

1/19/79

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/att.	<p>From Moore to The President (18 pp.) re: Panama Canal Implementation Legislation</p> <p><i>opened per RAC NLC-126-16-8-1-5, 7/3/13</i></p>	1/18/79	A

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THE PRESIDENT'S SCHEDULE

Friday - January 19, 1979

7:30
(90 min.) Breakfast with Vice President Walter F. Mondale, Secretaries Cyrus Vance and Harold Brown, Dr. Zbigniew Brzezinski and Mr. Hamilton Jordan - The Cabinet Room.

9:00 Dr. Zbigniew Brzezinski - The Oval Office.

9:30 Mr. Frank Moore - The Oval Office.

10:00
(10 min.) White House Conference on Balanced Growth. (Mr. Jack Watson) - The Cabinet Room.

10:30 Mr. Jody Powell - The Oval Office.

11:00 Mr. Charles Schultze - The Oval Office.

12:00
(30 min.) Lunch with Congressman and Mrs. John Murphy. The Oval Office.

1:15
(10 min.) Mr. Theodore R. Mann, Chairman, Conference of Presidents of Major American Jewish Organizations. (Mr. Edward Sanders) - The Oval Office.

2:00
(60 min.) Meeting with Mr. James T. McIntyre, Jr. et al. The Cabinet Room.

3:15 Depart South Grounds via Helicopter en route Camp David.

THE WHITE HOUSE
WASHINGTON

1/18/79

Mr. President:

DPS concurs. No objection
from NSC.

Bernie Aronson has cleared.

Rick

1:15 PM

THE WHITE HOUSE

WASHINGTON

January 18, 1979

MEMORANDUM TO THE PRESIDENT

FROM: EDWARD SANDERS *Ed*

SUBJECT: Meeting with Ted Mann, Oval Office
Friday, January 19, 1979, 1:15 p.m.

I. PURPOSE

To afford the Chairman of the Presidents' Conference an opportunity to discuss the current status of Israeli-Egyptian peace negotiations.

II. BACKGROUND, PARTICIPANTS AND PRESS

A. Background: Ted Mann is the Chairman of the Conference of Presidents of Major American Jewish Organizations. He is an important voice of moderation in the Jewish community.

Immediately after his meeting with you, Mann and 14 other representatives of the Jewish community will be briefed on Iran by the Vice President, Dr. Brzezinski and Hal Saunders.

In the wake of the hiatus in the Egyptian-Israeli talks last month Mann requested a meeting to discuss the viewpoint of the American Jewish community on our posture in the talks. After meeting with Secretary Vance, he reiterated his request for a meeting, and detailed his objections to the actions we had taken.

We can use the opportunity of this meeting to indicate your determination to continue our role in the peace process as a patient intermediary who will not foist its will on anyone. I think it would also be helpful to reiterate the statement you made publicly to Ambassador Evron that, "Strategically (Israel) means a great deal to the security of our nation and to stability in the Middle East".

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Mann might raise the question of whether we are considering meeting Israel's request for economic assistance for a Sinai withdrawal.

B. Participants: Ted Mann

White House Staff: Edward Sanders

C. Press: White House Photographer.

ES:ss

THE WHITE HOUSE
WASHINGTON

1/19/79

Tim Kraft
Arnie Miller

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

Rick Hutcheson

.

THE WHITE HOUSE
WASHINGTON

January 17, 1979



MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT *T/K*
ARNIE MILLER *AM*

SUBJECT: Commissioner, Bureau of Labor Statistics

We join Secretary Marshall in recommending the appointment of Dr. Janet L. Norwood as Commissioner of the Bureau of Labor Statistics. Dr. Norwood has served as Acting Commissioner since April 1978, and has done an excellent job of running the Bureau. She would be appointed for a term of four years, vice Mr. Julius Shiskin, deceased. We are informed by Sarah Weddington that this appointment will be well received by women's groups. Interested Members of Congress, organized labor and members of the statistical community have also indicated support for this appointment.

Sarah Weddington concurs with the following recommendation.

RECOMMENDATION

Nominate Dr. Janet L. Norwood, of Maryland, as Commissioner of the Bureau of Labor Statistics.

✓ approve _____ disapprove

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U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

December 29, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall *Ray Marshall*

SUBJECT: Appointment of Commissioner of the
Bureau of Labor Statistics

The purpose of this memorandum is to recommend that you appoint Dr. Janet L. Norwood as Commissioner of the Bureau of Labor Statistics to fill the unexpired term of office brought about by the death of Mr. Julius Shiskin on October 28, 1978. This term expires July 30, 1981. Dr. Norwood has served as Acting Commissioner since April 1978. She has worked in progressively increasing positions of responsibility in the Bureau of Labor Statistics since 1963. A copy of her resume is attached.

Dr. Norwood has done an excellent job of running the Bureau during the last nine months. My staff has discussed her appointment with interested Members of Congress, organized labor, and members of the statistical community. All indications are that her nomination would be warmly received.

Dr. Norwood lives in Maryland. She is registered to vote but is not declared with either political party. She has, however, consistently voted Democratic in general elections and has done some neighborhood work for the Democratic party in Maryland.

If you or your staff have any questions regarding this recommendation, please contact me.

Attachment

Dr. JANET L. NORWOOD
Acting Commissioner of Labor Statistics

EDUCATION: Ph.D., Tufts University
M.A., Tufts University
B.A., Douglass College, Rutgers University

U.S. GOVERNMENT EXPERIENCE: In the U.S. Government statistical community for the past 15 years. GS rank increased from a GS-9 to the GS-18 level during the first 13 years of service in the Bureau of Labor Statistics, which included --

- * Management, Conceptual Design and Analysis: Progressively increasing responsibility--either as Acting Commissioner or as Deputy--for providing leadership, conceptual development and management direction for the Bureau's nearly \$100 million statistical and research programs. Responsibilities for program planning, conceptual design and economic analysis and interpretation of the Bureau's data.

Testified before Congressional Committees, made speeches, and wrote articles interpreting BLS data.

Served as:

Acting Commissioner, Bureau of Labor Statistics, U.S. Department of Labor: April 1978 to present

Deputy Commissioner, BLS: September 1975 to April 1978

Deputy Commissioner for Data Analysis, BLS: October 1973 to September 1975

Associate Deputy Commissioner, Office of Data Analysis, BLS: November 1972 to October 1973

- * Price Statistics: As chief of the Consumer Price Index Division, was involved in improving the CPI and in early development of the revision program; developed and established on continuing basis the new program to measure change in prices of products imported into, and exported from, the U.S.

Served as:

Chief, Division of Consumer Prices & Price Indexes, Office of Prices and Living Conditions, BLS: 1970-1972

Economist and Manager of the International Price Competitiveness Program, Division of Price and Index Number Research, Office of Prices and Living Conditions: 1967-1970

- * International Comparative Statistics: As an economist in the Office of Foreign Labor and Trade developed international wage and price comparisons, monographs on labor conditions in foreign countries and was responsible for the first joint intergovernmental study in the labor field--on wages in the U.S. and Japan.

Served as:

Chief, Wage & Labor Cost Comparison Section, Office of Foreign Labor & Trade, BLS: 1965-1967

Economist, Monograph Branch, Office of Foreign Labor & Trade
BLS: 1963-1965

TEACHING AND/OR ACADEMIC ADVISORY ROLES:

- * Tufts University, as an economist at the William L. Clayton Center, Fletcher School of Law and Diplomacy. Did research and writing in the area of international economics
- * Wellesley College, an an instructor
- * Harvard University, as a member of the Board of Overseers Visitors Committee (Statistics Department)
- * American University, as a member of the Board of Advisors of the School of International Service 1976-78

HONORS AND AWARDS:

Secretary of Labor's Special Commendation, January 1977

Secretary of Labor's Award for Distinguished Achievement, March 1972

For "outstanding contribution and personal leadership in compiling the CPI...and for professional competence of work on the revision and improvement of the CPI and the analysis of the CPI during the wage-price-rent freeze."

Fellow, American Statistical Association

Selected as member Douglass Society for Distinguished Achievement

International Activities:

Chair, Working Party on Employment and Unemployment Statistics,
Organization for Economic Cooperation and Development,
a continuing committee concerned with the comparability and
improvement of statistics in OECD countries

Member, U.S. Delegation to the Inter-American Conference of Labor
Ministers, Guatemala City, Guatemala 1975 and Lima, Peru 1978

Membership in Professional Associations:

American Economic Association
American Statistical Association
National Economists Club
Industrial Relations Research Association
National Association of Business Economists

Other:

President, Women's Caucus in Statistics
Member, Committee on Selection of Fellows, American Statistical Association
Member, Committee on Status of Women in Economics Profession
Member, Executive Women in Government
Member, Washington Women's Network
Member, Executive Resources Board, U.S. Civil Service Commission

Selected Publications:

New Approaches to Statistics on the Family, Monthly Labor Review, July 1977

Reshaping a Statistical Program to Meet Legislative Priorities:
Paper presented at Convention of the American Statistical
Association, Chicago, August 1977

Demographic and Employment Perspective for the Future of Vocational
Education, paper presented at the National Bicentennial Conference
on Vocational Education, 1977

Some Social Aspects of Unemployment, BLS Report No. 469, 1976

Should Those Who Produce Statistics Analyze Them? An American View:
Paper presented at the 40th Session of the International Statistical
Institute, Warsaw, Poland, September 1975

Cost-of-Living Escalation of Pensions, Monthly Labor Review, June 1972

Wages in Japan and the United States, Monthly Labor Review, April 1967
and Composition of Wages and Supplements: U.S.- Japan Comparisons,
Monthly Labor Review, May 1967

Chapters in Studies in United States Commercial Policy, University of
of North Carolina Press, Chapel Hill, 1963 (co-author)

Labor Law & Practice in the Union of Burma, BLS Monograph 1963

Chapter in Labor in Nigeria, BLS Monograph 1963

Callaborator, International Trade Policy Issues, U.S. Chamber of Commerce
Washington, D.C. 1963

THE WHITE HOUSE
WASHINGTON

1/19/79

Frank Moore

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

Rick Hutcheson

FOR ACTION
FYI

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

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
/	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

THE WHITE HOUSE
WASHINGTON

January 18, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M./BR*
SUBJECT: SALT BRIEFINGS

*Frank - etc,
but may brief meetings
with Senators Stennis,
Nunn, etc are not
adequate briefings
on SALT
J*

Although most of the Senators and their staffers have been briefed on SALT over the past months by ACDA and State, most of them do not feel that they have been briefed at a high enough level or been brought up to date on the last Geneva talks. We have, therefore, proposed that you, Vance, Brown, Brzezinski, Aaron, Seignious, Nimetz, Gelb and Tate/Beckel contact 80 Senators within the next two weeks and give complete briefings (list attached. You have already met with Stennis and Baker. The meetings with Jackson, Nunn and the Ribicoff delegation are already on your proposed 2-week schedule. We will submit a scheduling proposal for you to meet with Senator Byrd). The other twenty Senators will be assigned shortly.

We have also begun a new round of staff briefings. The staff of the Cranston group was briefed in the Roosevelt Room on Wednesday, January 17. We intend to have staff of all 100 Senators in within the next two weeks.

Attachment

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

January 18, 1979

MEMORANDUM FOR: SALT RATIFICATION GROUP
FROM: BOB BECKEL/MADELINE ALBRIGHT
SUBJECT: BRIEFINGS FOR SENATORS

The President

Sen. Baker
Sen. Jackson
Sen. Nunn
Sen. Stennis
Sen. Byrd

Ribicoff/Bellmon CODEL

Sen. Ribicoff
Sen. Bellmon
Sen. Glenn
Sen. DeConcini
Sen. Durkin
Sen. Eagleton
Sen. Javits
Sen. Laxalt
Sen. Schweiker
Sen. Stevenson
Sen. Burdick

Secretary Vance

Sen. Pryor
Sen. Percy

Baker CODEL

Sen. Baker
Sen. Hayakawa) Check if want
Sen. Danforth) briefing beyond
Sen. Garn) what had before
going to Moscow

Cranston Group

Sen. Cranston **
Sen. Bumpers
Sen. Chafee
Sen. Church **
Sen. Culver **
Sen. Durkin
Sen. Glenn
Sen. Hart **
Sen. Inouye
Sen. Kennedy
Sen. Mathias
Sen. Morgan
Sen. Muskie **
Sen. Pell
Sen. Proxmire
Sen. Sasser
Sen. Stafford

**If Vance does not brief whole group, he should call.

Secretary Brown

Sen Tower
 Sen Goldwater
 Sen Bentsen
 Sen Warner
 Sen Young
 Sen Cannon
 Sen Boren

General Seignious

Sen Ford
 Sen Hollings
 Sen Huddleston
 Sen Morgan
 Sen Melcher
 Sen Sasser
 Sen Heflin
 Sen Stewart
 Sen Pell
 Sen Mathias
 Sen McGovern
 Sen Nunn
 Sen Durenberger
 Sen Bentsen (in connection with his own nomination)

Matthew Nimetz

Sen Hatfield
 Sen Nelson
 Sen Weicker
 Sen Simpson
 Sen Stevenson
 Sen Zorinsky

Dan Tate/Bob Beckel

Sen Armstrong
 Sen Magnuson
 Sen Riegle
 Sen Sarbanes
 Sen Williams
 Sen Talmadge
 Sen Heinz
 Sen Kassebaum
 Sen Randolph
 Sen Baucus
 Sen Gravel

Zbigniew Brzezinski

Sen Chiles
 Sen Johnston
 Sen Lugar
 Sen Roth
 Sen Schmitt
 Sen Stevens
 Sen Bayh
 Sen Byrd

David Aaron

Sen Tsongas
 Sen Cohen
 Sen Metzenbaum

Les Gelb

Sen DeConcini (already has
 appointment for
 1/24)
 Sen Stone
 Sen Domenici
 Sen Bradley

Note: Briefing of all Senators' aides in groups began
 Wednesday, January 17, with Cranston group staff

12:00 PM

THE WHITE HOUSE

WASHINGTON

January 18, 1979

LUNCH WITH CHAIRMAN JACK MURPHY (D-N.Y.-17)

Friday, January 19, 1979
12:00 Noon (30 minutes)
The Oval Office

From: Frank Moore *F.M./BR*

I. PURPOSE

To discuss Panama Canal implementation legislation, maritime policy and the Nicaraguan situation.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: Rep. Murphy has had a long-standing interest in the Panama Canal issue. Until 1976, he was Chairman of the Panama Canal Subcommittee and since that time as Chairman of the full Merchant Marine & Fisheries Committee, he has maintained a continuing interest in following the subcommittee's actions. He opposed the treaties and voted consistently for measures which would have hamstrung our treaty negotiation efforts. He has, in addition, surrounded himself with a staff which supplied much of the intellectual framework used by the opponents of the treaties. In a re-organized Congress this year, Murphy's role may be more important, especially since Ralph Metcalfe, who was the Chairman of the Panama Canal Subcommittee, is no longer alive.

Congressman Murphy has raised several key concerns relating to maritime policy:

1. The need for the Administration to develop and present to the Congress a single coherent maritime policy. In Murphy's view such a policy should be frankly protectionist, aimed primarily at helping American ship operators and builders. Murphy feels that a key element of our maritime policy should be a system of insuring more cargo for American ships, i.e. cargo preference.

Our interagency review is scheduled to present options to you by February. While this review should be able to clarify the Administration's general views on shipping policy, it is unlikely either to solve as many questions or to go as far toward protectionism as Murphy would like.

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2. The Anti-Rebating Bill. Last fall we vetoed the anti-rebating bill sponsored by Congressman Murphy and Senator Inouye. The Murphy bill gave the Federal Maritime Commission (FMC) the power to close ports to foreign companies refusing to produce documents regarding their rebating practices. (Rebating is the practice of under-the-table rate cuts or bribes to shippers to encourage them to use certain shipping lines.) If the bill had been signed and fully implemented the port closings could have severely damaged our relations with some of our European trading partners.

Both Murphy and Inouye were very upset with our veto. Inouye apparently intends to move early to reenact the bill or a similar version. Murphy apparently will postpone action for a few months. We hope to propose an alternative to the Murphy bill that would solve the problem of unequal treatment of our ship operators (who can be much more easily prosecuted for rebating) while avoiding the open confrontations with foreign governments.

3. Status of the Interagency Maritime Review. Currently, as Murphy will accurately point out, various agencies of government are pursuing diametrically conflicting policies toward ocean shipping. This has created an enormous amount of uncertainty and criticism of the government in the shipping industry, both here and abroad. The task force is seeking to put our house in order.

The task force has focussed on the way we regulate our liner shipping industry (liners are the mixed cargo vessels, differing from specialized vessels such as oil tankers or lumber carriers). Liner companies are organized into conferences that meet to plan routes, set sailing frequencies establish rates and other collective practices. These conferences are given anti-trust exemptions if they file their agreements with the FMC.

Within the interagency group are sharp differences over how we ought to reform the current system:

- 1) Treasury-Justice-OMB-CEA - Would seek to abolish or sharply limit the powers of the conferences. As a political and practical matter this is not a very promising option, since it would probably put a number of American carriers out of business, and would involve a major confrontation with our trading partners, who

Chairman Murphy
Page three

generally support strong conferences.

- 2) FMC-Commerce-Labor - Would strengthen the conference system, limit the role of the Justice Department (which has been going to court to attack the conferences) and increase the powers of the FMC to police the conferences. This alternative is equally flawed, in that it would run directly against our broad goals of increasing competition and decreasing regulation.

Building on the views of the less doctrinaire agencies (e.g., State and DOT) we are attempting to fashion a middle option that would moderately encourage competition in the conferences, and greatly clarify, simplify and speed up FMC regulation of the conferences. We are pointing toward February decisions followed by submission of a message (but not a bill) to the Congress in early spring.

This middle option has been outlined to Murphy's staff who report that he reacted favorably toward it. Murphy has also promised to postpone action on broad maritime issues in order to work first on other matters including the Panama Canal implementing legislation.

Additional information on Panama Canal implementation legislation and the Nicaraguan situation will be supplied by the National Security Council.

Participants: The President, Chairman Murphy, Mrs. Murphy.

Press Plan: White House photographer only.

III. ADDITIONAL INFORMATION

Committees (95th Congress): Merchant Marine and Fisheries (Chairman)
Subcommittees: Merchant Marine (Chairman)
#7 Interstate & Foreign Commerce
Subcommittees: Communications
Energy & Power
Transportation &
Commerce

Administration Support: 77.9%

Wife: Kathleen. They have three children.

IV. TALKING POINT

Tell the Chairman that you regret that scheduling circumstances have prevented this meeting from being held on earlier occasions.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

January 18, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI **ZB.**

SUBJECT: Your lunch with Rep. John Murphy
January 19, 1979

From the foreign policy perspective, your meeting has three purposes: (1) to try to secure the cooperation of John Murphy in passing the Panama Canal implementing legislation by June; (2) to inform him that the proposal presented by the mediators for a Nicaraguan plebiscite on January 12 was our bottom line, and if Somoza does not accept it, or if he tries to draw out the negotiations by bickering over details, our relations with his government will be seriously and negatively affected; and (3) to make clear that you will not permit any linkage between the two issues. (C)

As an opponent of the Canal Treaties, Murphy would be difficult enough to win over even if there weren't policy differences between us on Nicaragua. A classmate and very close friend of Somoza, Murphy is angry that your Administration has abandoned (what he views as) one of America's best friends, Anastasio Somoza. I suggest you read the cable summarizing Murphy's conversations in Panama for a flavor of his views on the two issues of Panama and Nicaragua. (see Tab A).

Panama. Murphy introduced implementing legislation on Monday which causes us a number of problems. In particular, he wants to maintain continued Congressional authority by establishing an appropriated fund agency to run the Canal rather than an independent corporation as we prefer. Also, he wants to draw the American members of the Commission from private life, while we favor appointing USG officials so as to assure a coordinated US approach. We expect that our implementing legislation will be submitted next Monday. You should note our strong interest in cooperating closely with Murphy to pass a bill by June 1 and assure a peaceful and stable transition to a new Panama Canal administration. (C) (see Tab B).

~~CONFIDENTIAL~~

Review on January 18, 1985

DECLASSIFIED

Per: Rac Project

ESDN: MLC-126-16-8-1-5

BY: **KS** NARA DATE: **6/27/13**

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Nicaragua. It seems likely that he will try to exploit whatever leverage he thinks he has to try to reverse your policy on Nicaragua. You need to be very firm with him. He is so close to Somoza that if he leaves your lunch thinking that you might reconsider issues such as economic or military aid, he will telephone this information to Somoza immediately. And we have no doubt that Somoza would interpret any such information in a way that could undermine the mediation effort and everything we have been trying to do there.

On January 12, after Bowdler had persuaded the other two mediators to adopt our changes in their initial plebiscite proposal (i.e., accept Somoza's proposal for a national plebiscite authority, although it would be closely monitored and supervised by international observers), the three mediators met with Somoza. Earlier, they had met with the opposition (FAO) which accepted the revised proposal, but refused to publicly commit themselves to it until Somoza accepted it. (C)

Somoza has promised to respond on January 19. As soon as we receive his response, I will brief you on it, but based on conversations with his Ambassador, we expect Somoza will respond with a "heavily qualified acceptance", i.e. he will insist on pre-registration (he sees this as the last way to manipulate the process and intimidate voters) and on his plebiscite question, which is confusing and side-steps the major issue: whether Somoza should continue in office till 1981.

The mediation effort was established in order to preserve the democratic middle in Nicaragua, which was threatened by Somoza and the Sandinistas. We decided to support a plebiscite because it provides an opportunity for the Nicaraguan people to participate in a process which would peacefully and legitimately facilitate Somoza's departure, if as seems clear, he enjoys practically no popular support. (C)

Somoza has recently told us that he has successfully split the middle, that he can defeat the Sandinistas, and that he can make it without us. We question all three points. First, we believe that the moderate opposition will probably fragment if the mediation collapses: many will join the National Front recently established by the Sandinistas; others will flee the country. Second, Somoza is unquestionably stronger than the Sandinistas now, but as the country becomes more polarized, he will find himself in as isolated a position as the Shah; only by then, the only alternative will be the Sandinistas. Finally, we think Somoza still fears U.S. disassociation from his regime. If the U.S. abandons Somoza, he really has nowhere else to turn for international support; even the southern core military regimes won't touch him. (C)

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

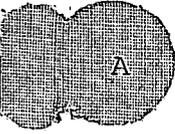
~~CONFIDENTIAL~~

I recommend that you approach Murphy firmly, though more in sorrow than in anger. The mediators have gone more than half-way with their compromise proposal. Unless Somoza accepts it soon, and a plebiscite which is credible to the Nicaraguan people is set in motion, we can not continue our historic relationship. The human rights abuses described in the report by the Inter-American Commission on Human Rights were tragic and deplorable. We fear that if the mediation breaks down, these abuses will increase as will violence and political polarization. (C)

You may want to tell Murphy in quite specific terms that we have gone about as far as we can, and that you intend to withdraw the Milgroup, reduce the AID mission and our Embassy staff, and for security reasons, withdraw the Peace Corps, unless Somoza accepts the proposal. (Bowdler has not been that specific yet.) (C)

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~



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DE RUEH2P #0243/01 0102219
O 102217Z JAN 79
FM AMEMBASSY PANAMA

DECLASSIFIED
Per, Rac Project
ESDN; NLC-126-16-9-1-5
BY KS NARA DATE 4/27/13

TO SECSTATE WASHDC IMMEDIATE 0558
INFO AMEMBASSY SANTO DOMINGO 1626
AMEMBASSY MANAGUA 3049

~~C O N F I D E N T I A L~~ SECTION 01 OF 02 PANAMA 00243

EXDIS
FOR ASST SEC VAKY FROM MOSS; SANTO DOMINGO, MANAGUA FOR
AMBASSADOR BOWDLER
E.O. 12065: RDS-2 01/10/98. (MOSS, AMBLER H.)
TAGS: PINT, PN, NU
SUBJECT: CONVERSATION WITH CONGRESSMAN JACK M. MURPHY

1. CONGRESSMAN MURPHY ARRIVED IN PANAMA AT 7:10PM JAN 9,
ACCOMPANIED BY STAFFER CARL PERRIAN. HE PROCEEDED
DIRECTLY TO A MEETING WITH PRESIDENT ROYO, AT WHOSE INVI-
TATION HE HAD COME TO PANAMA. VICE PRESIDENT DE LA
ESPRIELLA, GABRIEL LEWIS, PHILIP HARMAN AND PERRIAN WERE
APPARENTLY PRESENT. THAT MEETING LASTED UNTIL ABOUT
10:40PM, AFTER WHICH HE CAME TO THE HOME OF GOVERNOR
PARETT, WHERE HE MET WITH THE GOVERNOR, GENERAL MCAULIFFE,
AND MYSELF UNTIL APPROXIMATELY 1:15AM. PERRIAN WAS ALSO
PRESENT. MURPHY PLANNED TO DEPART PANAMA ON THE MORNING
OF JANUARY 10.

2. MURPHY TOLD US THAT HE WAS IMPRESSED WITH THE YOUTH
OF THE PRESIDENT AND VICE PRESIDENT, AND WITH ROYO'S
ENERGY AND ARTICULATENESS. HE SAID THAT ROYO EXPRESSED
CONCERN ABOUT THE PROGRESS OF IMPLEMENTING LEGISLATION AND
ASKED WHETHER IT WOULD BE PASSED BY OCTOBER 1. MURPHY SAID
HE TOLD ROYO NOT TO WORRY. THAT IT WOULD BE PASSED BY JULY.
MURPHY SAID HE ASKED THE PRESIDENT ABOUT A NUMBER OF
ASPECTS OF THE PANAMANIAN ECONOMY, WHAT PANAMA WAS DOING
TO IMPROVE ITS SITUATION, AS WELL AS PANAMA'S PLANS TO
OPERATE THE FUNCTIONS IT WOULD RECEIVE AFTER OCTOBER 1.
WE POINTED OUT ROYO'S GOOD TRACK RECORD TO DATE AND SAID
PANAMANIAN COOPERATION IN PLANNING FOR IMPLEMENTATION HAD

* * * * * W H S R C O M M E N T * * * * *

ROBBIE

PSN:028415 PAGE 01 TOP:017/16:09Z DTG 102217Z JAN 79

BEEN EXCELLENT.

3. THE SUBJECT OF NICARAGUA APPARENTLY APOSE DURING THE MURPHY-ROYO MEETING, AND MURPHY SAID THAT THE PRESIDENT CHARACTERIZED SOMOZA AS A DICTATOR AND A PROBLEM FOR THE REST OF CENTRAL AMERICA. MURPHY SAID HE POINTED OUT TO ROYO THAT SOMOZA WAS ELECTED IN A FREELY-CONTESTED ELECTION, DURING WHICH AN OPPOSITION PRESS WAS FUNCTIONING FREELY. AND ALL THIS WAS MUCH MORE THAN ROYO HIMSELF COULD SAY. MURPHY SAID THAT HE ADVISED ROYO THAT PANAMA STAY AS FAR AWAY FROM THE NICARAGUAN SITUATION AS POSSIBLE AND "UNCOUPLE ITSELF" FROM THE EVENTS IN NICARAGUA; OTHERWISE, THE NOTION OF PANAMANIAN INVOLVEMENT COULD BE DISASTROUS FOR THE PASSAGE OF IMPLEMENTING LEGISLATION.

4. WE THEN DISCUSSED WITH MURPHY SPECIFIC ASPECTS OF CANAL OPERATIONS, INCLUDING A RECENT SHIP GROUNDING IN THE CANAL, THE NUMBER OF PILOTS PRESENTLY EMPLOYED AND THEIR DESIRES IN CERTAIN LABOR MATTERS, AND EFFORTS TO HALT DEFORESTATION IN THE WATERSHED. WE ALSO DISCUSSED AT SOME LENGTH THE STATE OF PLANNING OF THE GOVERNMENT OF PANAMA TO TAKE OVER THE FUNCTIONS SUCH AS PORTS AND RAILROADS, THE OPERATION OF THE BINATIONAL WORKING GROUPS, THE NEW PANAMANIAN CANAL AUTHORITY RECENTLY RECONSTITUTED UNDER GABRIEL LEWIS AND ITS ABILITY TO HANDLE THE RANGE OF PLANNING PROBLEMS WHICH PANAMA FACED IN ASSUMING ITS NEW RESPONSIBILITIES. MURPHY GENERALLY EXPRESSED SKEPTICISM OVER THE ABILITY OF PANAMA TO HANDLE ITS NEW RESPONSIBILITIES.

5. MURPHY SAID, WITHOUT BEING VERY SPECIFIC, THAT HE AND MEMBERS OF HIS COMMITTEE PLANNED TO VISIT PANAMA AND TO STUDY VARIOUS ASPECTS OF PLANS FOR TREATY IMPLEMENTATION FIRSTHAND.

6. A LARGE PORTION OF THE CONVERSATION THEN DWELLED UPON NICARAGUA. HE CHARACTERIZED THE PROBLEM AS "MADE IN WASHINGTON", SAYING IT WAS THE RESULT OF THE "CHANGE IN POLICY TOWARD AN OLD ALLY" WHICH WAS EVIDENT FROM THE FIRST DAY OF THE CARTER ADMINISTRATION. HE DESCRIBED THE LATIN AMERICAN POLICIES OF THE ADMINISTRATION AS HAVING BEEN DISASTROUS FOR OUR RELATIONSHIPS IN THE HEMISPHERE GENERALLY. HE RECITED AT GREAT LENGTH THE EVENTS OF LAST SUMMER AND FALL, THE MILITARY ACTIONS CARRIED OUT BY THE NATIONAL GUARD, BATTLE-BY-BATTLE, AND THE VARIOUS DIFFICULTIES PROVOKED BY COSTA RICA THROUGH ALLOWING THE USE OF ITS TERRITORY BY THE FSLN.

7. MURPHY SAID THAT HE HAD SPOKEN RECENTLY WITH BILL

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BOWDLER, AND HE DESCRIBED THE LATEST PLEBISCITE FORMULA AS BEING TOO DEMANDING AND IN FACT UNREASONABLE. HE SAID THAT NICARAGUA RAN HONEST ELECTIONS. I POINTED OUT THAT IT WAS NOT A QUESTION OF WHETHER OR NOT WASHINGTON FELT THAT NICARAGUA WOULD CONDUCT AN HONEST PLEBISCITE, THAT WE WERE NOT MAKING THAT JUDGMENT. BUT RATHER THAT FOR ANY PLEBISCITE TO BE ABOVE REPROACH IT WOULD HAVE TO BE COMPLETELY CREDIBLE TO ALL PARTIES CONCERNED, AND THAT,
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PAGE 03 OF 03

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AMEMBASSY MANAGUA 3050

~~C O N F I D E N T I A L~~ SECTION 02 OF 02 PANAMA 00243

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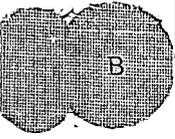
RIGHTLY OR WRONGLY, THE OPPOSITION IN NICARAGUA SIMPLY WOULD NOT BELIEVE THAT THE CON COULD CONDUCT AN HONEST PLEBISCITE. I SAID THAT ALL WE WERE SEEKING TO DO WAS TO WORK WITH THE OTHER MEMBERS OF THE NG TO FIND SUCH A FORMULA, WHICH ALL NICARAGUANS COULD ACCEPT, AND THEREFORE PROVIDE FOR GREATER CERTAINTY THAT ITS RESULTS WOULD BE ACCEPTED AND THAT WE COULD THEN THROW OUR MORAL FORCE BEHIND THE ACCEPTANCE OF SUCH RESULTS. MURPHY SAID THAT THE ONLY PLEBISCITE THAT THE OPPOSITION WOULD ACCEPT WOULD BE ONE IN WHICH THE SOMOZAS WERE FORCED TO LEAVE THE COUNTRY, THEREFORE THE PLAN WAS INVALID.

S. I ASKED HIM WHAT, IN HIS VIEW, THE UNITED STATES SHOULD BE DOING AT THIS POINT IN NICARAGUA. HIS ANSWER WAS NOT SPECIFIC, BUT THE THRUST WAS THAT THE UNITED STATES SHOULD SEE THE LIGHT, CEASE ITS POLICIES OF STRANGLING THE SOMOZA REGIME THROUGH CUTOFF OF AID, MILITARY ASSISTANCE, IMF FUNDS, ETC., AND LET SOMOZA GET ON WITH THE BUSINESS OF RUNNING HIS COUNTRY AND RESTORING PEACE AND STABILITY. HE MINIMIZED THE THREAT POSED BY THE SANDINISTAS, SAYING THAT ALTHOUGH THEY WERE CLEARLY BEING SUPPORTED FROM CUBA, THAT SOMOZA COULD IN EFFECT GET RID OF THEM ANY TIME HE WANTED TO SIMPLY BY LETTING THE NATIONAL GUARD WORK ITS WILL AND ERADICATE THEM. HE SPOKE OF THE NATIONAL GUARD AS BEING TOUGH, WELL PREPARED, AND FULLY ABLE TO DEAL WITH ANY SITUATION. MOSS
BT

DECLASSIFIED
Per: Rac Project
ESDN; NLC-12C-10-8-1-5
BY K5 NARA DATE 6/27/13

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SUGGESTED TALKING POINTS

Panama Canal Implementing Legislation

BACKGROUND

The Administration will formally submit the Canal Treaty implementing legislation to the Congress on January 15. (We have already made the proposed Bill available to interested staffers.) Failure to obtain passage of the legislation by June 1 may well result in a major slowdown of Canal operations, beginning October 1, 1979 and in the succeeding period. Canal Treaty opponents will not overlook the opportunity to attribute the slowdown to the passage of the Canal Treaties, and the Administration and Treaty supporters in the Senate could be severely embarrassed. There is also the potential for a significant Constitutional controversy if the legislation is not enacted.

The Treaties will enter into force October 1, 1979 with or without the legislation. (Treaty opponents are promoting the erroneous belief that the Treaties can yet be prevented from taking effect by blocking the legislation.) We do not believe it would be prudent to confront Murphy with this point at this time and would prefer to assume the legislation will be passed. Nevertheless, any significant delay in the legislation would risk a serious embarrassment for the Administration. The legislation inter alia creates the new Canal Commission, establishes the toll structure for the Canal, and provides a series of benefits and protections to Canal employees. If it is not in place on October 1, 1979, it could have a serious impact on our ability to operate the Canal effectively.

Serious problems are likely even before October 1. For example, early next year the Canal Company will begin providing notification to employees whose jobs will be abolished when the new Treaty enters into force. Many of these persons would be in a position to take advantage of the early retirement

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- 2 -

options that the legislation would establish. But if the legislation is not in place by June 1, they will begin "bumping" less senior employees in other Canal jobs in order to protect themselves. If the legislation was then passed, they would retire, leaving us with a shortage of experienced personnel in key positions.

An even more significant problem is that of declining employee morale. The legislation is designed to provide special protections and benefits to the workforce which was not enthusiastic about the passage of the Treaties. Delays in the enactment of the legislation beyond June 1 would present an increasing risk of employee job actions, such as the sick-outs which occurred in the past, which have a proven capacity for creating long delays in the transiting of ships.

Chairman Murphy (D-NY) who has a detailed knowledge of the Canal, will have an importance in the House second only to the leadership's in determining whether rapid enactment of the legislation is possible. Murphy dislikes the Treaties but has expressed a desire to see them work properly. (His constituency includes major U.S. shipping interests.) He has prepared draft legislation that differs significantly from the Administration proposal, and which could present problems for us in some areas. For example, we have proposed that the new Canal Commission be a U.S. Government corporation. The Congress set up the present Canal Company as a corporation in 1951 to assure that it would have business-type financial accountability. For us, the corporate form has the advantage of a large degree of management independence from the Congress. Murphy is proposing to establish the new Commission as an appropriated-funds agency, giving his committee greater control over its management. At this point, we should continue to press for the corporate structure, but some compromise with him may be necessary in the future if it develops that he is strongly committed to the appropriated-funds concept.

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- 3 -

It is essential that we have Murphy's full cooperation in moving the legislation through the House promptly, and in working out compromises on key substantive issues without the prolonged floor debate that Treaty opponents are likely to seek.

TALKING POINTS

- I need your cooperation to enact the Canal Treaty implementing legislation.
- As you know, the Treaty will enter into force on October 1. We will therefore have a range of obligations to Panama, and will need to have the legislative structure necessary to fully protect U.S. interests in the efficient operation and effective defense of the Canal.
- We cannot wait until October, however, to complete work on the legislation. Unless we have the legislative structure finalized well before that time, it will be impossible to establish the detailed plans and preparations necessary to assure the continued smooth and efficient operation of the Canal under the new Treaty. For example, the Canal Company must have a clear idea of how the new Canal Commission is to be organized. A procedure for toll rate changes, and revised tolls formula, are necessary so that toll rates may be set at the proper level. (Six-months prior notice and public hearings on proposed toll increases are required by existing law.)
- Even more importantly, the proposed implementing legislation contains a number of protections for our Canal employees. Failure to enact the legislation early on could result in a major deterioration in employee morale and risk job actions which would impact adversely on our shipping and commercial interests. (Murphy is familiar with previous

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- 4 -

"sick-outs" by the Canal pilots which have resulted in major delays in Canal transits.)

- It is our judgment that if the legislation is not enacted by June 1 at the latest, serious problems of this nature will be likely. I know you share my concern that the efficiency of the Canal not be degraded if we are to protect our national economic and security interests.
- If we are to obtain timely enactment of the legislation, hearings must be scheduled promptly, and amendments to the proposed legislation must be managed very carefully.
- I understand that you have the greatest degree of expertise of any member of the Congress with respect to the operation of the Canal. I hope that you will be prepared to work together with me to promptly enact legislation that will fully protect our national interests in the Canal. I understand that your staff has already been working with the State and Defense Departments in reviewing the Administration's proposed legislation.
- With regard to the substance of the proposed legislation, I had thought that there was a widespread consensus that the new Canal Commission should be set up as a self-sustaining government corporation similar to the present Canal Company. I understand that you may have some different thoughts in this regard, and would appreciate hearing your views.
- I hope that we can maintain a cooperative dialogue on the many important issues involved in this legislation, and would very much appreciate your active cooperation in obtaining its early enactment.

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- 2 -

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- 4 -

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THE WHITE HOUSE
WASHINGTON
1/19/79

Jack Watson

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

Rick Hutcheson

cc: Arnie Miller



FOR ACTION
FYI

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

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
✓	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
✓	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

THE WHITE HOUSE

WASHINGTON

January 18, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON

Jack

SUBJECT: Federal Regional Councils: Designation
of Chairpersons

Attached for your review and approval are the names of nine persons to serve as Chairpersons of the Federal Regional Councils; one region is undecided. In accordance with Executive Order 11647, Chairpersons serve for one year renewable terms; six of those proposed served last year as well. The Chairpersons must be among the group of regional directors of major departments and are nominated by various Cabinet Secretaries for the job. All of those proposed have been cleared by the Office of Presidential Personnel and by OMB.

Your approval will serve to designate these regional directors as Chairpersons of the Federal Regional Councils.

APPROVE

_____ ✓

DO NOT APPROVE

J

Attachment

**Electrostatic Copy Made
for Preservation Purposes**

Region II New York	Thomas Appleby, Regional Director of HUD
Region III Philadelphia	Thomas Maloney, Regional Director of HUD
Region IV Atlanta	Sara Craig, Principal Regional Official of HEW
Region V Chicago	Doug Kelm, Secretary's Representative of Transportation
Region VI Dallas	Ed Coker, Secretary's Representative of of Commerce
Region VII Kansas City	John Kemp, Secretary's Representative of Transportation
Region VIII Denver	Betty Miller, Regional Director of HUD
Region IX San Francisco	Bill Arntz, Regional Representative of Energy
Region X Seattle	Bernard Kelly, Principal Regional Official of HEW

ID 786605

THE WHITE HOUSE

WASHINGTON

DATE: 18 JAN 79

FOR ACTION:

INFO ONLY: ARNIE MILLER

SUBJECT: WATSON MEMO RE FEDERAL REGIONAL COUNCILS: DESIGNATION
OF CHAIRPERSON

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

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

10:00 AM

THE WHITE HOUSE
WASHINGTON

C
/

January 18, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack* LARRY GILSON *LG*

SUBJECT: Meeting on White House Conference on Balanced National Growth and Economic Development, Friday, January 19, 10:00 a.m., Cabinet Room

Purpose

The meeting is to permit you to:

- o officially transmit to the Congress your reaction to the recommendations of the White House Conference (as required by law);
- o announce your policy decisions regarding the Title V Regional Economic Development Commissions (your decisions are very compatible with major recommendations on the subject by the Conference and by the National Governors' Association);
- o announce designation of three new multi-state Title V Commissions (Secretary Kreps held the applications through 1978, awaiting your policy decision).

Format

Presidential comments on the three topics listed above (suggested talking points attached). You would sign the letters transmitting your report to Congress on the White House Conference recommendations and the memorandum implementing your Title V decisions. (Both documents have been fully reviewed and approved by Commerce, OMB and White House Staff.) Original documents are attached.

Official designation of three new Title V Commissions by Secretary Kreps (she has the legal authority to make

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designations). New Commissions include: Mid-Atlantic (New York, Maryland, Pennsylvania, New Jersey, Delaware); Mid-America (Iowa, Illinois, Indiana); and Mid-South (Kentucky, Tennessee, Mississippi, Alabama).

Brief responses by Governor Jay Rockefeller (he was Chairperson of the White House Conference Advisory Board).

Coffee and pastry in the Cabinet Room.

Attendees

The list of attendees is attached. Those invited included:

- o Governors included in all newly designated commissions.
- o All members of the White House Conference advisory board and key staff.
- o Congressional leaders interested in economic development.
- o Title V and Appalachian Regional Commission federal co-chairpersons.

Press Coverage

Handled as if this were a signing ceremony with press coverage throughout.

THE WHITE HOUSE

WASHINGTON

January 18, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: BERNIE ARONSON, ^{BA} BOB RACKLEFF ^{BR}

SUBJECT: Talking Points for Balanced
National Growth Message

1. Nearly a thousand Americans contributed and deserve thanks for the success of last year's White House Conference on Balanced National Growth and Economic Development. But I want to pay special tribute today to Jennings Randolph, Jay Rockefeller and Juanita Kreps. These three represent the Executive, Congressional, and state leadership which assured the success of this "national town meeting."

I have sent to Congress today recommendations and findings on this very thoughtful and thorough effort to reconcile the myriad needs and circumstances of our communities.

Because of today's economic realities, there is a special urgency for better coordination and more effective use of the resources available for economic development. Inflation especially affects the ability of communities and regions to develop.

2. If there was one underlying message of the White House Conference, it was that we must pay greater attention to our private economy. That is one sure way to reduce inequities of economic opportunity facing groups of Americans and places within the country. The Conference participants called for more effective government, more balanced decisions and for partnership among levels of government and business.

In that spirit, I have sent to Congress a message summarizing the Administration's response to the Conference, and it is in that spirit that I have committed this Administration to support two new partnership programs -- energy impact assistance and reauthorization of the Regional Commissions. Without altering Federal-local relationships in existing programs, these two new initiatives offer a good chance to test how this sharing of responsibility should occur.

3. Here, for example, are four concerns that the states and Federal Departments can address through the new Regional Commission program:

-- First, I hope that states will work closely with the Commerce and State Departments to help American industry expand exports. It should be very clear by now that new economic growth will depend on expanding overseas markets for our products.

*State
Committee*

-- Second, I urge the Commissions to expand efforts for energy conservation and development and for helping communities adjust to new energy development.

-- Third, I urge the Commissions to devote increasing attention to the economic base and transportation facilities as part of a community conservation policy for localities of all sizes.

-- Finally, the Regional Commission initiative -- supported by improvements in the way Federal agencies administer development programs -- should serve as an incentive for states to reconcile divergent development goals and lead to more coherent and effective decision-making.

4. The new program offers the Commissions the opportunity to influence Federal aid programs in their regions to support regional investment programs. I stand ready, together the agencies and White House and OMB staff, to help Commissions shape a new partnership in the spirit of the White House Conference. The Interagency Coordinating Council, which I created last fall by Executive Order, will be the link for Title V Commissions to the White House. The Secretary of Commerce will continue to play a strong role in the conduct of the Commission.

5. Besides these programs, however, we have made an important conceptual breakthrough -- that is to think of communities in need, whether they are large cities, towns, or rural areas. Each has important contributions to make to our country, each has unique problems, each has important needs -- and we can serve each with a balanced approach.

Your recognition of this reality contributed greatly to my Administration's "New Partnership" for communities, the nation's first comprehensive urban policy. Most of it could be accomplished through administrative measures, and is already underway.

The ultimate success of this innovation, however, depends on the contributions made by the Governors and the Federal Co-chairmen, working on regional problems. I thank the Governors for your contributions to the White House Conference and I wish you well in this new opportunity to serve better our nation and its regions, states, and localities.

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ATTENDEES

Cristobal P. Aldrete, Federal Cochairman; Southwest Board Regional Commission
Claud Anderson, Federal Cochairman, Coastal Plains Regional Commission
Congressman Douglas Applegate (D-Oh)
Congressman Thomas Ashley (D-Oh)
F. Kenneth Baskette, Jr., Federal Cochairman, Four Corners Regional Commission
William R. Bechtel, Federal Cochairman, Upper Great Lakes Regional Commission
Senator Quentin N. Burdick (D-ND)
Governor Brendan T. Byrne (NJ)
Governor Hugh L. Carey (NY)
Patsy Ann Danner, Federal Cochairman, Ozarks Regional Commission
Philip R. Davis, National Governors' Association
Governor Pierre S. du Pont (Del)
Congressman Robert Edgar (D-Pa)
Stephen B. Farber, Executive Director of the National Governors' Association
Congressman John G. Fary (D-IL)
Governor Cliff Finch (Miss)
David J. Fitzmaurice, President, International Union of Electrical, Radio
and Machine Workers)
James H. Gilliam, Secretary of Community Affairs & Economic Development; Delaware)
J. Joseph Grandmaison, Federal Cochairman, New England Regional Commission
Alfredo Gutierrez, Majority Leader of the Arizona State Senate
Congressman James J. Howard (D-NJ)
Senator Walter Huddleston (D-KY)
Congressman Harold T. Johnson (D-Ca)
Governor Thomas L. Judge (Mt)
Michael Koleda, Executive Director, President's Commission on Coal
Secretary Juanita M. Kreps, Commerce
John Lagomarcino, National Governors' Association
Warren T. Lindquist, President, SCETAM, Inc.
John H. Lyons, President, International Assn. of Bridge, Structural
and Ornamental Iron Workers
Governor Scott M. Matheson (Ut)
Senator Charles McC. Mathias, Jr. (R-Md)
George D. McCarthy, Federal Cochairman, Old West Regional Commission
Joseph P. McLaughlin, National Governors' Association
Senator Daniel P. Moynihan (D-NY)
Congressman John M. Murphy (D-NY)
Congressman Henry J. Nowak (D-NY)
Robert M. Paull, Subcommittee on Economic Development
Katherine G. Peden, President of Katherine Peden & Associates, Inc.
Senator Jennings Randolph (D-WVa)
Barbara Reagan, Southern Methodist University
Governor John D. Rockefeller IV (WVa)
Robert W. Scott, Federal Cochairman, Appalachian Regional Commission
Lidia L. Selkregg, University of Alaska
Congressman Neal Smith (D-Io)
Congressman Charles A. Vanik (D-Oh)
Patrick Vaughan, Federal Cochairman, Pacific Northwest Regional Commission
Congressman Jamie L. Whitten (D-Miss)
Senator Harrison A. Williams (D-NJ)
Ralph R. Widner, President of the Academy for Contemporary Problems
Harold Wolman, The Urban Institute

THE WHITE HOUSE
WASHINGTON

1/19/79

Mr. President:

Attached are copies of the documents to be signed at the 10:00 AM meeting re the White House Conference on Balanced Growth.

Three signatures will be needed.

Phil will have originals in the Cabinet Room.

Rick

10:00 AM

THE WHITE HOUSE
WASHINGTON

January 19, 1979

Q
/

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES
AND FEDERAL COCHAIRMEN OF MULTISTATE
REGIONAL COMMISSIONS

SUBJECT: Regional Commission Support

Background and Purpose

The White House Conference on Balanced National Growth and Economic Development found that the varied and changing problems and economic circumstances in the Nation's regions require greater flexibility in the way Federal policies and programs are designed and administered across the country. This variety suggests a need for strong state and local action to develop regional balanced growth policies and to target local, state and Federal funds in accord with these strategies. Multistate regional commissions established under the Appalachian Regional Development Act of 1965 and Title V of the Public Works and Economic Development Act of 1965 and strengthened under the Regional Development Act of 1975 are intended to enhance development opportunities and conditions in multistate regions. Through planning and selective management of resources and activities, these commissions also afford a common framework within which the different levels of government can apply their energies to regional problems.

In light of the changing patterns of economic activity across the country, and in order to extend the ability of states and localities to shape Federal policies in behalf of regional concerns, new processes for planning, coordination and policy support are required. To develop and carry them out will require cooperation on the part of the Secretary of Commerce, Federal departments and agencies, the Interagency Coordinating Council, the Federal Cochairmen of the Appalachian and Title V Regional Commissions and the Federal Regional Councils.

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By means of this memorandum, I am instituting a regional growth policy process to assist the regional commissions in developing and implementing their multi-year regional development plans and annual investment programs. These plans and, more importantly, the annual investment programs should be developed from the ground up, reflecting sub-state and state development plans. Through this policy process, the regional commissions will be given an opportunity to prepare recommendations to Federal departments and agencies for solutions to problems of regional growth and decline. In framing these recommendations, the commissions will consult with the Federal departments and agencies affected, taking advantage of the expertise available in the regional headquarters of each agency, as well as with sub-state, local and private interests.

Responsibilities of Federal Participants

To assure that Federal actions recognize regional differences and facilitate state, local and private initiatives in addressing the special problems of balanced growth which each region faces, I am directing that the following actions be taken by the Secretary of Commerce, the Federal departments and agencies, the Federal Cochairmen of the Appalachian and Title V Regional Commissions, the Interagency Coordinating Council and the Federal Regional Councils:

Secretary of Commerce

With respect to the Title V Regional Commissions, the Secretary of Commerce is directed to:

1. develop, in consultation with the appropriate parties, guidance for the preparation of regional plans, investment programs and growth policy recommendations. The multi-year regional development plans, annual investment programs, policy recommendations and obstacles to interagency coordination may be presented by the Secretary to the heads of the relevant Federal departments and agencies through the White House Interagency Coordinating Council;

2. assist each Federal Cochairman of a regional commission in presenting the multi-year regional development plan, annual investment program and growth policy recommendations developed from the plan; and
3. institute a mechanism for consultation with Federal Cochairmen regarding policy and administrative improvements in the program.

Federal Departments and Agencies

The head of each Federal department and agency is directed to:

1. assist and cooperate with the Secretary of Commerce, the Federal Cochairmen of the Appalachian and Title V Regional Commissions, and with the Inter-agency Coordinating Council in performance of their functions with respect to the regional growth policy process;
2. administer planning and development assistance programs so as to facilitate regional and unified state growth policy processes, and to the extent practicable, support multi-year regional development plans and annual investment programs of the regional commissions through financial assistance and direct Federal development activities which are consistent with such plans; and
3. recognize the mutual agreement of the governors in each regional commission that the commission may participate in the current process for evaluation, review and coordination of Federal and Federally assisted projects under Part II of OMB Circular No. A-95. Projects for review should be referred to the commission by State clearinghouses according to procedures jointly prescribed by governors. I am directing the Director of the Office of Management and Budget to propose amendments to OMB Circular No. A-95 to this effect.

Interagency Coordinating Council

The Chairman of the Interagency Coordinating Council is directed to:

1. work with the Secretary of Commerce, the heads of the other federal departments and agencies, and the Federal Cochairpersons to overcome obstacles in carrying out the objectives of this policy; and
2. ensure that, at the request of the Secretary of Commerce and the Federal Cochairman of the Appalachian Regional Commission, the annual investment programs and policy recommendations receive a coordinated high-level analysis and review by relevant federal departments and agencies.

Federal Cochairmen

In addition to the responsibilities defined in existing statutes, regulations and Executive Orders, the Federal Cochairmen of the Appalachian and Title V Regional Commissions, with the concurrence of the affected commission(s), shall become members of each Federal Regional Council which serves all or any portion of his/her region. It is my intention to further amend Executive Order 11647 to this effect.

Each Title V Federal Cochairman, working with the regional commission, is directed to:

1. assist the regional commission to participate in the regional growth policy process;
2. present the commission's multi-year regional development plan, annual investment program and growth policy recommendations to the Secretary of Commerce;
3. involve Federal departments and agencies in the activities of the commissions, as appropriate; and
4. participate in the consultative mechanism described under Secretary of Commerce directives, #3 above on page 3.

Federal Regional Councils

The Federal Regional Councils are directed to work with the Secretary of Commerce and the Interagency Coordinating Council to provide continuing liaison with regional commissions.

TO THE CONGRESS OF THE UNITED STATES:

In fulfillment of a requirement of P.L. 94-487, October 12, 1976, I am transmitting my report on the White House Conference on Balanced National Growth and Economic Development. For many weeks preceding the final Conference, there were State and regional Conferences organized like town meetings, giving citizens and elected officials an opportunity to exchange views on the critical issues of growth and development. Held in Washington on January 29 through February 2, 1978, the Conference was attended by more than 700 individuals from all parts of the country.

An important outcome of the Conference was the general agreement among the delegates that no massive new Federal spending programs were needed. Instead, they called for more effective government, more balanced decisions, and a real partnership among levels of government and the private sector in meeting persistent social and economic problems. This theme has been an invaluable guide in helping shape the growth and development policies of my Administration.

We are indebted to those who participated in the Conference. It could have been so controversial or so sterile that no useful purpose was served. Instead, it provided many constructive insights to help shape future growth and development policy in this country.

THE WHITE HOUSE,

"SHARED RESPONSIBILITY FOR GROWTH AND DEVELOPMENT"
The President's Message to Congress on his Recommendations
and Findings on the White House Conference on Balanced
National Growth and Economic Development

I. Introduction

The White House Conference on Balanced National Growth and Economic Development involved a broad spectrum of American society in considering and formulating national policy of fundamental concern to our people. At every level of government, such meetings are essential elements of the democratic process, assuring that elected officials remain in touch with those whom we represent.

A White House Conference concerning planning, growth, and economic development could have been either so controversial that its purposes were lost, or so sterile that its function came to no avail. Both extremes were successfully avoided. I commend the Congress, Secretaries Kreps, Harris and Bergland, Governor Rockefeller, members of the Advisory Committee and the 700 individuals and organizations who participated, and I congratulate the Governors who helped design the preparatory state and regional conferences.

As a participant who has already made innumerable decisions affecting balanced growth and economic development, I can say with conviction that this White House Conference has proven invaluable in shaping my Administration's policies. I am in substantial agreement with the philosophies expressed in the Conference reports, and note with satisfaction that the Conference findings closely paralleled many of the major domestic policy initiatives underway or being planned by my Administration. I shall first describe the Conference

findings, and then indicate how we have already acted and how we propose to act to implement the Conference recommendations.

II. Conference Findings

Two overriding principles and growth policy directions arose simultaneously and independently among the Conference participants.

They are:

- o Effective national growth and development policies must be "balanced," addressing the issues of growth as well as decline, seeking the equitable distribution of economic opportunities among all people and places and capitalizing on local and regional advantages for our collective betterment.

- o A "fair and flexible Federalism" is needed. The Federal Government must play a more sensitive role in the Federal system, setting national objectives while recognizing the special characteristics of particular geographic areas, and providing regions, states, and localities greater responsibility for deciding how to attain those objectives.

These principles reflect a significant change in the way America perceives the question of national economic growth. They mark a shift from a predominant concern with the economic health of the Nation as a whole to greater attention to the economic

vitality of subnational units, be they regions, states, or localities. The Conference found the question of the distributional impacts of Federal policy to be of critical importance. The Conference urged improvements in the processes by which growth policy is developed. In exercising its responsibility for setting the general directions of such policies, the Federal Government should bring together and involve regions, states, localities and the private sector in a shared responsibility for planning and implementing them.

Consistent with these policy directions, the Conference identified four major issues around which their recommendations clustered. They are: Employment and Inflation; Governmental Effectiveness; Growth Policy Process; and Urban and Rural Policy.

Employment and Inflation

The Conference recognized both the necessity and the limitations of macro-economic policies. Controlling inflation and achieving full employment are national goals of paramount importance. The Conference urged Federal policies to assure a growing economy with an expanding employment base. Although unemployment problems are generally assumed to be the greatest concern of low-income and minority groups, the negative consequences of inflation on low-income families' budgets are also severe.

The Conference also served, however, to remind the Nation that, despite record growth in overall employment and a substantial drop in unemployment since January 1977, there are groups of Americans and places still experiencing Depression levels of joblessness. For these distressed peoples and places, carefully targeted remedies must be applied. The primary emphasis of employment and economic development programs should be on retaining and creating jobs where unemployed people live, although some relocation assistance may be needed for those who desire it.

The private sector must be at the core of any national effort to achieve full employment. Two major points of consensus were expressed:

- o permanent, private sector jobs are more desirable than temporary, public service employment, and
- o government incentives to business are needed to leverage private expansion of job opportunities for disadvantaged workers.

of targeted tax credit

The Conference recognized that public monies must be used, not simply as expenditures, but as investments, linking Federal programs and local plans to stimulate private action.

Effective Government

The Conference participants expressed the view that there is need to take a fresh look at the present roles of the different levels of government to make them more effective and responsive. The "fair and flexible Federalism" proposed by the Conferees will

require some reassignment of functions and responsibilities and reexamination of outmoded systems of revenue allocation injurious to distressed communities. The Conference urged the Federal Government to provide incentives to states to assume more responsibility for the problems of their local governments by modernizing local governmental structures and reforming inequitable revenue systems and state expenditure patterns.

The Conference recognized that uniformly applied national practices and rules ignore substantial regional differences. The Federal Government must begin to fine tune national policy and programs, taking into account substantial diversity among regions, states and localities, and encouraging through incentives more shared responsibility in the achievement of national objectives. Thus, a stronger role for states and localities in the design and management of Federally-assisted programs and greater decentralization in their administration is needed. As ^{former Massachusetts} Governor Dukakis said: "We cannot leave to chance the role of state governments in the implementation of a national economic policy... Unless the states are involved, and involved deeply, it is doomed to failure."

In return for greater state involvement, the Conference recommended that state governments assume increased responsibility for local education costs, while the Federal Government assumes more responsibility for welfare costs.

Growth Policy

The Conference recognized the need for greater coherence in policy-making at all levels of government. Henry Ford said, "We must know how each action affects another, and be willing to

change or eliminate those that are counterproductive." The processes that shape energy, environmental, business, community, and economic growth policies in particular must be related to and support one another. The proper role of the Federal Government is to establish a coordinated policy framework to guide regional, state and local planning and decision-making, seeking insofar as possible to anticipate change so as to enable all levels of government as well as private interests to take timely actions.

Conferees asserted that growth policy processes should provide a systematic, consultative forum for the establishment of goals, the analysis of alternative policies and programs, and the reconciliation of conflicting laws, programs and regulations, thereby strengthening the capacity of elected officials to guide growth and development in beneficial ways. State and local governments should continue to have responsibility for planning, assuring participation of governmental and private interests, while responsibility for establishing policy processes, setting goals and reconciling differences should reside at the Federal, regional and state levels.

Many problems of growth and decline, the Conferees noted, are most effectively dealt with in a multi-state context. Effective regional institutions are required to attack problems that transcend state borders and which, if not sensitively handled, serve to exacerbate negative, unproductive sectionalism. The State-Federal Regional Commissions could provide a partnership means of achieving national objectives while respecting regional differences. These institutions should be strengthened to realize their full potential for helping shape Federal growth policies and development programs.

To exhibit "balance", the Conferees thought growth policies should reflect:

- o a concern with the problems of rural counties and small towns as well as with metropolitan jurisdictions;
- o a recognition of the needs of rapidly growing as well as declining communities; and
- o the opportunity to consider simultaneously environmental mandates and economic growth proposals.

Conferees felt that some Federal, State and local regulations and red tape have a dampening effect on economic growth and contribute to our inflation problem. Energy, industrial location, and transportation initiatives have been stalled or thwarted by a maze of procedures and litigation stemming from excessive regulation. The Conference urged that:

- o regulations be simplified and coordinated;
- o Federal, State and local regulations be periodically reviewed; and
- o state and local governments and the private sector have larger roles in shaping Federal regulations.

National energy policy, according to the Conferees, is essential to a balanced growth policy. In order to curtail inflation and expand employment, the Nation needs dependable, affordable energy sources which reduce U.S. dependence on imported oil. Energy conservation and development should create new jobs to help meet our full employment goals.

Urban and Rural Policies

National urban and rural policies are also essential components of national growth policy, the Conferees said. The Conference favored selected targeting of Federal and State assistance to areas of greatest need, regardless of region, whether they be central cities or small cities, suburbs, rural counties or areas in decline or impacted by rapid and disorderly growth. Moreover, the Conference urged the resolution of State and local fiscal burdens through selective reassignment of responsibilities within the Federal system.

The Conference affirmed that Federal and State tax policy should help target private investment in distressed communities. Federal aid should, however, be premised on clear-cut national performance criteria concerning economic, fiscal, and employment objectives which reflect national commitments to equal opportunity, housing and jobs.

Finally, the Conference recognized the need for a balance between the national concern for large urban centers and counties, and for rural areas and small towns. It acknowledged that urban and rural development may require different tactics to address the diverse contexts in which similar problems may occur.

III. The Administration's Initiatives

Many of the recommendations made by the Conference have the same basis as the principles which have guided my Administration in setting new directions. The development of my domestic policy rests upon the recognition of the need for "shared responsibility"

among all levels of government, and with the private sector, for the economic health and well-being of all people and places. The Conference came at an excellent time to help us think through the elements of our National Urban Policy, while it also helped launch a badly needed review of the performance of Federal programs in rural counties and small towns. Largely in response to Conference recommendations, my Administration has taken the following steps toward a "fair and flexible Federalism."

Inflation and Employment

Overall, we have made dramatic gains in the past two years in expanding employment and reducing the number of jobless. In order to strengthen further the Nation's commitment to full employment while guarding against the crippling effects of high inflation I have signed into law the Humphrey-Hawkins Full Employment and Balanced Growth Act. By requiring the more systematic consideration of both concerns in developing national economic policies, it provides a framework for pursuing the more orderly and integrated growth policy process which the Conference endorsed.

The overall economic health of our Nation, however, is also founded on the economic well-being of its individual regions, communities, people and industries. This interdependence means that the distress of some people and places affects all of our people and places. Moreover, a non-inflationary national growth policy requires the efficient use of unemployed and underemployed workers and of underutilized private and community infrastructure. Federal action on the subnational economic development front, therefore, is

an important, long neglected component of national economic policy concerned with stemming inflation, reducing unemployment and under-employment and increasing the productivity of our nation's industries.

In a break with past practice, the Federal Government is now deliberately and systematically pursuing "micro-economic" policies to help distressed places as well as people as an essential part of overall economic policy. This Administration has expanded and improved Federal community and economic development programs. We recognize that national development policies must link related development activities such as job creation and training, business assistance, housing and community improvements, human services, and transportation in unified state and locally planned programs. Pursuant to the Conference emphasis on private sector jobs, we have expanded the Comprehensive Employment and Training Act program, adding a new Private Sector Initiative which involves local, private sector councils in designing training and developing unsubsidized jobs.

\$400 million has been requested to support the new program. *We have also developed with the Congress a targeted tax credit which provides a substantial tax incentive to employers ^{to encourage them to} hire young persons at greatly reduced labor costs.*
My Administration has also:

- o Increased funding for HUD's Urban Development Action Grant and Commerce's Economic Development programs to leverage and target job-creating private investments

- o Launched the Air Quality Planning Grant program to help cities comply with the Clean Air Act without reducing needed private sector investments.
- o Begun targeting \$9 billion in Farmers Home Administration development funds, including over \$1 billion in business and industry loans, on the most distressed rural communities and population groups.
- o Established for the first time loans to farmers and ranchers for economic distress. This revolving fund of credit will strengthen the rural economy as well as the many segments of our national economy that benefit from a strong agricultural system.
- o Develop a new Home Ownership Assistance Plan for very low-income rural residents, which will aid 16,000 families during 1979.

o *Better targeted scores of existing programs toward urban and distressed rural areas.*

My anti-inflation program includes the first systematic review of Federal regulations to reduce their cost and to eliminate those whose costs are not warranted by their effects. I urge state and local governments to join us periodically in reviewing such regulations as those affecting construction, environmental protection and energy production to speed decisions and reduce burdensome and inflationary costs.

Other elements of my anti-inflation program are:

- o A restrained but fair budget
- o Review of existing and proposed regulations through the newly formed Regulatory Council which will develop for the first time a Regulatory Calendar that will present all the major regulations the government will issue in the forthcoming year. A Regulatory Analysis Review Establishment of non-inflationary wage and price standards for both the public and private sectors. State and local governments are asked to comply with these standards.
- o *Group will review major regulations to insure they are as cost-effective as possible* Review of health costs, State and local regulation costs, productivity within government, and the inflationary impact of Federal policies on State and local governments.
- o *Proposal* ~~Establishment~~ of a program of real wage insurance by which workers who limit their raises to 7% would be eligible for a tax rebate if current prices rise by more than that amount, *together with other anti-inflationary proposals such as hospital cost containment.*

Effective Government

I am determined to make Federal programs fairer, better coordinated, more easily administered and capable of responding to regional, State and local growth strategies in a concerted fashion. Examples of Administration actions supporting Conference recommendations in this area include:

- o Congressional passage of all six reorganization proposals made *last year*
- o An Executive Order establishing a White House led *including* Interagency Coordinating Council. This is a new *unit some action which will help* mechanism for resolving conflicts among agencies and *provide better incentives for production work by Federal officials.*

community programs, providing a comprehensive Administration-wide response to coordinated State and local development strategies.

- o ~~Through~~ links to the White House and the Interagency Coordinating Council, ~~activated~~ The Assistant Secretaries' Working Group on Rural Development to work on major, long-standing rural problems.
- o Coordination of project investment activities and joint applications among domestic departments. Commerce and HUD are working toward streamlined economic development planning requirements.
- o Coordination of Federal programs to target on special rural problems. Some of the results to date are:
 - EPA and Agriculture will give priority in existing loan and grant programs to rural towns to comply with the Safe Drinking Water Act.
 - HEW and Agriculture have agreed that Agriculture will target a share of its community facilities loans to make possible the construction, renovation and equipping of some 300 rural primary health care clinics. The Department of Labor will support training to enable people to work in these clinics. In all, over 13.5 million previously medically underserved Americans in rural areas will now have greater access to care.

- EPA, EDA, HUD, and FmHA have adopted procedures for improving the coordination and delivery of rural water and sewer services, with emphasis on paperwork reduction (e.g., single applications, consolidated reporting and auditing requirements), simplified compliance requirements for the host of federal laws applicable to water and sewer construction, joint agency training seminars and technical assistance materials, a common data base for needs assessments, and joint agency consultation with applicant communities to ensure that proposed facilities are affordable and suited to local needs. A companion agreement between DOL and EPA has resulted in the training of 1750 workers in the water and wastewater treatment field to meet critical rural shortages in this rapidly expanding job market.
- o Agreement between the Department of Transportation and the Environmental Protection Agency on a joint planning and funding process for air quality and transportation planning.
- o Joint development and implementation of a public transportation assistance program in rural areas and small cities by the Federal Highway Administration and Urban Mass Transportation Administration.

o A "zero-based" review of Federal planning requirements governing receipt of Federal grants by State and local governments. This has produced:

- Demonstration programs in up to five States permitting a single integrated planning and budgeting process to substitute for HEW's multiple planning procedures.
- Annual program plans required by HUD are being replaced with triennial plans with annual updates.
- Approximately 165 of the more than 300 EPA planning requirements will be consolidated or simplified.
- State/EPA agreements will be negotiated to develop an integrated approach to solving water supply, solid waste, and water pollution control problems.
- Agreement between DOT and Farmers Home Administration to coordinate grants on Branch Line Railroad Investments.

The Conference urged a selected reassignment of fiscal responsibilities. ^{I will soon propose} [We are] ~~currently reviewing~~ welfare ^{reform} proposals which would increase Federal participation in public assistance and moderate the fiscal burden of hard pressed State and local governments. This program will offer jobs to those who need them and income support to families where adults are unable

to engage in full-time work. The Administration recognizes the need for reform in the welfare system which is fairer to the recipient and is easier to administer at all levels of government.

This Administration will continue to help improve education, but calls on the States to ~~assume a greater share of~~ ^{do more to help meet} the educational and other fiscal burdens that fall disproportionately on communities with inadequate tax bases.

Growth Policy

The creation of more effective growth policy processes at all levels of government was among the forward-looking objectives of the late Senator Hubert H. Humphrey. Senator Humphrey co-sponsored the White House Conference legislation, and although he died before it occurred, the Conference strongly reflected his vision and concerns.

The Conference was correct in suggesting that growth policy processes at all levels of government should assist elected decision-makers and the private sector to:

- o anticipate economically significant trends, such as sectoral shifts and the energy problems that have grown over the past decade;
- o relate sometimes conflicting national objectives, such as regulatory and growth policies, to one another; and
- o involve all levels of government and non-governmental interests in priority setting.

We have learned how important it is for business and labor, as well as the public sector, to understand how future industrial and employment changes will affect regions, states and major population centers. Furthermore, in the interest of a strong national economy and a healthier climate for investment, we must reduce to the extent possible the uncertainty and contradictory nature of public decisionmaking.

Elements that could be made part of a more coherent, forward-looking and systematic growth policy process exist now in the Federal Government. Coordinated use should be made, for example, of the policy planning processes affecting Federal energy, employment, regional, and urban and rural community responsibilities that exist in Federal statutes. To provide a basis for coordinated Federal policies, the Secretary of Commerce will oversee the development of a comprehensive information system, including a broad range of demographic and economic indicators of community conditions, along with the technological and trade data and forecasts necessary for State and regional decisionmaking.

Effective national growth policy processes require that regional, state and local growth policy processes be effective, too. Federal planning assistance programs have assisted State and local governments to develop workable systems for sensing public preferences on issues of growth and decline and translating these into long term growth policies and development programs. In addition, however, Federal programs assisting development, direct Federal investments, and

Federal regulatory actions must prove more sensitive to and support regional, state and local planning and investment policies. Therefore, I am directing the Chairman of the White House Interagency Coordinating Council and the Director of the Office of Management and Budget to work with the Departments and Agencies to accelerate progress toward ^{the} these objectives.]

One model will be the Department of Agriculture's invitation to Governors to develop joint investment strategies with its agencies. This has resulted in a rural development cooperation agreement signed by the State of North Carolina and the Farmers Home Administration. Such opportunities will be offered to other states in the months ahead. These initiatives represent a kind of "contract federalism," providing a new predictability of Federal action and a new recognition of state circumstances.

The national energy policy, ^{presented to Congress} is another essential element in growth policy. ^{landmark} The resulting legislation will help conserve natural resources, ^{encourage exploration for natural gas by phased deregulation, lead to reform of} ~~deregulate natural gas,~~ and encourage the ^{wholly new,} conversion to coal. I have also proposed a new five-year Energy Impact Assistance Program to increase the capability of State and local governments to manage rapid growth resulting from energy development.

Urban and Rural Policy

Last Spring, this Administration framed the "New Partnership to Conserve America's Communities," the Nation's first comprehensive and unified urban policy. This partnership is being implemented

through four new Executive Orders, more than 100 improvements in existing Federal programs, and 19 legislative proposals. The elements include:

- o Targeted employment tax credits to encourage private sector businesses to hire unemployed youths from low-income households.
- o Location of Federal facilities slated for metropolitan areas in inner cities in order to provide jobs and make those neighborhoods more attractive for redevelopment.
- o Purchasing by Federal agencies of more goods and services from areas with high unemployment rates.
- o Increased funding for HUD's housing rehabilitation program.
- o Revisions in Commerce's Economic Development Administration programs to strengthen minority economic development and to target aid to economically distressed people and places in all regions of the country.
- o Allocation of \$15 million to neighborhood and voluntary organizations for housing and neighborhood revitalization projects.
- o Funding joint transportation and economic development projects.

- o A new system for analyzing major new legislative, budgetary or regulatory initiatives in terms of their potential adverse effect on communities, both rural and urban.

This Administration is actively reviewing rural development needs, focusing initially on four areas -- health, housing, transportation, and water and sewer systems -- identified by Conference participants as particularly significant.

The principles expressed in the Urban Policy have had beneficial effects on overall government operations. This initiative encouraged my Administration to undertake the rural policy review which, taken together, will comprise a balanced community policy.

New Legislation

The Administration expects to forward to Congress proposals for legislation which reflect the deliberations of the White House Conference. Moreover, the Administration is currently reviewing major Federal community and economic development programs effort is intended to address many of the concerns raised during the Conference -- most notably the need for a balanced approach to development, streamlined government processes, and growth policy processes.

*proper Federal
includes the organization
This is to be most
effectively and
efficiently done
the benefits
of these
programs.*

Regional Federalism

The legislation authorizing the Appalachian and Title V Regional Commissions expires next year. I am proposing new legislation which builds on the successful elements of the existing State-Federal programs, while providing the Commissions with new opportunities to shape Federal policies and programs to reflect regional differences. The principal elements of this new legislation are:

- o The opportunity for all states to participate in multi-state Regional Commissions within boundaries delineated in consultation with the Governors according to minimal Federal guidelines.
- o A broad definition of regional development including energy, export, and human and natural resources concerns.
- o Incentives to improve the coordination of state and regional development programs.

In addition to the ongoing policy and administration responsibilities of the Department of Commerce for this program, I am expanding the role of the White House Interagency Coordinating Council to provide the Commissions with Administration-wide program and coordination support.

Reauthorization of the Economic Development Legislation

The future direction of the Commerce Department's economic development programs was among the primary concerns which led

to the enactment of the legislation authorizing the White House Conference. The Public Works and Economic Development Act of 1965 as amended expires next year. The Administration intends to transmit recommendations to Congress concerning these important programs for building jobs and revenues in distressed communities.

Conclusion

The roots of this Conference lay in a series of state-organized growth policy processes that occurred over the past decade as well as in the pre-Conference meetings held by the Regional Commissions throughout the country. I commend the Governors and legislators concerned for providing excellent examples of how to make government truly sensitive to the needs and wishes of our people.

The challenge before us is to expand and systematize this process of shared responsibility among the regions, states and localities, involving private interests, and applying the results in framing national growth policies. The intergovernmental partnership must be one of shared concern and shared responsibility for reducing the disparities among people and places in our Nation. The message of the White House Conference was that sub-national as well as national policies must address this need. The new urban, regional, and energy policies I have and will continue to propose, are important steps toward that objective.

There are few areas of potentially greater controversy than those that touch upon the varying economic opportunities of peoples and places. The White House Conference addressed those potentially divisive issues in a spirit of constructive accommodation. There was a willingness among those who labored in the workshops to take into account opposing views, framing reports which encourage those of us in elected office to approach these issues in a similar spirit. It is in that spirit that I forward to you my views on the Conference and my recommendations for action.

THE WHITE HOUSE

WASHINGTON

January 19, 1979

C

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Adams Recommendations on Surface Transportation Regulatory Reform

In mid-December we received a lengthy options paper from Secretary Adams concerning regulatory reforms for trucks and railroads. We delayed forwarding this to you pending receipt of the Secretary's actual recommendations. Following a final round of consultations the Secretary has now forwarded his recommendations concerning railroad regulation. (A summary of these is attached.)

These recommendations are currently under review within the White House and will be presented to you for final decisions later this month. We intend to use this period for further consultation with the Congress, the Cabinet, and with affected groups, especially railway labor and shippers.

As you know Secretary Adams has delayed submission of his recommendations on trucking regulatory reform in light of the ongoing discussions with the Teamsters. We plan to announce our nominees for the ICC as soon as possible, followed by presentation of legislation later in the spring.

Bob Strauss has recommended that before you make final decisions on this proposal that you meet with a few truckers designated by Frank Fitzsimmons. This meeting has been scheduled for Monday, January 22.

DOT is also preparing an options paper dealing with regulation of intercity buses. This should be complete by early February.

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RECOMMENDATIONSI. Rate Regulation

- A. During a transition period of five years a zone of reasonableness would be used. Rates falling within the zone would be totally deregulated.
- B. The ICC's power to suspend any rate and to initiate its own investigation would be terminated immediately.
- C. No general rate increases would be allowed.
- D. Maximum rate regulation would terminate after five years. During the transition period the zone would be a growing percentage above the base rate, which would be the rate in effect at enactment. (While the zone in any year may be larger than the wage and price guidelines, it is expected that COWPS would apply the same standards to each railroad's prices as are applied to other industries.) Rates above the zone would be regulated in accordance with the following three-part test:

Part 1: Determination of Effective Competition

- a. All movements by rail would be rebuttably presumed to face effective competition. A shipper wishing to protest a rate increase must petition the ICC for remedy. In so doing, he must address the effective competition presumption by proving that he has no reasonable transportation alternative. The shipper must address intra-modal and intermodal competition, intermodal connections, alternative markets, private carriage, and other specifically enumerated issues. The ICC must make a specific finding on each of the statutory criteria.
- b. Before agreeing to a shipper's request for investigation, the ICC must find that the shipper seeking the investigation would be damaged by the proposed rate and would be likely to prevail on the merits of the investigation. The burden of proof in this respect would be on the shipper. Provisions for damages and attorneys' fees would preclude railroad abuse of the no-suspend feature.

Part 2: Determination of Rate Reasonableness

- a. The ICC would reject a proposed rate increase only if it found on the evidence of record in a proceeding that the proponent railroad had "abused" its market power.

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- b. The railroad would carry the burden of proof as to the reasonableness of the rate.

Part 3: ICC Action

- a. If the ICC finds that the proponent railroad has no effective competition, and has abused its market power, the ICC may set the rate for the traffic of the protesting shipper(s), but must set the rate no lower than the level required to assure the railroad an adequate rate of return on the involved traffic, and must require the shipper to ship all relevant output by rail until he declares himself no longer captive.
 - b. The ICC would be required to make all findings and issue its final decision in rate cases within 60 days.
- E. For minimum rate regulation, a zone of reasonableness would be established. Rate decreases outside the zone would continue to be regulated by the ICC under a test which makes it unlawful to sell at unreasonably low prices for the purpose of eliminating competition or a competitor. The burden of proof would be on the shipper to show a violation of this test. After the fifth year, there would continue to be protection against predatory pricing similar to that applicable to other industries.
- F. At the end of the second and fourth years, DOT would submit studies to the Congress describing experience under the zone of reasonableness and the nature and extent of any problems expected at the end of the transition period.

II. Rate Bureaus

- A. All rate bureau meetings and activities would be opened to the public.
- B. Across-the-board general rate increases by the whole industry and broad territorial rate increases would be prohibited.
- C. Single-line rates could no longer be discussed or voted on. The rate bureaus would continue to be granted anti-trust immunity for joint-line rates for carriers that "practically participate" in the rates, but that term would be narrowly defined.
- D. The bureaus would continue many of their current administrative functions, and would be permitted to publish rates.

III. Discrimination

- A. The current antidiscrimination provisions of the Interstate Commerce Act would be rewritten to prohibit a railroad from discriminating between shippers, localities, ports, gateways, and types of traffic, unless:
 - 1. The railroad faced different competitive circumstances in serving the different shippers, localities (etc.); or
 - 2. The cost to the railroad of providing the services differed, and the rate charged reflected only the difference.
- B. Section 3(4), prohibiting discrimination between connecting carriers would be retained, although slightly rewritten, to assure that a railroad cannot refuse to cooperate on an equal basis with all feasible connecting carriers, subject only to differences in cost.
- C. The ICC would retain its authority to enforce the antidiscrimination provisions of the Interstate Commerce Act for the first five years following enactment. Thereafter, the provisions would be enforced in the Federal Courts by DOJ or the Federal Trade Commission (seeking injunctions or enforcement of cease and desist orders) and by private parties (seeking damages).
- D. Section 4 of the Act, which contains the long haul-short haul clause and a prohibition against predatory pricing against water carriers, would be immediately repealed.

IV. Mergers and Acquisitions of Control

- A. Mergers would be subject to the antitrust laws that prohibit one corporation from acquiring another "where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition or to tend to create a monopoly." (Sec. 7, Clayton Act). However, the Clayton Act has a special railroad provision facilitating end-to-end rail mergers, and mergers involving failing companies also come under lenient standards.
- B. Market swaps, track agreements and consolidations would continue to be reviewed by the ICC under an expedited procedure using a test that allows consideration of transportation benefits to be balanced against anticompetitive effects. The views of the Secretary of DOT as to the transportation benefits would be given substantial weight in the ICC's decision.

- C. The labor protection provisions contained in Section 5(2)(f) of the Interstate Commerce Act would be continued.

V. Abandonment

- A. For three years after enactment, the current system, which requires the railroad to prove "public convenience and necessity" before abandoning a line, would be retained. Some changes would be made to reduce red tape and expedite decisions on abandonment applications.
- B. Thereafter, for an additional three-year transition period, a rail carrier may abandon a line or discontinue service by providing 240 days' notice to the public. The only proviso is that the carrier must accept an offer of a State or locally funded subsidy, made during the notice period, that would cover the full costs of operating and maintaining the line, including a rate of return on the line adequate to attract investment capital.
- C. At the end of the transition period, a rail carrier may abandon a line or discontinue service by providing notice of 240 days. During the notice period the carrier must offer to sell the line--at net liquidation value--to any financially able person or community who offers to use it to provide rail transportation, or be compelled to offer service if a full State or locally funded subsidy were available.
- D. Railroads will continue to be required to provide labor protection in conformance with the existing statute.

THE WHITE HOUSE
WASHINGTON

January 22, 1979

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MR. PRESIDENT:

On behalf of my staff and myself, thank you for the luncheon and the excellent discussion last Wednesday. We all appreciated Mrs. Carter stopping by.

It was an inspiration to the staff to have the opportunity to meet with you and to have the benefit of your comments.

Again, I extend my gratitude to you and to Mrs. Carter for your generosity and kindness.



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→ Cong Recon & Findings
Strengthen private econ
Energy impact assistance
Health Regional Comm's

US industry & exports ^{60%}
Energy conserve & devel
Econ base & Xport
Coord state goals

Sound recon's & radical
Federalism = st/local ^{1980s}
inflation control
Interagency coord

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THE WHITE HOUSE
WASHINGTON

*done
J*

JANUARY 19, 1979
2:50 P.M.

MR. PRESIDENT

AMBASSADOR STRAUSS CALLED.

IMPORTANT THAT HE TALK

TO YOU ABOUT TWO MINUTES.

PHIL

*Textile
agreement*

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THE WHITE HOUSE
WASHINGTON

- > SALT - 54 posit. Senate briefing
- > Iran. Coup if Bakhtiar falls
- > Taiwan. move out delay
- > Panama - John Murphy
 - > Mid East - mtg w Mann
 - > Lebanon
 - > Sihanouk
 - > Jackson-Vanik
 - > Castro
 - > Werner
 - > S Korea reassessment
 - > Caution PRC re border
 - > Nicaragua
 - > Philippine base agreement - Church
 - Iran embassy

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