triggs with Secretary Bergland, John White, and Charlie Kirbo. I understand, however, that there is one mix-up in that Frank Moore advised Mr. Triggs some time recently that he was out of consideration, and therefore, should write a letter to the Secretary of Agriculture requesting that his name be withdrawn. Mr. Triggs has done this, but he is still willing to take the appointment if he is considered. I have not had a chance to talk with Frank Moore about what motivated his call to Mr. Triggs, and the suggestion that he should write a letter having his name withdrawn. There might be something there that I do not know about, which might prevent the appointment of Mr. Triggs, but otherwise, he seems to be the best person we have been able to develop so far.

In the event that Frank Moore has something that would prevent the appointment of Mr. Triggs, I would suggest that you as President call John Duncan over and with the consent of the Secretary of Agriculture, ask John to go over and work with the Secretary for a period of 60 to 90 days until someone can find a qualified person. As you possibly remember, John was Assistant Secretary during the Kennedy and possibly some time during the Johnson Administrations. He resigned, and is now Vice President of Southern Railway System for their agricultural operations. He would be an excellent Deputy Secretary, but he does not want to accept an appointment. Furthermore, he is from Georgia, and although now lives in Virginia and has worked in Washington for many years, he would probably still be considered an appointee from Georgia. Since the Administration is already receiving criticism because of so many appointees from Georgia, under the circumstances, I doubt that there would be any way that Mr. Duncan could be appointed on a permanent basis because of his attitude and also the other complications. However, the Secretary needs some help. I see no reason why Mr. Duncan could not be brought in for two or three months until you can find someone to be the Deputy Secretary who is agreeable to Secretary Bergland, and who can do the job for the Administration. I have not discussed this idea with Mr. Duncan. You might have some complications there, but if it should develop that you wanted to do that, and you want me to contact Mr. Duncan, I will be very glad to do so.

D. W. Brooks

April 17, 1978

THE WHITE HOUSE
WASHINGTON

6/7/78

Mr. President:

Stu concurs. Congressional Liaison has no comment.

Rick

THE WHITE HOUSE

WASHINGTON

7 June 1978

MEMORANDUM FOR
THE HONORABLE W. MICHAEL BLUMENTHAL
Secretary of the Treasury

Re: Your Memo Entitled,
"Tax Bill Compromise"

The President reviewed your memorandum on the above-referenced subject and commented: "ok - stay prepared for ultimate veto."

Rick Hutcheson
Staff Secretary

THE WHITE HOUSE
WASHINGTON

June 7, 1978

Stu Eizenstat
Frank Moore

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

Rick Hutcheson

cc: The Vice President
Jody Powell
Jack Watson
Anne Wexler
Jim McIntyre
Charlie Schultze

Sec. Blumenthal has been notified

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

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
	/	VICE PRESIDENT
/		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
/		MOORE
	/	POWELL
	/	WATSON
	/	WEXLER
		BRZEZINSKI
	/	MCINTYRE
	/	SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
/		BLUMENTHAL - draft note
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

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ok - Stay prepared for ultimate veto
FC

THE SECRETARY OF THE TREASURY
WASHINGTON

INFORMATION

MEMORANDUM FOR THE PRESIDENT

Subject: Tax Bill Compromise

We met this morning with Chairman Ullman on the tax bill. It appears that he is preparing to move ahead with a compromise put together by Congressman Jones. The Jones package contains:

- most of our proposals on itemized deductions,
- total tax reductions somewhat under $15 billion for 1979,
- personal exemption increase from $750 to $1,000 in lieu of the general credit,
- our proposal for taxation of unemployment compensation and a few other minor items (mostly liberalizing) from our proposals.

It contains the following bad features:

1. Capital Gains. Total elimination of capital gains from the minimum and maximum tax. An offsetting positive feature is adoption of our proposal to repeal the 25 percent alternative tax. The revenue loss is about $1.1 billion.

2. Corporate Rate Reductions. It would extend the corporate surtax exemption from $50,000 to $75,000, so that corporate rates would be as follows:

Income	Present Law	Jones	Our Proposal
1st $25,000	20%	18%	18%
$25,000-$50,000	22%	20%	20%
$50,000-$75,000	48%	20%	44%
Over $75,000	48%	46%	44%

The ability of wealthy taxpayers to shelter income in corporations will be significantly increased. The revenue cost of the extra surtax exemption is over $1 billion.

3. Industrial Development Bonds. The small issue exemption for private investment financed with tax exempt municipal bonds will be doubled from the present $5 million to $10 million, but without the distressed area limitation of our urban program.

As part of the package, the following items of retrogression will be avoided:

1. The full blown Steiger rollback of capital gains taxation to 1968 levels. Revenue loss: $2.2 billion.

2. The Fisher-Conable amendment to allow charitable contribution deductions with the standard deduction.

3. Social Security tax cuts.

4. The small business lobby's full graduated corporate tax with lower rates applying to as much as $150,000 of corporate income.

5. Tax subsidies for product liability self-insurance.

6. Committee blessing for tax shelter deferred annuities.

Committee votes would be permitted on (1) amendments to benefit deferred compensation for municipal salary reduction plans (Treasury has a legislative proposal to curb abuses) and (2) elimination of deduction for yachts, hunting lodges and other entertainment facilities.

Under a modified closed rule, House floor votes would be permitted on (1) a capital gains alternative designed by us and (2) on the full Steiger proposal, (3) a business meal reform proposal of our choosing, (4) a limitation on DISC benefits, (5) a restoration of deductibility for state sales taxes in lieu of a special reduction in taxes for itemizers.

We would be in opposition to the Jones package both in Committee, on the floor and in Senate Finance Committee.

We met with Stu Eizenstat, Bo Cutter and Charlie Schultze to consider alternative tactics of:

1. Simply opposing all the bad features and the package as a whole, supporting votes for improvements, and seeking to improve the bill in the Senate, preserving all your options to approve or disapprove a final bill; or

2. attempting to scuttle the whole effort by bringing every pressure to bear to prevent the Committee from meeting.

We agreed the first tactic is far preferable for the following reasons:

1. We must maintain a civil working relationship with Chairman Ullman and the Committee. The second tactic could alienate the Chairman and seriously jeopardize that relationship and our efforts on energy, health insurance, welfare, and other tax matters.

2. We might not be able to succeed in scuttling the bill - it would require strong-arming by you, the Speaker, and ourselves.

3. We might end up with either no tax bill at all, or worse, full Steiger and other retrogressions.

We can anticipate a worsening of the bill in the Senate. In the end, your options are preserved and we can still propose a simple straight rate cut before Congress adjourns.

Mike

W. Michael Blumenthal

THE WHITE HOUSE
WASHINGTON

June 7, 1978

Frank Moore

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

Rick Hutcheson

cc: Fran Voorde
Phil Wise

MRS. ALLEN

	FOR STAFFING
•	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
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ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
/		VOORDE
		WARREN
/		WISE

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Good-
Arrange for
her to visit me
C

THE WHITE HOUSE

WASHINGTON

June 7, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: FRANK MOORE FM

FG 91

Jim Free just called from Governor Wallace's office and said that Mrs. Allen would be in the Senate voting on Friday, and that Tom Coker, Senator Allen's Administrative Assistant, picked up the filing petitions as soon as the doors opened this morning. There is little doubt that she is going to run and be elected for the two year term.

THE WHITE HOUSE
WASHINGTON

June 7, 1978

Frank Moore

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

Rick Hutcheson

HOSPITAL COST CONTAINMENT
BEEF IMPORT QUOTAS

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
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	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
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✓		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
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		SCHLESINGER
		STRAUSS
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		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
✓		WISE

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C

THE WHITE HOUSE

WASHINGTON

June 7, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: FRANK MOORE F.M.

1. FYI. On Hospital Cost Containment, we won the motion to recommit the bill in the full Commerce Committee today 24-16. Finally got Murphy's proxy; lost Waxman and Rooney and some other liberals. Dingell was lost up until the last minute and John Moss retrieved him.

good - & now ?

2. Beef Import Quotas. Strauss and Stu went up on the Hill this morning at 9:30 to brief about 20 Congressmen on the Beef Import Quotas decision which was to have been announced tomorrow.

The Congressmen don't feel they were consulted on it, in fact, they probably weren't. Agriculture did a poor job on this. They are demanding a meeting with you, including Jim Wright.

Covered adequately by me at breakfast.

Stu thinks you should give them a meeting this afternoon. You should be firm and have Strauss justify the decision. We could receive credit from the consumers by remaining firm. Stu, Bergland, and Strauss all think you should meet with the Western Congressmen. Normally I would not recommend such a meeting after a decision has been made and the group is angry about the decision, but some benefit could be derived from this particular meeting by your remaining firm for inflation reasons.

3. FYI. I talked with Senator Byrd on Labor Law Reform. He says because of absentees we would be lucky to get a majority of Senators on the first cloture vote tomorrow. ✓

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June 6, 1978

Frank T

Mr. Speaker:

White House says the President probably will talk about the following at the Wednesday breakfast:

1. Labor Law Reform
   (Ask Senator Byrd to report.)

2. Labor-HEW Appropriations
   (White House is looking for a sponsor to move for a $441 million Floor cut. See attached memo.)

   Also, a list is being prepared of Authorizations and Appropriations that are possible veto items and the President may mention this. The list will be in a letter to the Speaker this week.

3. Water Policy
   (Message sent up today.)

4. New York City Loans
   (Vote Thursday.)

5. Cotton Dust Rules
   (Dispute within the Administration. Labor Department proposed tough rules requiring large expenditures for new equipment. Schultze and inflation fighters argue large dollar savings can be made with little loss in health protection.

   Attached is legislative checklist.

DVV

June 6, 1978

MEMO TO: The Speaker
FROM : Gene Bernhardt
SUBJECT: Labor-HEW Appropriations

The Labor-HEW Appropriations bill for FY 1979 totals $58 billion, which is a net increase of $643.3 million over the Administrations's requests.

The Administration says the increase is really $890 million over the budget requests and they want to cut it on the House Floor by $441 million.

The cut would come mainly in education funds, eliminating the $100 million the committee increased the budget request by for Title I funds for poverty area grade and high schools; the $233 million the Appropriations Committee increased the budget request for student assistance; and $108 million in increases for health professions and training programs.

The White House is looking for a sponsor for such a cutting amendment and included in those being talked to are Bill Burlison, Jin Mattox, Norm Mineta, Andy Jacobs and Bob Giaimo. Earlier, the Administration tried to get Dave Obey and then George Mahon to offer the amendment and were turned down.

Obey said the health cuts, and NIH in particular, cannot be justified. The $305 million increase for NIH over last year would merely keep all programs going because of a 12% inflation impact in the past year. Carter also asked for and got a big increase in student assistance, $1.4 billion over last year, to counter the tuition tax credit drive and now wants to cut back on that, says Obey.

An Obey aide said some $17 billion in Labor-HEW programs were not funded in this bill for lack of authorization, including about $11 billion in job programs which he said the committee has indicated it will reduce from Administration requests. He said the White House is aware of this but is still pushing for the additional $441 million cut.

THE WHITE HOUSE
WASHINGTON

6/7/78

Stu Eizenstat
Jack Watson

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

Rick Hutcheson

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

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	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
	/	EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
	/	WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
/		BERGLAND
		BLUMENTHAL
		BROWN
/		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
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	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

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To: Pres. Carter -
This is a intelligent and able young lady, the wife of an Episcopal minister - They are old friends of mine.
C.F.

NORTH CAROLINA HUNGER COALITION
8348 Knightsbridge Road
Charlotte, N. C. 28210
704-554-9219

1978 Steering Committee
Francis Pinckney, Chairman
Raymond Wheeler, M.D., President
Barbara Dellinger
Neil McMillan, D.Min.
Sandy Welton
Mary Ann Yandle
Kathryn Waller, Exec. Vice President

May 25, 1978

cc: Bob Bergland
Joe Califano
please read
J.C.

Mr. Charles Kirbo
King & Spalding
2500 Trust Company Tower
Atlanta, Georgia 30303

Dear Charlie:

When we had the pleasure of being with you for an evening in March you asked me to put together a few thoughts and comments on the success and/or failure of the food stamp program as I had experienced it here in North Carolina. I had good intentions of doing so immediately but various events intervened and I am ashamed to find how much time has elapsed since then. At any rate, here goes.

My involvement with the food stamp program began in 1973 when I volunteered to work with a food stamp out-reach campaign here in Mecklenburg County which was being conducted by the Charlotte Area Fund, our local community action agency. At that time I was simply a "do-gooder" housewife looking for a way to give a few hours of my time per week towards the elimination of hunger. It seemed to me that the church's traditional Thanksgiving basket approach was neither efficient nor effective and I was looking for a better way to deal with the unforgivable reality of the existence of widespread hunger and malnutrition in an affluent society. Five years later, having moved from my part-time semi-commited volunteer stage to being a full-time, dedicated, professional anti-hunger worker, I am still looking for that "better way".

The success of our outreach drive in Mecklenburg County, which moved our participation in the food stamp program from 30% of those below the poverty level to 94% of those below the poverty level, convinced me that food stamps were indeed the cure-all for hunger and malnutrition in this country. In late 1974 I became part of a small group of people who formed the North Carolina Hunger Coalition. Our goal was and is to achieve the same level of success in all of North Carolina's one hundred counties as we achieved in Mecklenburg county. However, in the last 3-1/2 years, I have learned that it is relatively simple to make the program work in an urban county such as Mecklenburg where the problems are primarily lack of information and understanding. But our experience of working in rural North Carolina has convinced me that it is almost impossible to make the program work in a rural county where the major problem is accessibility. Before the Food Stamp Program can be successful, some major changes on the national, state and county levels have to take place.

1. <u>On all these levels of government, we must recognize and admit that we do not have an effective Federal Food Program which meets the needs of the rural poor.</u> The process of certification and food stamp issuance must be decentralized within each county. In most counties there is only one certification center and one place where food stamps are issued. As it is presently administered, the food stamp program is totally ineffective in reaching the most isolated, least educated, least

mobile people at the bottom of the poverty spectrum. The poorest of the poor, who have no transportation, have no access to the program. The pattern of participation across this state and across rural America is consistent: Those who live in or near the county seat receive food assistance. Those who live many miles away do not. For instance, in order to get certified for food stamps in Alleghany Co., they must travel round trip, 50 miles; in Catawba Co., 75; in Watauga Co., 55; in Camden Co., 50; and in Robeson Co., 54. When they receive their Authorization to Purchase Card (by mail), they must then travel the same distance to buy their stamps. Under the new food stamp program which has not yet been implemented, they will not have to buy these stamps, but it appears that they will have to make the same trip to the issuance point in order to receive their stamps. The counties that I've used as examples are all North Carolina counties, but the transportation problem is easy to document in any rural county. In many counties in the Western United States, it is not unusual to find distances two or three times greater than those we have here. In order to reach the rural poor, the program simply has to be taken to the people. Bureaucrats and social workers must leave their desks and offices and go out into the "highways and byways". There is certainly precedence for this in other areas of governmental concern - blood-mobiles, massive inoculation campaigns and book-mobiles, to mention just a few. I believe that the goal of properly nourished minds and bodies deserves such a commitment. This brings me to my second point.

2. <u>There must be a major commitment at the national level to give food assistance to the poor</u>. Frankly, I have seen no evidence of such a commitment in past administrations or in the present one. On the contrary, during the Ford administration, the poor were the target of a vicious and concentrated propaganda attack. They were characterized as "lazy, no-good chiselers and rip-off artists" (Treasury Secretary William Simon, 1975), and the implication was that they were directly responsible for the financial squeeze that most Americans found themselves in. Despite the fact that there are virtually no statistics which support this point of view, it is widely believed and supported by Joe-average citizen who has no first-hand contact with poverty. This "climate of hostility" is the most common reason given by low-income elderly people for not participating in the food stamp program - even though they are eligible and in a desperate need. Nationally, only 6% of all low-income elderly people participate in the program. Quite literally, they prefer to starve rather than be subjected to ridicule and scorn by their more fortunate fellow Americans. This administration could turn this ugly picture around by making a commitment to establishing a climate of understanding and compassion towards those in dire need. I am convinced that such a national commitment would immediately begin to have a "ripple" effect both in the institutions, USDA and Social Services, which administer the program, and on the local and state levels where so much prejudice and bias exists. I suspect, even, that many state officials and county commissioners who already recognize the financial benefits which the food stamp program brings to their state and counties would welcome a more favorable public opinion climate in which to support the program.

3. Somewhere down the road the food stamp program has to be replaced by a guaranteed income for those who can't work and decent employment for those who can work. (The President's Welfare Reform Bill is a step in the right direction although the levels of income and employment provisions need more serious work and attention.) At the grass-roots level, the problem with food stamps is food stamps. They are a highly visible means of distinguishing between first and second class citizens. As such, they are demeaning and dehumanizing. We Americans who pride ourselves on building a more just society can and ought to do better by those whose need is great but whose pride is strong. As I travel, the back roads of North Carolina I am constantly impressed and awed by the dignity and endurance of the poor. Often they struggle against insurmomntable odds just to survive. Contrary to public opinion they work long, hard hours at dreary backbreaking work for which they receive wages that are totally inadequate in our inflated economy. If there is a common spirit that runs through all of them it is the spirit of independence, the desperate need to be able to "make it on their own." I would not deny that there are certainly some freeloaders in this program, as I suppose there are in all programs. But in all my interviews with poor people over the past five years I have never met a person who found it easy to ask for help. Only the direst of needs will force them to say "I'm trying as hard as I can, but I just can't make it alone." I believe that they are entitled to a system that respects their independence while giving them whatever assistance they need.

I have deliberately omitted tables of statistics, percentages, quotes from experts and minute details of the program. If you want any or all of these I'll be glad to supply them or refer you to national experts who will give you a scholarly thesis on the whole situation. Under separate cover I will send you some printed N.C. Hunger Coalition material which illustrates some of the need and opportunity. Already I fear I may have told you more than you ever wanted to know about the food stamp program. If so, I'm sorry, but that's the inherent danger of asking me to talk about my "cause". If any of this is helpful or enlightening please feel free to use it. Thanks for reading through to the end.

As ever,

Kathryn

Kathryn Waller

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THE WHITE HOUSE
WASHINGTON

6/7/78

Mr. President:

Since your week-end schedule has been cleared, do you want to use Camp David this week-end?

✓ yes ____ no

Phil

Check w Ros

J

5 p.m.

THE WHITE HOUSE
WASHINGTON

June 7, 1978

Stu Eizenstat
Jim McIntyre

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

Rick Hutcheson

cc: Frank Moore

NEW WATER PROJECT STARTS

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

ok - proceed J

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
JIM McINTYRE

SUBJECT: New Water Project Starts

At your request, we have re-examined the proposed new water project construction and planning starts. We strongly recommend that all but one of them should be approved. As you know, Frank Moore would recommend that they all be approved.

You will recall that we examined a total of 68 new construction start and 50 new planning start candidates. We recommended that you approve only 29 construction starts (including 9 irrigation loans) and 10 planning starts.

Your FY 1979 Budget and our restrained FY 1980 and out-year budget planning already provide for this amount of annual spending on new starts. The projects recommended were carefully chosen to be consistent with your recently-announced policy criteria.

I. Budgetary Impacts

The construction starts package which we have recommended--including the project which only Frank recommends and including $75M in new budget authority for SCS projects--would result in a total federal cost over time of $763M in current dollars, or $936M with expected inflation over the life of each project factored in.

At the time the FY 1979 Budget was submitted to Congress, the allowance for contingencies provided room for this new starts package both in BA and outlays. The contingency allowance will still cover the $70M in expected FY 1979 outlays, but because of other Administration initiatives, the remaining contingency amount will not fully cover the $936M in fully-funded budget authority.

The lack of room in the BA contingency only becomes a matter for concern if we request full funding for these projects. (In that connection, you should note that the Congress has been using our full-funding requests against us this year--spending BA intended to cover future year outlays this year, thus giving the appearance of staying within our overall budget totals.)

As far as the impact of this new starts package on the FY 1979, 1980, 1981, and 1982 deficits is concerned, the annual outlays associated with starting these projects would be relatively small:

1979	1980	1981	1982
$70M	$155M	$140M	$125M

We already have allowed for this level of outlays--and further outlays attributable to a similar level of 1980 new starts--in the FY 1979 budget and in our constrained planning numbers for FY 80-82.

It should be noted that the water development agencies are completing work at the rate of about $2 billion in total federal costs in projects (current dollars), so that even this entire package would not prevent a decline in water resources construction in 1981 or 1982.

As far as planning starts are concerned, the total planning cost of the ten which we have recommended will be less than $3M. We do not believe it would be wise to pare that list further, since these activities give the Executive Branch the opportunity to plan the best alternative, rather than facing a direct Congressional construction authorization of a bad project.

II. Policy and Political Considerations

- The water policy reforms which you have announced will be more credible and attract more support, in our judgment, if we demonstrate that a significant number of sound projects can be consistent with it.

- Apart from the two projects identified in our earlier memo to you (Missouri R. Levee, Iowa and Barbers Pt., Hawaii), environmentalists support the entire new starts package.

- The Executive Branch should take the initiative in this area in order to make possible credible negotiations with the Congress on the Public Works Appropriations Bill. The House Appropriations Committee already has added 49 new construction starts at an uninflated total federal cost of $1.4 billion.

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- The recommended list reflects regional diversity.

- Where new construction starts are consistent with your tight budgetary and reformed water policy objectives--as these would be--it makes practical political sense to propose them.

III. Recommendations

Should you decide to trim the new starts construction list, we have identified the following options for you, listed in the order in which we would recommend exercising them (outlays shown in current dollars):

1. Both of us recommended against Missouri River Levee, Iowa in the earlier memo for environmental reasons, though Frank urges it go forward.

Total	FY 79	FY 80
$10.3M	$3.6M	$5.1M

ok to delete

2. Although all of us still recommend going forward with Barbers Pt., Hawaii, it is the other project to which some environmental objections have been raised. Senator Inouye is very strongly in favor of it, and no state or federal agency has objected to it.

Total	FY 79	FY 80
$42.3M	$8.8M	$18.0M

3. Phoenix, Arizona urban flood control project is the most expensive project on the list. Although it is in the West and is supported by Senator DeConcini, it is located chiefly in Republican districts (Rhodes and Rudd) and is not in the House bill.

Total	FY 79	FY 80
$133.0M	$2.1M	$9.6M

4. There are five other construction starts which we would delete if you chose to go further in reducing the list, although we strongly recommend against your doing so:

	Total	FY 79	FY 80
Metlakatla Hbr., Alaska	$ 6.0M	$2.5M	$ 4.5M
St. Lucie Inlet, Florida	5.1M	1.5M	3.5M
Milan Illinois	9.6M	0.5M	3.5M
Port Everglades Hbr., Florida	23.0M	2.5M	14.4M
Winona, Minnesota	22.2M	3.0M	8.5M

IV. Decisions

Approve entire list (Frank Moore) _____

Delete:

- Missouri R. Levee (Jim, Stu) ✓
- Barbers Pt. _____
- Phoenix _____
- Five others _____

See me for further discussion _____

Dear Mr. President

Reply to Woman's Letter Raises More Questions Than Answers

Gammill

SEATTLE (AP) — Mrs. D took Jimmy Carter at his word when the president said he wanted his White House to be "in close touch" with citizens. But the Seattle woman now isn't sure anyone at the White House can read.

Mrs. D, who said she did not want her full name used, turned over to The Seattle Times copies of letters that illustrate her experience.

Oct. 15, 1977 — Mrs. D wrote to the White House, saying she and many of her friends were opposed to Jack Tanner being named a federal judge. She asked Carter not to nominate the Tacoma, Wash., attorney.

Oct. 28, 1977 — A White House letter, signed by James F. Gammill Jr., director of the presidential personnel office, was sent to Mrs. D. It thanked her for her recommendation of "Warren D. Riebe for a position in this administration."

Nov. 17, 1977 — Mrs. D wrote to the White House again, repeating that she opposed Tanner's nomination and that she could not understand the White House letter. "Your letter," she wrote, "states that you received my letter in which I 'recommend Warren D. Riebe for a position in this administration.' Who is Warren D. Riebe?"

Nov. 24, 1977 — Mrs. D received another letter from Gammill. "In response to your letter of November 17, 1977, please excuse the mixup that occurred in responding to your earlier correspondence," it said. "We appreciate your recommendation of Jack Tanner . . . ."

Dec. 12, 1977 — This time Mrs. D wrote directly to the president.

"Since October 15, 1977, I have been trying to get someone in your office to understand that a number of friends and I are disenchanted with the selection of Jack Tanner . . .

"For some reason my letters are not comprehended . . . Is it too much to expect someone in your office to really read the letters?

"I have tried to make excuses for this inability to read. Perhaps your employees have all had speed-reading courses. Perhaps they are all drunk. Perhaps they just read what they want to read."

Mrs. D sent no more letters, but the non-communication over Tanner continued.

Last Jan. 19, the White House sent Tanner's name to the Senate for confirmation. But on May 4, Carter, while in Portland, Ore., said the Tanner recommendation had not reached him yet.

The next day, the president's press secretary acknowledged Carter did not know about Tanner's nomination going through the White House earlier.

But a vexing question still remains for Mrs. D:

Who is Warren D. Riebe?

Monday, June 5, 1978 The Atlanta Journal

cc. Tim Kraft

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Cotton Dust
6-7-78

THE WHITE HOUSE
WASHINGTON

Enola Bingham

Stage 1 - ~ 18 mos
Monitor / Med Surveillance
Where are problems?

Stage 2 - Laid out
plan for compliance
5 year period

|← 1 1/2 →|← 2 1/2 →|← 2 1/2 →|

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7:55 AM

THE WHITE HOUSE

WASHINGTON

June 5, 1978

PHOTO SESSION WITH
REP. PAUL E. TSONGAS (D-MASS. 5) AND SEN. EDWARD M. KENNEDY (D-MASS.)
Wednesday, June 7, 1978
7:55 a.m. (2 minutes)
The Oval Office

From: Frank Moore FM/BR

I. PURPOSE

Photo opportunity and presentation of pens commemorative of the signing of H.R. 11662, a bill which establishes the Lowell National Historical Park in the state of Massachusetts.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: H.R. 11662 was signed on June 5, 1978. A bill signing ceremony was requested by both Rep. Tsongas and Sen. Kennedy which could not be scheduled. This legislation will create the first national park to be located in an urban area. It is the culmination of ten years of work by the people of Lowell, Massachusetts. It is appropriate that the park is to be located in Lowell because Lowell represents the first urban industrial area in the United States. The commission which worked on the establishment of the Lowell National Historical Park was chaired by Lieutenant Governor Tom O'Neill, Speaker O'Neill's son.

* Rep. Tsongas was the principal sponsor of the House bill and has been one of our strongest supporters in the House (97.7%). He has recently announced his candadicy for the U.S. Senate and has requested this photo session in order that he might have an individual photograph taken with you regarding the signing of this bill to use in his campaign.

Committees: Banking, Finance, and Urban Affairs (18)
Subcommittees: Housing and Community Development
International Development Institutions and Finance
International Trade, Investment, and Monetary Policy

Committees continued:

Interior and Insular Affairs (15)
Subcommittees: Energy and Environment
National Parks and Insular Affairs

Wife: Niki

Percentage of support: 97.7%

* Sen. Kennedy was also a principal sponsor of this legislation in the Senate. (Note: As you are probably aware, June 6th was the 10th anniversary of the death of Robert Kennedy.)

Committees: Human Resources (4)
Subcommittees: Education, Arts, and Humanities
Health and Scientific Research (Chairman)
Aging

Judiciary (2)
Subcommittees: Antitrust and Monopoly (Chairman)
Criminal Laws and Procedures
Immigration

Nutrition and Human Needs (Select) (2)

Joint Economic (5)
Subcommittees: Priorities and Economy in Government
Energy (Chairman)

Wife: Joan

B. Participants: The President, Rep. Paul Tsongas, Sen. Edward Kennedy, Frank Moore, Bill Cable, and Dan Tate.

C. Press Coverage: White House photographer only.

III. TALKING POINTS

Usual courtesies.

IV. PHOTO SESSION SCENARIO

* The original signed bill (H.R. 11662) will be placed on the President's desk.

* Rep. Tsongas and Sen. Kennedy will be brought into the Oval Office together by Bill Cable and Dan Tate.

* Bill Cable will bring Rep. Tsongas forward to accept a commemorative signing pen from the the President and be photographed individually.

* Sen. Kennedy will then be brought forward by Dan Tate to be photographed with the President and Rep. Tsongas.

* Bill Cable will escort Rep. Tsongas away from the President, and Sen. Kennedy will be photographed accepting a commemorative signing pen individually.

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THE WHITE HOUSE

WASHINGTON

June 7, 1978

MEMORANDUM TO THE PRESIDENT

FROM: PETER BOURNE P.B.

SUBJECT: MONTHLY ACTIVITY REPORT - MAY 1978.

IMPLEMENTATION MENTAL HEALTH COMMISSION REPORT

- Following a meeting with Mrs. Carter and Dr. Tom Bryant I have assigned specific responsibilities for implementation to the various involved departments. They are to have an implementation timetable prepared by June 21st.

INTERNATIONAL HEALTH

- Your Statement of May 2nd and Secretary Califano's speech to the World Health Assembly has drawn strong support and interest from many countries.

- With OMB we are proceeding with the implementation of the expanded international health initiative outlined in the earlier memo from Jim McIntyre and myself.

- At my request, State and AID are co-chairing an interagency group to review and strengthen all U.S. health activities in Africa as a follow up to your Lagos speech.

- The government wide study on international health we conducted during the last year will be published in about a month.

WORLD HUNGER

- I am working closely with Sol Linowitz on the implementation of the commission.

- The Executive Order and Message to the Congress will be ready around the first week in July, at which time I hope we could have a brief ceremony at which you would announce the creation of the Commission.

MEMORANDUM TO THE PRESIDENT
FROM: PETER BOURNE
SUBJECT: MONTHLY ACTIVITY REPORT - MAY 1978.

WORLD HUNGER

- The report of the Interagency Working Group established last fall with specific recommendations will be published in two weeks.

- We are working on several initiatives to strengthen the U.N. efforts in nutrition including a proposal to be submitted by the United States Delegation to the World Food Council in Mexico City.

INTERNATIONAL YEAR OF THE CHILD

- Jean Young is hiring the staff for the Commission which will be fully operational later this month. Over fifty countries have now set up Commissions Mrs. Sadat and Mrs. Callaghan among others have been very active in promoting the activities of their National Commissions. I believe this will be an event, next year, that will have world wide attention.

WHITE HOUSE FELLOWS

- This month we selected next year's White House Fellows to start in September. I think this may be the best group ever. Of 15 Fellows 3 were black, 4 were women, 2 were Chinese American, and one Mexican American.

DRUGS

- We have taken tremendous criticism over the Mexican government's continuing use of Paraquat on marijuana. It may be subsiding, but remains an emotional issue particularly on the West Coast - I was hanged in effigy at the University of Arizona last week.

- I sent a team to Europe to review the drug situation in Sweden, Germany, Britain and France. While addiction continues to get better here it worsens in Europe. National leaders there are failing to recognize the magnitude of the problem. Even the briefest mention of this issue when you are in Europe next month would make a trememdous difference.

- We are working closely with DOD and the Congress to deal with the resurgence of drug dependence among G.I.'s in Europe.

MEMORANDUM TO THE PRESIDENT
FROM: PETER BOURNE
SUBJECT: MONTHLY ACTIVITY REPORT - MAY 1978.

DRUGS

- We are continuing to focus on the economic impact of massive drug trafficking overseas and also in Florida and Hawaii. ✓

OTHERS

- I met with Dr. M'Bow, Director General of UNESCO, with whom I hope you can meet early in July. ? ✓

- I am convening an Interagency Group to complete implementation of the commitments made by the White House Conference on the Handicapped.

SPEECHES

Graphic Arts International Union, Legislative and Political Conference - "Health Policy of the Carter Administration."

President's Commission on the Handicapped - "Health Needs for Handicapped People."

Washington Hospital Center Symposium on Cancer Treatment - "Humanistic Concern for the Dying."

American Cystic Fibrosis Association - "Health Care in America."

Massey Foundation Award - "Health Priorities."

Northern Virginia Democratic Club - "Health and Social Welfare Policy in the Carter Administration."

Foundation of Thanatology - "The Hospice Movement and the care of the Terminally Ill."

Institute of Medicine - "New Initiative in International Health."

Chiefs of U.S. Missions to International Organizations "Basic Human Needs and Relationships with the Third World."

Bristol Myers Cancer Awards Luncheon - "Health and Cancer Policy in the Carter Administration."

CONGRESSIONAL TESTIMONY

Senate Foreign Relations - "Border Management."

PGB:ss

THE WHITE HOUSE
WASHINGTON
June 7, 1978

Tim Kraft
Jim Gammill

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

Rick Hutcheson

PUBLIC BROADCASTING BOARD OF DIRECTORS

	FOR STAFFING
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ACTION	FYI	
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		MCINTYRE
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		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
/		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

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Why 3 from the West Coast? Let me see the complete list F

THE WHITE HOUSE

WASHINGTON

June 6, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK
JIM GAMMILL

SUBJECT: Corporation for Public Broadcasting
Board of Directors

The Board of Directors for the Corporation for Public Broadcasting has fifteen members; five of these terms expired in March.

There have been a great number of people interested in these appointments; and we have tried to find the five people who would be the most acceptable to the individuals and groups most directly involved. We believe that these people whom we recommend are independent of the factions that have divided the Board, that they are acceptable to the professionals in the field, and that they are the best choices politically. Each of them supports the Administration's Public Broadcasting Bill. These new members would bring geographic and ethnic balance to the Board.

There is one vacancy for which we have no acceptable candidate yet, but we do feel that we have a responsibility to find an Hispanic, and we are committed to doing that.

RECOMMENDATION:

Appoint the following four people to the Board of Directors for the Corporation for Public Broadcasting:

Geoffrey Cowan (Los Angeles): Lawyer with broad knowledge of communications.

Considered by many people to be one of the best qualified in the country for this Board.

Paul Friedlander (Seattle): Businessman who serves on the Seattle public television board and the Washington Arts Commission. Highly recommended by Senator Magnuson and Senator Jackson.

Kathleen Nolan (Los Angeles): Actress, President of the Screen Actors Guild; active in the women's movement.

Howard A. White (Brooklyn): Senior Vice President and General Council with ITT World Communications, Inc.; formerly with COMSAT; very knowledgeable in telecommunications technology and law.

_____ approve _____ disapprove

RESUME

of

GEOFFREY COWAN

2240 Mandeville Canyon Road
Los Angeles, CA 90049
(213) 472-6495 or 476-4343

BORN:	Chicago, Illinois May 8, 1942
FAMILY:	Married to Aileen Adams One son, Gabriel, age 3
EDUCATION:	Harvard College, B.A. (Cum Laude) 1964 Yale Law School, LL.B. 1968

PROFESSIONAL EXPERIENCE

June 1975 - Present	Attorney, Levine and Krom 404 N. Roxbury Drive Beverly Hills, CA 90210
July 1974 - Present	Lecturer Communications Studies Department U.C.L.A.
July 1972 - June 1974	Director, Communications Law Program and Adjunct Professor of Law, U.C.L.A. Law School Los Angeles, California
May 1969 - July 1972	Staff Attorney Center for Law and Social Policy Washington, D.C.
July 1968- March 1969	Associate Director Commission on the Democratic Selection of Presidential Nominees
January 1966 - October 1966	Legislative Assistant to Rep. William F. Ryan (D-N.Y.)

OTHER ACTIVITIES:

September 1976 - Present	President, Quiz Kids, Inc.
January 1975 - Present	Partner, Sheinbaum/Cowan Productions
1975 - 1976	Los Angeles Cable Television Task Force
1975 - Present	Board of Directors, KPFK (non-commercial radio station)
1972 - Present	Board of Trustees Center for Law and Social Policy Washington, D.C.
1975 - Present	Board of Trustees Center for Law in The Public Interest Los Angeles, California
1975 - Present	Board of Directors California Citizen Action Group
1969 - Present	Board of Directors Project on Corporate Responsibility Washington, D.C.
1972 - 1974	Consultant, RAND Corporation
1970 - 1972	Coordinator, Campaign GM
September 1970 - August 1972	Washington Advisory Committee American Jewish Committee Washington, D.C.
September - November 1968	State Coordinator Citizens for Ribicoff
November 1967 - July 1968	McCarthy for President Connecticut State Steering Committee National Staff
May - September 1965	Co-founder and Montgomery Bureau Chief The Southern Courier (now defunct Alabama civil rights weekly newspaper)
June - August 1964	Voter registration Panola County, Mississippi

PUBLICATIONS:

Washington columnist for The Village Voice from August 1969 to March 1972. Articles published in The Nation, Esquire, The New Leader, World (Saturday Review/World), The UCLA Law Review, and the "Book Review" and "Entertainment" Sections of The New York Times. Book on "The Family Viewing Hour" to be published by Simon and Schuster.

BAR MEMBERSHIPS:

State Bar of California (admitted 1976)
Bar of Washington, D.C. (admitted 1970)
California Bar Association
The District of Columbia Bar Association
American Bar Association
Federal Communications Bar Association

BIOGRAPHICAL SKETCH

OF

GEOFFREY COWAN

Geoffrey Cowan grew up in New York City, where his father, Louis G. Cowan, a former Director of the Voice of America, was a television producer, creator of Quiz Kids, and later President of the CBS Television Network. His mother, also active in radio and in civic affairs, was co-founder of the national radio series Call for Action, and served as Director of Workshops in Mississippi, a civil rights project run by the National Council of Negro Women.

While in college and law school, Geoff was an active journalist, serving as an editor of the Harvard Crimson and a reporter and stringer for Time magazine. After graduating from college in 1964, he spent several months doing voter registration work in Batesville, Mississippi, where he also helped establish the West Batesville Farmers Cooperative, probably the first farmers' co-op in the Mississippi Delta.

At law school he remained actively involved in civil rights, writing articles on that subject for Esquire, The New Leader, and Dissent. In the spring and summer of 1965 he was a co-founder of the Southern Courier, which for three years survived as a weekly civil rights newspaper in Alabama. He took a year off from law school to work in Washington in 1966 as legislative assistant to Rep. William F. Ryan (D-N.Y.), and was graduated from Yale Law School in 1968.

During law school he became interested in devising methods of making the political and corporate process more democratic. While working for Senator Eugene McCarthy, he devised a scheme to enable Connecticut voters to participate in town-by-town presidential primaries in 1968. Later that year he set up the ad hoc Commission on the Democratic Selection of Presidential Nomine (chaired by the then Governor, later Senator, Harold Hughes of Io reform the Democratic party. The Commission's efforts, including its book, The Democratic Choice, resulted in the major party reforms of the next four years, as was described in the slightly inaccurate July 10, 1972 ABC news commentary of Howard K. Smith, quoted below:

> "The Democratic Convention meets tonight in the long shadow of Geoffrey Cowan. You don't know Geoffrey Cowan? Well, I'll tell you who Geoffrey Cowan is.

PAUL S. FRIEDLANDER

Born, Seattle, Washington, 1912

Graduated from Stanford University, 1934

Graduated from University of Washington School of Law, 1937

Member of Washington State Bar Association

Entered U. S. Army, April, 1942 - Released as Major, 1945

President, Friedlander and Sons, Jewelers, Inc.

HAS SERVED OR IS SERVING ON THE FOLLOWING BOARDS EITHER AS A MEMBER OR AS CHAIRMAN

Evergreen Safety Council
Providence Hospital Board
Cornish School Board
Seattle Symphony Board
Tyee Board
Red Cross Board
Founder of PONCHO and first president of PONCHO
Channel 9 - KCTS TV Board (Public Broadcasting Station)
Washington State Arts Commission
Business Committee for the Arts
Salvation Army Board
Reconstructive Cardiovascular Research Center

Elected Port Commissioner in 1969 for one six-year term.

Reelected Port Commissioner in 1976 for second six-year term.

Elected Freeholder to help rewrite county charter

DATE MARCH 15, 1976

TO CHESTER L. MIGDEN

FROM CONNEE HUTCHINSON

Kathleen Nolan is involved in the following:

Vice President, Los Angeles Film Development Committee
Ad Hoc Chair, Arts Plank for National Political Platforms
Participant, Good Housekeeping 10-Year Program: "Women in Passage"
Mayor's Citizen's Advisory Committee
Central Business District Plan
Hollywood Film Council
National Women's Political Caucus
Coalition of Labor Union Women
Media Task Force
Women's Action Alliance
Mayor's Citizens Advisory Council on Greek Theatre Development
Panel Member, Special Film Projects (National Endowment for the Arts)
Member, Women Directing Workshop of the American Film Institute
Ad Hoc Executive Committee, Project on Human Sexual Development
Women in Film
Wilson Riles' State Advisory Committee - Arts & Education
Advisory Council of California Confederation of the Arts
UCLA Extension, Lecturer, Series: "Women in Media"
Board of Human Relations, City of Los Angeles
Vice Chair, Committee for American Movie Production
Co-Chair, Film Section of Los Angeles Bicentennial
National President, Screen Actors Guild

Connee

:cmh
cc: Kathleen Nolan

On November 4, 1976 Kathleen Nolan was elected to the Presidency of the Screen Actors Guild. This demonstration of the respect of her peers is all the more significant in that she is the first woman in the Guild's 43-year history to hold that office. She follows in the footsteps of such renowned actors as James Cagney, Ronald Reagan, Walter Pidgeon and Charlton Heston. The election of Ms. Nolan, by an overwhelming margin, follows her service to the Guild since 1954, both as a member of the Board and as a Vice President.

Even longer, and equally as distinguished as her service to SAG, is Ms. Nolan's career as an actress which includes starring in three television series: the long-running "The Real McCoys," "Jamie," "Broadside;" guest-starring over 800 times on major network shows from the early "Playhouse 90's" to the current "Movies of the Week;" and receiving two EMMY nominations, as well as numerous other acting awards, including the TV Guild and TV Editors Limelight Awards. Her most recent television appearance is in NBC's Bicentennial special, "Our Foremothers."

Kathleen is not a stranger to Broadway or motion pictures either. She has starred in four Broadway shows and five feature films. Her portrayal of a POW wife in Mark Robson's film for Universal, "Limbo," won strong critical acclaim. So have her appearances on the Broadway stage starring in "Love in E Flat," and earlier as Wendy in "Peter Pan," for which she won two major theatre awards and was named the most promising new star of the season. The members of the original cast of "Peter Pan" repeated their stage roles in two live television specials on NBC.

Much of her time has been spent as guest artist with many of the most prominent repertory companies, performing in the classics of Brecht, Shaw, Tennessee Williams, Synge, Ibsen and Chekhov, or in major summer and winter theatre, starring in "Carousel," "The Unsinkable Molly Brown," "Ready When You Are, C. B.," "Period of Adjustment," "On A Clear Day," and "Mary, Mary." She also starred in a revival of "South Pacific" in New York for which the New York critics were unanimous in their praise and Richard Rodgers sent her a letter saying, "You are my Nellie - the best ever!" Kathleen has graced the stages of the Mark Taper Forum in Los Angeles, New York Off-Broadway and with the Open Theatre and at the Playwrights Theatre.

Her career began on a showboat when she was just 13 months old. Her talents were sharpened at the Neighborhood Playhouse and as a member of the Actors Studio, both in New York. Still, with every new role, audiences are discovering a new Kathleen Nolan, for she takes pride in making each character distinctive. Each one is totally unique...as is Kathleen Nolan!

HOWARD A. WHITE

146 Lincoln Road
Brooklyn, New York 11225

Telephone Nos. - Office: (212) 797-4825
Home : (212) 469-8278

LEGAL & EXECUTIVE EXPERIENCE

1968 - Present — **ITT World Communications Inc.***

- 1973 - Senior Vice President and General Counsel (Executive Director, Legal and Regulatory Administration Dept.)
- 1970 - Vice President and General Counsel
- 1969 - Assistant Vice President and Regulatory Counsel
- 1968 - Regulatory Counsel

1966 - 1968 — **Communications Satellite Corporation**

- 1967 - Executive Secretary of U.S. Earth Station Ownership Committee
- 1966 - General Attorney

1962 - 1966 — **Federal Communications Commission**

- 1965 - Assistant Chief, Common Carrier Bureau
- 1963 - Assistant Chief, Domestic Radio Division, Common Carrier Bureau
- 1963 - Chief, Mobile Radio Branch, Domestic Radio Division
- 1962 - General Attorney (Public Utilities)

1953 - 1962 — **Powsner, Katz & Powsner and Private Practice**

- 1954 - Associated with law firm engaged in general practice, concurrently engaged in private practice, as an individual, at the same location.
- 1953 - Law clerk employed by the firm.

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* ITT World Communications Inc. is the lead company in ITT's group of telecommunications operating companies. Equivalent positions and/or responsibilities are held in connection with affiliated companies in the group.

ENGINEERING EXPERIENCE

1953	American Cyanamid Corporation
	Electrical Designer
1952 - 1953	Parco Design Company
	Electrical Designer
1951 - 1952	Celeanese Corporation of America
	Electrical Designer
1950 - 1951	N.Y.C. Board of Transportation
	Jr. Electrical Engineer

QUALIFICATIONS

Education:	M.P.A. in 1959 from New York University, Graduate School of Public Administration.
	J. D. in 1954 from St. John's University, School of Law.
	B.E.E. in 1949 from the College of the City of New York, School of Technology.
Professional:	Admitted to practice before all State Courts in New York, the U.S. District Courts in the Southern and Eastern Districts of New York, all Courts in the District of Columbia, and the United States Supreme Court.

PERSONAL DATA

Born:	October 6, 1927 in New York City
Height:	6'3"; Weight: 190 lbs.
Married:	1968 (wife is a lawyer)
Health:	good; no physical limitations
Service:	U.S. Army from 1946 - 1947

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT
JIM GAMMILL

SUBJECT: Corporation for Public Broadcasting
Board of Directors

The Board of Directors for the Corporation for Public Broadcasting has fifteen members; five of these terms expired in March.

There have been a great number of people interested in these appointments; and we have tried to find the five people who would be the most acceptable to the individuals and groups most directly involved. We believe that these people whom we recommend are independent of the factions that have divided the Board, that they are acceptable to the professionals in the field, and that they are the best choices politically. Each of them supports the Administration's Public Broadcasting Bill. These new members would bring geographic and ethnic balance to the Board.

One of those listed, Geoffrey Cowan, is mildly objectionable to Hamilton Jordan, but it is so evident that he has superior qualifications that we recommend his appointment.

There is one vacancy for which we have no acceptable candidate yet, but we do feel that we have a responsibility to find an Hispanic, and we have committed to doing that.

RECOMMENDATION:

Appoint the following four people to the Board of Directors for the Corporation for Public Broadcasting:

Geoffrey Cowan (Los Angeles): Lawyer with broad knowledge of communications.

Considered by many people to be one of the best qualified in the country for this Board.

Paul Friedlander (Seattle): Businessman who serves on the Seattle public television board and the Washington Arts Commission. Highly recommended by Senator Magnuson and Senator Jackson.

Kathleen Nolan (Los Angeles): Actress, President of the Screen Actors Guild; active in the women's movement.

Howard A. White (Brooklyn): Senior Vice President and General Council with ITT World Communications, Inc.; formerly with COMSAT; very knowledgeable in telecommunications technology and law.

_____ approve _____ disapprove

THE WHITE HOUSE
WASHINGTON

MR. PRESIDENT:

Here are the letters to Congressmen Rogers and Staggers for your signature. We have coordinated the release of this statement with Jody and Frank's staff.

Stu

Stu Eizenstat

6 Jun 78

TWO SIGNATURES REQUESTED

THE WHITE HOUSE

WASHINGTON

June 7, 1978

To Congressman Harley Staggers

Attached is a statement that I have issued this morning. I hope you will share this message with the members of your committee prior to the vote on hospital cost containment.

Your leadership and help on this measure will prove to be most important in our fight to control inflation.

Sincerely,

Jimmy Carter

The Honorable Harley O. Staggers
U.S. House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

June 7, 1978

To Congressman Paul Rogers

Attached is a statement that I have issued this morning. I hope you will share this message with the members of your committee prior to the vote on hospital cost containment.

Your leadership and help on this measure will prove to be most important in our fight to control inflation.

Sincerely,

Jimmy Carter

The Honorable Paul G. Rogers
U.S. House of Representatives
Washington, D.C. 20515

PRESIDENTIAL STATEMENT ON HOSPITAL COST CONTAINMENT

Today the members of the House Commerce Committee will make their most important anti-inflation decision of this Congressional session: whether to vote for a bill which will contain skyrocketing hospital costs. I urge the members of the committee to approve that bill and to work for Congressional passage this year.

I proposed cost containment legislation last year to restrain rising hospital costs. These costs have been growing by about 17% a year -- far faster than the rate of expansion in the economy as a whole.

The Congressional Budget Office estimates that the cost containment legislation now pending before the Commerce Committee will save at least $30 billion in hospital expenditures over the next 5 years. It will reduce Federal expenditures for Medicare and Medicaid by over $8 billion during this period.

Approval of this bill is essential for restraining health care costs. If the legislation I proposed last year had taken effect in October of 1977, our country would already have saved $2 billion in hospital costs by now. A vote against the bill is a vote against putting the brakes on runaway health inflation. A vote for this bill is a vote against inflation.

Powerful special interests will oppose any bill to fight inflation. This is certainly true for hospital cost containment, with intense lobbying against this needed legislation continuing up to the last minute. I am confident, however, that the members of the Commerce Committee will overcome these pressures and will take this crucial step to help all Americans fight skyrocketing hospital costs and rising inflation.

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congressional leaders breakfast 6/7/78

THE WHITE HOUSE
WASHINGTON

Labor law reform = Nip & Tuck
Water Policy - new starts - 4 yrs.
NYC
Civil Service reform
Loc. Intensive Public wks.
Hosp Cost Cont.
'78 elections = 10 states = VP 26 events
389 total

Beef imports
Zaire
Labor/HEW #58 B.I + $650mm

THE WHITE HOUSE
WASHINGTON

June 7, 1978

Richard Harden

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

Rick Hutcheson

cc: Zbig Brzezinski

MISS LILLIAN'S TRIP

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

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
	/	BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
	/	HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

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ok - Let State handle J

THE WHITE HOUSE

WASHINGTON

June 6, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: RICHARD HARDEN

SUBJECT: Response to Questions Concerning Miss Lillian's Trip to Rome and West Africa

Since Miss Lillian will be going as your emissary and in response to an official invitation (copy attached) from another Head of State, the State Department will cover the cost of the trip. While the purpose of the trip is somewhat different -- namely to focus attention on the problem of world hunger -- the idea is basically the same as sending Miss Lillian to India as your official representative to the funeral of President Ahmad.

Security needs will also be met by the State Department. They have indicated that they will assign two agents to travel with Miss Lillian at all times. This will be in addition to Ray Hathcock. We will look to the Embassies to coordinate security needs with local officials.

In order to minimize the cost we are arranging for the party to fly commercially to Europe and then obtain an Air Force DC-9 out of the European Theater to fly us from Rome to Africa and to move us around within Africa. Taking this approach will reduce the cost of the trip from approximately $95,000 to something in the neighborhood of $25,000. Considering that the government will be reimbursed by accompanying media, I feel the net cost to the government will be very reasonable. The cost may be summarized as follows:

--	Five round-trip tickets to Europe	3,000
--	Twenty hours of flying time to and from and within Africa at $1,067.00 per hour	21,300
	Total	$24,300

The State Department has prepared a separate document for you to sign concerning your response to the invitation. Let me know if you have any additional questions.

Attachment

June 3, 1978

Mrs. Lillian Carter
Plains, Georgia

Madame:

I have been following with admiration your keen interest in the problems of the developing countries in general and of the Sahel in particular. It is, therefore, with great pleasure that I have seized the opportunity of my presence in the United States to visit Plains and to extend, on behalf of the CILSS and on my own behalf, this invitation to you to visit The Gambia and the Sahel.

I hope that you will graciously accept this invitation and find it convenient to commence your visit in The Gambia from the 24 to 26 July, 1976.

Looking forward to the opportunity of welcoming you soon to The Gambia, I take this opportunity to convey to you, Madame, the expression of my highest esteem.

Alhaji Sir Dawda Kairaba Jawara
President of the Republic of
The Gambia

Delivered on June 3.

THE WHITE HOUSE
WASHINGTON

6-6-78

To Bob Strauss

I do not want to set up another organization. I suggest your Task Force within EPG (similar to SCC within NSC) comprised under your chairmanship as you suggested. It should promote an effective declaration campaign within & outside government.

Existing responsibilities of Cabinet, CEA, CowPS should be preserved.

You & Schultze work out specifics & present to me —

cc Schultze

J. C.

Stu Eizenstat
Jim McIntyre
Landon Butler

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THE WHITE HOUSE

WASHINGTON

Rick or Susan -
get quick
comment for
Stu, Jim,
Barry, Mike
& Doug.
J

June 2, 1978

Dear Mr. President:

The attached memorandum is intended to provide the basis for a comprehensive anti-inflation program.

It grows out of a series of meetings I have recently held. It will be followed by a memorandum with Jerry Rafshoon's suggestions on themes for the program and a detailed work plan.

Rafshoon feels that the program should be co-ordinated by a Cabinet-level Task Force. This Task Force will initiate, administer, and follow through on the government's anti-inflation efforts.

At the same time, we will seek a public commitment from business groups to form and finance a Business Council to Fight Inflation. We will ask labor groups either to join with the business committee or to organize a similar effort.

Finally, we intend to make a major effort to draw upon consumer groups, environmental groups, senior citizens groups, citizens lobbies, and similar organizations.

Subject to your comments, we will immediately begin to implement this program.

Robert S. Strauss

THE WHITE HOUSE

WASHINGTON

June 2, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Ambassador Robert S. Strauss

SUBJECT: Suggested Strategy for the Anti-Inflation Program

This memorandum is intended to provide the basis for a comprehensive anti-inflation program. It grows out of a series of meetings I have held with Jerry Rafshoon, Anne Wexler, and others from the White House and Departments, as well as business and labor leaders.

These meetings have confirmed my conviction that we must follow up your April 11th anti-inflation speech with a detailed and identifiable program to secure national attention for our anti-inflation efforts. In most sectors of our economy I have encountered skepticism that our program is any more serious than those of the last three administrations. We can only dispel such notions by a specific, realistic program with continuity.

This program is intended to change the perception by business, labor, and the general public of the inflation problem. We must convince them that inflation is not just the President's problem; it is everyone's concern and it can only be tackled with everyone's participation.

I. Objectives and Timing

The major objective of our efforts should be to begin to change the slope of the present upward curve of inflation, thereby causing the curve to peak, and, eventually, to turn downward.

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Although no arbitrary time limit should be placed on the program, we intend that it will begin to produce results within twelve months. I should emphasize, however, that some of the impact is long-term, and we are talking about an ongoing program.

II. The President's Task Force on Inflation

Rafshoon recommends that you announce, within the next two weeks, the formation of a White House Task Force on Inflation which will include the following members:

Bob Strauss (Chairman)
Barry Bosworth
Jim McIntyre
Charles Schultze
Mike Blumenthal
Juanita Kreps
Ray Marshall
Stu Eizenstat

I suggest that Lee Kling be named as the Executive Secretary of this group and that he be assisted by a small staff drawn from the relevant agencies, on a part time basis, as needed. In addition, I have asked Rafshoon, Wexler and Kling to assume the responsibility with me for organizing and implementing the day to day program. There will be no additional employees required for this and no bureaucracy.

III. Agenda for the Task Force

The Task Force will initiate, administer, and follow through on the following programs:

1. GOVERNMENT

All the input I have received and every political instinct that I possess tells me that the Federal government must do more to demonstrate our seriousness. In addition to the action which we have already taken, I suggest the following items:

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A. Further Anti-Inflation Cut in FY '79 Budget

I have already discussed with you my support for Mike's suggestion. I will not belabor the point here except to reiterate my strong support for an extraordinary, one-time-only budget cutback of $3 to $5 billion, subject to discussion and approval by Muskie and Giaimo.

B. Federal Committee on Efficiency and Cost Reduction

As members, I suggest the following, and any others we may want to add:

Bo Cutter, OMB (Co-Chairman)
Alfred Kahn, CAB
Doug Costle, EPA
Lee Kling (Co-Chairman)
Robert Carswell, Treasury
Charles Duncan, Defense
Barry Bosworth, CWPS

It will report to the Task Force. It will seek out Executive Branch activities that add significantly to inflation and attempt to reduce their inflationary impact.

The Committee will ask each Department and Agency to formulate, present to it, and then implement a program to alter or eliminate inefficient regulations and administrative processes. The Committee will coordinate closely with CWPS' attempts to inject cost-effectiveness into regulatory proceedings and with the Regulatory Review Group chaired by Charles Schultze in order to avoid any overlap.

From the outset, it should be made clear that the mission of this Committee will be temporary in nature. It will have a mandate to produce results within a definite time frame. Again, this Committee will rely on the existing staff of its members.

C. Monitoring of Collective Bargaining

We are developing a procedure through CWPS and the Department of Labor to monitor labor-management issues in advance of bargaining to identify potential threats to our deceleration goals. This will insure that we intervene at an early stage when such action will be effective. Such intervention should reduce the need for jawboning at a later stage.

D. Coordinated Activities to Educate and Expand Public Awareness

The economic and political effectiveness of our anti-inflation goals will be increased by a coordinated outreach program to enlist broader popular support. While most of these activities will be directed by private sector groups, there are some contributions that the Administration can make.

The following activities are suggested:

1. A Series of White House Meetings

These inflation-oriented meetings will be held with the following groups, where appropriate:

a. Business
b. Labor
c. Trade Associations
d. Elected State and Local Officials
e. Members of Congress
f. Consumer Groups

Such sessions will include an explanation of our program, a request for their suggestions, and a specific program for them to pursue in support of our goals.

2. A Series of Regional Anti-Inflation Forums

Such forums will be similar in concept to the town hall meetings you have held around the nation. The audience will be a combined group of local business, labor, and government leaders. We will try one or two and see if they are worthwhile.

Mike Blumenthal, Charlie Schultze, or I will be present. Staff members from CWPS will explain the nature of our present inflation and its impact throughout the economy. Others will spell out our short-term inflation objectives, and the steps the Government has taken. There might be roundtable discussions as a part of the program, and a chance for audience comments. Finally, we will ask those present to visibly support our program.

We will draw on the help of the Federal Regional Councils and Carter supporters in setting up the meetings. We will then ask them to help direct a coordinated follow-up effort.

3. Inflation Watch Center

We propose to set up within the White House a modest "Inflation Watch" center.

Such a center will serve as an inflation desk to follow-up with written communications to those participating in our activities. The center will be equipped with phone lines that citizens can call with questions and suggestions. The center will develop and maintain lists of those in business, labor, and other groups pledged to support our program.

I want to consider the idea of the center staff preparing (with the help of CWPS) weekly "Inflation Watch" reports singling out actions which contribute to deceleration as well as those that run counter to our objectives.

The center could be put together with a small number of detailees from existing agencies.

E. Participation by Government Leaders

We will compile and maintain a list of government officials with responsibilities and interest in this program.

We will ask such individuals to set aside a significant amount of time to participate in anti-inflation activities. This should add markedly to the visibility of the program.

I am especially anxious to involve the Members of Congress, and especially the leadership, in this process. I want them to feel that they have a vital stake in the success or failure of our efforts.

2. BUSINESS

If government takes most of the steps I have outlined above, we will be in a very strong position to secure large-scale help from the business community.

I am seeking a public commitment from some combination of the Business Roundtable, the Chamber of Commerce of the United States, the National Association of Manufacturers, some major trade associations, and small business groups to form and finance a Business Council to Fight Inflation.

The Council will hire staff to formulate an educational program. They might make independent assessments of bottlenecks in controlling inflation and disseminate their findings.

This group will work with the Advertising Council on anti-inflation public service announcements.

In addition, the Council will work with us in a systematic effort to secure business commitments to the price and executive compensation limits we are asking of the business community. They might maintain public lists of those committed.

3. LABOR

We can ask some major labor unions either to join with the business committee or to set up a separate committee.

I think specifically of help here from leaders such as Doug Fraser, Glenn Watts, Bill Winpisinger, and others.

4. CITIZEN PARTICIPATION

We intend to make a major effort to draw into our efforts citizen groups who are apt to support the program. I have already asked Esther Peterson to help me with consumer groups, Doug Costle to help with environmental groups, and others to work with Common Cause, the League of Women Voters, senior citizens groups, and additional groups of this sort.

IV. Development of Themes and Work Plan

Subject to your reservations and comments about any part of this program, we will begin to implement it. As a first step we will attempt to have to you by June 14th Jerry Rafshoon's suggestions on themes for the campaign and a work plan which details the specific activities, timing, and areas of responsibility within the Task Force.

THE WHITE HOUSE
WASHINGTON

Barry Bosworth ✓
Stu Eizenstat ✓
Jim McIntyre — w/ BO
Secretary Blumenthal - 7:15

The President would like a quick comment from you on the attached memo. Please get your comments to me by 4:00 PM today. Thanks.

Rick Hutcheson

cc: Hamilton Jordan
Anne Wexler
Jody Powell

ID 782893

THE WHITE HOUSE

WASHINGTON

DATE: 02 JUN 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT
STU EIZENSTAT
HAMILTON JORDAN
TIM KRAFT
JODY POWELL
JACK WATSON
ANNE WEXLER
JIM MCINTYRE

SUBJECT: STRAUSS MEMO RE SUGGESTED STRATEGY FOR THE ANTI-INFLATION PROGRAM

RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052)
BY:

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 782893 THE WHITE HOUSE

WASHINGTON

DATE: 02 JUN 78

FOR ACTION:

INFO ONLY: CHARLIE SCHULTZE LANDON BUTLER

JERRY RAFSHOON

SUBJECT:

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

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SCHULTZE COMMENT

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 3, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CLS

SUBJECT: Bob Strauss' Anti-Inflation Memo

I have very serious reservations concerning Bob Strauss' "Suggested Strategy for the Anti-Inflation Program." At Jerry Rafshoon's suggestion, Bob proposes to establish and chair a Cabinet level Presidential Task Force on Inflation. This recommendation raises two significant problems:

1. A successful approach to dealing with inflation must recognize the complex origins of the problem. Almost every aspect of governmental policy that has any impact on the economy affects the rate of inflation. This includes spending and tax policy, monetary policy, agricultural policy, foreign trade policy, welfare reform, labor policy and others. An active campaign to decelerate the underlying inflation rate is an integral part of our overall program to combat inflation, but it is only one part, and it cannot be separated from the others. Each requires analytic input from your economic advisers as well as political judgments and public relations efforts.

In light of the complexity of the inflation problem and the need for a response that is coordinated and consistent with economic conditions as well as political considerations, I believe that the Cabinet level group charged to develop and coordinate anti-inflation policies ought to be the same one that is charged with economic policy generally. Currently, two Cabinet level committees exist to deal with overall economic policy and anti-inflation efforts: The Economic Policy Group and the Council on Wage and Price Stability. Since the membership is virtually the same, there exists, in effect, a single body which now deals with overall economic policy, including anti-inflation.

As I understand the role which Bob Strauss plays in the anti-inflation program, it is:

--First, to be the major point of contact between the Administration on the one hand and business, labor, and other groups in the private deceleration program.

--Second, to take the lead in developing and carrying out an overall program of public education, awareness, and support for the President's anti-inflation policy.

Bob has proven himself superb in carrying out these roles. His efforts are already beginning to pay off, much sooner than anyone thought possible.

The economic content of the overall anti-inflation policy and the specific economic analysis underlying our approach to industry and to labor should continue to be carried out, as it is now, by the EPG and by the CWPS through its Executive Director, Barry Bosworth and his staff.

To the extent that Bob Strauss feels he needs one or more working groups to carry out his responsibilities, he should have them. That does not require a new Cabinet-level committee, duplicating the EPG and CWPS, but rather the two specific working groups that Bob proposes; a committee on efficiency and cost reduction plus a White House group (Rafshoon, Kling, and Wexler) to deal with the political problems and the public education effort.

3. Next year we must seek Congressional reauthorization for the Council on Wage and Price Stability. One of the major concerns raised in the Congress last year, when CWPS was given a 2-year reauthorization, was that the Cabinet-level Council, which the CWPS staff serves, had rarely met. This year, I have convened the Council occasionally to oversee anti-inflation efforts. Moreover, given the similarity in membership of CWPS and EPG, I have been able to argue that CWPS is convened within the context of EPG meetings. The creation of a new Cabinet-level group to run the anti-inflation effort would raise questions among members of Congress concerning the use of, and therefore the need for, the CWPS staff. It will be extremely difficult to achieve reauthorization of the CWPS next year under the best of conditions because many in Congress are extremely irritated that the CWPS has criticized particular programs, companies, or unions. A new group that relegates the Cabinet-level Council to the back burner would make reauthorization considerably more difficult.

The loss of the CWPS staff would be a major blow. Currently, Barry Bosworth and his staff provide the primary analytical support for developing and implementing the anti-inflation program. Both Strauss and I rely on them extensively. Without CWPS, many of our efforts to restrain inflationary actions would have to be muted or undertaken in a much more politically contentious atmosphere. The arms-length relationship

of CWPS to the White House is essential to an effective anti-inflation effort, in my view.

For all of these reasons, I recommend strongly that you not establish an additional Cabinet-level committee. If you are still inclined to go ahead, I would like to talk to you personally before you make your final decision.

EIZENSTAT

THE WHITE HOUSE

WASHINGTON

June 3, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu

SUBJECT: Suggested Strategy for the Anti-Inflation Program

I would urge you not to approve these requests at this time until you hear from Charlie Schultze. Charlie feels very strongly, and with good reason, that Bob is moving well beyond his mandate to be the Administration's jawboner and moving into budget and other matters which are directly in Charlie's purview.

I would suggest that you direct Bob to talk with Charlie about this and come back with a procedure with which Charlie agrees.

When Bob first came on, it was a clear understanding that his role in the inflation fight was to do the jawboning part and not to preside over a number of new task forces and committees. Indeed, he explicitly stated that he did not want to have overall responsibility for all of the government's actions with respect to inflation and would not feel qualified to do so. This was quite clearly understood by and conveyed to both Charlie and Mike Blumenthal.

I do not think you should change that situation without the approval of Charlie and/or Mike.

BLUMENTHAL

THE SECRETARY OF THE TREASURY

WASHINGTON 20220

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Comments on Ambassador Strauss' proposed strategy for the anti-inflation program

I agree with the thrust of Bob's memo. We need an organizational focus for the various public outreach activities that are essential to a successful deceleration campaign:

. Public education

. White House meetings

. Regional anti-inflation forums

. An inflation watch center

. Participation by government leaders

. A Business and Labor Council to Fight Inflation

. Citizen participation.

Therefore, I endorse Bob's idea of a task force to oversee a public outreach effort, with Kling, Rafshoon, and Wexler providing daily direction. Now that Bob is a member of the EPG Steering Committee, this task force should, I think, report regularly through him to the Committee, to assure that the public outreach efforts are closely coordinated with our substantive economic policy.

I would have very grave reservations, however, about giving this task force responsibility for substantive economic matters, such as budget, tax, or regulatory policies. This would cause great bureaucratic confusion. These substantive matters are the province of the EPG and CWPS. Nearly every element of economic policy, nearly everything that the EPG takes up, has an impact on inflation. It's not feasible to abstract "inflation" from general economic policymaking and to assign it to a new, separate, free-floating committee.

Even if it were feasible, it would be a very bad idea. The EPG is the recognized and proper forum for coordinating all the elements of economic policy, and it cannot do so if each element is given its own bureaucratic niche.

The EPG operates through its own task forces--on tax policy, fiscal policy, employment policy, balance of payments policy and the like. (For instance, the substantive policies raised by the deceleration campaign have been staffed by an EPG-CWPS task force led by Barry Bosworth.) Creating a separate Cabinet Committee to deal with substantive inflation-related policies would throw all these EPG arrangements into confusion.

My recommendation is that Bob's public outreach group--a "Deceleration Task Force"--report to the EPG, and that substantive inflation policies remain within the EPG-CWPS structure. Otherwise we will have the same bureaucratic confusion and proliferation that have disrupted economic policymaking in past Administrations.

Mike

W. Michael Blumenthal

BOSWORTH

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
726 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20506

June 5, 1978

MEMORANDUM FOR: Rick Hutcheson

FROM: Barry Bosworth

SUBJECT: Strauss Anti-Inflation Proposals

We should take extreme caution to avoid the public impression we are embarking on a new program. The President on April 11 outlined a comprehensive anti-inflation program. Anything that is done now should be to amplify and reinforce that program. There should be no appearance that after a few months we are scrapping the April 11 program for something new. This would create doubt and confusion in the public mind and raise questions about more rhetoric.

The memorandum of Ambassador Strauss does derive from a serious problem of coordinating anti-inflation efforts within the Administration and the inadequacy of our current efforts to involve the public. But the specific form of some of the recommendations may create overlapping authorities and confusion.

- Specifically we question the need for a new task force on inflation and how such a move might be perceived. It is not administrative machinery that is lacking in the program. We already have a forum for dealing with inflation matters in the CWPS cabinet-level committee and EPG. Another layer would be cumbersome and could create the impression the President is changing course out of frustration.

- We think that the proposal to monitor collective bargaining through the joint effort of CWPS and the Department of Labor would be unworkable and a serious mistake. The roles of the two organizations are inherently different. The Department of Labor has a well-defined constituency. CWPS already has a mandate to monitor labor-management issues in advance of collective bargaining to alert the White House of potential inflationary implications.

° There is a need to heighten public awareness of the inflation problem. But we should be careful of how we proceed lest we create the impression that the overall program is more rhetoric than substance. The inflation-watch proposal could easily get out of hand. And there is a distinct danger that we would be promising more than we could deliver. We could be inundated with complaints and suggestions and unable to analyze and assess their validity without a huge staff. Inflation is the number one economic issue in the country today and it is logical to assume that public response to such a proposal would be overwhelming.

The President's ongoing anti-inflation program was carefully structured to deal with problems in the four major areas -- labor, business, government and special problem sectors such as health care and transportation. Understandable guides for behavior have been clearly spelled out. Ambassador Strauss has been doing a lot to get the message across. There is not doubt that this effort needs to be expanded. But it should be done in the framework of the existing program to avoid confusion and criticism.

I think that the major committees could be handled under EPG and that the other recommendations should be referred to EPG on a short turn-around to be integrated with an assessment of the current status of the program and a more detailed outline for the President of the future strategy. The specific public involvement proposals are outside of my area of knowledge, but I do agree that we need to amplify that part of the effort.

THE WHITE HOUSE

WASHINGTON

7 June 1978

MEMORANDUM FOR

THE HONORABLE W. MICHAEL BLUMENTHAL
THE HONORABLE JUANITA M. KREPS

Re: Your Memo Entitled,
"Export Tax Incentive"

The President reviewed your memorandum of May 30 on the above-referenced subject and disapproved the recommendation that he "authorize Treasury, in consultation with Commerce and others, to negotiate a revised DISC with the Congress along the lines suggested."

Rick Hutcheson
Staff Secretary

THE WHITE HOUSE
WASHINGTON

June 7, 1978

Stu Eizenstat
Jim McIntyre

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
Zbig Brzezinski
Charlie Schultze

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

Barbi
draft memo to
Treasury + Commerce

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
	✓	VICE PRESIDENT
✓		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
	✓	MOORE
		POWELL
		WATSON
		WEXLER
	✓	BRZEZINSKI
✓		MCINTYRE
	✓	SCHULTZE

of talks memo only

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

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THE WHITE HOUSE

WASHINGTON

June 6, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
JIM McINTYRE

SUBJECT: Treasury/Commerce Memo re Export Tax Incentive

Treasury and Commerce propose that you authorize them to try to negotiate with Congress a revision of the Administration's DISC proposal which would (1) restrict the applicability and reduce the revenue loss of the present DISC and (2) introduce a new tax credit for "export promotional expenses".

While the first part of their recommendation is sound and would be a significant reform of DISC, the second part of this proposal represents unsound tax and budget policy and is as likely to result in a political embarrassment for the Administration as the "victory" suggested by Treasury and Commerce.

The present Administration position is to try to eliminate DISC in its entirety and if we cannot succeed with that proposal to try to eliminate as much of DISC as we can (e.g., by limiting its applicability to small businesses). The rationale for that position is that DISC is bad tax and budget policy, expending a great deal of revenue for little net benefit.

Under the Treasury/Commerce proposal, the Administration would, in effect, be reversing its position on DISC and saying that (1) a restructured DISC is appropriate tax policy and (2) in addition, there should be a new tax credit (the Credit) for export promotional expenses. The Credit would be equal to 50 percent of "export promotional expenses" (subject to a $50,000 limit per firm per year) for firms with less than $5 million in export sales.

We oppose the new Credit for the following reasons. First, Treasury/Commerce present no cost-benefit analysis whatever for the Credit. Each dollar of "export promotional expenses" would be eligible not only for the 50¢ credit but also for deduction as a business expense (thereby

saving the average DISC roughly 30¢ in taxes). Accordingly, the Federal government (or the taxpayers generally) would be paying 80¢ of every dollar of export promotion expenses and the exporter 20¢.

This formula might promote ill-conceived foreign sales efforts financed by the taxpayers and is inconsistent with the tax reform approach of the Administration. Its potential benefits are not analyzed. (CEA's memo indicates they are likely to be very small). For many export operations the major effect of the Treasury/Commerce proposal will merely be to shift the accounting entry for the same export expenses from the parent company to the DISC in order to get the 50% credit.

Second, such a proposal is inconsistent with the thrust of our tax reform. There is no reason for a tax reform minded Administration to propose a new tax incentive which, if ever passed, may become the target of tax reform efforts by future Presidents.

Third, as Treasury/Commerce recognize, the new credit would be inconsistent with our international trade posture of opposing export subsidies by our trading partners. While this may not be "fatal" to the international negotiations, it certainly might undermine them.

The same basic forces (G.E. and the multinationals) that are lobbying so effectively against the elimination of DISC would also oppose the Treasury/Commerce compromise since it does not do anything for them.

We are concerned that if the Administration defuses its opposition to DISC and indicates that as a matter of principle it actually supports tax credits for export activities, Congress will wind up keeping DISC and coming up with some new, wasteful export tax credit of its own. Given the present mood in Congress, there is a substantial downside risk involved here.

Conclusion

Accordingly, we recommend that you (a) approve of Treasury attempting to modify DISC (as a fall back to eliminating it), along the lines proposed -- limiting income allocated to the DISC to 4% of export sales, (b) disapprove the new tax credit, and (c) so that you are not forced to publicly reject a published proposal by the Export Policy Task Force, ask that the recommendation for a new tax credit not be included in the report.

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Decision

_____ Approve Treasury/Commerce proposal (Recommended by Treasury and Commerce)

_✓_ Disapprove Treasury/Commerce proposal (Recommended by OMB, DPS and CEA) and Congressional Liaison.

COMMERCE-TREASURY MEMO

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THE SECRETARY OF THE TREASURY

WASHINGTON 20220

May 30, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Export Tax Incentive

We have been fighting for repeal of the Domestic International Sales Corporation (DISC) on the grounds that it is not cost-effective. The existing DISC rewards companies for export profits, not for export sales. The rewards go primarily to big multinationals that export anyway. At best, the additional exports created in 1978 by DISC are only about $3 billion, while the revenue cost is about $1.1 billion.

These arguments are still valid. Yet there appears to be virtually no chance that Congress will terminate the DISC program this year. Twenty-eight of the 37 members of the Ways and Means Committee have indicated their opposition to any cutback in DISC benefits. It appears, however, that some of those members are willing to talk compromise. The Export Policy Task Force has developed an export tax incentive proposal that contains the elements of a compromise which reconciles the needs of trade policy with the needs of tax policy, and holds the possibility of turning this issue into a victory for the Administration.

Operational Constraints

The policy considerations stem primarily from our growing balance of payments problems:

-- The U.S. badly needs to recoup export market shares. Adjusted for inflation, U.S. exports have not grown since 1974; the volume of U.S. manufactured goods has actually declined. The rest of the industrial world, by contrast, has seen a 12 percent growth in export volume since 1974;

-- Incentives will have to be provided to medium and small-sized firms if we are to augment the export accomplishments of large multinationals;

-- In the eyes of the business community, a credible and effective export policy must include an appropriate incentive for exports;

-- The Congress views a tax incentive as the simplest, fastest and most nearly self-executing method of export stimulation. Rightly or wrongly, it is in no mood to jettison DISC in the absence of an alternative.

Proposed Alternative

The Export Policy Task Force's basic proposal would: (1) reduce the benefits of the present DISC program; (2) restructure the benefits to emphasize export sales rather than export profits; and (3) use part of the revenue saving to create, within the DISC framework, a direct export incentive targeted on small and medium-sized companies. The specifics of this proposal are summarized at Tab A. The revenue cost totals $750 million, a $350 million reduction from the present DISC program.

This proposal is designed to make the DISC significantly more cost-effective while keeping the number of legislative changes to a minimum. The Congress has no appetite for a complicated revision of DISC. Moreover, the more complex the Administration proposal, the less certain we can be of the final outcome.

MTN Considerations

DISC itself, and any new variant, is contrary to the thrust of our international negotiations to limit export subsidies. Further, the adoption of a new incentive for small and medium-sized firms will be seen as inconsistent with our vigorous enforcement of the U.S. countervailing duty statute against the export subsidies used by the EC, Canada, Brazil, Colombia, and other nations. Ambassador Strauss, however, believes that while the recommendation might be awkward to our international posture, it would not be fatal to the negotiations. A smaller DISC is clearly more acceptable to our trading partners than a larger DISC.

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Recommendation: That you authorize Treasury, in consultation with Commerce and others, to negotiate a revised DISC with the Congress along the lines suggested.

Approve_____

Disapprove ✓

Mike

W. Michael Blumenthal

Sidney Harman
Acting Secretary

Attachment

ADDITIONAL
STAFF COMMENTS

SUMMARY OF ADDITIONAL STAFF COMMENTS

CEA makes these points:

- The restructured DISC is not more cost-effective than the existing DISC. It would save the Treasury about $350 million per year relative to current law, but would increase tax expenditures by about $750 million over our DISC proposals.

- The major argument for adding a new export subsidy is that we must 'do something' to make the Export Task Force credible. However: (A) The proposed new incentive subsidy is contrary to our GATT obligations, and runs directly counter to the international economic objectives of reducing subsidies. (B) The proposed subsidy would have a marginal impact -- less than $1 billion out of a total goods and services of $180 billion. (C) The proposed subsidy is "a clear invitation to loose spending." Under it, the first $100,000 of "export development expenses" would cost a company only $2000 -- $50,000 credit plus $48,000 in tax savings (by deducting the $100,000 as a business expense).

Therefore, CEA recommends that you:

- Do not approve the proposal for a new export tax incentive.

- Allow Treasury, as part of backstage negotiations on DISC, to proceed along the lines they have suggested to reduce DISC.

- Direct Commerce not to include any tax recommendations in its Task Force report or in any public statements.

State has "serious doubts" about the proposed new tax credit and recommends that you defer a decision pending further review by the Export Task Force and the EPG. "It is strongly in the U.S. interest to work for the elimination of export subsidies by other countries..." If we propose a new export subsidy for ourselves, it would undermine our posture in the MTN negotiations.

Henry Owen recommends that you approve the Treasury-Commerce proposal. "A cost-effecitve DISC and a direct export incentive would help to sustain U.S. exports and thus to stabilize the dollar. By the same token, the National

Export Policy now being developed will lack credibility in the business community if we are still opposing DISC when it is announced... Bob Strauss does not oppose this proposal, although he can hardly support it explicity, given his STR responsibilities."

Owen sees little merit in deferring a decision, as State recommends -- the interagency views are unlikely to change.

Congressional Liaison concurs with the DPS/CEA viewpoint.

ID 782825 THE WHITE HOUSE

WASHINGTON

DATE: 31 MAY 78

FOR ACTION: STU EIZENSTAT — attached FRANK MOORE (LES FRANCIS) concur with Stu

CHARLIE SCHULTZE attached

INFO ONLY: THE VICE PRESIDENT HAMILTON JORDAN

JODY POWELL JACK WATSON

ANNE WEXLER ZBIG BRZEZINSKI — attached in safe

JIM MCINTYRE

SUBJECT: BLUMENTHAL MEMO RE EXPORT TAX INCENTIVE

STATE DEPT WANTS TTC TITE

ST

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM FRIDAY 02 JUN 78 +

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

May 30, 1978

MEMORANDUM FOR THE PRESIDENT

Subject: Attached Memorandum

We decided at EPG last Thursday to have the attached decision memorandum on DISC forwarded immediately, as the Ways and Means Committee is presently marking up the tax bill. It is in keeping with the Export Task Force package to be presented to you on June 15 and has the endorsement of the Task Force's membership.

Mike

W. Michael Blumenthal

Attachment

Tab A. SPECIFICS OF EXPORT POLICY TASK FORCE PROPOSAL

Reduced and restructured DISC -- DISC benefits would be reduced by making a simple rule change. At present a company can choose the most advantageous of three tests for allocating income to a DISC. The favorite test among companies is the so-called 50-50 rule, which attributes to a DISC one-half of the export profits earned by a DISC and its parent corporation. This rule benefits companies according to the extent of their export profits, not necessarily according to the extent of their export sales. This test, and another test (the so-called arm's length pricing rule) would be eliminated. Companies instead would be compelled to use the third test which requires that the DISC be allocated only 4 percent of the value of export sales.

This change alone would reduce the revenue cost of the present DISC by $600 million and would tend to encourage maximum export sales rather than maximum export profits. The revenue cost of the restructured DISC with this feature alone would be $500 million.

The Tax Reform Act of 1976 placed DISC benefits on an incremental footing. Tax-deferred DISC profits are confined to the pro rata amount of profits attributable to the excess of current year export sales over base period export sales. DISC benefits are not available for export sales that would have occurred anyway. This incremental feature would, of course, be retained.

Incentive for small and medium-sized companies -- The initial start-up costs and uncertainty of exporting have severely deterred small and medium-sized firms. Accordingly, a new credit, with a maximum value of $50,000 per firm per year would be introduced within the DISC framework.

This credit would partly offset the initial cost of becoming an exporter, and encourage the exploration of strange foreign markets. The credit would only be available to DISCs with export sales of less than

$5 million, about 7,000 firms in 1978. Further the credit would be limited to 50 percent of a DISC's export promotional expenses. A DISC would have to incur at least $100,000 of export promotion expenses in order to claim the maximum $50,000 credit. Since the DISC itself is non-taxable, the credit would be passed through to the parent corporation (or individual shareholder) and could be claimed as an offset against tax liability on either domestic or foreign income. (Note: The provision of present law which allows a DISC, regardless of size, to increase its tax-deferred profits by 10 percent of export promotion expenses would be repealed.)

The revenue cost of the new credit would be approximately $250 million in the first year.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 2, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: Proposed Export Tax Incentive

1. The Proposal

Treasury and Commerce have proposed that you authorize them to negotiate a restructured DISC. The revision contains two important changes:

a. The three tests in the current law would be changed so that the firm would have to meet a test that the income allocated to the DISC be limited to 4 percent of sales.

b. A new incentive for small businesses be added.

The proposal would save the Treasury about $350 million per year relative to current law, but would increase tax expenditures by $750 million over our DISC proposals.

2. Analysis of the New Proposal

A. Reducing Disc

- o You earlier proposed repeal of DISC largely on the grounds that it is not cost effective. The restructured DISC is not more cost effective than the existing DISC. It does have the advantage of costing less revenue.

- o It appears that our earlier proposal to repeal DISC has virtually no chance of passage. The new Treasury-Commerce proposal to reduce the three "tests" in DISC to one, while keeping DISC itself, would cut the revenue loss by 55 percent. On the grounds that half-a-loaf is better than no bread, I would not object to this part of the Treasury-Commerce proposal to reduce DISC.

B. The New Incentive for Small Business

- o Adding a new incentive subsidy to DISC is contrary to our GATT obligations and runs directly counter

to the international economic objectives of reducing subsidies.

- The new incentive may spur some exports. But it will surely promote waste. With the new credit, the first $100,000 of "export development expenses" would cost a company only $2,000 of its own money (it deducts the $100,000 as a business expense and thereby saves $48,000 in taxes; thus it has, in addition, a $50,000 tax credit). The U.S. Treasury would pay 98 percent of such expenditures -- a clear invitation to loose spending.

- We think it is extremely important not to announce publicly now or in the future that we want to add an export subsidy to the tax code. This would undermine both our tax reform effort and our international economic stance.

- In any case, the restructuring will have a very marginal effect. Whatever the eventual outcome, the effect on trade one way or the other will probably be less than $1 billion out of a total goods and service exports of $180 billion.

- The major argument for adding a new export subsidy is that we must "do something" to make the Export Task Force credible. We disagree. There are some positive proposals to make, but we see no reason to propose policies which are both poor in substance and contrary to other initiatives.

- If the fact that you approve of this proposal is made public or leaked, we could end up with the worst of both worlds: the present DISC and a new export subsidy.

3. Recommendations

We recommend that you:

- Do not approve the proposal in 1b for a new export tax incentive.

- Allow Treasury, as part of the backstage negotiations on DISC, to proceed along the lines they have suggested to reduce DISC.

- Direct Commerce not to include any tax recommendations in its Task Force report or in any public statements.

~~CONFIDENTIAL~~

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CONFIDENTIAL GDS

THE WHITE HOUSE

WASHINGTON

June 5, 1978

INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN

SUBJECT: DISC

1. Introduction. Mike Blumenthal and Juanita Kreps have recommended to you that we propose to the Congress a smaller and more cost-effective DISC, and a new direct export incentive within the DISC for small and medium-sized firms.

2. The Pro Argument. A cost-effective DISC and a direct export incentive would help to sustain US exports and thus to stabilize the dollar. By the same token, the National Export Policy now being developed will lack credibility in the business community if we are still opposing DISC when it is announced.

3. The Con Argument. State argues that these proposed export incentives would step up the pace of export subsidy competition and thus go counter to the type of international subsidies code we are trying to negotiate in MTN. (See State memo at Tab A.)

I doubt that negotiating a reformed DISC with Congress will significantly reduce our chances of securing an international subsidies agrement. Indeed, in seeking a reformed DISC, we could inform both the Congress and foreign governments that we will propose its repeal if a satisfactory international agreement is negotiated. This would show the Congress that we are tough negotiators, and give foreign governments a tangible reason to seek an international agreement.

In any event, the chances of negotiating a subsidies code are uncertain, at best. In the absence of a code, common sense argues for having a cheap and effective DISC, instead of the present expensive and ineffective one -- which the Congress will otherwise insist on our retaining.

4. Conclusion. Substantively, the arguments favor DISC reform. Procedurally, I see little merit in deferring your decision pending further interagency consideration, as State suggests, since we already know the views of the principal agencies involved and since delay would prevent us from influencing the current Congressional review of pending tax reform issues. I therefore recommend that you approve the Treasury-Commerce proposal. Bob Strauss does not oppose this proposal, although he can hardly support it explicitly, given his STR responsibilities.

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DEPARTMENT OF STATE
WASHINGTON

June 3, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: Warren Christopher, Acting WC

SUBJECT: Export Tax Subsidy

Earlier this year, you recommended to the Congress that the Domestic International Sales Corporation (DISC) be repealed because it is not good tax policy and is not cost effective. Secretaries Blumenthal and Kreps have now sent you a memorandum advocating that the Administration stop fighting the uphill battle for outright repeal of DISC. Instead, they propose that the Administration negotiate with the Congress to obtain a new direct tax subsidy to promote exports, which would reduce the benefits (and tax revenue losses) of the present DISC program.

We have serious doubts about the wisdom of proposing a new tax credit for exports in a modified DISC, even though the proposal advanced by the Departments of Treasury and Commerce may well be more effective in stimulating exports. It is strongly in the U.S. interest to work for the elimination of export subsidies by other countries, and we are attempting to negotiate a code in the MTN which will obligate countries not to use export subsidies for industrial products. If we now propose a new export subsidy ourselves, it would signal a significant shift in our policy and undermine the credibility of our negotiating objective.

Since the Treasury-Commerce proposal has serious implications for trade policy, the Department of State believes that you should defer a decision on the proposal pending further review by the Export Policy Task Force and the Economic Policy Group, together with Bob Strauss.