6/22/78

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THE WHITE HOUSE
WASHINGTON

To Peter

Why?

JC

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White House and U.S. Drug Agency Disagree on Curb on 'Angel Dust'

WASHINGTON, June 21 (UPI)—Dr. Peter Bourne, the White House drug adviser, told Congress today that the Carter Administration opposed legislation to control the manufacture and distribution of PCP, the "angel dust" that causes 100 drug deaths a year.

Peter Bensinger, head of the Drug Enforcement Administration, disagreed, calling for laws increasing the criminal penalties for unauthorized manufacture, distribution or possession with intent to distribute PCP, for pentrachlorophenol.

Dr. Bourne, special assistant to President Carter for drug abuse, told a joint hearing of the Senate drug and alcoholism subcommittees that the Administration opposed such legislation and also objected to requiring positive identification of persons who purchase the chemicals used to make the drug.

101ST YEAR: THE FRESH AIR FUND

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Greek American 6/22/78

Earthquake

Cyprus settlement

- Suffering of Cypriots
- Refugees → home
- Withdrawal of troops 46→30
- UN 3212

Clerk Clifford → E. Med

Met ē leaders

30-35,000 → Varosha

Nicosia airport

Spirou - Alexandrides -

Cheokas - Geo Christopher

Petris - Galifanakis

Demas (NY)

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6-22-78

Energy vs Bonn Summit

Vance/Blumenthal OECD

Schmidt/Callaghan/Fukuda

—

↑ oil imports = $ ↓ = oil ↑

—

Limit oil/imp = FRG, GOJ

growth ↑ GB, to protect ↓

—

No limit, unity ↓ Summit (-)

pressure, infl ↑

US deficits ↑

—

Statement US oil price

= world price in 1980

Legis or admin action

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8:30 AM

THE WHITE HOUSE

WASHINGTON

June 21, 1978

MEETING WITH CHAIRMEN'S REPRESENTATIVES
Thursday, June 22, 1978
8:30 a.m. (10 minutes)
The Mess

From: Frank Moore F.M./pd

I. PURPOSE

To greet the group and thank them for their help.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: The Chairmen's Representatives is a group formed about five years ago for the purpose of bringing together on a regular basis the top committee and personal staff members of chairmen of standing Senate committees. At the time, Democrats were split along regional and philosophical lines and donnybrooks occurred frequently with the main rivals being southern and northern Democrats. To a considerable extent many of these battles could have been avoided through better communication among key Senate staffers.

The group has functioned exceedingly well and is achieving its purpose to a large degree. They meet every Friday morning for breakfast and a talk by a guest speaker. In the last 18 months virtually every cabinet secretary and senior White House adviser has met with the group to discuss Administration programs.

You may recall meeting with the group when you were Governor of Georgia. Dan Tate of my staff was one of the founders of the group.

B. Participants: The President, Members of the Chairmen's Representatives (40-50), Frank Moore, Dan Tate, Bob Thomson

C. Press Plan: White House Photo (We would like a photograph of the President shaking hands with each person.)

III. TALKING POINTS

A. The last time I met with the Chairmen's Representatives was in 1974 when I was Governor of Georgia and was charged by the DNC with seeing that Democrats were elected. We met in the Vandenberg Room in the Capitol and I asked for your help and your suggestions as to how I could do a better job. I am no longer Governor, of course, and we are meeting in a different room today, but I still need your help and suggestions.

B. I am personally aware of the good work of your group, not through any rigid structure but through informal discussions of competing points of view inside and outside the Senate. I think that the good work of your group is evidenced by the fact that today public confrontations between committee chairmen and between Senate committees are virtually nonexistent.

C. Frank, Dan, and Bob talk with each of you on a regular basis and we are all grateful for your willingness to listen to our views and to help out when possible. We will be calling on you more and more and look forward to working even more closely both individually and collectively in the future.

THE WHITE HOUSE
WASHINGTON

June 22, 1978

Jerry Rafshoon

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

Rick Hutcheson

cc: Jody Powell
Phil Wise
Fran Voorde

TIME INTERVIEW

THE WHITE HOUSE
WASHINGTON

6/21/78

Mr. President:

Phil has no comment. Jody strongly concurs.

Rick

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C

THE WHITE HOUSE

WASHINGTON

June 19, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JERRY RAFSHOON JR

As you know, we have been doing background briefings on budgetary restraint and the anti-inflation drive. We have met with the New York Times, the Wall Street Journal, the Los Angeles Times, and Time magazine using McIntyre, Strauss Cutter, Moore and Stu as briefers.

I have approached TIME for a cover using inflation and Carter "holding the line" as major themes. Bob Ajemian, TIME's new bureau chief, is very favorable to it and I would like him to have an interview with you on either Tuesday or Wednesday, June 27 or 28. He would discuss the budget and anti-inflation to cap the story and would also do a mood piece on you. He asked what frame of mind you're in given your problems and I briefed him -- calm, not upset, determined to get control, very sure of what you're doing.

This could be a good thing for us.

It would require 30 - 45 minutes and could generate much.

✓ Agree _____ Disagree

J

ID 783173

THE WHITE HOUSE

WASHINGTON

DATE: 19 JUN 78

FOR ACTION: JODY POWELL — strongly Concurs FRAN VOORDE

PHIL WISE \ NC

INFO ONLY: THE VICE PRESIDENT HAMILTON JORDAN

TIM KRAFT

SUBJECT: RAFSHOON MEMO RE INTERVIEW WITH TIME MAGAZINE -- ARTICLE ON ANTI-INFLATION DRIVE

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

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

+ BY: 1200 PM WEDNESDAY 21 JUN 78 +

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

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

22 June 1978

MEMORANDUM FOR BOB STRAUSS
CHARLIE SCHUTLZE

Re: Your Memo Entitled,"
Railroad Wage Negotiations"

The President reviewed your memorandum of June 20 on the above-referenced subject and commented: "I'll meet if you think it necessary, but it seems to be a mistake to put all our prestige on the line for 1% or 2% difference over 3 years. For Ray & Bob to ask labor to accept the low figure (maybe publicly) seems to me better than for me to get into it."

Rick Hutcheson
Staff Secretary

cc: Secretary Ray Marshall
Stu Eizenstat
Landon Butler
Phil Wise
Fran Voorde

THE WHITE HOUSE
WASHINGTON

Patti: type memo to Strauss and Schultze, cc: SE, Marshall, Butler, Wise/Voorde

with President's note on p 5

Rick

THE WHITE HOUSE
WASHINGTON

6/22/78

Mr. President:

Jody supports the Strauss/ Schultze recommendations, and recommends a meeting.

Phil Wise has no comment.

Comments from Eizenstat, Marshall and Butler are attached.

Rick

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ADMINISTRATIVELY CONFIDENTIAL

ADMINISTRATIVELY CONFIDENTIAL

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 20, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Bob Strauss per CLS
Charlie Schultze CLS

SUBJECT: Railroad wage negotiations

A bargaining association of railroad managements has been negotiating with 16 railroad unions on a new labor contract to replace the one that expired last December. Both wages and work rules are at issue.

Management's last offer would provide wage increases of 29.4 percent over the three-year period of the contract (a fixed series of wage increases plus the estimated effect of cost-of-living allowances). Some work rule changes desired by management are being hammered out. They can be viewed as a partial offset to the money-wage increases. Another major work rule issue, relating to the size of train crews ("crew consist") is being bargained separately.

We believe it is essential to our anti-inflation program -- for both substantive and credibility reasons -- that the wage and fringe increase in this contract not exceed 30 percent over the three-year period. The rail contract is a bridge between the "old" round of 32-35 percent major union settlements in 1976-1977, and our objective of settlements in the 20 to 25 percent range for the new 1979 round, beginning with the Teamsters.

Some railroad chief executives have asked for our views on whether they should resist any further concessions beyond their last offer. We believe -- and can quickly make sure -- that with a strong signal from us, they will stand firm. On the other hand, if nature takes its course, the ultimate settlement is likely to be in the neighborhood of 32 percent -- no deceleration at all.

If we simply stand aside, and allow a settlement in the 32 percent range to take place, we will be seen as unwilling to take on a difficult problem when it comes to labor contracts. Our ability to influence the new round of 1979 settlements will be sharply eroded.

Implications:

We cannot urge railroad management to stand firm unless we are willing to take a number of specific steps ourselves. We have to assure them we will stay with it all the way, and not bring pressure on them later to agree to a larger settlement. The Railway Labor Act provides a series of complex procedures for mediation and government intervention in railroad labor disputes.

1. Once the Railway Mediation Board decides that the parties are deadlocked, it declares an impasse. Thirty days must elapse before a strike can occur.

2. During that period, the President is empowered to name a Fact-Finding Board, which must weigh the facts and make recommendations within another thirty days.

3. After the report of the Fact-Finding Board is received, still another thirty days must elapse before a strike can occur.

4. If one or more of the 16 unions still refuse to settle, the issue invariably goes to the Congress, since a widespread rail strike is deemed intolerable. On four occasions in the past 20 years the Congress has had to intervene to impose a settlement. The Congress has sometimes imposed a settlement close to the recommendations of the Fact-Finding Board, but sweetened toward the labor side, and at other times ordered compulsory arbitration.

If you decide we should signal management to stand firm, the Administration would have to follow through with a number of actions:

First, you should call in Al Chesser, head of the United Transportation Union (the largest of the 16 unions, representing the brakemen, firemen, and other operating personnel except engineers) and try to persuade him to accept management's last offer.

Because the "crew consist" settlement will almost certainly pay the brakemen and firemen substantial bonuses for an agreement to reduce crew sizes (through attrition), Chesser may be less interested in the size of the general pay package. Moreover, Chesser feels a great loyalty to Conrail -- he worked hard for its formation -- and would be worried about jeopardizing its financial stability. If

he should agree to a settlement, the Fact-Finding Board would be likely to recommend the same settlement for other unions.

Second, if some or all of the unions refused to settle -- as is quite likely -- you would then have to appoint one or more Fact-Finding Boards. (There may be as many Boards as there are separate disputes, depending upon the Railway Mediation Board's judgment of the issues involved.) It would then be critical to appoint a Board, or Boards, which would give weight in its recommendation to the inflationary problem as well as the usual labor relations problems. In order to keep an ultimate settlement under the 30 percent figure, the Board(s) would have to make recommendations very close to the management's last offer. You would almost certainly have to make a public statement, when appointing the Board, which stressed the central importance of restraining inflation, and would thereby indicate, in effect, that you were not neutral in your views about the desirable outcome.

Third, if the unions did not accept the recommendations of the Fact-Finding Board, we would have to win the fight in the Congress, where typically the unions have done well. We believe that in the present inflationary circumstances, the unions could not win in the Congress. Moreover, hourly earnings of railroad workers have risen 132 percent over the past ten years compared to 98 percent for the average worker. But the Administration would again have to "take sides" to get our point across.

At every stage of the process, we would have to work hard to keep the outcome very close to management's last offer, since there is little room for slippage.

It may seem like a long, diffcult, and risky process simply in order to get the three-year wage increase down from a likely 32 percent to a minimum 29-1/2 percent. But we believe the pros of making a stand outweigh the cons.

Pros

- Unless we intervene, we will get a settlement with no deceleration.
- We will be seen to have made no effort in the difficult area of labor settlements.
- A much more modest postal settlement -- which seems likely -- will not take the sting out of a high rail

settlement, because the postal unions are known to be in a weak position vis-a-vis the Federal government (we control the purse strings).

- o If we do not get the railroad settlement part way down to our longer term objectives, the job of dealing with the Teamsters, auto workers, and other unions in 1979 will be made much more difficult.

- o The economic arguments for wage moderation in this financially troubled industry are very strong, and we can made a strong case to the Fact-Finding Board.

- o If we lose -- i.e. the Fact-Finding Board or the Congress sweetens the settlement -- we will nevertheless have made a major public effort, and will at least have reduced the cost somewhat. And even if the wage settlement creeps slightly above 30 percent, the cost-reducing effects of the work rule changes could be credited against it.

Cons

- o Since management's last offer is already at the margin of an unacceptably high wage increase, there is little room for any further slippage or compromise; we could "lose" at any of the various stages; and in trying to win we could be seen as stiff-necked and uncompromising.

- o The time schedule set forth by the Railway Labor Act could put the issue before the Congress in mid-September, just before adjournment and elections. (But we could ask the Congress to provide for a three-month no-strike period and for arbitration; they wouldn't have to impose a settlement themselves).

Recommendation

We have sent a copy of this memo to Ray Marshall who will provide you with his own comments.

We recommend that you meet with Strauss, Eizenstat, Schultze, Bosworth, and Marshall to determine how we should proceed. We have asked Phil Wise to set aside time for such a meeting. If you decide that we should ask management to stand firm -- with all that may entail -- we think the decision should be made at a meeting with all the Administration participants present, so that we can proceed on a united front. It is also critical that a decision to resist the

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current direction of the settlement be based on an understanding and intention to proceed through all stages if necessary. Also unlike coal, we cannot proceed without a full realization of future implications.

We need to act soon. If management makes a new offer, it will be too late.

Approve meeting with Strauss, Bosworth, Eizenstat, Marshall, and Schultze _____

Disapprove meeting, go ahead as outlined in the memo _____

Keep hands off the negotiations _____

I'll meet if you think it necessary, but it seems to be a mistake to put all our prestige on the line for 1% or 2% difference over 3 years. For Ray & Bob to ask Labor to accept the low figure (maybe publicly) seems to me better than for me to get into it. J.

EIZENSTAT

THE WHITE HOUSE

WASHINGTON

June 22, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT

SUBJECT: Railroad Wage Negotiations

I support the Strauss/Schultze recommendation even though there are obvious dangers in coming in at the tale-end of a labor negotiation in which we have not been involved, in order to save only 2 1/2 percent over three years. A strike may occur near the election time and victory is far from assured. This could be a "coal strike revisited." Moreover, with postal negotiations upcoming, where we are involved at an early stage and have a better chance of success, there is an early opportunity for a victory on the wage front. I believe Secretary Marshall shares these concerns.

Despite these negatives, if Strauss and Schultze believe, as they obviously do, that intervention is essential to give credibility to our inflation effort, I would not disagree with going along with the effort.

However, several points should be made:

First, you should not personally meet with Al Chesser of the United Transportation Union unless (as is unlikely) he is programmed to agree with you. You should not be put in the position of so personally intervening in a wage negotiation on one side. Also your prestige should not be risked for a situation on which Chesser may turn you down. Rather, Strauss and Schultze should be given your blessing and designated to meet with him.

Second, it is essential that the House and Senate leadership be briefed (Long, Cannon, Williams, Rooney, Staggers and Thompson) and be willing to be generally supportive of our efforts. Congress will ultimately have to back us up.

Third, we should focus on productivity issues as well as the size of the wage package. The key productivity issue is reducing the size of train crews. This issue is a matter of local rather than national bargaining, but the national union leaders can be either helpful or harmful in facilitating these local settlements. We should strongly encourage national leaders such as Chesser to commit to helping in the local productivity negotiations. In that way, the wage package will not be our only measure of success. You should be aware that our aggressive stance on the wage front may make cooperation on the productivity side more difficult.

Fourth, I hope we can find a visible price increase to jump on sometime soon so that labor does not perceive our inflation fight as calling solely for sacrifice by working Americans.

With these caveats, I would recommend that you approve the Strauss/Schultze recommendation. If you decide to have no meeting, you should get Ray's views and talk to him by phone if he strongly opposes the recommendation. A brief meeting would be better since this is an important issue which should be made only with a full awareness of the consequences. You may also wish to solicit Brock Adams' views.

MARSHALL

ADMINISTRATIVELY CONFIDENTIAL

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

June 21, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Ray Marshall

SUBJECT: Railroad Negotiations

The purpose of this memorandum is to outline my concerns over the proposed intervention in the railroad negotiations. I recommend against this intervention. As we have discussed before, interference with the collective bargaining process always has considerable risks and we should as a general policy avoid it. But if because of inflation it is judged necessary for us to intervene we should do so only when we can begin at a very early stage in the process. It might, for example, be possible to effect by means of a careful intervention policy the size of the Teamsters and Postal settlements. I would be willing to undertake such efforts if you wish. The railroad negotiations, however, are much too far along for the intervention to have a reasonable chance of success. You should consider the following in reaching a decision on this matter:

1) According to confidential information from the National Mediation Board, the companies offer currently on the table is about 31.5 percent without fringes and discussions have been underway on an offer of 32.5 percent. To attempt to backtrack on these negotiations would be very difficult for the unions. According to George Ives, Chairman of the NMB, they are, in fact, unlikely to accept a smaller settlement without a prolonged strike.

2) Intervention at this stage would appear to the unions to be one-sided. It might set up a contest which the union leaders would either have to "win" or risk political defeat within the union.

3) There is considerable doubt that Al Chesser could be talked into accepting a settlement for less than 30 percent. Even if this could be done he probably could not talk the other unions into following him. He might even have difficulty talking his own union into accepting such a policy.

4) Appointing Emergency Boards at this stage that would recommend a settlement close to the management offer would result in almost certain union rejection and might also discredit the railroad mediation procedure.

5) The assertion that Congress would be likely to legislate a settlement at or below the last management offer is open to serious question. The political power of the rail unions has traditionally been used in a highly targetted fashion--they don't ask for much but they often get what they ask for.

6) If a strike occurs because of the National Mediation Board's failure to settle at this time, it could occur just before the November elections (90 days from tne NMB's proffer of arbitration) - though we might be able to postpone until early December. After the Railway Labor Act procedures are exhausted, Congressional action usually is required to end strikes.

I will, of course, do all I can to get the unions to cooperate with us if you decide that we should attempt to hold the rail settlement at below 30 percent. I do, however, have grave doubts concerning the wisdom of combatting inflation by intervening in collective bargaining disputes. If we decide to take the risks inherent in intervention there are clearly right ways and wrong ways to do it. The suggested intervention in the railroad negotiations is the wrong way. The probability of success is simply too small. In fighting inflation we should pick visible targets where we have a good chance of success.

BUTLER

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO RICK HUTCHESON

FROM: LANDON BUTLER

DATE: JUNE 21, 1978

SUBJECT: STRAUSS/SCHULTZE MEMO

I have two comments:

1) I think this approach could be extremely risky unless we are on the offensive when the President makes his case.

If the perception is that the President is interfering in the collective bargaining procedure simply to reduce the three year wage increase from a likely 32% to a minimum 29.5%, then we are paying a high political price for an effort that we may well lose anyway.

If, on the other hand, we ask the unions to simply reduce their demands from the 32% to 29.5% in order to support the President in his deceleration effort, then the onus is on the labor movement to cooperate.

In the first situation the glass is half empty, in the second situation the glass is half full. But the difference is important -- we must not allow ourselves to be put on the defensive.

2) I am sure that Ray will stress the importance of consulting early with our friends in the labor movement. As painful as it may be, we must try to explain to them why we are taking this approach. If we fail to consult ahead of time, they will have no choice but to blast us publicly and bitterly.

ID 783250 THE WHITE HOUSE

WASHINGTON

DATE: 21 JUN 78

FOR ACTION: STU EIZENSTAT - w/att would have cover memo

PHIL WISE

JODY POWELL attached

Ray Marshall - attached

LANDON BUTLER attached

FRAN VOORDE

HAMILTON JORDAN

INFO ONLY:

SUBJECT: ADMINISTRATIVELY CONFIENTIAL STRAUSS SCHULTZE MEMO RE RAILROAD WAGE NEGOTIATIONS

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

ACTION REQUESTED: IMMEDIATE TURNAROUND

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

PLEASE NOTE OTHER COMMENTS BELOW:

ID 788250

THE WHITE HOUSE

WASHINGTON

DATE: 21 JUN 78

FOR ACTION: STU EIZENSTAT — LANDON BUTLER

PHIL WISE — FRAN VOORDE

JODY POWELL — HAMILTON JORDAN

INFO ONLY:

SUBJECT: ADMINISTRATIVELY CONFIENTIAL STRAUSS SCHULTZE MEMO RE RAILROAD WAGE NEGOTIATIONS

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

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

+ BY: +

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

ACTION REQUESTED: IMMEDIATE TURNAROUND

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

PLEASE NOTE OTHER COMMENTS BELOW:

ID 788250 THE WHITE HOUSE

WASHINGTON

DATE: 21 JUN 78

FOR ACTION: STU EIZENSTAT LANDON BUTLER

PHIL WISE FRAN VOORDE

JODY POWELL HAMILTON JORDAN

INFO ONLY:

SUBJECT: ADMINISTRATIVELY CONFIENTIAL STRAUSS SCHULTZE MEMO RE RAILROAD WAGE NEGOTIATIONS

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

ACTION REQUESTED: IMMEDIATE TURNAROUND

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

PLEASE NOTE OTHER COMMENTS BELOW:

Need meeting — Sign on Eizenstat's comments in the memo.

Jody

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THE WHITE HOUSE

WASHINGTON

C

June 22, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN HJ.

SUBJECT: GOV. BROWN

As you requested, I spoke with members of Governor Brown's staff. Rex also issued a statement which they expect will be in the California papers this afternoon. Grey Davis reported back that they appreciated my call and they are satisfied with the response.

THE WHITE HOUSE

WASHINGTON

June 22, 1978

Frank Moore
Dan Tate

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

Rick Hutcheson

SEN. CHURCH -- TURKISH EMBARGO

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Dan - I told
him he was
free of any ob-
ligation because
of my misunder-
standing - He
will help us

F

MR. PRESIDENT, I TALKED WITH SENATOR CHURCH YESTERDAY AFTERNOON, AND HE SAID HE HONESTLY FELT HE NEVER TOLD YOU HE WOULD BE EITHER THE OR A LEADER IN THE TURKISH EMBARGO FIGHT. I STUCK IT TO HIM RESPECTFULLY BUT FIRMLY THAT YOU HAD A DIFFERENT RECOLLECTION.

LAST NIGHT (4 HOURS LATER) HE CALLED ME ASIDE AND ASKED ME TO TELL YOU PERSONALLY THAT HE WOULD ABIDE BY YOUR UNDERSTANDING OF ~~THE~~ CONVERSATION -- HE DID NOT CONCEDE THAT HE FELT YOUR RECOLLECTION

IS ACCURATE -- IN THE INTEREST OF PROVING TO YOU HIS GOOD FAITH AND TO AVOID ANY FURTHER FEELING IN SEVERAL QUARTERS THAT HE IS UNDER-CUTTING YOU.

RECOMMENDATION: THAT WE NOT HOLD HIM TO HIS PROMISE OF LAST NIGHT. HE WOULD BE A HALF-HEARTED LEADER IN THE EMBARGO FIGHT AND WOULD HARBOR A GRUDGE OF SORTS FOR [redacted]. MONTHS, PERHAPS YEARS.

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THE WHITE HOUSE

WASHINGTON

June 22, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
LYNN DAFT

SUBJECT: Fall-out from Decision to Increase Meat Imports

Since the announcement on June 8th of your decision to increase beef imports an additional 200 million pounds for the remainder of this year, livestock prices have fallen precipitously. On June 8th the August cattle futures closed at $55.52 per hundredweight, off from a high of $60.95 on May 26th. Today they closed at $49.60. (See attached charts and tables).

Most of this price decline is unrelated to the increased imports. The USDA has been telling us for sometime that the cattle market was overpriced and would eventually have to go through an adjustment. In addition, the Department issued a report on June 13th that showed more cattle on feed than had been expected. In addition, it now appears that packers and retailers bought heavily prior to Memorial Day and that they are now merchandising out of inventory.

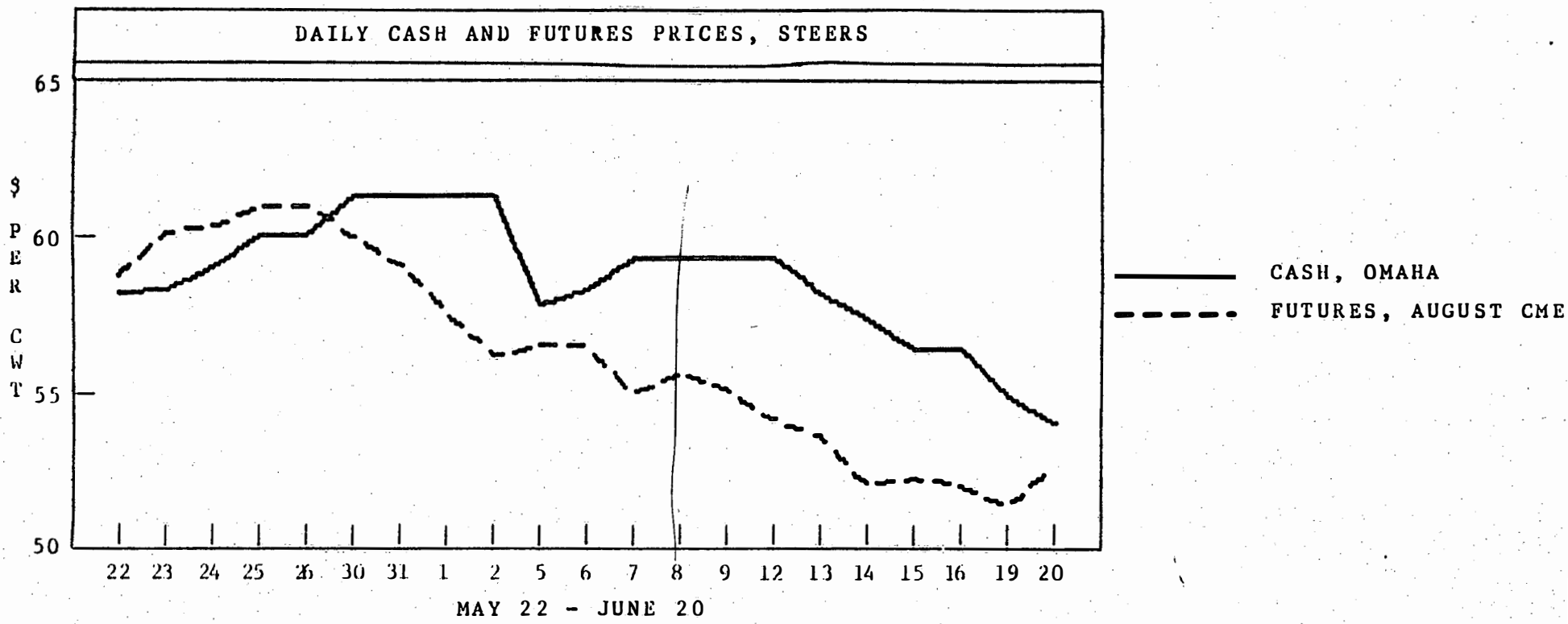
Despite these factors, most cattle producers feel that the decision to allow more beef imports is responsible for undercutting a strong recovery. In addition, they feel that the Administration either does not understand their industry or does not care about it. This feeling is being echoed in the press and on Capitol Hill.

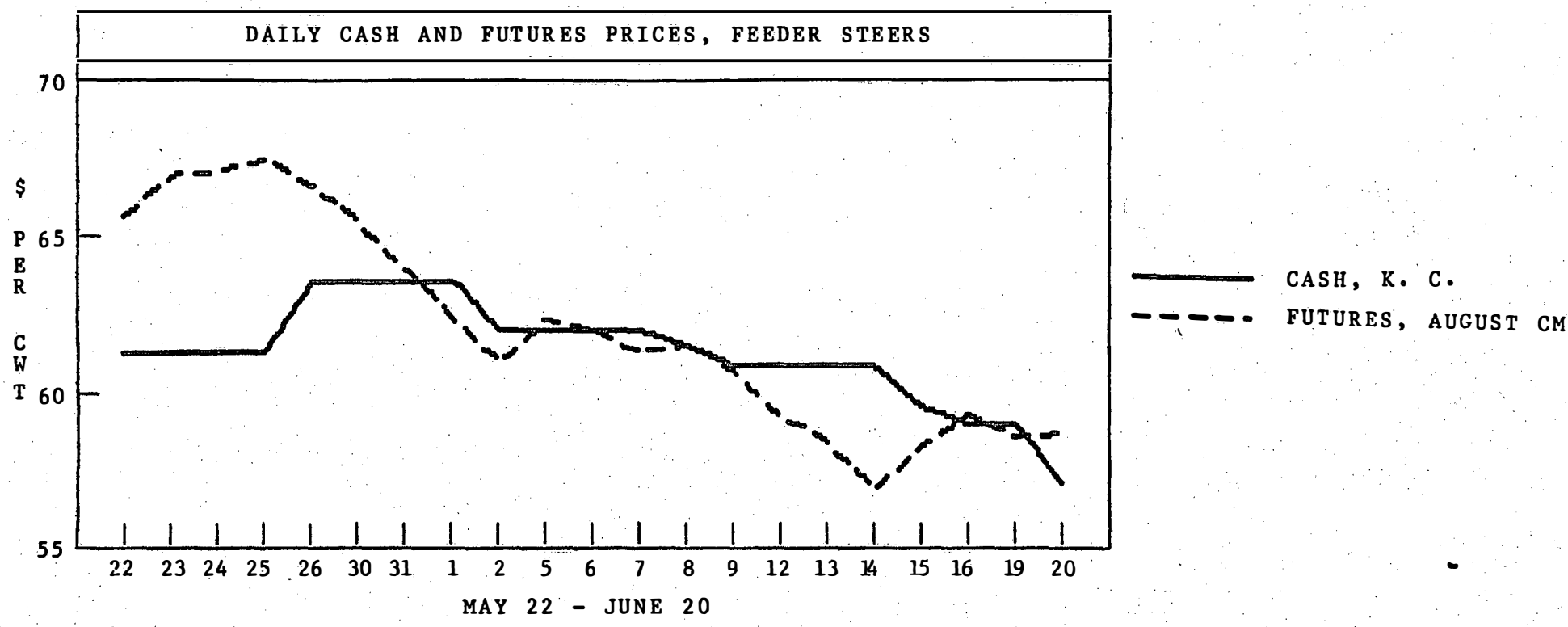
Recommendation

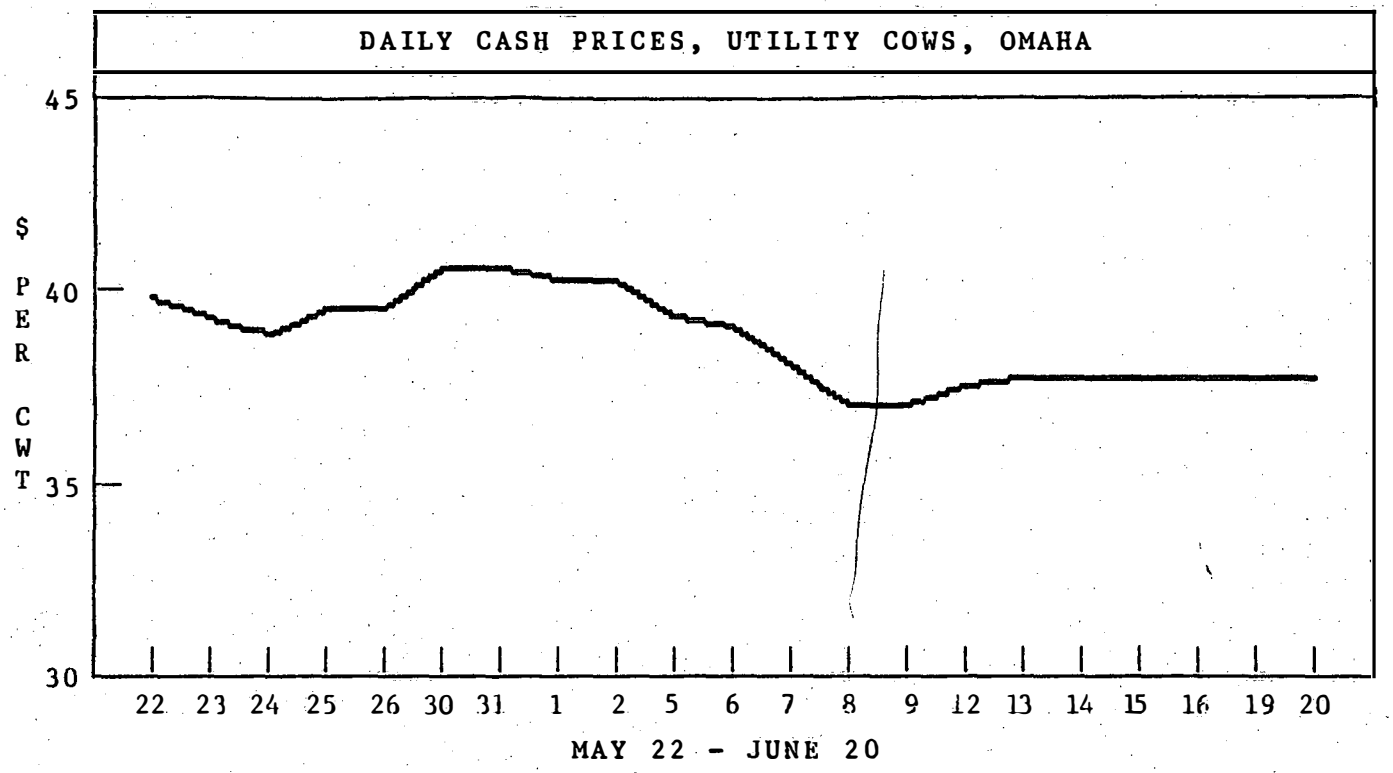
There are a couple actions that could be taken to help correct this:

- Meet with representatives of the cattle industry as soon as possible, perhaps during your trip to Texas, to reassure them of your concern for their situation and your continued support for industry recovery. Psychologically this could be very important.

- Indicate Administration interest in devising a countercyclical provision for the Meat Import Act that would do a better job of evening-out supplies. We opposed the Bentsen Bill and various other legislative measures because they had the effect of further restricting meat imports over a complete cycle. We are convinced that a formula could be devised that would be truely countercyclical without being restrictive.


DAILY CASH AND FUTURES PRICES, STEERS
65
60
55
50
$ PER CWT
22 23 24 25 26 30 31 1 2 5 6 7 8 9 12 13 14 15 16 19 20
MAY 22 - JUNE 20
CASH, OMAHA
FUTURES, AUGUST CME


DAILY CASH AND FUTURES PRICES, FEEDER STEERS
70
65
60
55
$ PER CWT
22 23 24 25 26 30 31 1 2 5 6 7 8 9 12 13 14 15 16 19 20
MAY 22 - JUNE 20
CASH, K. C.
FUTURES, AUGUST CM


DAILY CASH PRICES, UTILITY COWS, OMAHA
45
$ PER CWT
40
35
30
22 23 24 25 26 30 31 1 2 5 6 7 8 9 12 13 14 15 16 19 20
MAY 22 - JUNE 20

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THE WHITE HOUSE
WASHINGTON

National Anthem
"
#4 1/2
Monday - 6/26
1:20 - 4:00
DUE - 7/4/78
Yvonne

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Hawaii can wait!

Paramount

KB Cinema

Warner

Beatty

D.C.

Commodities specified: Average wholesale price at stated markets, selected days, June, 1976-June, 1978

Month and day	Wheat #1	CHICAGO		OMAHA			KANSAS C.	NEW YORK		CHICAGO		DECATUR
	HD. Winter Kansas City	Corn Yellow No. 2	Soybean Yellow No. 1	Barrows & gilts U.S. 1-3 220-240 lbs.	Steers Choice 900 1.100	Cows Utility	Feeder Cattle Choice 6-700 lb.	Eggs, Fancy Large Grade A	Broilers plant grade 1/	Butter 92 score;	Cheese 40-lb. block	Soybean meal 44% protein bulk Decatur
1976	$/bu.	$/bu.	$/bu.	$/bu.	$/cwt	$/cwt	$/cwt	¢/doz.	¢/lb.	¢/lb.	¢/lb.	$/ton
June 15	3.71	2.94	6.43	52.25	40.62	26.25	44.50	61.50	44.25	92.25	---	197.00
1977												
June 15	2.26	2.23	7.94	44.00	39.12	22.88	38.50	55.00	46.00	---	113.88	244.50
1978												
May 15	3.18	2.58	7.19	51.13	57.13	39.75	60.50	56.00	47.00	---	---	178.50
June 1	3.16	2.58	7.21	50.13	61.25	40.25	63.50	49.00	50.25	106.71	===	180.00
2	3.11	2.54	6.86	49.38	61.25	40.25	62.00	48.00	51.50	106.71	---	170.50
5	3.16	2.57	6.94	49.38	57.75	39.25	62.00	48.00	52.00	---	---	172.00
6	3.17	2.56	6.82	50.40	58.25	39.00	62.00	48.00	52.50	106.71	---	168.50
7	3.13	2.52	6.71	50.40	59.25	38.00	62.00	48.00	52.50	---	c119.50	167.50
8	3.13	2.51	6.75	49.13	59.25	37.00	61.50	48.00	52.50	106.71	---	167.00
9	3.08	2.50	6.78	49.25	59.25	37.00	60.75	48.00	52.50	106.71	---	168.00
12	3.03	2.51	6.81	50.25	59.25	37.50	60.75	48.00	52.50	---	---	170.00
13	3.03	2.51	6.74	49.75	58.00	37.75	60.75	49.00	52.50	106.71	---	168.50
14	3.03	2.53	6.53	49.12	57.25	37.75	60.75	49.00	52.00	---	119.50	163.00
15	3.06	2.49	6.59	49.25	56.25	37.75	59.50	50.00	52.00	106.71	---	165.00
16	3.22	2.49	6.73	49.75	56.25	37.75	59.00	50.00	52.00	106.71	---	167.50
19	3.16	2.53	6.79	48.75	54.75	37.75	59.00	50.00	52.00	---	---	168.50
20	3.16	2.56	6.87	48.25	54.00	37.75	57.00	51.00	52.50	106.71	---	169.50
21												

Commodities specified: Closing Futures prices at stated markets, selected days, June, 1976-June 1978

Month and day	CHICAGO WHEAT (CBT) July per. bu	WHEAT (CBT) Dec. per bu.	CORN (CBT) July per bu.	CORN (CBT) Dec. per bu.	SOYBEANS (CBT) July per bu.	SOYBEANS (CBT) Nov. per bu.	HOGS (CME) June per cwt	HOGS (CME) July per cwt	CATTLE (CME) June per cwt	CATTLE (CME) Aug. per cwt	NEW YORK COTTON (CTN) July per lb.	COTTON (CTN) Dec per lb.
1976	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Cents	Cents
June 15	3.60	3.80	2.90	2.79	6.58A	6.68A	52.02	51.77A	42.22	46.08	76.08A	73.70A
1977												
June 15	2.40	2.58	2.33	2.40	8.06A	7.10	45.58	45.15	39.58	39.28	59.85	59.08
1978												
May 15	3.22	3.21	2.62	2.58	7.38	6.24	54.77	55.90	57.87	57.05	60.60	63.64
June 1	3.26	3.36	2.65	2.69	7.32	6.68	53.55	53.75	59.47	57.42	59.03	62.63
2	3.24	3.31	2.61	2.64	7.03	6.45	52.05	52.25	57.95	55.92	58.09	62.20
5	3.30	3.39	2.64	2.67	7.06	6.57	53.30	53.72	58.48	56.45	58.87	62.96
6	3.29	3.37	2.63	2.67	6.94	6.48	52.75	52.87	58.62	56.20	58.95	63.09
7	3.25	3.32	2.59	2.63	6.82	6.43	52.07	51.65	57.70	54.87	59.49	63.61
8	3.25	3.32	2.58	2.62	6.87	6.47	52.22	51.82	58.52	55.52	59.35	63.51
9	3.18	3.24	2.56	2.60	6.90	6.37	52.52	52.50	58.42	54.97	58.95	63.04
12	3.11	3.18	2.58	2.63	6.93	6.31	52.90	52.57	58.30	53.95	59.77	63.77
13	3.10	3.19	2.58	2.62	6.86	6.24	51.66	51.20	56.94	53.40	59.59	63.50
14	3.09	3.19	2.56	2.58	6.65	6.18	51.65	50.65	55.45	51.90	60.28	64.21
15	3.13	3.22	2.54	2.56	6.71	6.15	52.35	51.75	54.90	52.15	61.44	64.78
16	3.21	3.29	2.53	2.54	6.78	6.16	51.80	50.77	55.67	51.90	61.13	64.58
19							50.92	49.27	55.42	51.20		
20							50.57	49.65	56.15	52.60		

Closing prices: B-bid; a-Asked; n-Nominal,
1/ Market due to election.

Commodities specified: Average wholesale price at stated markets, selected days,

May- 1976 - May - 1978

Month and day	Wheat #1: Hd. Winter Kansas City	CHICAGO: Corn Yellow No. 2	CHICAGO: Soybeans Yellow No. 1	OMAHA: Barrows & gilts U.S. 1-3 220-240 lbs.	OMAHA: Steers Choice 900 1.100	OMAHA: Cow Utility	KANSAS C.: Feeder Cattle Choice 6-700 lb.	NEW YORK: Eggs, Fancy Large Grade A	NEW YORK: Broilers plant grade 1/	CHICAGO: Butter 92 score	CHICAGO: Cheese 40-lb. block	DECATUR: Soybean meal 44% protein bulk Decatur
	per bu.	per. bu.	per.bu.	per cwt.	per cwt.	per cwt.	per cwt.	per doz	per lb.	per lb.	per lb.	per ton
1976	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Cents	Cents	Cents	Cents	Dollars
May 14	3.66	2.90	5.19	49.12	40.12	31.25	43.25	63.54	44.50	5/89.75	5/110.50	154.50
1977												
May 16	2.37	2.38	9.92	43.00	42.00	26.50	41.50	56.00	42.00	---	---	256.50
1978												
Apr. 14	3.23	2.52	7.17	46.25	51.75	36.00	54.75	60.00	48.50	104.48	---	178.00
May 1	2.98	2.47	7.00	47.13	53.50	38.00	56.50	52.00	42.00	---	---	172.00
2	2.97	2.45	6.99	48.13	53.50	37.75	56.50	52.00	42.50	106.71	---	172.50
3	2.96	2.47	6.94	49.00	53.50	37.25	56.50	52.00	44.00	---	119.50	170.50
4	2.99	2.52	6.98	48.13	53.50	37.25	56.50	52.00	44.00	106.71	---	173.50
5	3.00	2.54	7.07	48.38	53.50	37.25	56.50	52.00	43.00	106.71	---	174.50
8	2.98	2.51	6.90	48.50	54.50	38.00	57.50	52.00	46.00	---	---	173.50
9	2.99	2.53	6.96	48.12	54.88	38.75	57.50	55.00	47.50	106.71	---	175.50
10	2.99	2.53	7.04	48.88	55.25	39.75	57.50	55.00	45.50	---	119.50	174.00
11	3.04	2.59	7.05	48.75	55.68	39.75	57.50	c56.00	c48.00	106.71	---	175.00
12	3.10	2.55	7.13	49.38	55.63	39.75	57.50	56.00	48.00	106.71	---	175.50
15	3.18	2.58	7.19	51.13	57.13	39.75	60.50	56.00	47.00	---	---	178.50
16	3.17	2.57	7.12	50.75	57.38	39.75	60.50	56.00	46.50	106.71	---	178.50
17	3.19	2.58	7.05	50.75	57.75	39.75	60.50	56.00	46.00	---	119.50	178.50
18	3.19	2.59	7.12	50.75	57.75	39.75	60.50	54.00	46.50	106.71	---	177.00
19	3.20	2.58	7.05	50.25	57.75	39.75	60.50	54.00	47.50	106.71	---	179.00
22	3.19	2.58	7.02	49.75	58.13	39.75	61.25	54.00	48.00	---	---	177.50
23	3.25	2.64	7.11	50.50	58.25	39.25	61.25	50.00	48.50	106.71	---	179.00
24	3.24	2.63	7.07	50.25	59.00	38.75	61.25	50.00	48.50	---	119.50	177.50
25	3.26	2.68	7.34	50.38	60.00	39.50	61.25	50.00	49.00	106.71	---	184.50
26	3.21	2.66	7.23	51.25	60.00	39.50	63.50	50.00	49.00	106.71	---	182.05
29	Holiday											
30	3.29	2.66	7.33	50.75	60.25	40.50	63.50	50.00	50.00	106.71	---	181.00
31	3.23	2.62	7.25	50.00	60.25	40.50	63.50	49.00	50.00	---	119.50	181.50

Commodities specified: Closing futures prices at stated markets, selected days;

May 1976 - May May 1978

Month and day	CHICAGO WHEAT (CBT) July	WHEAT (CBT) Dec.	CORN (CBT) July	CORN (CBT) Dec.	SOYBEANS (CBT) July	SOYBEANS (CBT) Nov.	HOGS (CME) June	HOGS (CME) July	CATTLE (CME) June	CATTLE (CME) Aug.	NEW YORK COTTON (CTN) July	COTTON (CTN) Dec.
	per bu.	per. bu.	per bu.	per. bu.	per. bu.	per. bu.	per. cwt.	per. cwt.	per cwt	per cwt	per lb.	per lb.
1976	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	cents	cents
May 14	3.58	3.78	2.88	2.70	5.27	5.37	49.72A	49.17A	42.80	43.92A	66.82	64.84
1977												
May 16	2.52	2.68	2.40	2.47	9.78	7.28	44.65	45.56	43.64	42.82	72.82	66.85
1978												
Apr. 14	3.22	3.25	2.59	2.55	7.36	6.38	48.17	52.70	53.72	52.02	57.49	60.97
May 1	3.01	3.04	2.49	2.42	7.34	6.06	52.55	52.90	54.20	53.95	57.40	61.87
2	2.96	2.99	2.47	2.43	7.21	6.03	52.75	53.15	53.77	53.55	56.80	61.44
3	2.94	2.98	2.47	2.44	7.14	6.10	52.22	52.75	54.27	53.90	56.80	61.50
4	2.97	3.00	2.51	2.48	7.17	6.14	52.22	52.80	54.90	54.47	57.40	61.73
5	3.00	3.03	2.54	2.52	7.28	6.17	52.12	52.65	55.55	54.95	57.80	61.88
8	2.99	3.00	2.51	2.48	7.08	6.11	52.65	52.85	55.20	54.22	58.07	62.90
9	3.02	3.03	2.53	2.50	7.16	6.19	53.80	54.32	56.27	55.35	60.05	63.05
10	3.03	3.04	2.53	2.51	7.19	6.22	53.77	54.45	55.90	55.02	59.67	62.76
11	3.08	3.08	2.57	2.55	7.26	6.20	54.05	54.57	56.55	55.65	60.47	63.66
12	3.12	3.12	2.57	2.53	7.33	6.23	54.60	55.55	56.87	55.90	60.62	63.75
15	3.22	3.21	2.62	2.58	7.38	6.24	54.77	55.90	57.87	57.05	60.60	63.64
16	3.21	3.21	2.63	2.56	7.28	6.30	56.05	57.10	58.65	57.75	60.85	63.94
17	3.20	3.22	2.63	2.58	7.16	6.29	55.47	56.20	57.90	56.90	62.35	64.40
18	3.25	3.22	2.64	2.59	7.29	6.31	54.85	55.62	58.82	57.80	62.27	65.43
19	3.26	3.22	2.62	2.57	7.29	6.33	55.37	56.30	60.20	59.15	61.69	64.85
22	3.23	3.31	2.57	2.57	7.07	6.30	54.32	55.15	59.82	58.70	61.43	64.62
23	3.34	3.41	2.63	2.66	7.16	6.42	55.50	56.95	61.07	60.12	61.07	64.19
24	3.29	3.40	2.62	2.66	7.13	6.43	55.30	56.37	61.25	60.25	60.82	64.02
25	3.33	3.43	2.67	2.72	7.39	6.59	55:20	56.65	61.80	60.90	61.42	64.72
26	3.33	3.43	2.67	2.72	7.35	6.56	55.05	56.87	61.97	60.95	60.84	6420
29	Holiday				Holiday					Holiday		
30	3.39	3.49	2.70	2.74	7.45	6.77	54.07	55.05	61.25	59.90	60.62	63.97
31	3.32	3.42	2.68	2.73	7.37	6.79	52.90	54.52	60.97	58.92	60.42	63.78

Closing prices: B-bid; a-asked; n-nominal

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THE WHITE HOUSE

WASHINGTON

June 22, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE FM.

I have just spoken with Les Francis. The Post Office and Civil Service Committee will reconvene this afternoon at 2:30. Their schedule, however, has changed. They will work on senior executive service and do not expect to get to veterans preference until Tuesday. It would be useful to make 3 calls today on senior executive service and veterans preference. However, it is no longer urgent.

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Avg farmer survive

Ask for 61% parity

55% US sugar in US mkt

20% subsidy

1978 14¢

79 15+

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9:45 AM

THE WHITE HOUSE

WASHINGTON

MEETING WITH SENATOR LONG
Thursday, June 22, 1978
9:45 a.m. (30 minutes)
The Cabinet Room

From: Stu Eizenstat

I. PURPOSE

To discuss the current impasse between Congress and the Administration over sugar policy.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: This meeting was requested by the six Senators who will be attending. Detailed background information is attached.

B. Participants:

Senator Long	Senator Matsunaga
Senator Church	Senator Anderson
Senator Haskell	Senator Stone
Congressman Foley	Congressman de la Garza
Secretary Bergland	Ambassador Strauss, STR
Stu Eizenstat	John White, DNC
Lynn Daft, DPS	Howard Hjort, USDA
Bill Cable & Jim Free	Jules Katz, State

C. Press Plan: White House photographer

III. TALKING POINTS

List attached.

SUGGESTED TALKING POINTS

- The major arguments in behalf of the Administration proposal are:
  - * For the producer, it offers the same level of price support (relative to cost of production) as provided producers of most other field crops.
  - * For the consumer/taxpayer, the direct payment approach is the most efficient, least inflationary means of providing price and income support.
  - * It is compatible with the ISA, which offers the most promising way of dealing with instability in the world market over the long-term.
- Our major criticisms of the Church/de la Garza bill are that:
  - * It is highly inflationary ... relative to the current program it would initially increase costs to domestic sweetner users by $700 million.
  - * A 17 cent level of support is geared to costs of the least efficient producers (see Tab A). The total average cost of production (assuming a 9 percent return on land at current value) in the U.S. this year is 15.3 cents. Also, 17 cents would provide sugar producers with a significantly higher level of support, relative to cost of production, than that provided producers of other crops.
  - * It would undermine the ISA in that it would establish a U.S. price floor at the midpoint of the ISA free price range (15 to 19 cents) that would be escalated above the ISA maximum (21 cents) by 1982.
- The best long term solution for Louisiana and Hawaii is to identify other economic activities and provide means by which human and capital resources now employed in sugar production can make an adjustment.
- The benefits of any price support program -- regardless of which scheme is used -- are going to be highly concentrated. Last year the 25 largest sugarcane farms in Florida and Hawaii accounted for 61 percent of total sugarcane production. In contrast, the 1,000 smallest sugarcane farms (mostly in Hawaii and Louisiana) accounted for less than 3 percent of production. Five Hawaiian firms received nearly $56 million under the payment program we operated last year. (See Tab B for number of farms by size and additional information regarding the distribution of benefits.

- Most sugarbeet producers can shift to alternative crops with a minimum of trouble. Historically, producers have shifted in and out of production, depending on the relative attractiveness of sugarbeet prices. It is instructive to note, in this regard, that acreage devoted to sugarbeets is expected to increase slightly this year, despite the low prices.

TABS A & B

Average Total Production Cost, 1978
(cents per pound, value)

Beets	Cane				National
All Areas	Florida	Louisiana	Hawaii	All Areas	Average
15.4	14.4	17.5	14.6	15.2	15.3

PERCENT OF BEET GROWERS HAVING COSTS AT OR BELOW SPECIFIED LEVELS

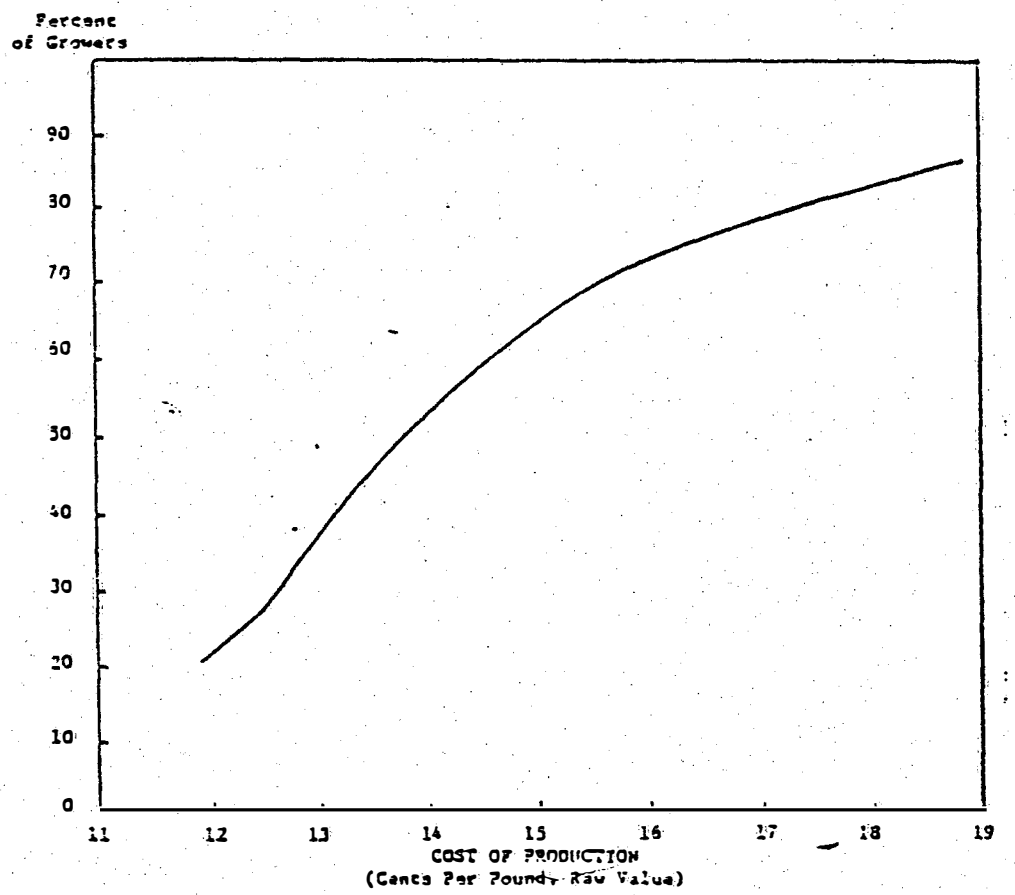


Table 1.--Number, acreage and production characteristics of sugarbeet farms by acres harvested, 1976/77 crop TAB B.

Acres harvested	Farm numbers	Harvested acreage	Sugar production 1/	Share of region total	Share of U.S. total
	(Number)	(Acres)	(1,000 tons)	------(Percent)------	
			REGION 1 (Michigan, Ohio)		
Less than 50.0	1,236	32,360	70.770	24.7	
50.0 - 149.9	762	62,089	135.788	47.5	
150.0 - 299.9	178	36,269	79.321	27.8	
300.0 - 499.9	0	0	0.0	0.0	
500.0 or more	0	0	0.0	0.0	
Total	2,176	130,718	285.879	100.0	8.2
			REGION 2 (Minnesota, North Dakota)		
Less than 50.0	28	1,111	1.738	0.3	
50.0 - 149.9	680	72,278	113.125	18.0	
150.0 - 299.9	722	157,509	246.523	39.2	
300.0 - 499.9	208	83,384	130.508	20.8	
500.0 or more	139	87,119	136.354	21.7	
Total	1,777	401,401	628.248	100.0	17.9
			REGION 3 (Colorado, Kansas, Nebraska, Wyoming)		
Less than 50.0	773	24,787	59.331	11.2	
50.0 - 149.9	1,201	97,064	232.337	43.9	
150.0 - 299.9	290	59,801	143.142	27.1	
300.0 - 499.9	83	30,680	73.437	13.9	
500.0 or more	14	8,626	20.647	3.9	
Total	2,360	220,958	528.894	100.0	15.1
			REGION 4 (Colorado, Kansas, Texas New Mexico)		
Less than 50.0	91	2,883	5.799	6.0	
50.0 - 149.9	158	13,738	27.639	28.6	
150.0 - 299.9	85	18,026	36.264	37.5	
300.0 - 499.9	12	4,865	9.788	10.1	
500.0 or more	12	8,551	17.202	17.8	
Total	358	48,063	96.692	100.0	2.7
			REGION 5 (North Dakota, Montana, Wyoming)		
Less than 50.0	160	5,293	13.538	5.7	
50.0 - 149.9	452	40,392	103.303	43.5	
150.0 - 299.9	146	29,127	74.492	31.3	
300.0 - 499.9	27	10,095	25.817	10.9	
500.0 or more	13	7,980	20.409	8.6	
Total	798	92,887	237.559	100.0	6.8

--continued

Table 1.--Number, acreage and production characteristics of sugarbeet farms by acres harvested, 1976/77 crop--continued

Acres harvested	Farm numbers	Harvested acreage	Sugar production 1/	Share of region total	Share of U.S. total
	(Number)	(Acres)	(1,000 tons)	(Percent)	
		REGION 6 (Idaho, Utah)			
Less than 50.0	816	20,238	48.456	19.3	
50.0 - 149.9	453	36,472	87.322	34.9	
150.0 - 299.9	76	13,195	31.592	12.6	
300.0 - 499.9	60	19,649	47.044	18.8	
500.0 or more	15	15,115	36.188	14.4	
Total	1,420	104,669	250.602	100.0	7.1
		REGION 7 (Idaho, Oregon, Washington)			
Less than 50.0	590	18,472	57.240	12.4	
50.0 - 149.9	693	60,324	186.932	40.5	
150.0 - 299.9	221	45,685	141.569	30.7	
300.0 - 499.9	29	10,393	32.206	7.0	
500.0 or more	15	14,079	43.627	9.4	
Total	1,548	148,953	461.574	100.0	13.2
		REGION 8 (Arizona, California)			
Less than 50.0	268	8,009	25.564	2.5	
50.0 - 149.9	626	62,481	199.436	19.6	
150.0 - 299.9	411	82,539	263.460	25.9	
300.0 - 499.9	232	90,745	289.652	28.5	
500.0 or more	72	74,638	238.239	23.5	
Total	1,609	318,412	1,016.351	100.0	29.0
		ALL REGIONS			
Less than 50.0	3,962	113,153	282.436	8.1	
50.0 - 149.9	5,025	444,838	1,085.882	31.0	
150.0 - 299.9	2,129	442,151	1,016.363	29.0	
300.0 - 499.9	651	249,811	608.452	17.3	
500.0 or more	280	216,108	512.666	14.6	
Total	12,047	1,466,061	3,505.799	100.0	100.0

1/ Total sugar production is based on 1971-75 average regional yield and 1974-76 average sugar content.

by acres harvested, 1977

Acres harvested	Farm numbers	Harvested acreage	Sugar production 1/	Percent of state production	Percent of four state production
	(Number)	(Acres)	(Tons)	(Percent)	
			FLORIDA		
Under 100	19	907	3,083	0.3	
100 - 500	60	17,467	59,388	6.1	
500 - 735	10	5,309	18,051	1.8	
735 - 1,000	7	6,248	21,243	2.2	
1,000 - 5,000	24	54,500	185,300	18.9	
5,000 - 10,000	5	31,658	107,637	11.0	
10,000 - 50,000	3	51,256	174,271	17.7	
Over 50,000	2	121,355	412,607	42.0	
Total	130	288,700	981,580	100.0	35.1
			HAWAII		
Under 240	496	3,930	40,872	3.9	
Over 240	15	96,270	1,001,208	96.1	
Total	511	100,200	1,042,080	100.0	37.2
			LOUISIANA		
Under 100	457	13,993	30,784	4.6	
100 - 500	493	90,618	199,360	30.0	
500 - 1,136	112	77,930	171,446	25.8	
1,136 - 2,000	23	33,582	73,880	11.1	
2,000 - 4,000	13	35,515	78,133	11.7	
4,000 - 10,000	3	17,046	37,501	5.6	
Over 10,000	2	33,933	74,653	11.2	
Total	1,103	302,617	665,757	100.0	23.8
			TEXAS		
Under 100	22	1,323	4,234	3.9	
100 - 500	68	12,719	40,700	37.6	
500 - 781	7	4,664	14,925	13.8	
781 - 1,000	5	4,518	14,458	13.4	
1,000 - 2,000	8	10,576	33,843	31.3	
Total	110	33,800	108,160	100.0	3.9
Four State total	1,854	724,496	2,796,795		100.0

1/ Based on 1977 acreage and 3 year average yields.

Hawaii: Recap of Sugar Price Support Payments made through May 1978

Agency and Company	Total payment to date 1/
Amfac, Inc.	
Kekaha Sugar Company, Ltd.	$ 2,696,844
The Lihue Plantation Company, Ltd.	4,266,410
Oahu Sugar Company, Ltd.	5,092,276
Pioneer Mill Company, Ltd.	2,849,305
Puna Sugar Company, Ltd.	3,031,456
Total Amfac	17,936,291
Alexander Baldwin, Inc.	
Hawaii Commercial and Sugar Company	10,720,834
McBryde Sugar Company, Ltd.	3,244,616
Total Alexander and Baldwin	13,965,450
C. Brewer and Company, Ltd.	
Olokele Sugar Company, Ltd.	1,752,878
Hilo Coast Processing Company	5,917,586
Ka'u Sugar Company, Inc.	2,838,841
Wailuku Sugar Company	1,542,010
Total C. Brewer	12,051,315
Castle and Cooke, Inc.	
Waialua Sugar Company, Inc.	3,833,115
Theo. H. Davies and Company, Ltd.	
Honokaa Sugar Company	3,880,326
Laupahoehoe Sugar Company	4,141,541
Total Theo. H. Davies	8,021,867
Bishop Trust Company	
Gay & Robinson	987,190
Total Hawaii	$56,795,228

1/ Payments represent 90 percent of estimated amount due.

Sugar Price Support Payments

Processor	Total Payments Through April	Amount of Payment (May)	Total Payments To Date
Alma Plantation	$ 346,127.03	46,311.44	392,438.47
Amalgamated Sugar Co.	3,025,019.88	37,168.95	3,062,188.83
American Crystal Sugar Co.	20,757,904.77	1,296,865.79	22,054,770.56
Atlantic Sugar	509,403.98	-0-	509,403.98
Billeaud Sugar Factory	664,421.94	-0-	664,421.94
Breaux Bridge Sugar Coop., Inc.	240,815.06	8,320.58	249,135.64
Buckeye Sugars, Inc.	125,932.11	-0-	125,932.11
Cajun Sugar Coop., Inc.	571,159.71	19,734.54	590,894.25
Caldwell Sugars Coop., Inc.	337,206.45	11,651.04	348,857.49
Cinclare (Harry Laws & Co.)	668,213.28	167,602.98	835,816.26
Columbia (Caire & Graugnard)	114,206.58	15,814.15	130,020.73
Columbia Sugar Co.	182,404.17	-0-	182,404.17
Cora-Texas Mfg. Co., Inc.	782,361.99	-0-	782,361.99
M. A. Patout & Son, Ltd. (Enterprise Sugar Factory)	1,484,648.36	3,068.42	1,487,716.78
Evan Hall Sugar Coop., Inc.	834,200.76	-0-	834,200.76
Gay & Robinson	965,869.89	21,319.62	987,189.51
Glenwood Cooperative, Inc.	677,536.49	63,886.28	741,422.77
Great Western Sugar Co.	9,989,759.91	911,054.56	10,900,814.47
Gulf & Western (Okeelanta Sugar Division)	1,438,839.73	-0-	1,438,839.73
Hawaiian Commercial & Sugar Co.	10,497,045.80	223,788.17	10,720.833.97
Helvetia Sugar Cooperative, Inc.	271,202.84	9,370.53	280,573.37
Hilo Coast Processing Co.	5,783,051.30	134,534.61	5,917,585.91
Holly Sugar Corp.	7,041,731.56	93,595.08	7,135.326.64
Honokaa Sugar Co.	3,792,837.72	87,488.23	3,880,325.95
Iberia Sugar Coop., Inc.	368,247.68	12,723.58	380,971.26
Jeanerette Sugar Co.	516,700.25	57,539.51	574,239.76
Ka'u Sugar Co. Ltd.	2,772,030.05	66,810.54	2,838,840.59
Kekaha Sugar Co. Ltd.	2,640,588.55	56,255.66	2,696,844.21
Laupahoehoe Sugar Co.	4,050,621.06	90,920.10	4,141,541.16
Leighton-Lafourche Sugar Co.	1,089,816.50	113,986.52	1,203,803.02
The Lihue Plantation Co. Ltd.	4,172,786.47	93,623.65	4,266,410.12

McBryde Sugar Co. Ltd.	3,176,866.82	67,748.76	3,244,615.58
Meeker Sugar Coop., Inc.	342,761.17	11,843.00	354,604.17
Michigan Sugar Co.	1,661,597.70	-0-	1,661,597.70
Minn-Dak Farmer, Coop.	3,076,311.86	374,409.78	3,450,721.64
Monitor Sugar Co.	659,201.94	5,671.39	664,873.33
Northern Ohio Sugar Co.	790,386.96	46,500.96	836,887.92
Oahu Sugar Co. Ltd.	4,981,887.80	110,388.01	5,092,275.81
Olokele Sugar Co. Ltd.	1,715,052.89	37,824.74	1,752,877.63
Osceola Farms Co.	725,803.64	-0-	725,803.64
Pioneer Mill Co. Ltd.	2,789,852.03	59,452.99	2,849,305.02
Puna Sugar Co. Ltd.	2,965,003.42	66,452.54	3,031,455.96
St. James Sugar Coop., Inc.	519,206.38	17,939.45	537,145.83
St. Mary Sugar	366,472.24	53,613.89	420,086.13
St. Martin Sugar Coop.	338,513.39	11,696.21	350,209.60
Savoie Industries, Inc.	754,714.28	77,040.00	831,754.28
Smithfield Sugar Coop., Inc.	278,391.33	9,618.89	288,010.22
The South Coast Corp.	4,617,573.16	-0-	4,617,573.16
Southdown Sugars, Inc.	4,089,130.45	-0-	4,089,130.45
Spreckels Sugar Division (Amstar)	18,741,102.16	425,324.40	19,166,426.56
C. S. Steen Syrup Mill, Inc.	202,916.93	-0-	202,916.93
Sterling Sugar	708,189.58	47,740.19	755,929.77
Sugar Cane Growers Coop.	1,547,294.01	-0-	1,547,294.01
Sugar Corporation of Puerto Rico	-0-	5,177,580.32	5,177,580.32
Supreme Sugar Co. Inc.	592,573.76	60,546.89	653,120.65
Talisman Sugar Corp.	1,978,905.60	192,600.00	2,171,505.60
U & I Incorporated	4,336,242.09	229,222.61	4,565,464.70
U. S. Sugar Corp.	4,005,409.16	822,009.61	4,827,418.77
Union Sugar Division (Consolidated Foods Co.)	2,649,817.32	-0-	2,649,817.32
Valentine Sugars, Inc.	353,200.22	-0-	353,200.22
Waialua Sugar Co. Inc.	3,748,380.16	84,735.31	3,833,115.47
Wailuku Sugar Co.	1,508,864.10	33,146.03	1,542,010.13
Westfield Factory (Dugas & LaBlanc Ltd.)	754,714.27	77,040.00	831,754.27
Total	$161,689,028.69	$11,743,580.50	$173,432,609.19

Note: Above payments represent 90 percent of estimated amount due.

BACKGROUND INFORMATION

THE WHITE HOUSE

WASHINGTON

June 21, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
LYNN DAFT

SUBJECT: Sugar Policy

This is in preparation for your meeting this Thursday with Senators Church, Long, Matsunaga, Haskell, Anderson, and Stone and Congressmen Foley and de la Garza to discuss the possibility of a compromise on sugar policy. In this memorandum we provide an update of the situation and an assessment of the principal options.

Status of Current Program

The de la Garza loan program, which expires at the end of this year, has proven to be very cumbersome to administer. There are now about 1 million tons of 1977 crop sugar under CCC loan. At least half these loans will be redeemed this winter when they mature, assuming market price exceeds 14.3 cents.

The 1978 crop loan rate has been increased (by law) from the 13.5 cents for the 1977 crop to 14.65 cents, tentatively. To achieve the required minimum support level of 52.5 percent of parity mandated by law, this rate, based on July 1 data, may have to be increased to as much as 14.8 cents.

Given this higher level of support and the fact that world prices have been weak, we will probably have to increase import fees soon. Failure to do so would result in CCC take-over of large quantities of domestically produced sugar as users turn to lower priced imports to satisfy their requirements. Since the fees cannot exceed 50 percent of the value of the imported product, we may not be able to increase the fees enough to make up for the growing difference between the world price and the domestic support price. Both the Administration proposal and the other measures now before the Congress would eliminate this restriction.

Legislative Situation

Hearings have been held before two committees: the Senate Finance Committee and the House Agriculture Committee. Congressman Vanik has agreed to introduce our bill and his Trade Subcommittee of the House Ways and Means Committee will hold hearings within the next 2-3 weeks. The hearings held to-date have generally offered producer and processor interests an opportunity to voice support for the Church Bill. The sugar users group has testified in support of a measure similar to our bill but with a market price objective of 14.5 instead of 13.5 cents a pound. The Administration has testified before both Committees, opposing the Church bill and in support of our approach.

Overall, the Administration proposal has been well received by consumer groups, cane refiners, industrial users, and the press. It has generally been viewed as a positive step in our overall anti-inflation efforts. Organized labor is interested and would likely be supportive if we strengthen the hired labor provisions. Domestic sugar producers and processors as well as corn sweetner interests are strongly opposed, as expected. The Congressional reception to our proposal by the members interested in this issue has been cool to cold, as predicted. We still have not found a sponsor in the Senate.

The Administration proposal, you will recall, would establish a market price of 13.5 cents per pound. It would do this through the use of import fees. A higher target price would also be established using the same cost of production formula used in the 1977 Farm Act for other major field crops. The target price this crop year would be 14.05 cents; next year it would be around 15 cents. As with the other farm programs, the difference between market price and target price would be made-up by the use of deficiency payments.

In contrast to these levels of support, the Church bill would set a floor of 17 cents this year and adjust it quarterly. We estimate this adjustment factor would push the support level above the International Sugar Agreement (ISA) maximum price of 21 cents by 1982. This price would be achieved through the combined use of quotas and fees.

It appears that neither our proposal nor the Church bill can be enacted in their present forms. The Church bill could easily win Senate approval but its passage is doubtful in the House. And even if it passed both Houses, we can be almost certain that a veto could not be overriden. Thus, we are now at a standoff. The question now is whether it is to our advantage to try to break the deadlock? And if so, how?

Evaluation of the Options

There are at least three options (1) continue to stand firm; (2) modify our earlier proposal; or (3) support an extension of the present de la Garza loan program. Estimated budget and consumer expenditure effects are shown in the attached table.

(1) Stand Firm. If we stand firm with our present position, the Senate will likely adopt the Church bill. Its passage in the House is not assured. Should it clear the Congress and be vetoed, as your advisors would strongly recommend, an override would be highly unlikely. Then there would be no new sugar legislation this session.

Should this occur, the International Sugar Agreement (ISA) would not be ratified, and the world sugar price would probably decline further, perhaps to 6 cents a pound. Since the de la Garza program expires after this year, there would be intense pressure from domestic sugar producers to take emergency action to support domestic prices. Under this circumstance, we could use existing authority to operate a direct payment program for the 1979 crop sugar identical to the one used for part of the 1977 crop. The major drawback is that we would be left with the present 50 percent limit on the use of import fees which could make it necessary to choose between increased imports and the use of quotas. Since imported sugar would be priced below the level needed to cause processors to pay off loans on 1977 and 1978 crop sugar, this would result in substantial quantitites of sugar being taken over by the Commodity Credit Corporation. And once we take over the sugar, it cannot be resold at less than 105 percent of the loan (in excess of 15.4 cents a pound).

(2) Modify Our Proposal. The original Administration proposal could be modified in a number of ways without sacrificing any of the key principles. First, the level at which market prices are supported could be increased from the 13.5 cents per pound we originally proposed to a higher level. Since the market price support for 1978 crop sugar under the de la Garza program will be about 14.8 cents this July, and processors will have to have a higher price to encourage redemption in late 1979, we could go to 15 cents without abandoning the anti-inflation argument. This would increase its acceptability to producers without losing consumer or sugar user support. Secondly, strengthened labor provisions could be linked to the cost of production formula in such a way that producers could be protected

against the effects of escalating labor costs in future years. This should lessen the criticism of opponents of the labor provisions and make it easier for labor interests to support our bill. Third, to lessen criticism of the direct payment approach we might establish import fees as the source of funds to be used in making payments. We might also consider making payments to sugar processors instead of sugar producers, with the payments to be passed through to producers. This should remove most of the objections to payments and erode the support for payment limits.

(3) Extend de la Garza. This option is receiving increasing attention from those in search of a compromise, in part, because it is in place and could be easily achieved. In comparison with the Church bill, it would be harder to defeat legislatively since it provides a lower level of support and is therefore less inflationary and less inconsistent with the ISA.

Still, we have a number of very serious problems with this approach. It can and probably will entail Federal accumulation of sugar stocks and, if the loans are not redeemed, possible losses associated with disposal. The level of price support is based on the parity concept which bears little relevance to any meaningful measure of need.

Since it ties the level of price support to parity, domestic sugar prices would continue to escalate over time. This program has already increased domestic sugar prices by over 4 cents or about 45 percent over the nine months it has been in effect. Protection of this constantly rising price will require ever higher import barriers, as we are now discovering. In turn, this increased protection further depresses world prices, leading to a spiral of increased protection.

Tactically, we think the Administration holds an advantage over the Congress at the present moment. Though our proposal is viewed by producer interests as stingy and by some on the Hill as politically naive, elsewhere it is viewed as a responsible and fair approach that places the general welfare above that of a special interest that is accustomed to getting its way. The Church proposal, by contrast, is seen by non-producer interests as an excessively extravagant means of dealing with the problem. In this regard, it is seen to be much like the Dole farm bill. However, if Church et al. modify their proposal to make it more reasonable or if they shift their support to an extension of the de la Garza program, the Administration could lose the tactical advantage it now holds.

In the past few days, we have met with Senators Long, Church, Matsunaga, Haskell, and Stone and with Congressmen Foley and Vanik to discuss the situation. In these meetings we have indicated that the Administration is strongly committed to the direct payment approach, though there might be flexibility in our position on the level of market price support. Though we avoided discussion of specific levels of support, we believe raising the level from 13.5 cents to 15.0 cents might be the key to breaking the current deadlock. To help ease fears of a payment limit, we have promised an all-out Administration effort to avoid such limits, including use of the veto against any bill that includes a payment limit.

These talks have generally gone well. The Congressmen we spoke with are obviously concerned over the present situation and would like to find a solution to the present impasse. It is understood that you would likely veto the Church bill, should it be passed. And this would not really serve anyone's long-term interests. Although no promises were made, we got the impression in our meeting with the Senators that a direct payment program could be made acceptable.

RECOMMENDATION

Your advisors are unanimous in recommending that we modify our original proposal along the lines of option (2). The major question is one of timing. We recommend that your meeting Thursday be primarily a listening session for you. The major points you might want to register in this session are:

- We think our proposal is a sound and fair one ... but we are open to suggestions for improving it and making it more acceptable.
- We are committed to providing efficient domestic sugar producers a fair level of price support, consistent with that provided producers of other farm products.
- We are committed to the payment approach as a means of protecting consumers from inflation.
- We are committed to trying to make the International Sugar Agreement work.

THE WHITE HOUSE

WASHINGTON

SENATOR FRANK CHURCH (D-IDAHO)

Committees: Energy and Natural Resources (2)
Subcommittees: Public Lands and Resources
Parks and Recreation
Energy Research and Development (Chrmn)

Foreign Relations (2)
Subcommittees: Foreign Economic Policy (Chrmn)
Western Hemisphere Affairs
Foreign Assistance

Special Committee on Aging (Chairman)

Wife: Bethine

SENATOR FLOYD K. HASKELL (D-COLORADO)

Committees: Energy and Natural Resources (5)
Subcommittees: Public Lands and Resources
Energy Production and Supply (Chrmn)
Energy Conservation and Regulation

Finance (9)
Subcommittees: Taxation and Debt Management Generally
Social Security
Administration of the Internal Revenue Code (Chrmn)

Select Committee on Small Business (5)
Subcommittees: Monopoly and Anticompetitive Activities
Financing, Investment and Taxation (Chrmn)

Wife: Not married

SENATOR RUSSELL B. LONG (D-LOUISIANA)

Committees: Finance (Chairman)
Subcommittees: Administration of the Internal Revenue Code
Tourism and Sugar
Public Assistance

Commerce, Science, and Transportation (3)
Subcommittees: Science and Space
Merchant Marine and Tourism
Surface Transportation (Chrmn)

Joint Committee on Taxation (Chairman)

Wife: Carolyn

SENATOR SPARK MATSUNAGA (D-HAWAII)

Committees: Energy and Natural Resources (10)
Committees: Public Lands and Resources
Parks and Recreation
Energy Research and Development

Finance (10)
Subcommittees: Health
Private Pension Plans and Employee Fringe Benefits
Tourism and Sugar (Chrmn)

Veterans' Affairs (6)
Subcommittees: Compensation and Pension
Housing, Insurance, and Cemeteries

Wife: Helene

SENATOR RICHARD STONE (D-FLORIDA)

Committees: Foreign Relations (8)
Subcommittees: East Asian and Pacific Affairs
Western Hemisphere Affairs
Near Eastern and South Asian Affairs (Chrmn)

Veterans' Affairs (4)
Subcommittees: Health and Readjustment
Housing, Insurance, and Cemeteries (Chrmn)

Wife: Marlene

SENATOR WENDELL ANDERSON (D-MINNESOTA)

Committees: Energy and Natural Resources (11)
Subcommittees: Parks and Recreation
Energy Conservation and Regulation
Energy Research and Development

Budget (9)

Armed Services (11)
Subcommittees: Research and Development
General Procurement
Arms Control

Wife: Mary

THE WHITE HOUSE

WASHINGTON

REP. E (KIKA) DE LA GARZA (D-TEX. 15)

Committees: Agriculture (3)
Subcommittees: Conservation and Credit
Department Investigations, Oversight, and Research (Chairman)
Livestock and Grains

International Relations (22)
Subcommittees: Inter-American Affairs
International Economic Policy and Trade

Merchant Marine and Fisheries (9)
Subcommittees: Coast Guard and Navigation
Fisheries and Wildlife Conservation and the Environment

Administration support: 26.1%

Wife: Lucille

REP. THOMAS S. FOLEY (D-WASH. 5)

Committees: Agriculture (Chairman)
No subcommittee assignments

Rep. Foley is Chairman of the Democratic Caucus (House of Representatives)

Administration support: 82.6%

Wife: Heather

******Please add the following staff to the participants in the meeting: Bill Cable and Jim Free

ESTIMATED BUDGET AND INFLATIONARY EFFECTS OF SUGAR POLICY OPTIONS

(million dollars)

BUDGET EFFECTS[1]	1978/79	1979/80	1980/81	1981/82	1982/83
Administration Proposal					
-receipts	603	627	636	561	401
-outlays	132	134	227	313	410
-net receipt	571	493	409	248	-9
Modified Admin. Proposal					
-receipts	730	720	700	610	460
-outlays	-	-	72	168	252
-net receipt	730	720	628	442	208
Church Bill					
-receipts	951	924	873	823	701
-outlays	-	-	-	-	-
Current Program					
-receipts	697	907	1,034	1,183	1,180
-outlays	-	-	-	-	-

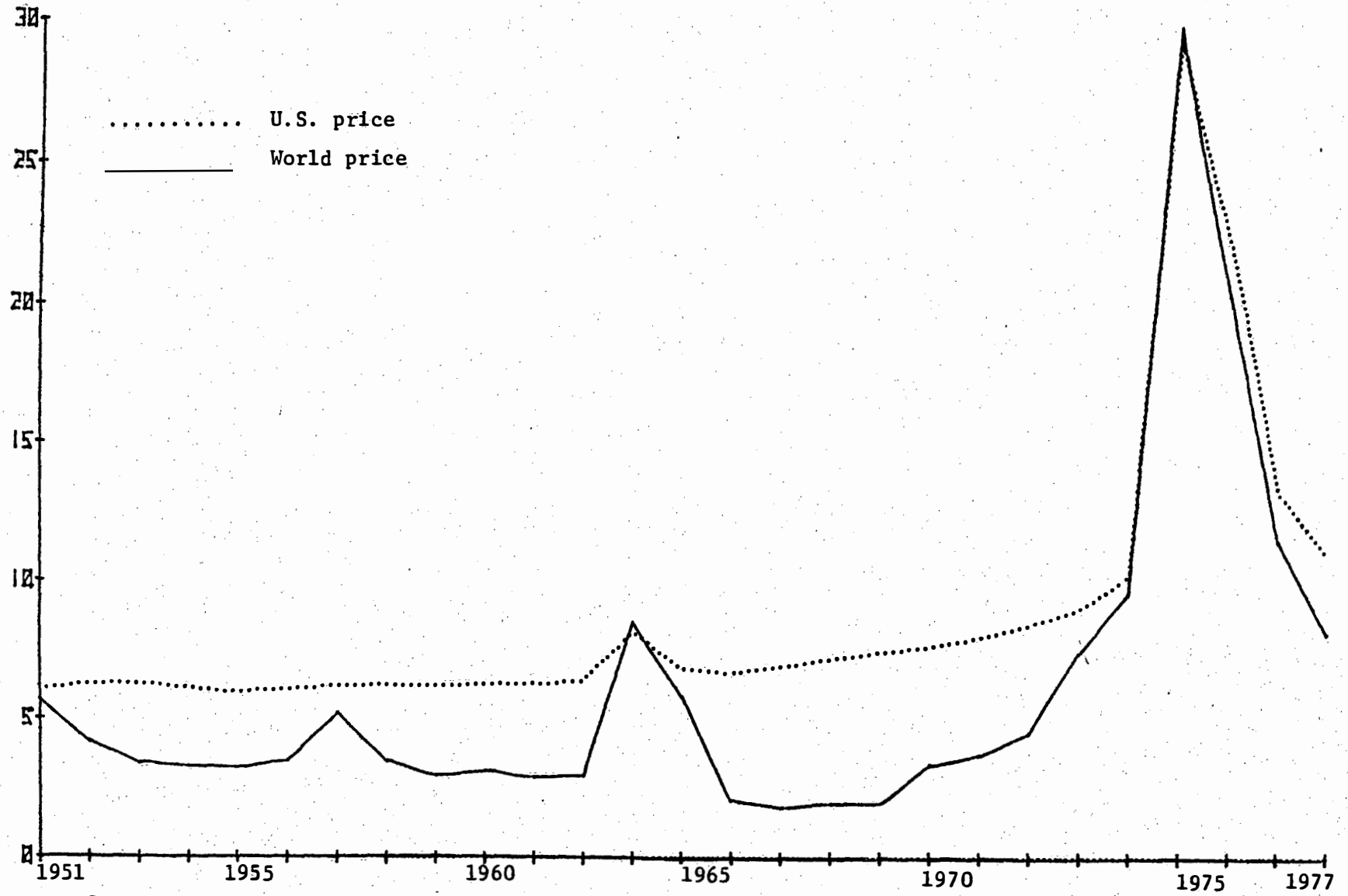
CONSUMER EXPENDITURE EFFECTS[2]	1978/79	1979/80	1980/81	1981/82	1982/83
Administration Proposal	-341	-672	-1,017	-1,386	-1,810
Modified Admin. Proposal	-	-180	-480	-780	-1,110
Church Bill	+851	+911	+960	+1,115	+1,170
Current Program	-	-	-	-	-

[1] Assumes favorable weather.

[2] Relative to continuation of current program.

ents per pound

Figure 2.--Raw sugar prices: Comparison of U.S. prices and world prices 1951-77.



Source: Compiled from official statistics of the U.S. Department of Agriculture

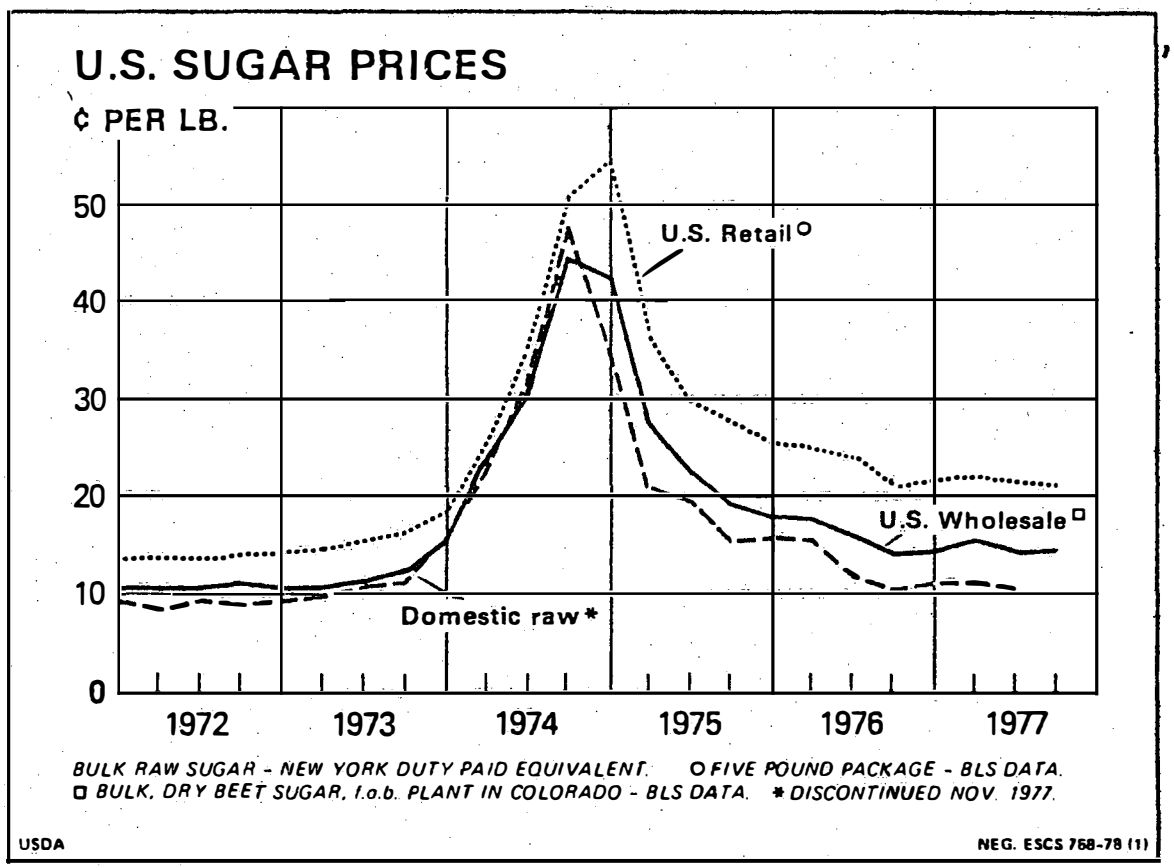
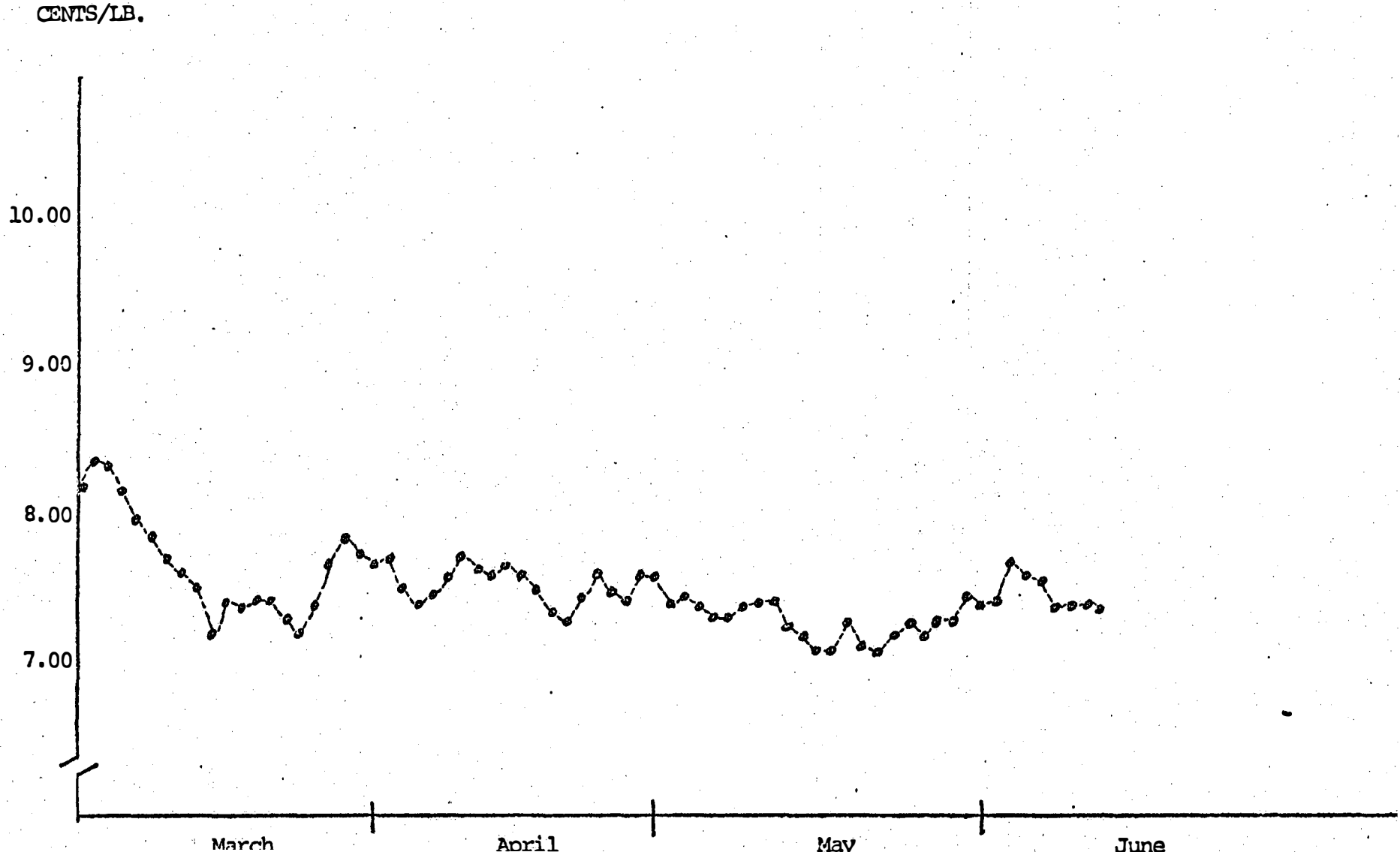

U.S. SUGAR PRICES
¢ PER LB.
50
40
30
20
10
0
1972
1973
1974
1975
1976
1977
U.S. Retail ○
U.S. Wholesale □
Domestic raw *
BULK RAW SUGAR - NEW YORK DUTY PAID EQUIVALENT. ○ FIVE POUND PACKAGE - BLS DATA.
□ BULK, DRY BEET SUGAR, f.o.b. PLANT IN COLORADO - BLS DATA. * DISCONTINUED NOV. 1977.
USDA
NEG. ESCS 768-78 (1)

Figure S-6

ATTACHMENT 1

ISA daily price for
raw sugar 1978



ATTACHMENT 1

Monthly averages of the
ISA daily price for raw sugar,
1976 forward

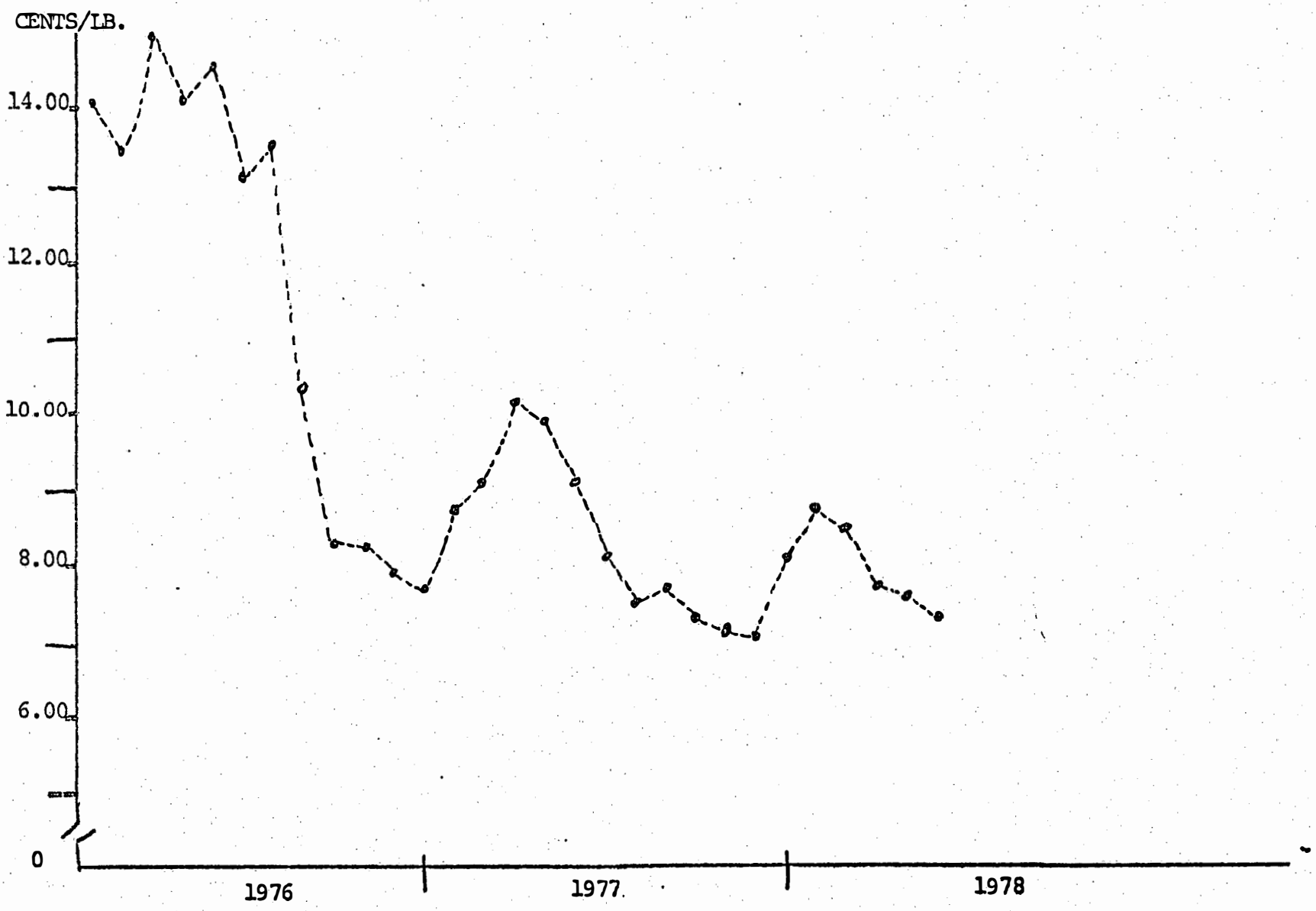
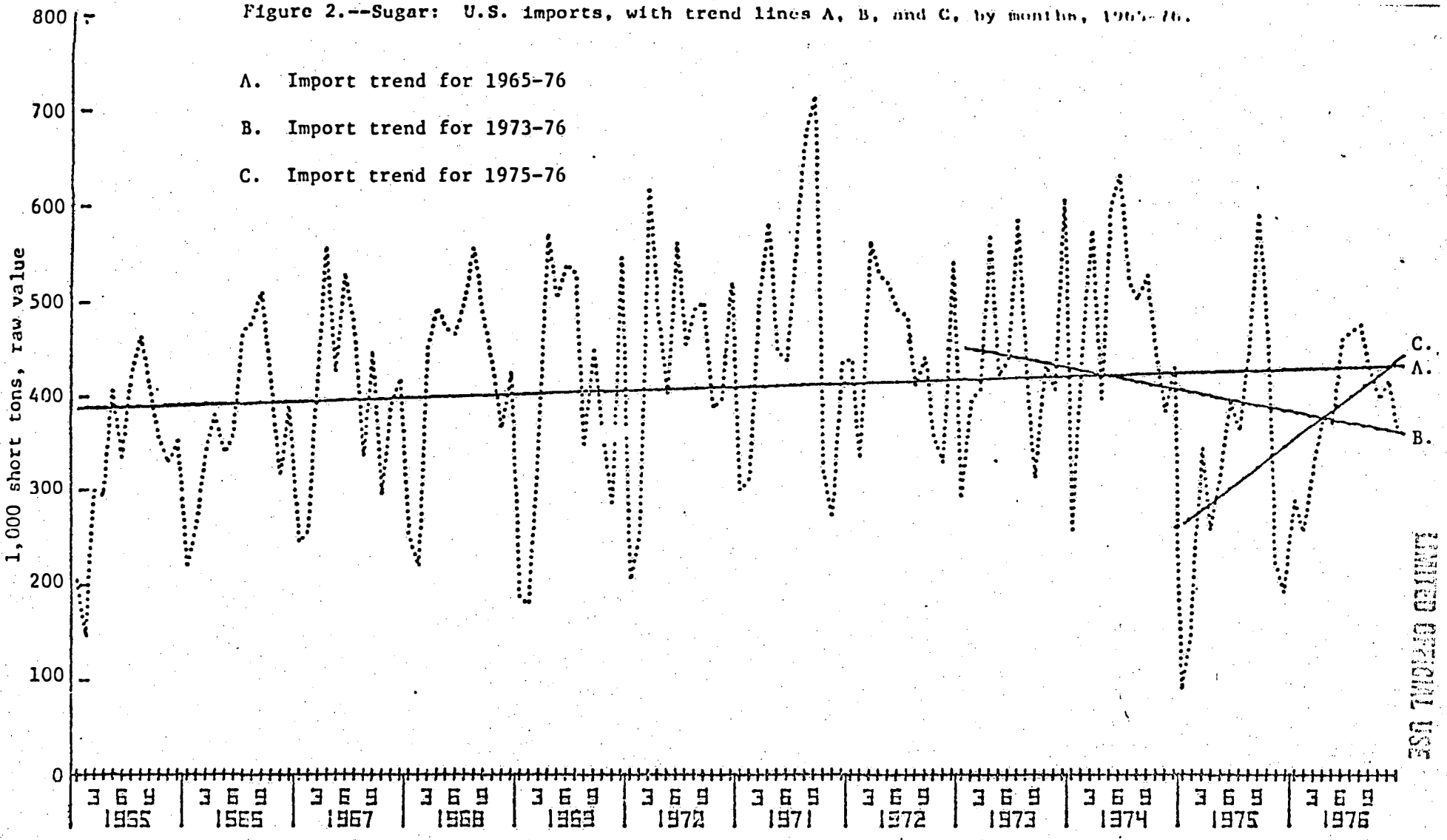


Figure 2.--Sugar: U.S. imports, with trend lines A, B, and C, by months, 1965-76.



Source: Compiled from official statistics of the U.S. Department of Agriculture.

SAVANNAH FOODS & INDUSTRIES, INC.
P. O. BOX 339
SAVANNAH, GEORGIA
31402

WILLIAM W. SPRAGUE, JR.
PRESIDENT

June 13, 1978

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

Dear Mr. President:

I thought you might be interested in how a Georgia concern is helping you serve the public on your version of sugar legislation to support domestic producers.

I hope that you succeed. If there is any thing else that we can do, please do not hesitate to let us know.

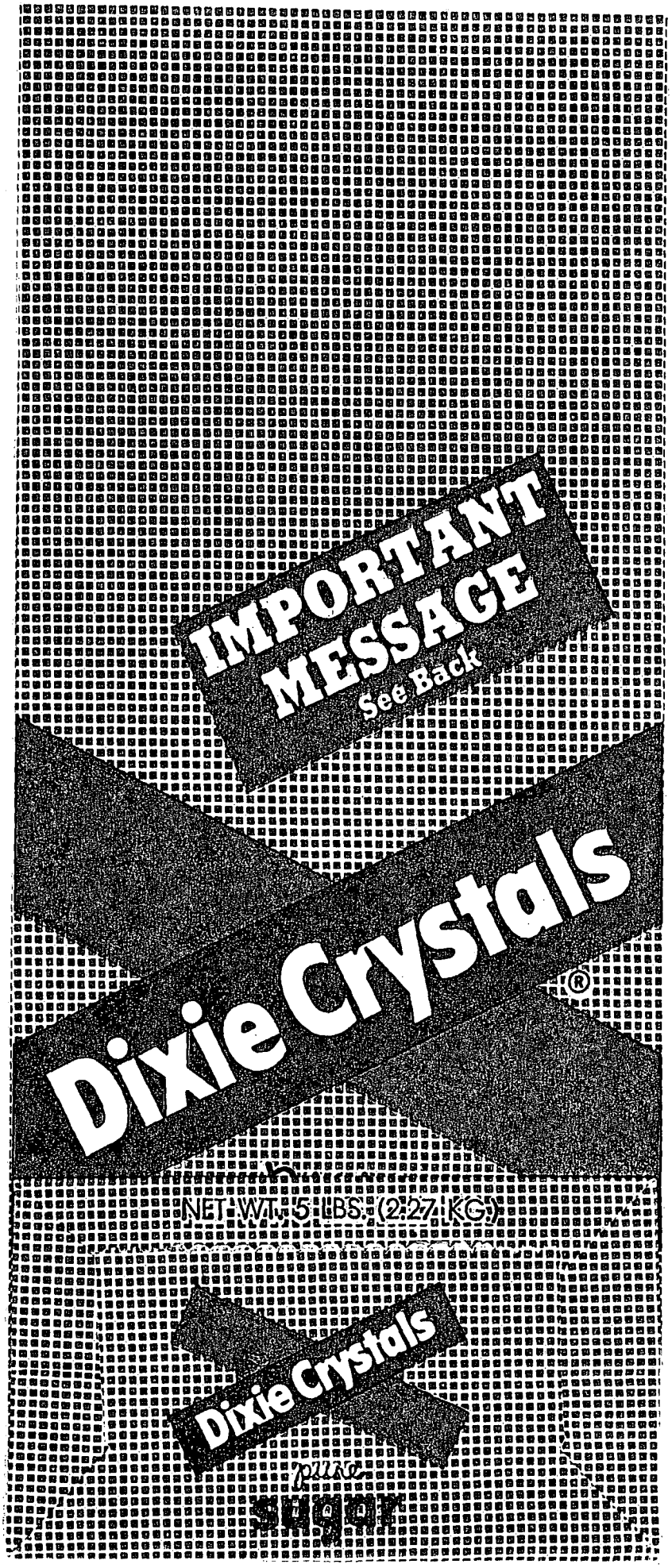
With best wishes, I am

Sincerely,

Bill Sprague

Enc.

Electrostatic Copy Made
for Preservation Purposes



Electrostatic Copy Made
for Preservation Purposes

SAVANNAH FOODS & INDUSTRIES, INC.

SAVANNAH, GEORGIA

WILLIAM W. SPRAGUE, JR.
President

Dear DIXIE CRYSTALS Customer:

I am taking this unusual step of communicating to you our concern about a legislative proposal which is now pending in Congress which will have an effect on you, the consumer and our good customer. It is a sugar import quota bill designated as S.2990 in the Senate, and H.R.12486 in the House.

The Council on Wage and Price Stabilization, which is the government's inflation watchdog, estimates that this import quota bill will cost the consumer approximately $2.4 billion per year. You and I know the toll which inflation is taking on our nation's economy. Therefore, you, the consumer, realize how this $2.4 billion cost will affect your individual family.

We feel that the U.S. sugar farmer needs protection against prices which are below his cost of production. However, S.2990 and H.R.12486 are the most expensive methods of accomplishing this aim. President Carter's administration has introduced legislation which will help the farmer in a less inflationary way. We as a refiner support this alternative.

We urge you to express your concern and opposition to the import quota legislation and express your support of the Administration's alternative to your Congressmen and U.S. Senators. You may call them at 202/224-3121 or write them in Washington, D.C. The zip code for the Senate is 20510, and for the House it is 20515.

Sincerely,

W W Sprague Jr

THE WHITE HOUSE
WASHINGTON

June 22, 1978

Frank Moore

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

Rick Hutcheson

TIP O'NEILL

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

THURSDAY - JUNE 22, 1978
11:40 A.M.

MR. PRESIDENT

BOB STRAUSS CALLED TO LET YOU KNOW THAT TIP O'NEILL'S OFFICE MISINFORMED HIM ABOUT THE DATE OF THE DINNER--TOLD HIM IT WAS TONIGHT. O'NEILL IS HEARTBROKEN.

PHIL

THE WHITE HOUSE
WASHINGTON
June 22, 1978

Stu Eizenstat
Frank Moore

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

Rick Hutcheson

CALL TO CONG. ULLMAN

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7/10 - call COET conference.

Tax - wait until mid July

done

THE WHITE HOUSE

WASHINGTON

June 22, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT
FRANK MOORE

SUBJECT: Telephone Call to Congressman Ullman

Congressman Ullman is upset that the Speaker is essentially forcing him to abandon the Jones compromise, which Ullman believes he worked hard to put together. (He is very concerned that the recent turn of events will make him appear to be a weak leader, one unable to get anything approaching the President's program through his Committee.) Congressman Ullman has agreed to abandon the Jones proposal, though he has said he cannot now bring his leadership toward getting a simple tax cut bill through the Committee. He has said that we must find another leader to do that.

We think you should call Ullman to let him know that you appreciate his efforts toward getting a bill through the Committee but regret that the Committee was apparently unable to support anything more than the Jones compromise.

At 4:00 this afternoon, Ullman will be caucusing with the Ways and Means Democrats to decide how the Committee should proceed. If possible, you should try to call him before then. You might make the following points:

1. I recognize you did your best to put together a proposal. But I cannot support that proposal. A straight tax cut through the Committee would be better at this point. On the Floor, we will make an attempt to get some reforms.

2. I recognize you do not want to lead the effort to get a straight cut through the Committee, but I hope you will support the effort. I would like your advice about how we should proceed.

3. I also want to thank you for your strong support this morning on the crude oil equalization tax. I need your help if we are going to get that tax.

Secretary Blumenthal's office recommends this call as well.

THE WHITE HOUSE
WASHINGTON
June 22, 1978

Hamilton Jordan
Bob Lipshutz
Stu Eizenstat

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

Rick Hutcheson

ED SANDERS OF L.A.

ADMINISTRATIVELY CONFIDENTIAL

Copies were not sent out after talking w/ Eleanor

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THE WHITE HOUSE

WASHINGTON

June 9, 1978

Ham -
The White House is overloaded - I would prefer Linowitz if we add someone for Mid East -
J

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN
ROBERT LIPSHUTZ
STUART EIZENSTAT

SUBJECT: Ed Sanders of Los Angeles

Since you forwarded us the letter of February 14 from Ed Sanders to you, a copy of which is attached, we have been pursuing this matter both with Ed and among ourselves. We now wish to recommend that you accept Ed's offer to work with us on a fulltime basis for the primary purpose of communicating your views on the Middle East to the American Jewish Community.

done
J

There are several possible ways in which Ed can assume this responsibility.

The most direct approach is to have him become a part of the White House Staff with a clear designation of this role. An alternative is to have him appointed to fulfill another function which would not require too large a proportion of his time, particularly for the next several months.

We recommend that you invite him to become a member of the White House Staff, either at the top level or at the second highest level, but that his official designation be that of "Human Rights Coordinator"; we believe that this would be quite satisfactory with Dr. Brzezinski and with Pat Derian in the State Department, although we have not discussed this with them in a specific way. This role designation is consistent with the other, primary function which Ed would be performing; and there is adequate staff support to keep it from requiring a major utilization of his time. However, because of the very tight constraints upon the staff personnel at the present time, it probably would require increasing the size of the White House Staff by at least one "slot".

One alternative is to determine if Arthur Goldberg contemplates remaining in his present role concerning the Helsinki agreement meetings, particularly with reference to the conference which will be held in Madrid in 1980 as a sequel to the Belgrade Conference. Should he be planning to withdraw from this fulltime responsibility, and perhaps continue to work with us on a consultant basis, then Ed might be the logical successor. Thus, he could assume this role and yet be able to minimize the amount of time devoted to that function at least for the next several months, so that he could carry out the primary purpose of his joining the Administration. State Department would assign him to the White House.

Another alternative also would involve Ed's being employed by the State Department and assigned to the White House as liaison, or coordinator, in the field of Human Rights.

Another alternative is for Ed to be assigned to the State or Commerce Department, for the purpose of coordinating long range planning for regional economic cooperative development in the Middle East. It may be premature to have someone designated for this role, but it does have the advantage of having a direct relationship to the primary purpose of Ed's joining the Administration. Again, he would be assigned to the White House.

Ed will be here in Washington on next Wednesday and Thursday, and we recommend that at that time you accept his proposal to work with us. Further, if possible, it would be desirable at that time to be specific as to the exact manner in which he will be involved.

The foregoing four options simply are the only specific ways which we have developed. There, of course, may be some other and better ways in which to employ Ed's services.

Within the next two or three days the three of us would like to follow up this memorandum with a brief discussion with you.

Please advise.

(Other attachments: our memo to you dated March 8;
personal information about Ed Sanders)

THE PRESIDENT HAS SEEN.

Ham -
You & Bob
assess. - Talk to
Ed - prepare
reply
J

EDWARD SANDERS
1800 AVENUE OF THE STARS, SUITE 900
LOS ANGELES, CALIFORNIA 90067

February 14, 1978

VIA BOR-AIR FREIGHT

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

Dear Mr. President:

I want you to know how privileged I feel to have been a participant in the dinner at the White House last Wednesday evening. It was a unique opportunity to spend so much time with you and the Vice President and especially to hear first hand your analysis of the situation in the Middle East. I know that the meeting was constructive and informative, and I trust helpful to you and the Administration in the quest for peace.

Your personal dedication to peace in the Middle East is a source of inspiration to me, and I share the sense of urgency that you described. I agree that time is of the essence. Since Wednesday evening, I have been pondering the additional ways that I might help you during the next few months.

It has occurred to me that perhaps it would be constructive if during this period I did something similar to what I did during September and October, 1976, which was communicating on a full-time basis your views on the Middle East to the American Jewish community. At this time, I could help transmit your deep feelings that there is only a limited amount of time left before this historic opportunity for peace may be lost, perhaps forever.

If you believe that I could be of help in this way, or in any other way during the next few months, I am prepared to take a leave of absence from my law firm. I am certain that during my lifetime I could not participate in a more important endeavor.

In any event, I will continue doing all I can on a part-time basis. Mr. President, you have my deep respect and appreciation for your dedication to all the things which are important to me as an American and as a Jew.

Sincerely,

Edward Sanders

Edward Sanders

ES:rls

THE WHITE HOUSE

WASHINGTON

March 8, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Hamilton Jordan
Bob Lipshutz

SUBJECT: Ed Sanders of Los Angeles

Pursuant to your memorandum to us and in reference to Ed's February 14 letter to you, we have discussed this matter ourselves at great length. Also, we have talked with Ed, both on the telephone and in person.

He is a very valuable resource for us in handling our relationship with the American Jewish community and he continues to be most willing and responsive. However, at the present time, and at least until after the coming visit of Israeli Prime Minister Begin, all three of us agree that we should defer any judgement on changing the present informal method of our working with Ed.

We will keep you advised.

EDWARD SANDERS

PERSONAL INFORMATION

I was born in New York City on April 4, 1922. My family moved to California in 1930, and we have lived here ever since. I am married to the former Rose Eisen of Tyler, Texas, and we have two children, Susan Witkow, 29, a speech therapist, and Michael, 25, who practices law in Los Angeles.

I attended public schools in Los Angeles, graduating in 1943 from the University of California at Los Angeles and from the University of Southern California Law School in 1950. I was a member of the Order of Coif and of the Law Review. Between 1943 and 1946 I served in the United States Army as Captain, Infantry.

For a short time after graduation from law school, I worked on a special project involving reorganization of the California state court system with the then Chief Justice of the California Supreme Court, Phil Gibson. In 1951, I joined the law firm of Irell & Manella which, at the time, was a four-man law firm specializing in the practice of tax law. I became a partner in the law firm in 1956 and am now one of the four senior partners in the firm which has grown to approximately seventy lawyers. The law firm today has a varied general practice for, as time passed, we broadened our practice into other areas.

During the first few years of my practice, I was essentially a tax lawyer; however, in 1960, I switched emphasis and started to specialize in corporate matters, which I have continued to do until the present time. I am the senior lawyer in the firm dealing with corporate matters and have through the years been continuously involved in major business transactions involving public offerings of securities, corporate reorganizations, purchases and sales of major business and all the aspects of legal matters which arise in the corporate business practice.

During the last twenty years, I have had the experience of being one of the partners involved in guiding the law firm from five lawyers to over seventy lawyers, and I am familiar with all of the operations of a major law firm and the training of young lawyers.

During the early years of my practice, I taught tax law in the night program of the University of Southern California Law School, spoke at various institutions and published various articles on tax material. I am a member of the American, California, Los Angeles and Beverly Hills Bar Associations.

I have always considered public service to be an important part of my life as a lawyer and through the years have been active in Jewish community affairs, both on a local and national level, having served, for example, as President of a national Jewish organization, American Israel Public Affairs Committee (AIPAC) and as President of the Los Angeles Jewish community. I have been active in Democratic politics, both on a local and national level, being a delegate to the 1968 and 1972 conventions, and in August, 1976, I resigned from my position as President of AIPAC to serve as a volunteer Deputy National Campaign Director for the Carter-Mondale Campaign.

THE WHITE HOUSE
WASHINGTON

For the Record:

Hamilton was given a copy of the attached -- 6/22/78

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Hamm
J

THE WHITE HOUSE

WASHINGTON

June 21, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN HJ

SUBJECT: CONG. MONTGOMERY PROPOSAL TO VISIT VIET NAM

Sonny Montgomery has called me a number of times concering a plan he has to lead a group on a trip to Viet Nam. Attached is a copy of a letter he has sent to the Vice Minister for Foreign Affairs of Viet Nam concerning his proposal. I would like to be able to respond to Sonny that I have discussed this with you, but we do not feel it would be advisable for me to accompany him on the trip. I will also suggest he clear the details of the trip with Cy Vance.

APPROVE ✓

DISAPPROVE _____

OTHER: _____

G.V. "SONNY" MONTGOMERY
3RD DISTRICT, MISSISSIPPI

2367 RAYBURN HOUSE OFFICE BUILDING
AREA CODE (202) 225-5031

DISTRICT OFFICE:
MERIDIAN, MISSISSIPPI 39301
AREA CODE (601) 693-6681

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

COMMITTEES:
ARMED SERVICES
VETERANS' AFFAIRS

ADMINISTRATIVE ASSISTANT
JACK VANCE

June 9, 1978

Mr. Hamilton Jordan
Assistant to the President
The White House
Washington, D. C. 20500

Dear Ham:

As a follow-up to our conversation of yesterday, I am enclosing a copy of the letter I have sent to Vice Foreign Minister Phan Hien of Viet Nam. I will keep you informed of any further messages I receive from Mr. Hien.

Sincerely,

Sonny

Gillespie V. Montgomery
MEMBER OF CONGRESS

GVM:ac
Enclosure

G.V. "SONNY" MONTGOMERY
3RD DISTRICT, MISSISSIPPI

2367 RAYBURN HOUSE OFFICE BUILDING
AREA CODE (202) 225-5031

DISTRICT OFFICE:
MERIDIAN, MISSISSIPPI 39301
AREA CODE (601) 693-6681

COMMITTEES:
ARMED SERVICES
VETERANS' AFFAIRS

ADMINISTRATIVE ASSISTANT
JACK VANCE

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

June 9, 1978

His Excellency Phan Hien
Vice Minister for Foreign Affairs
The Socialist Republic of Viet Nam
Hanoi, Viet Nam

Dear Mr. Minister:

Thank you for your prompt and cordial letter of May 28. I share your hope that our contacts will contribute to our mutual understanding and that they will be beneficial to the process of normalization of the relations between our two countries.

Since the proposed trip is still in the planning stages, I cannot give you the names of the persons who will accompany me. However, it is my thought that our delegation would include several members of the U. S. House of Representatives and at least one member of the U.S. Senate. I also propose to offer an opportunity to a member of President Carter's White House staff and officials from the Department of State and Department of Commerce to accompany us. The members of the House and Senate will be drawn from important committees such as Foreign Relations and Appropriations.

The U. S. Congress will begin a recess August 18th. Based on this, we would like to plan toward an arrival date in Hanoi of August 19th or 20th and plan to spend four or five days in Viet Nam. It would be helpful if our delegation could also visit Ho Chi Minh City and areas in the southern part of your country.

I feel quite strongly that this is an appropriate time for such a visit. Through good will and humanitarian gestures on the part of both countries, our proposed visit could prove to be most beneficial.

Sincerely,

G. V. Montgomery

Gillespie V. Montgomery
MEMBER OF CONGRESS

GVM:ac

THE WHITE HOUSE
WASHINGTON

already done

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THE WHITE HOUSE

WASHINGTON

June 22, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN HJ.
FRANK MOORE FM./BR
THE VICE PRESIDENT WAM

The final labor law cloture vote will be at 3:00 today, and we are in trouble. Senator Williams, and others, are particularly concerned about Senator Sparkman. While he has said that he will vote with us, he has given us mixed signals over the last couple of days.

He has been here at the White House today receiving briefings on foreign policy in the Roosevelt Room. We feel that it is extremely important that you be the last person to see him before we take him to the Hill. If you could step into the Roosevelt Room at about 2:20 p.m. and ask the Senator to step out briefly to talk with you and ask him once more to vote with us on this, that will greatly increase our chances of getting his vote.

Approve ✓

Disapprove _____

cc. Phil Wise

3291

THE WHITE HOUSE
WASHINGTON

June 22, 1978

Frank Moore

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

Rick Hutcheson

UPDATE ON CIVL SERVICE REFORM
AND REQUEST FOR PHONE CALLS

THE WHITE HOUSE
WASHINGTON

Mr. President --

"Mark-up" starts at 9:30 this morning.....

Les Francis said that even if the phone calls are made after the mark-up begins, it's still a "good thing".

--ssc

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Frank
Love
J

THE WHITE HOUSE

WASHINGTON

June 21, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Alan Campbell
Frank Moore
Les Francis

SUBJECT: Update on Civil Service Reform and Request for Phone Calls

In this memorandum we will (1) provide you with a brief update on the status of our Civil Service Reform package; (2) report on a problem with the Chamber of Commerce and Business Roundtable; and (3) request that you and the Vice President call several Members of the House Post Office and Civil Service Committee.

1. Status of Civil Service Package

(a) House of Representatives

The first day of the House Post Office and Civil Service Committee markup got off to a slow start in the morning, although there were 17 Members present (12 Democrats; 5 Republicans). Harris and Gilman moves to delay consideration of the bill used better than an hour of time before consideration of amendments. A major amendment regarding whistleblowers was offered by Schroeder which had language quite similar to what we have been negotiating with Senator Percy; hence, difficult to oppose. A Hanley amendment on the issue is more disturbing, however, as it would require the agency to which the special counsel refers an employee complaint to make an extensive report about their investigation and its findings back to the special counsel who would then move to ascertain its adequacy and correctness. For the special counsel to do this would require major resources and would turn that office into a little GAO. The amendment is unacceptable and we will try to have the Committee override it before markup is completed. Both amendments were adopted.

The afternoon session went a bit smoother . . . again with 17 Members attending. Eleven amendments to Titles I and II were considered and, of the eight

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that were adopted, most sided with the Administration. The couple that we opposed are not vital to the bill.

By the end of the afternoon session, it was clear that the Committee is moving to report out a bill by the end of the month and is seriously working to meet that schedule. Udall was very supportive in opposing any amendments that would weaken the basic concepts of managerial flexibilities in the bill and was clearly persuasive with many Members. Several Members have amendments to offer to Title II tomorrow; however, there is a good chance that they will complete the Title and start on Title III (Veterans' Preference).

The Committee may meet on Friday, but will definitely pick-up again on Tuesday of next week.

(b) Senate

There is a possibility that the Senate Governmental Affairs Committee will meet on Thursday to complete action on the bill. If Ribicoff is satisfied on the EEO issue and we can come to agreement on a few relatively minor issues, the Committee will vote to report the bill. We are working very hard to resolve these issues, but the EEO matter remains very sticky. If the Senate Committee finishes the bill, it will help us keep the House Committee working.

2. Problem with Chamber of Commerce and Business Round Table

The Business Round Table and the Chamber of Commerce have requested that we withdraw our Civil Service Reorganization Plan and resubmit it so that the 60-day legislative clock will have to start running again. The reason for this request is their concern that the Civil Service legislation will ultimately contain labor provisions unacceptable to them. By lengthening the time that the Reorganization Plan will be before Congress, they will be reserving the opportunity to work against it if the legislation contains unacceptable labor revisions.

We do not believe that you should agree to this procedure, but on their insistence we are presenting it to you.

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Both Chairman Ribicoff and Brooks would oppose following this procedure and it would -- in the case of the House Post Office and Civil Service Committee -- slow down their consideration of the bill since the pressure they now feel because the legislative clock is running on the Reorganization Plan would be relieved.

The concern of the Round Table and the Chamber (and this is probably more true of the Chamber) is that their members will not be able to continue to support the total Civil Service Reform effort because of their fear of a greatly expanded Federal labor relations program. We have assured them that the Administration will vigorously oppose any expansion of that program beyond what was submitted to Congress, and we are optimistic that it is the Administration's program which will finally pass. The Senate Committee has already adopted, without change, the Administration's recommendation; and even if the House Committee reports out a bill with some expansion in labor relations, defeat of that provision on the floor is likely. Even if that does not happen, we will be in a very strong position to retain the Administration's program in Conference.

We would like to be able to report to the Chamber and the Round Table that you considered their request but found it unacceptable. ok

3. Request for Phone Calls

The House Post Office and Civil Service Committee resumes its markup Thursday (June 22) at 9:30 a.m. Two issues of critical importance will be decided during the session: the Senior Executive Service and Veterans' Preference.

It appears likely that Spellman, Harris and Schroeder will make a run on the Senior Executive Service . . . not to delete it, but to make it so restrictive that it would eliminate most of the management flexibility we are seeking to achieve. They will couch their appeal in terms of trying to prevent "politicization" of the career service. It is important that we try to dissuade Spellman, Harris and Schroeder from this approach but, failing that, we must line-up others on the Committee to blunt their move.

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On Veterans' Preference, an amendment putting forth our compromise position (which we supported in the Senate Committee) will be carried by Schroeder, Ford and Clay. We will be opposing a move by Hanley to strip the entire section. Attached are some brief talking points on Veterans' Preference.

Calls to be made by the President:

(1) Herb Harris

Harris was a problem during the morning session on Wednesday, but improved greatly after a phone conversation with the Vice President. He needs to be told, in forceful terms, that the Senior Executive Service and the Veterans' Preference provisions we are proposing are absolutely critical to the entire package. We want him to abandon his move to alter the Senior Executive Service and we NEED his vote on Veterans' Preference. He also needs to be reminded that you consider Civil Service Reform to be a "must" issue in 1978, and that you are counting on him to help.

Wants to separate civil servants from Pol appointees

Will help ≅ Vet. Pref.

(2) Gladys Spellman

Despite every effort to cooperate with and woo Mrs. Spellman, including an appearance by the First Lady at a fundraiser, she continues to present problems almost daily. She needs to be reminded of the importance of the issue generally, and to be pushed on Senior Executive Service and Veterans' Preference.

"Livid" re women's groups calling her on vets pref.

"Will help all I can"

(3) Ed Derwinski (Illinois)

Derwinski continues to be positive and helpful. In your call to him you should simply reinforce his resolve and ask that he try to get his Republican colleagues -- Leach, Corcoran and Lott -- to support our proposals on Veterans' Preference. We need three Republican votes to prevail on Veterans' Preference.

7/8 for us on most issues

Repubs free to vote for vet pref. up to us to win them over -

Calls to be made by the Vice President:

(1) Steve Solarz (New York)

Solarz is generally supportive but will align himself with Ford and Clay on stronger labor provisions than we are willing to support. He needs to be

reinforced on Veterans' Preference and the Senior Executive Service.

(2) Bob Garcia (New York)

(3) Michael "Ozzie" Myers (Pennsylvania)

(4) Ralph Metcalfe (Illinois)

All three are supporting us but need reinforcement on the Senior Executive Service and Veterans' Preference; we are counting on their votes to put us over the top on the latter.

Solarz has a problem of moving from the rule of 3 to the rule of 7 in the hiring of new employees. We can probably defeat him in the issue and suggest you not make a big point of it if he raises the issue.

Attachment

Talking Points on Veterans' Preference

Under our compromise proposal:

-- Veterans' Preference would be available for one-time use for a full 15 years following discharge

-- All veterans would be eligible for an absolute preference when Reductions-In-Force occur for their first 8 years of Federal employment

-- Veterans' Preference would be eliminated for retired military officers of field grade rank or above and limited for other military personnel who have retired after at least 20 years in service to 3 years following retirement

Our proposal fully protects the interests of Vietnam-era veterans and actually expands preference for disabled veterans.

These changes are absolutely essential if we are to do an acceptable job of hiring women, minorities and younger veterans.

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THE WHITE HOUSE

WASHINGTON

June 22, 1978

MEMORANDUM TO THE PRESIDENT

FROM: PETER BOURNE P.B.

SUBJECT: PCP TESTIMONY

This is in response to your question concerning the testimony on PCP. The UPI story was erroneous in suggesting that there was a significant difference of opinion between myself and Peter Bensinger over the legislation authored by Senator Bentsen.

The legislation relates to both criminal penalties for manufacture and sale of PCP as well as establishing reporting requirements on the chemical precursors of the drug. Some of the precursors have legitimate commercial use, and some questions have been raised as to whether the reporting requirements might not prove unjustifiably burdensome to legitimate business. In addition PCP can be made from other precursors not covered by the bill. We are in the midst of conducting an Administration-wide review of this legislation and had not received the final views of Commerce and HEW prior to the hearing. I took the position that the Administration as a whole was not ready to endorse the legislation in its present form, but that as soon as we had completed our review we would submit, in writing to the committee, the Administration's overall position with any specific modifications we thought appropriate. Peter Bensinger was asked specifically to present the views of the Justice Department and DEA and he accurately stated that they had no problems with the bill.

PCP poses a serious problem as my attached formal testimony indicates. It has also received considerable recent publicity. However, PCP related problems account for less than 2 percent of all drug related emergency room visits and deaths. It is essential that any legislation be a balanced response to the problem itself and not to the transient publicity generated around one particular drug. We also have to be sure the legislation would impact the problem sufficiently to warrant the burden we would impose on legitimate users.

Once we have the views of all of the agencies I anticipate we will support a modified version of this legislation, a position that Peter Bensinger and I have discussed and are in complete agreement on.

PGB:ss

STATEMENT BY PETER G. BOURNE, M.D.
SPECIAL ASSISTANT TO THE PRESIDENT FOR HEALTH ISSUES

BEFORE THE

SUBCOMMITTEE ON ALCOHOLISM AND DRUG ABUSE
AND THE
SUBCOMMITTEE ON JUVENILE DELINQUENCY
OF THE
U.S. SENATE COMMITTEE ON HUMAN RESOURCES

JUNE 21, 1978

Mr. Chairman, thank you for the opportunity to be here today to discuss the Federal Government's activities regarding phencyclidine, or PCP.

The Administration has been very concerned about this issue and has been working vigorously for the past year to deal with both the health and law enforcement aspects of the problem.

I first raised this issue last year at our meeting of the principals having primary responsibility in the drug area. Meeting on a bi-weekly basis, the principals group includes the Senior Adviser and Coordinator for International Narcotics Matters to the Secretary of State, the Director of the National Institute on Drug Abuse, the Administrator of the Drug Enforcement Administration, and the Commissioner of the U.S. Customs Service.

My deputy and I work with the group in discussing and coordinating the Federal response to specific drug-related issues. PCP is one issue which was addressed by the principals in the Fall of 1977 and the PCP Action Coordinating

Committee was established under the principals group to develop and coordinate the Federal response to the PCP problem.

As you are well aware, PCP is a psychoactive drug which can have very serious consequences. Although approved for use as a veterinary tranquilizer, it is not approved for human use. It can be extremely dangerous if taken by humans, producing extreme, severe, long-lasting behavioral problems. PCP use can have a variety of effects, ranging from mental dullness and low motivation to misperceptions, paranoia, schizophrenia, and confusion to hostility and a tendency towards violence and extremely unpredictable behavior.

PCP is relatively easy and inexpensive to synthesize. The chemicals and equipment needed to make PCP are not restricted and are easily obtainable. For a very modest investment of a few hundred dollars, PCP with a street value of tens of thousands of dollars can be manufactured. Because of the low cost of manufacturing and the fact that legal production is very small, there is no evidence of diversion from licit sources.

There appears to have been an increase in PCP use throughout the country and especially in several major cities (New York, Washington, D.C., Detroit). From 1975 to 1977, the number of PCP mentions in the Drug Abuse Warning Network (DAWN) nearly tripled and PCP-related deaths for the same period increased by 60 percent. The DAWN system is a statistical reporting system utilized by both the Drug

Enforcement Administration and the National Institute on Drug Abuse. It collects information from selected hospital emergency rooms and medical examiner offices on drug-related incidents. While by no means providing complete national statistics, it does provide a good indication of trends and use patterns.

While PCP is often a drug of choice, it is sometimes sold as another substance (such as LSD, THC, cocaine) or in combination with other substances and not identified to the user. When this is considered, along with the fact that many injuries or accidents resulting from PCP use are not identified as such, it becomes apparent that the extent of PCP use and abuse is probably under-reported.

In response to rising patterns of abuse of this drug, the Federal Government has initiated a number of activities to curtail its use and manufacture. On the law enforcement side, PCP was moved from Schedule III to Schedule II of the Controlled Substances Act on February 24, 1978. Two of the precursors of PCP, 1-phenylcyclohexylamine and PCC, have also been rescheduled into Schedule II. DEA and HEW are currently investigating several other precursors and analogues for possible rescheduling and are considering the desirability of a generic ruling on all precursors and analogues of PCP.

In addition, the Drug Enforcement Administration is working with chemical manufacturers and distributors to closely scrutinize any unusual orders or purchases of the

chemicals and equipment needed to manufacture PCP. This technique is already proving effective in identifying and developing cases involving illicit PCP production.

Based on the recommendations of the PCP Action Coordinating Committee, the National Institute on Drug Abuse (NIDA) has utilized the research it has been conducting on PCP for the past two to three years, as well as other available information and research to develop numerous materials for education, prevention, treatment and rehabilitation. NIDA's activities in this area include letters to treatment programs and emergency rooms to make them aware of the PCP problem, as well as report on treatment and rehabilitation. Public service spots on television, fact sheets and summaries for both professionals and lay persons have been developed and distributed. A conference on the subject of PCP was held in February 1978 which provided an opportunity for professionals in the field to discuss incidence and prevalence, treatment, and other health related aspects of its use. The proceedings are being compiled for distribution to the field.

In addition, NIDA has a number of activities under development which will be completed in the near future. These include development of treatment manuals, research into trends and characteristics of use, ethnographic studies, educational videotapes, and biological and clinical research. PCP will also be included in the 1978 Drug Abuse Prevention Campaign.

In summary, while the Federal Government clearly recognizes the seriousness of the PCP issue, we must be cautious not to overreact. We have spent the past year developing the information, approach and research which are essential in combatting the problem. We have begun implementing the education and prevention, and treatment and rehabilitation plans, and we have tightened the law enforcement efforts. Dr. DuPont and Mr. Bensinger will provide the details on these initiatives in their testimonies. Let me assure you that we will continue to vigorously pursue this issue and we welcome both Committees interest and efforts.

I will be happy to answer any questions.

THE WHITE HOUSE
WASHINGTON

6/22/78

Mr. President:

Congressional Liaison is not sure that a meeting with all 25 Ways and Means members will be necessary next week.

Rick

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PRIORITY

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

June 21, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: The Tax Bill

Stu Eizenstat, Charlie Schultze and I met this afternoon with the House Leadership (Speaker O'Neill, Brademas, Rostenkowski) and Chairman Ullman and agreed on the following strategy in regard to the tax bill:

1) We will all concentrate our efforts on lining up nineteen Democratic members of the Ways and Means Committee to support a simple $15-20 billion tax cut with no further amendments in Committee;

2) We will try to negotiate a modified rule which will allow House floor votes on the following amendments:

- Steiger's capital gains rollback
- Selected tax reform proposals of the Administration
- Possibly a graduated corporate tax

It was unanimously agreed that it will be necessary for you to call all twenty-five Democratic members of the Committee to the White House early next week to impress upon them the need to support this effort, and further, that it will take a concentrated effort by all of us to obtain the necessary nineteen votes.

Mike

W. Michael Blumenthal

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11:30 AM

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

C

MEETING WITH GREEK-AMERICAN LEADERS

Thursday, June 22, 1978
11:30 a.m. (15-30 minutes)
State Dining Room

From: Anne Wexler
Frank Moore
Zbigniew Brzezinski ZB.

I. PURPOSE:

To discuss the Greece/Turkey program with approximately 150 Greek-American leaders.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN:

A. Background: These Greek-American community leaders and members of the Greek-American press are coming to the White House at your invitation; some were chosen by Anne Wexler's office--others have been suggested by Members of Congress.

When you arrive, the meeting will have been going for half an hour. Warren Christopher has explained our policy and how we hope to implement it. Clark Clifford discussed his mission and the conclusions he has drawn from his experience. General Allen described the importance of strengthening the south-eastern flank of NATO (in the Defense part of the briefing, we have deliberately avoided discussing the need to have a strong Turkey and have concentrated on pointing out that it is to Greece's advantage to have a strong NATO, so that Greece is not left exposed.)

B. Participants: The entire list is not provided because of excessive length. A few key people who are attending the meeting are following:

Chris Spirou - House Democratic Leader, New Hampshire

Nick Petris - State Political Representative, California

George Christopher - Ex-Mayor of San Francisco

Professor Costas G. Alexandrides - Georgia State Univ.
(summary of letter attached at Tab A)

Arthur Cheokas - Personal friend

James Demos - Democratic Party Leader, New York

Nick Galifanakis - Ex-Congressman, North Carolina

Deputy Secretary Christopher, General Allen, Clark Clifford, Matthew Nimitz available to answer questions.

State: Doug Bennet and Nelson Ledsky

DoD: Jack Stempler

WH/NSC Staff: Anne Wexler, Vickie Mongiardo, Joe Norton, Bob Beckel, Madeleine Albright Paul Henze

C. Press Plan: Brief photo session

III. TALKING POINTS:

1. I welcome this opportunity to meet with distinguished members of the Greek-American community--a group which has contributed so much to the growth and heritage of this nation. I worked alongside many of you in Georgia and in the national campaign in 1976 and I know we share common values and beliefs.

2. Before we turn to the subject of today's meeting, I would like to read to you the following telegram I sent to Prime Minister Caramanlis:

> "Dear Mr. Prime Minister: The American people and I were deeply distressed to learn of the destructive earthquake which struck northern Greece. We wish to extend our deepest sympathy to those who mourn the loss of loved ones. I wish to assure you that the United States stands ready to assist your government in any appropriate manner to help alleviate the distress in the stricken area."

3. As a candidate for President, I committed this nation's resources and energy to an intensive search for a Cyprus settlement. I said that I would strive to relieve the suffering of Cypriots, work to see to it

that refugees return to their homes, obtain a full accounting of those still missing on the island, and develop a strategy that would lead the way to a negotiated settlement and the withdrawal of foreign troops from the island. This is the essence of U.N. Resolution 3212. I have not waivered in my commitments to these goals. I remain convinced that with your help and support we will make progress toward these goals, which we all share.

4. You will recall that one month after I assumed office, I sent Clark Clifford to the Eastern Mediterranean as my personal respresentative to assess the situation in the area and advise me on how best to proceed. Clark has already explained to you the results of his own mission and the conclusions he reached on the basis of his extensive contacts with the Greek, Turkish, and Cypriot leaders in the area.

5. We have also striven, as Warren Christopher has explained, to get the parties to negotiate on a sustained, serious basis until an agreement is reached. I have spoken personally to President Kyprianou of Cyprus, to Prime Minister Ecevit of Turkey, and to Prime Minister Caramanlis of Greece. We have worked diligently to obtain from the Turkish-Cypriot side--the side that all acknowledge must make major concessions if there is to be a fair Cyprus settlement--a set of proposals covering the critical territorial and constitutional questions. Although the proposals are not as forthcoming as we all might have wanted, they do offer a basis for a return to negotiations, and we have every indication from the Turkish side that these represent no more than a starting point. We have obtained a commitment that once negotiations commence, 30,000 to 35,000 Greek-Cypriot refugees can begin returning to their homes in the important city of Varosha. I am convinced that return of these people can be worked out under U.N. auspices and will not require Greek-Cypriots to return to homes under Turkish military domination.

6. I make these points, not to say we have been successful--because I know we have not yet been successful, but to show that this Administration is determined to continue its active efforts until we succeed. I stand by the pledges I made in 1976.

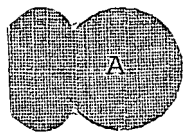
7. In seeking to fulfill these commitments, I have come to the conclusion that the arms embargo against Turkey is a harmful, rather than helpful, tool. Whether totally effective or not, over time the embargo has become above all a symbol for Turkey of punitive sanctions by one power over another. Like the Greeks, the Turks are a proud people. They cannot appear to be negotiating under this type of pressure. Maintenance of the embargo will not create an atmosphere where both sides will return to the table to negotiate an end to the Cyprus tragedy. Its maintenance will not enable us to have the kind of influence on the Turkish Government which is necessary to induce the concessions that will be required from Turkey. For these reasons, as well as for the security considerations in the Eastern Mediterranean, which General Allen has outlined, I have come to the conclusion, along with the Secretary of Defense and the Secretary of State, that the embargo should be removed. I ask your understanding and your support in what has been a very difficult decision.

8. A final word about Greece. In deciding on our program for the Eastern Mediterranean, I was guided by a firm desire to revitalize and enhance our relations with Greece, one of our oldest and most important friends and allies. I am aware that my decision may cause short-term strains in our relationship, and in my recent meeting with Prime Minister Caramanlis the lifting of the embargo was an honest point of difference between us. But we are in agreement on many other points: Greece has an important place in the Western family of nations. It belongs in Europe and in the Western alliance system. The Greek Government and the U.S. Government stand together in all that is important.

9. In summary, we remain committed to an honorable, lasting Cyprus settlement. We fully intend to step up our efforts once the embargo is lifted to help find a solution to the Cyprus problem. We also believe we then can be helpful on the other difficulties that divide Greece and Turkey. The embargo, in my judgment, puts us on dead center. It thwarts our playing a more useful role in the Eastern Mediterranean.

10. What I seek is your understanding to change course slightly, discarding an ingredient of past policy which no longer serves a useful prupose, in the pursuance of an honorable objective which we all share.

Attachments


A

Summary of letter to Anne Wexler from Professor Costas G. Alexandrides, Georgia State University, dated June 19, 1978

1. Greek-American Position on Cyprus.

   a. The Greek-Americans are united in support of U.N. Resolution 3212 of November 1, 1974, which was unanimously adopted including the vote of Turkey.

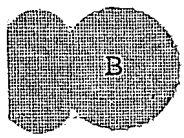
   b. Arms Embargo Against Turkey. The embargo has symbolic meaning because of its moral and human rights implicatons. Lifting of the embargo without progress on the solution of the Cyprus problem would legalize the invasion of Cyprus by Turkey.

2. Greek-American Reaction to the President.

   a. The Greek-Americans believe that the President's sudden change of policy on the embargo is going back on his campaign commitment.

   b. Any promise Mr. Ecevit may have given Mr. Carter during the week of May 29 for the solution of the Cyprus question once the embargo is lifted are unreal as similar promises and excuses because of the internal political developments in Turkey have been used in the past.

   c. They are dismayed at the President's statement that the embargo is a wedge in the relations between Greece and the U.S. They believe the opposite to be true.


B

FACTS ON GREECE AND TURKEY

1. Population

Greece:	10 million
Turkey:	43 million

2. Size of Armed Forces

	Greece	Turkey
Army	140,000	468,900
Navy	16,900	42,500
Air Force	23,600	53,000
Total	180,500	564,400

3. Cumulative U.S. Military and Economic Assistance to Greece and Turkey, 1962-1978

($million)

	Greece	Turkey
Total Economic Assistance	220	1,489
Loans	(153)	(1,123)
Grants	(67)	(366)
Total Military Aid	1,884	3,089
Loans	(712)	(610)
Grants	(1,172)	(2,479)
Total	2,104	4,578

4. FY 78 and FY 79 U.S. Military and Economic Assistance to Greece and Turkey

	Greece		Turkey	
	FY 1978	FY 1979	FY 1978	FY 1979
	(in millions of US dollars)		(in millions of US dollars)	
Military Aid	175***	140*	175*	175*
Economic Aid	0	0	0	50**
Total	175	140	175	225

* Foreign Military Sales Financing (FMS) Program
** Security Supporting Assistance Loan
*** $140 million in FMS credits, $33 million in military assistance grants, and $2 million in military training aid

Department of State
June 1978

FACTS ON CYPRUS

1. Population: 631,000 (500,000 Greek Cypriots
131,000 Turkish Cypriots)

2. Troop Strengths:

Turkish:	30,000	(a reduction of 16,000 from peak 1974 strength)
Turkish Cypriot:	6,000	
Greek Cypriot:	12,000	
Greek:	2,000 (?)	

3. Refugees:

Greek Cypriot:	160,000
Turkish Cypriot:	40,000

4. U.S. Assistance since 1974:

$87.5 million through FY 1978. The Administration requested $5 million additional for FY 1979. It seems likely that the Congress will authorize $15 million.

Department of State
June 1978

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8:45 AM

THE WHITE HOUSE

WASHINGTON

C

June 21, 1978

MEETING WITH CONGRESSIONAL LEADERS
ON ENERGY AND THE BONN SUMMIT

Thursday, June 22, 1978
8:45 a.m. (30 minutes)
The Cabinet Room

From: Stu Eizenstat
Kitty Schirmer

I. PURPOSE

To consult with Congressional leaders on your proposed energy statement at the Bonn summit.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Last week, Secretaries Vance and Blumenthal, and others put forward an outline of a statement for you to make on energy at the Bonn Summit. Such a statement, which commits the U.S. to initiating action to restrain oil imports no later than the end of the year, could influence the chances of passage of the first four parts of the National Energy Plan as well as affect the outcome of COET negotiations.

Failing a legislative solution to the oil prices/oil imports problem, you are left with administrative remedies such as quotas or import fees. As you know, there is still substantial Congressional opposition to the idea of a fee, and there is a risk that your authority to act in this manner could be revoked.

This meeting provides an opportunity to brief Congressional leaders on what is at stake economically at the Bonn Summit and to obtain the best judgment of the Congress on reactions to the kind of pledge you would like to be able to make to your colleagues at the Summit. It also provides you with another chance to make a direct pitch for action on COET.

In the attached talking points Henry Owen recommends that you begin the meeting by calling on Cy Vance and Mike Blumenthal to report on their recent COET consultations. This will provide the basic information on the trade-offs at stake at the Summit, as well as a sense of the economic significance of the actions which the Germans, Japanese, and others are prepared to take if we make a strong statement on energy. You can then back this up by recounting your own conversations with Fukuda, Callaghan, and Schmidt.

The participants judgments on the domestic reaction to your proposed statement will be an essential ingredient in formulating a position for the Summit which makes the most of the international economic opportunity available, while minimizing chances of adverse impacts on the pending energy bill.

Finally, the meeting provides a good chance to prod the leadership on setting a schedule for Congressional (particularly Senate) action, on the National Energy Plan. The announcement of a firm timetable for considering the first four bills would strengthen your hand in Bonn.

B. Participants: See attached

C. Press Plan: White House Photographer Only

III. TALKING POINTS

Attached (prepared by Henry Owen)

PARTICIPANTS AT JUNE 22 MEETING

Senators

Howard Baker (R - Tenn.)
Henry Bellmon (R - Okla.)
Robert Byrd (D - W.Va.)
Clifford Hansen (R - Wyo.)
Henry Jackson (D - Wash.)
Russell Long (D - La.)

Representatives

John Anderson (R - Ill.)
Lud Ashley (D - Ohio)
John Dingell (D - Mich.)
Dan Rostenkowski (D - Ill.)
Harley Staggers (D - W.Va.)
Al Ullman (D - Ore.)

Other

Secretary Vance
Secretary Schlesinger
Secretary Blumenthal
Ambassador Owen
Charles Schultze
Richard Cooper
Frank Moore
Zbigniew Brzezinski
Stu Eizenstat
Kitty Schirmer

~~CONFIDENTIAL~~

3754

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~ GDS June 20, 1978

INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN

SUBJECT: Your Meeting with Congressional Leaders on Energy and the Summit

Attached are the talking points that I promised for your meeting with Congressional leaders on energy and the Summit. These talking points include the changes suggested by Stu Eizenstat, to which you drew my attention. They also include suggestions by Charlie Schultze.

~~CONFIDENTIAL~~ GDS ~~CONFIDENTIAL~~ 9/4/90

TALKING POINTS

For Your Meeting with Congressional Leaders on Energy and the Summit

---

1. We suggest that you begin by calling on Secretaries Vance and Blumenthal to report on the attitudes they found at the OECD meeting regarding energy and the Summit.

2. After that, you might indicate the impressions that you formed from your talks with Schmidt, Fukuda, and Callaghan:

a. They have two concerns:

-- that continuing excessive US oil imports will further weaken the dollar, and thus threaten their countries' economic health;

-- that they cannot generate sustained growth if excessive oil imports cause sharp OPEC price increases.

b. They therefore want a US commitment to limit oil imports. If we can make such a commitment, we should have the ingredients for a successful Summit: German and Japanese actions to promote faster growth, and British and French (as well as the others) pledging to refrain from protectionist measures.

c. If we cannot promise action on energy, the other Summiteers will hold back on growth and trade pledges. The Summit will then fail.

3. Failure of the Summit would have these serious repercussions for the US:

a. Western unity would be undermined, when it is most needed.

b. The US dollar would come under renewed pressure in exchange markets -- causing higher inflation, possible action by the Federal Reserve to raise interest rates, weakened business confidence, and slower growth.

c. Inaction by Germany and Japan on growth and the revival of protectionism abroad would depress employment in our export industries.

d. US deficit spending would increase as a result of the decline in tax revenues attendant on a US slow-down.

4. Then you might spell out the kind of US statement at the Summit that would meet allied concerns:

-- It is our objective to raise the average US oil price paid by users to the world level by the end of 1980.

-- To achieve this objective, we are seeking legislation, which would be the most desirable outcome.

-- If legislation has not been enacted by the end of 1978, you will still have a range of administrative powers that you are prepared to use to achieve the same constraining effect on oil imports in the same time frame as COET.

5. If you get questions about the kinds of administrative actions that might be taken, you might refer them to Secretary Schlesinger. You should re-emphasize that our options for achieving energy objectives are limited and COET remains the best approach -- despite the current anti-tax sentiment.

6. You might close by asking:

a. how such a statement, made as part of a concerted action package at the Summit, would affect prospects for the first four parts of the energy bill and COET;

b. if Congressional leaders could make statements before the Summit about their intention to assure timely scheduling of the bill and their support for your general approach.

ID 783218 THE WHITE HOUSE

WASHINGTON

DATE: 20 JUN 78

FOR ACTION:

INFO ONLY: STU EIZENSTAT FRANK MOORE (LES FRANCIS)

SUBJECT: OWEN MEMO RE YOUR MEETING WITH CONGRESSIONAL LEADERS ON ENERGY AND THE SUMMIT

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

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW: