

**4/26/79 [1]**

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20827

Tell Frank

J

THE WHITE HOUSE

WASHINGTON

April 26, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*  
LYNN DAFT *lyn*

SUBJECT: Recommendation for Major Disaster  
Declaration - Texas

In the attached letter, Secretary Harris recommends that you grant a major disaster declaration for the State of Texas due to severe storms, tornadoes and flooding.

We concur with Secretary Harris' assessment of the situation and recommend that you grant the declaration.

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20827

THE WHITE HOUSE

WASHINGTON

April 26, 1979

Dear Madam Secretary:

I have determined that the damage in certain areas of the State of Texas resulting from severe storms, tornadoes and flooding beginning on or about April 18, 1979, is of sufficient severity and magnitude to warrant a major-disaster declaration under Public Law 93-288. I therefore declare that such a major disaster exists in the State of Texas.

In order to provide Federal assistance, you are hereby authorized to allocate, from funds available for these purposes, such amounts as you find necessary for Federal disaster assistance and administrative expenses.

The time period prescribed for the implementation of Section 313 (a), Priority to Certain Applications for Public Facility and Public Housing Assistance, shall be for a period not to exceed six months following the date of this declaration.

I expect regular reports on progress made in meeting the effects of this major disaster, the extent of Federal assistance already made available and a projection of additional assistance required, if any.

Sincerely,

Honorable Patricia Roberts Harris  
Secretary of Housing and  
Urban Development  
Washington, D. C. 20410

*Original signed copy w/ copy of telegram to  
Gov. Clements sent to Sec. Hnd, w/ receipt,  
via St. 24 Messengers 4/27/79.*

20827

TELEGRAPHIC MESSAGE

NAME OF AGENCY  THE WHITE HOUSE		PRECEDENCE  ACTION:  INFO:	SECURITY CLASSIFICATION
ACCOUNTING CLASSIFICATION	DATE PREPARED		TYPE OF MESSAGE  <input type="checkbox"/> SINGLE <input type="checkbox"/> BOOK <input type="checkbox"/> MULTIPLE-ADDRESS
FOR INFORMATION CALL			
NAME	PHONE NUMBER		

THIS SPACE FOR USE OF COMMUNICATION UNIT

APRIL 26, 1979

MESSAGE TO BE TRANSMITTED (Use double spacing and all capital letters)

TO:

Honorable William P. Clements, Jr.  
 Governor of Texas  
 State Capitol  
 Austin, Texas 78711

As you requested, I have declared a major disaster for the State of Texas because of damage due to severe storms, tornadoes and flooding beginning on or about April 18, 1979. I have authorized Federal relief and recovery assistance in the affected areas.

The Administrator, Federal Disaster Assistance Administration, Department of Housing and Urban Development, will coordinate Federal assistance efforts and designate specific areas of the State eligible for such assistance. The Federal Coordinating Officer will be Mr. Thomas P. Credle of the Federal Disaster Assistance Administration. He will consult with you and assist in the execution of the Federal State Disaster Assistance Agreement governing the expenditure of Federal funds.

JIMMY CARTER

OK  
MSL

Dispatched at 4:43 pm. 4/26/79

PAGE NO.	NO. OF PGS.

SECURITY CLASSIFICATION

# DISASTER PRIORITY

## SUBJECT

RECOMMENDATION TO THE PRESIDENT  
FOR A MAJOR DISASTER DECLARATION  
TEXAS

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL DISASTER ASSISTANCE ADMINISTRATION

## DATE

25 APR 1979



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

The President  
The White House  
Washington, D. C.

REQUEST FOR MAJOR-DISASTER DECLARATION

STATE: Texas

TYPE OF INCIDENT: Severe storms, tornadoes and flooding

DATE OF INCIDENT: Beginning on or about April 18, 1979

DEATHS: Five

INJURIES: 15

AREAS AFFECTED: The Counties of:

Hardin  
Harris

Jefferson  
Liberty

Montgomery  
Orange

COMMITMENT OF STATE AND LOCAL RESOURCES:

- o State commitment estimated at \$950,000 as follows:
  - State cost of executing disaster plan, \$100,000
  - State portion of Individual and Family Grant program, \$600,000
  - State portion of Limited Home Repair program program, \$250,000.
- o Local governments commitment is 15 percent of Public Assistance, should any counties be designated as eligible.

PRINCIPAL NEEDS EXPRESSED BY THE GOVERNOR:

- o Temporary housing
- o Individual and Family Grant program

FDAA FINDINGS:

HOMES AFFECTED: 3,745

FAMILIES NEEDING TEMPORARY HOUSING: 1,450

BUSINESSES AFFECTED: 145 identified

POTENTIAL DISASTER LOANS: 2,390 for \$21 million

UNMET UNEMPLOYMENT NEEDS: 200 for \$110,000

POTENTIAL APPLICATIONS FOR INDIVIDUAL AND FAMILY GRANTS:  
1,200 for \$2.4 million

UNMET HEALTH AND SAFETY PROBLEMS:

- o Sanitation problems as flood waters recede

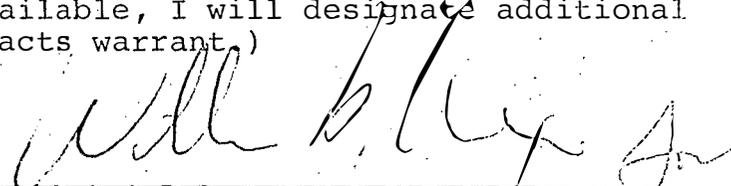
SIGNIFICANT PROBLEMS CAUSED BY DAMAGES TO PUBLICLY OWNED FACILITIES:

- o None identified so far

RECOMMENDATION:

That the Governor's request for a major-disaster declaration as a result of severe storms, tornadoes and flooding beginning on or about April 18, 1979 be granted.

(If there is such a declaration, I intend to designate the following counties eligible for only Individual Assistance: Hardin, Harris, Jefferson, Liberty, Montgomery and Orange. I do not intend to designate at this time any counties for Public Assistance. If further data become available, I will designate additional jurisdictions as the facts warrant.)

  
Secretary, Housing and Urban Development

Date: April 25, 1979

Attachments

Summary of Findings  
Declaration Letter  
Telegram to the Governor  
Notice to the Press  
Representation  
Map  
Governor's Request

## SUMMARY OF FINDINGS

### TEXAS

- o On April 18, 1979, severe storms and tornadoes struck the Counties of Harris and Montgomery, in southeast Texas, around Houston and Conroe and then moved eastward into the Tri-Cities area of Beaumont, Port Arthur and Orange in the Counties of Liberty, Hardin, Jefferson and Orange.
- o Five persons were killed and 15 injured.
- o Resulting floods affected approximately 3,745 homes, driving 1,500 families into shelters provided by the American National Red Cross.
- o Temporary housing requirements are estimated at 1,450 units, at a cost of \$2,175,000, plus 1,100 units eligible for Limited Home Repair (LHR) under the Individual and Family Grant Program (IFG).
- o Cost of the IFG Program is estimated at \$3.4 million, including the cost of LHR.
- o Flood insurance is expected to defray repair cost of 20 percent of the homes.
- o The State has indicated a desire to implement the LHR Program but has declined to accept the total temporary-housing mission.
- o Until the number of units which can be handled under LHR is established firmly, the full extent of the need for use of Government-owned mobile homes will not be known.
- o Small Business Administration low-interest disaster loans are needed for an estimated 2,270 persons, at \$19,630,000, and 120 businesses at \$1,500,000.
- o Disaster Unemployment Assistance for 200 persons is estimated at \$110,000.
- o Damage to public facilities appears to be minimal and limited mostly to streets, roads and bridges.

o Full extent of public-facilities damage cannot be determined until flooding recedes.

o State and local commitment is estimated at \$950,000, exclusive of possible future assistance for damaged public facilities.

Conclusions:

o At this time, the paramount need is for Individual Assistance, principally temporary housing.

o Individual Assistance requirements are beyond the capabilities of State and local governments.

o Extent of damage warrants a major-disaster declaration.

o In the event of such a declaration, the Federal response under Public Law 93-288 should be limited at this time to only Individual Assistance, in the Counties of Hardin, Harris, Jefferson, Liberty, Montgomery and Orange.

o There is no documented need at this time for Public Assistance.

As the water recedes and further data become available, additional jurisdictions can be designated for the appropriate forms of Federal assistance as the facts warrant.

TEXAS REPRESENTATION

The Governor of Texas is:

William P. Clements, Jr. (R)

Texas Senators are:

John G. Tower (R)  
Lloyd M. Bentsen (D)

Representing the Affected Areas:

Charles Wilson (D)	2nd District
Bill Archer (R)	7th District
Bob Eckhardt (D)	8th District
Jack Brooks (D)	9th District
George T. Leland (D)	18th District
Ron Paul (R)	22nd District

For further information, contact Maria J. Vorel, FDAA:  
(202) 634-6115.





DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
 FEDERAL DISASTER ASSISTANCE ADMINISTRATION  
 1100 COMMERCE STREET, ROOM 1825  
 DALLAS, TEXAS 75202

RECEIVED  
 FEDERAL DISASTER ASSISTANCE ADMINISTRATION  
 ADI... STAFF

79 APR 23 P12:45

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FEDERAL DISASTER ASSISTANCE ADMINISTRATION - DAA

REASON YI

COPY

The President  
 The White House  
 Washington, DC 20402

Through: William H. Wilson  
 Administrator  
 Federal Disaster Assistance  
 Administration  
 Washington, DC 20410

Mr. Joe Winkle, Regional Dir.  
 FEMA, Region 6  
 Dallas, Texas 75242  
 Phone: (214) 749-1411

Deliver to

As discussed with Regional FEMA personnel, on behalf of the judges and mayors of the Southeast Texas cities and counties ravaged by flood and tornadoes beginning 4/15/79 and continuing at this time, I respectfully request that you declare the affected areas a major disaster area in accordance with the provisions of P.L. 93-288.

Required documentation will follow as soon as possible.

William F. Clements, Jr.  
 Governor of Texas

COPY

FDDA	
Dist.	Action
___ B	___
___ BX	___
___ BD	___
___ BC	___
___ BA	___
___ <u>BA</u>	___
___ BAR	___
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___ BG	___
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THE WHITE HOUSE

Honorable William P. Clements, Jr.  
Governor of Texas  
State Capitol  
Austin, Texas 78711

As you requested, I have declared a major disaster for the State of Texas because of damage due to severe storms, tornadoes and flooding beginning on or about April 18, 1979. I have authorized Federal relief and recovery assistance in the affected areas.

The Administrator, Federal Disaster Assistance Administration, Department of Housing and Urban Development, will coordinate Federal assistance efforts and designate specific areas of the State eligible for such assistance. The Federal Coordinating Officer will be Mr. Thomas P. Credle of the Federal Disaster Assistance Administration. He will consult with you and assist in the execution of the Federal State Disaster Assistance Agreement governing the expenditure of Federal funds.

cc: HUD/FDAA

THE WHITE HOUSE

WASHINGTON

Dear Madam Secretary:

I have determined that the damage in certain areas of the State of Texas resulting from severe storms, tornadoes and flooding beginning on or about April 18, 1979, is of sufficient severity and magnitude to warrant a major-disaster declaration under Public Law 93-288. I therefore declare that such a major disaster exists in the State of Texas.

In order to provide Federal assistance, you are hereby authorized to allocate, from funds available for these purposes, such amounts as you find necessary for Federal disaster assistance and administrative expenses.

The time period prescribed for the implementation of Section 313 (a), Priority to Certain Applications for Public Facility and Public Housing Assistance, shall be for a period not to exceed six months following the date of this declaration.

I expect regular reports on progress made in meeting the effects of this major disaster, the extent of Federal assistance already made available and a projection of additional assistance required, if any.

Sincerely,

Honorable Patricia Roberts Harris  
Secretary of Housing and  
Urban Development  
Washington, D. C. 20410

JEC:PRH:veq

April , 1979

Office of the White House Press Secretary

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NOTICE TO THE PRESS

The President today declared a major disaster for the State of Texas as a result of severe storms, tornadoes and flooding beginning on or about April 18, 1979, which caused extensive damage to private property. The President's action will permit the use of Federal funds in relief and recovery efforts in designated areas of the State.

Federal assistance will include assistance from the President's Disaster Relief Fund for eligible disaster victims, including temporary housing and disaster unemployment assistance. Low-interest disaster loans will be made available by the Small Business Administration and emergency loan assistance will be made available by the Farmers Home Administration.

Federal relief activities in Texas will be coordinated by the Federal Disaster Assistance Administration, Department of Housing and Urban Development, under the direction of Administrator William H. Wilcox. Mr. Wilcox will designate the specific areas within the State eligible for Federal assistance, based upon Federal and State damage assessments.

Mr. Thomas P. Credle of the Federal Disaster Assistance Administration will be designated as the Federal Coordinating Officer to work with the State in providing Federal disaster assistance under the Disaster Relief Act of 1974, Public Law 93-288.

NOTE: ADDITIONAL INFORMATION FROM FDAA: (202) 634-6666

THE WHITE HOUSE  
WASHINGTON

4/26/79

Bob Lipshutz

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

Rick Hutcheson

cc: Frank Moore

*Tina Kraft*

*Anne Miller*

*1666*



21ST DISTRICT  
CALIFORNIA

JAMES C. CORMAN  
HOUSE OF REPRESENTATIVES  
WASHINGTON

April 26, 1979

*Bob  
Lipshutz -  
include this  
in future  
memo to  
me J*

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

Dear Mr. President:

Judge Harry Pregerson, United States District Court Judge, Central District of California, is one of the seventeen persons recommended for the United States 9th Circuit Court of Appeals.

I know most of the seventeen people on the recommendation list and they would all make fine Circuit Court Judges, but Judge Pregerson is the best of the lot.

I sincerely hope that he will receive one of the appointments.

Respectfully,

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE  
WASHINGTON

April 25, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: JERRY RAFSHOON *JR*  
SUBJECT: Stu's memo on the tone of energy remarks

I strongly disagree with Stu's memo about your tone being too harsh. In his first paragraph, he correctly points out that public opinion and Congressional opinion have shifted enormously in the past two weeks. They have shifted because of your "harsh" approach in hitting the oil companies where it hurts, not despite it. Your consistency has been a key factor -- something missing in past energy efforts.

If your rhetoric sounds more like that of a candidate than that of a President, so be it. This was the kind of rhetoric that attracted people to you. And the American people have not seen enough of this. That's why they think you are not tough enough -- not with special interests or the Congress.

The actions of the Congress in trying to vote away standby gas rationing is an example of how cooperative they want to be. I cannot buy the advise of the Harry McPherson's who say that we should tone down our rhetoric. As helpful as these people say they are, they are still part of the system that we ran against and will have to run against again. They are also the same people who disdain your "mildness" at their cocktail parties.

The editorial comments and the way the oil companies have been lobbying on the news shows and the advertising they are doing is another indication that we are on the right track.

cc: Stu Eizenstat  
Jody Powell

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for Preservation Purposes

THE WHITE HOUSE  
WASHINGTON  
26 Apr 79

The First Lady

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

Rick Hutcheson

THE WHITE HOUSE  
WASHINGTON

4-26-79

Hos.

Please help with  
this. Check to Stu.

Jim available also.

Maybe Betty Bumpers  
& others could  
pitch in -

J

April 25, 1979

Mr. President

It's most gracious of you  
to accept my invitation to visit  
our home. Frankly Andrew  
thought the invitation was  
fine, but felt I shouldn't  
impose my concerns for International  
Year of the Child on you.

Normally I would not - I think  
its because we are going out  
of the country for several weeks

that I feel compelled to share with you the current situation.

First there is a tremendous amount of goodwill being generated by activities related to the "years". Thousands of individuals, hundreds of organizations are volunteering their services to address issues related to children. Almost all of the states have state wide committees. We receive hundreds of letters daily from school children and others on how they can participate. Corporations and business people are funding programs. Many unions are actively involved.

People feel good about their government caring and most see local action as a state wide commitment as the route to really beginning the process of closing the gap

on the unmet needs of many of our children.

Certainly there have been a few groups that are negative and have written letters to congressmen expressing their concerns. The majority of these complaints generated before the Commission was even appointed and is based on preconceived notions rather than facts. The press has generally given little credibility to these groups.

The media has responded very positively to International Year of the Child and are doing many documentaries and public service programs, articles etc.

I'm saying all of this to say that the problem is not with the program. Unfortunately, it's Congress.

There is grave concern that we will not secure the necessary funding to continue beyond June 30.

Several incidents have happened within the last couple of weeks that cause this concern. (Full legislative history attached)

1. The Foreign Operations Subcommittee of Senate Appropriations has requested immediate return of AID detailees to I.C. (Even though they are authorized by Pub. Law 95-561 of the Ed. & Sec. Ed. Act, Sec. 1404 B to loan us personnel)
2. Questions have been raised of EEOC and Agriculture because they are providing us with staff.
3. GAO was requested to conduct an audit of the Commission
4. The Labor-HEW Appropriations Subcommittee has advised HEW it will absolutely <sup>not</sup> approve any more

reprogramming of funds to I.Y.C.  
and that we must seek supplemental  
funds.

5. The feeling among house members is  
that reprogramming is the route  
to go and not supplemental funds.

In the last few days I have been  
in touch with several of your staff  
people who assure us they will  
get on top of it. I have confidence they  
will do whatever they can.

It would be most helpful if you  
could designate some one to be our  
liaison with the White House. Peter Bourne  
was so tremendously helpful and certainly  
various individuals and agencies have helped  
but the Commission does not have a  
specific agency it is attached to or a specific  
person to relate to. - Thank you for listening  
Jan



United States  
National Commission  
on the  
International  
Year of the Child  
1979

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April 25, 1979

U.S. NATIONAL COMMISSION ON THE INTERNATIONAL YEAR OF THE CHILD

Legislative History

- o April 14, 1978 President issues Executive Order 12053 establishing National Commission
- o May 1, 1978 Justice Department transfers \$118,000 to Commission for FY'78 as authorized in Executive Order 12053
- o May 11, 1978 A bill establishing Commission and Presidential transmittal letters delivered to OMB for Presidential signature and transmittal to Congress
- o May 18, 1978 State Department transfers \$111,000 to Commission for FY'78 as authorized in Executive Order 12053
- o May 24, 1978 President transmits proposed legislation to Congress authorizing Commission and an FY'79 appropriation of \$1.36 million for life of Commission  
  
(Note: May 15, 1978, was congressional deadline for introduction of authorization bills with specific appropriations)
- o May 25, 1978 Senator Sparkman, "by request," introduces President's transmittal to Senate as S.3161. This Bill referred to Foreign Relations Committee, but not assigned to subcommittee for action.

Clerk of the House prints Presidential transmittal as an "Executive Communication" and refers it to the International Relations Committee where no action is taken. Thus, no Bill is introduced in House.



**United States  
National Commission  
on the  
International  
Year of the Child  
1979**

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- o July, 1978                      Senator Hollings, in Senate Appropriations Subcommittee on State, Justice, Commerce includes \$1.36 million FY'79 appropriation for Commission in Committee Mark-up. Subcommittee includes these funds in its report to full Senate Appropriation Committee.
  
- o July 28, 1978                    In full Appropriations Committee mark-up of State Appropriation, Senator DeConcini offers amendment striking Commission funding. Committee Chairman Magnuson agrees to deletion on grounds that there is not yet congressional authorization for such an appropriation.
  
- o August 7, 1978                   DHEW transfers \$250,000 to Commission for FY'78, as authorized in Executive Order 12053.
  
- o August, 1978                    Senator McGovern holds hearings on S. 3161 (Commission authorization) in Senate Foreign Relations Committee. Foreign Relations Committee reports out S. 3161; however, S. 3161 is not placed on Senate calendar.
  
- o September, 1978                  President Carter sends memo to Secretary Califano stating his concern for Commission legislation and requests his assistance in seeing that the legislation passes in the 95th Congress.
  
- o September, 1978                  Senate Appropriations Subcommittee on Foreign Operations deletes \$1.5 million request for UNICEF's International IYC Office in Geneva.
  
- o September, 1978                  Commission authorizing legislation is attached as amendment to the Elementary and Secondary Education Act in the Senate. (The Act has already cleared the House.) At



United States  
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joint conference, the House receded to the Senate in this matter, thus providing Senate and House authorization for Commission.

November 1, 1978 - President signs Elementary and Secondary Education Act (P.L. 95-561), which includes Commission authorization (Title XV). Legislation authorized agencies to transfer funds and personnel to Commission:

"Each agency of the Executive Branch of the Government is authorized: (1) to furnish to the Commission, upon request of the Chairperson of the Commission, such information, advice, services, and funds as may be useful to the Commission for the fulfillment of its functions under this Act and (2) to detail personnel to the Commission."

P.L. 95-561, Section 1504(b)

- o September 27, 1978 Senator Bartlett, for Senator Helms, offered floor Amendment to HEW FY'79 Appropriation bill which would prohibit any money appropriated under that bill from being re-programmed to the National Commission on IYC. This amendment was accepted in Senate without voice vote. In subsequent House/Senate conferences on HEW/Labor appropriations, the Senate receded to House version, thus deleting Helms amendment.
- o November 24, 1978 HEW requested of and received approval from House and Senate Appropriations Committee Chairmen to transfer \$100,000 to Commission for 1st quarter FY'79.
- o December 15, 1978 HEW requested of and received approval from House and Senate Appropriation Committee Chairmen to transfer \$209,000 to Commission for 2nd quarter FY'79.



United States  
National Commission  
on the  
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o January, 1979

President transmits to Congress request for National Commission funding vis-a-vis FY'79 Supplemental Appropriation (for 4th quarter FY'79 and FY'80).

(Note: o Commission requested that 3rd and 4th quarters FY'79 and FY'80 funding be included in FY'79 Supplemental.

o OMB preferred that only FY'80 funding be included with FY'79 Supplemental with FY'79 3rd and 4th quarters funding with HEW re-programmed funds.

o HEW disagreed, wanting Commission's FY'79 3rd and 4th quarters funding within Supplemental Request.

o OMB agrees to FY'79 4th quarter and FY'80 within FY'79 Supplemental Request - with tacit understanding that HEW will provide funds for FY'79 3rd quarter.)

o March 9, 1979

Commission Chairperson testifies before House Appropriations Subcommittee on HEW/Labor regarding Supplemental Request.

o March 20, 1979

Commission Chairperson testifies before Senate Appropriations Subcommittee on HEW/Labor regarding Supplemental Request.

o March 28, 1979

HEW requested of and received approval from House and Senate Appropriations Committee Chairmen to transfer \$350,000 to Commission for FY'79 3rd quarter.

(Note: Approval by Senate Appropriations Committee was given after a poll of Committee



**United States  
National Commission  
on the  
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1979**

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members. (The two previous requests were not circulated to members. Senators DeConcini, Hollings and Schweiker raised objections.)

o March 29, 1979

Special hearing called by Senate Appropriations Subcommittee on Foreign Operations to review AID detail of two employees to Commission. Senator DeConcini demanded that AID cancel these details, Alluding to July 28, 1978, Appropriations Committee deletion of Commission appropriation, he told AID that any action in support of Commission contradicted the "wish of Congress" that the Commission receive no funds or assistance from governmental agencies. Senator Inouye stated his "distress" in this matter.

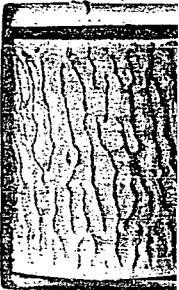
THE WHITE HOUSE  
WASHINGTON

April 26, 1979

To Charles Warren

Best wishes for a Happy Birthday today!

*Jimmy*



10:30 AM

THE WHITE HOUSE  
WASHINGTON

C

April 25, 1979

MEETING WITH WAYS AND MEANS COMMITTEE CHAIRMEN ON ENERGY

Thursday, April 26, 1979  
10:30 a.m. (20 minutes)  
Cabinet Room

From: Frank Moore *Fm/pd*

I. PURPOSE

To discuss the windfall profits tax with Ways and Means Committee chairmen.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: Congressman Ullman suggested this group of members as the first of two or three meetings with members of the Ways and Means Committee. He likes to have the subcommittee Chairmen agreeing with him on substance, tactics, and timing. Your discussions should not only include the windfall profits tax, but a general discussion of the timing of the several matters before the Ways and Means Committee.

B. Participants: The President, Members of Congress (list attached), Frank Moore, Bill Cable

C. Press Plan: White House photographer

III. TALKING POINTS

1. Timing Issues

a. Chairman Rangel's Health Subcommittee should report hospital cost containment next week.

b. Ullman has agreed to mark up hospital cost containment in full committee on May 7, 8 and 9. You should thank him for his prompt action and ask Jake Pickle to help Ullman to get the bill out of committee.

- c. You should ask Vanik and Ullman how the windfall profits tax can be worked around the MTN.
- d. Generally ask the others how they see the timing of the windfall profits tax bill and matters before their subcommittees.

## 2. Windfall Profits Tax

- a. I will transmit the specifications to the Congress this afternoon. I am going to sign the transmittal letter in front of the television cameras to give me another opportunity to push for the WPT publicly.
- b. Decontrol will mean billions of dollars in new revenue for the oil companies. My program calls for a windfall profits tax which will recover a substantial amount of these unearned profits for the American people while still providing the oil companies with the revenue they need to increase production.
- c. Receipts from the windfall profit tax will be placed in an Energy Security Fund. The fund will be used to give financial assistance to people hit hardest by energy price increases, to help finance additional energy-saving mass transit and to help pay for an increased commitment to finding and developing alternative energy sources.

3. Our energy problems are real. I have taken the politically difficult step to gradually decontrol oil. Now we together must pass the windfall profits tax. I want to work with you to fashion the best tax bill we possibly can and we need to do it as quickly as possible.

## IV. ADDITIONAL INFORMATION

1. There is a jurisdictional dispute between Congressmen Ullman and Dingell over the windfall profits tax. Congressman Dingell and his staff have told Elliot Cutler and other administration officials that he feels that his Energy Subcommittee should be the creator of the fund as well as the administrator.
2. The following information is background in case Congressmen Ullman or Corman bring it up.

Stu and Secretary Califano met this week with Ullman and Corman on welfare reform. They have agreed to

cosponsor our bill, although each will have a few provisions which they will seek to change without forcing major delays. Our goal throughout these consultations have been to reach just such an agreement on basic principles, so that the bill can be introduced with some momentum.

Stu indicated to them that we would like Mr. Corman's Public Assistance Subcommittee to act as quickly as possible, and that the welfare reform cash bill is our fourth priority for full committee action--behind cost containment, the windfall profits tax and MTN. They agreed, and Ullman indicated that welfare should certainly get to the House floor by October.

Finally, Stu and Califano told them that we will try to be ready for a formal White House announcement on Friday, May 4th. Hopefully, that will include a drop-in by you (to show interest in a "liberal" proposal important to our constituencies) and a full briefing by Secretaries Califano and Marshall.

MEMBERS OF CONGRESS ATTENDING

Al Ullman(Oregon)  
Chairman  
Ways and Means Committee

Sam Gibbons(Florida)  
Chairman  
Oversight Subcommittee

Jim Corman(California)  
Chairman  
Public Assistance and Unemployment Compensation Subcommittee

Dan Rostenkowski(Illinois)  
Chairman  
Select Revenue Measures Subcommittee

J. J. Pickle(Texas)  
Chairman  
Social Security Subcommittee

Charles Vanik(Ohio)  
Chairman  
Trade Subcommittee

COMMITTEE STAFF MEMBERS ATTENDING

John Martin  
Chief Counsel, Ways and Means Committee

Bob Shapiro  
Chief of Staff, Joint Committee on Taxation

Jim Wetzler  
Chief Economist, Joint Committee on Taxation

I AM TODAY SIGNING A MESSAGE TO CONGRESS ASKING FOR THE PASSAGE OF A WINDFALL PROFITS TAX AND THE ESTABLISHMENT OF AN ENERGY SECURITY TRUST FUND. THIS IS ONE OF THE MOST IMPORTANT LEGISLATIVE PROPOSALS OF MY PRESIDENCY.

A WINDFALL PROFITS TAX IS THE ONLY THING STANDING BETWEEN THE OIL COMPANIES AND A HUGE BONANZA OF UNEARNED, UNNECESSARY, AND UNJUSTIFIED PROFITS.

THE ENERGY SECURITY TRUST FUND IS A BRIDGE BETWEEN THE AMERICA OF TODAY, DEPENDENT ON FOREIGN OIL AND SHOT THROUGH WITH WASTEFUL PATTERNS OF CONSUMPTION, ...AND THE AMERICA OF TOMORROW, IN WHICH OUR TECHNOLOGY CAN MAKE US FAR MORE SELF-RELIANT IN ENERGY.

UNDER THIS PROPOSAL, THE OIL INDUSTRY WILL GET \$6 BILLION WHICH SHOULD BE USED FOR ADDITIONAL EXPLORATION FOR NEW GAS AND OIL -- A NET INCREASE AFTER ALL FEDERAL AND STATE TAXES. OIL COMPANY PROFITS ARE ALREADY VERY HIGH, AND GROWING RAPIDLY.

THE WINDFALL TAX REVENUE MUST GO TO CREATE THE ENERGY SECURITY TRUST FUND FOR THE AMERICAN PEOPLE.

THIS FUND WILL HELP LOW-INCOME AMERICANS PAY THE HIGHER ENERGY COSTS THAT COME WITH DECONTROL. WHILE DECONTROL WILL LESSEN OUR RELIANCE ON THE FOREIGN OIL CARTEL, WE CANNOT IN CONSCIENCE PLACE A NEW AND HARSH BURDEN ON THOSE FIGHTING TO ESCAPE POVERTY.

-- THIS FUND WILL HELP US.....

THIS FUND WILL HELP US IMPROVE OUR MASS TRANSPORTATION, AND WILL STIMULATE DEVELOPMENT OF NEW AND UNCONVENTIONAL ENERGY SOURCES. WE CAN MAKE IT ECONOMICALLY FEASIBLE TO HARNESS THE ENERGY OF THE SUN, THE WIND, THE TIDES, AND THE GEOTHERMAL POWER OF THE EARTH. INCREASED ENERGY WILL COME FROM BETTER USES OF OIL SHALE, COAL, OUR FORESTS AND STREAMS.

AMERICAN INNOVATION HAS GIVEN US THE GREATEST INDUSTRIAL CAPACITY ON EARTH. WE MUST USE OUR TECHNOLOGICAL DARING TO SOLVE OUR ENERGY PROBLEMS.

THE WINDFALL PROFITS TAX WILL BE LEVIED NOT ON AMERICAN FAMILIES; BUT ON THE OIL COMPANIES, ALREADY AWASH WITH THEIR GREATEST PROFITS SINCE THE O.P.E.C. OIL EMBARGO.

THE CONGRESSIONAL BATTLE OVER THE WINDFALL PROFITS TAX AND THE ENERGY SECURITY TRUST FUND WILL BE A CLASSIC CONFRONTATION PITTING THE PUBLIC GOOD AGAINST THE ENORMOUS POWER OF A WELL-ORGANIZED SPECIAL INTEREST. IF THE OIL COMPANIES CANNOT DEFEAT THESE PROPOSALS OUTRIGHT, THEY WILL TRY TO GUT THEM SO THEY HAVE NO MEANING.

THIS WILL BE AN EXCELLENT OPPORTUNITY TO PROVE TO A SOMETIMES DOUBTFUL PUBLIC THAT IN SUCH A TEST OF POLITICAL STRENGTH THE PEOPLE'S INTERESTS CAN PREVAIL.

-- ABRAHAM LINCOLN ONCE ASKED....

ABRAHAM LINCOLN ONCE ASKED HIS CABINET, "IF YOU CALL A DOG'S TAIL A LEG, HOW MANY LEGS DOES A DOG HAVE?" TO A MAN, THE CABINET SAID, "FIVE." "WRONG," SAID LINCOLN, "CALLING A TAIL A LEG DOESN'T MAKE IT ONE."

CALLING SOMETHING A WINDFALL PROFITS TAX DOESN'T MAKE IT ONE IF IT HAS THE KIND OF LOOPHOLES YOU CAN SAIL AN OIL TANKER THROUGH. CALLING SOMETHING AN ENERGY SECURITY <sup>TRUST</sup> FUND DOESN'T MAKE IT ONE IF IT'S JUST AN ACCOUNTING DEVICE TO <sup>PUMP</sup> ~~SHOVEL~~ MORE MONEY TO THE OIL COMPANIES.

THE AMERICAN PEOPLE WILL NOT STAND STILL FOR THAT, AND NEITHER WILL I.

THAT'S WHY I INTEND TO GIVE CONGRESS MY TOTAL SUPPORT AS IT CONSIDERS THE DETAILS OF THE WINDFALL PROFITS TAX AND THE ENERGY SECURITY <sup>TRUST</sup> FUND.

EQUITY AND FAIRNESS DEMAND AN HONEST WINDFALL PROFITS TAX. OUR COUNTRY NEEDS AN EFFECTIVE ENERGY SECURITY <sup>TRUST</sup> FUND.

I INTEND TO SEE THAT WE GET BOTH.

# # #

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

EYES ONLY

April 25, 1979

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*  
Subject: Consumer Prices in March

The Bureau of Labor Statistics will release the March CPI figures tomorrow (Thursday, April 26) at 9:00 a.m. The total for all consumer prices rose 1.0 percent last month, after a 1.2 percent rise in February.

Food prices rose 1.1 percent last month, compared with 1.6 percent in February. Meat and fish prices rose 2-1/2 percent; dairy products 1 percent. Vegetable prices fell.

Nonfood prices rose 1.0 percent. Energy prices were up sharply in March -- gasoline, almost 4 percent; fuel oil and coal, almost 5 percent. Housing prices, and even more so the cost of financing a new home, also rose sharply. But consumer prices outside of food, energy, and housing also rose at an annual rate of 8.4 percent.

The attached table gives a thumbnail sketch of our problem.

We have had three special sources of accelerating inflation (items are starred in the table):

- o farm prices
- o energy
- o housing prices and housing finance costs.

The rate of inflation for all other finished goods prices, while higher than expected, has not accelerated sharply.

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We have also had one general source of inflationary pressure which shows up in the last line of the table -- a sharp rate of inflation for a wide range of industrial materials, parts, and components. This reflects, I believe, a combination of overheating in the industrial sector and a worldwide rise in prices of internationally traded raw materials.

If the economy cools down, the latter source of inflation should ease. We should also do better on food prices after a month or so. Housing prices may slow, as housing construction recedes, but only after a lag.

Energy prices, however, will keep climbing (although not at recent astronomical rates). And some of the large increases in raw materials prices will get passed forward into final goods prices. Finally, April is the first month of a new period for allowable price increases under the price standard. We will get some price markups bunched in April.

We still have a ways to go to get relief.

Attachment

## Recent Price Changes

(percent change at annual  
rates, seasonally adjusted)

	Dec. 1978 to <u>Mar. 1979</u>	<u>January</u>	<u>February</u>	<u>March</u>
<u>Consumer prices</u>				
All items	<u>13.0</u>	<u>11.2</u>	<u>15.0</u>	<u>10.7</u>
*Farm value of food	44.3	90.9	57.5	35.4
*Energy	24.7	18.2	19.7	16.2
*Home purchase & home finance	18.0	11.0	25.5	14.3
All other items (2/3 of the index)	8.4	6.7	9.3	7.7
<u>Producer prices</u>				
Finished goods	14.1	18.6	13.0	12.1
Finished goods less food & energy	9.9	15.5	7.0	5.6
*Intermediate products (nonfood)	13.6	16.7	14.7	12.2

**EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL OF ECONOMIC ADVISERS**

**Date:** 4/26/79

**To:** Susan Clough

**From:** **CHARLES L. SCHULTZE**

Could you see that this table is substituted for the one attached to my Memo to the President last evening on the CPI. (Some of the numbers on the original table were not accurate.)

9

Recent Price Changes

(percent change at annual  
rates, seasonally adjusted)

	Dec. 1978 to <u>Mar. 1979</u>	<u>January</u>	<u>February</u>	<u>March</u>
<u>Consumer prices</u>				
All items	<u>13.0</u>	<u>11.2</u>	<u>15.0</u>	<u>12.8</u>
*Farm value of food	44.3	80.7	30.6	27.4
*Energy	24.7	20.0	17.2	38.0
*Home purchase & home finance	18.0	8.0	28.2	18.5
All other items (2/3 of the index)	8.4	7.7	10.2	7.5
<u>Producer prices</u>				
Finished goods	14.1	17.2	13.0	12.2
Finished goods less food & energy	9.9	13.0	9.2	7.5
*Intermediate products (nonfood)	13.6	15.4	11.7	13.9

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THE WHITE HOUSE  
WASHINGTON

4/26/79

Hugh Carter

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

Rick Hutcheson

cc: Ev Small

THE WHITE HOUSE

WASHINGTON

April 26, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

HUGH CARTER *HC*

SUBJECT:

Comment on Senator Proxmire's Letter  
Re: Use of Government Cars for  
Portal-to-Portal Service

- I. BACKGROUND: Senator Proxmire recently surveyed all government agencies to obtain details of the use of government cars to drive officials to and from their home and work.

Based on the responses, Senator Proxmire wrote you listing 175 government officials using government cars, stating that all but about .22 are "clearly illegal."

- II. ANALYSIS: We have reviewed the letters the agencies sent to Senator Proxmire and the applicable laws and opinions. Although there may be some abuses, based on the information furnished, we feel the Senator has greatly overstated the case.

More specifically, 99 of the alleged violators are occasional users, and many of the remaining involved agencies either not covered by the law, or specifically exempt. This leaves approximately 30 to 40 which need further clarification. Some of these may be exempt for reasons such as national security.

- III. RECOMMENDATION: Although there is undoubtedly room for improvement, the situation is by no means as bad as Senator Proxmire would imply. I will be glad to pursue this further if you wish. This matter could be symbolically important from the standpoint of both energy conservation and budget restraint. Therefore, even though it may be a sensitive matter with the leadership of the agencies, I recommend that you authorize me to pursue it further and report back to you.

pursue further

do not pursue

*J*  
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# United States Senate

WASHINGTON, D.C. 20510

April 6, 1979

The Honorable Jimmy Carter  
The White House  
Washington, D. C. 20500

ACK. Fm/Lipshutz  
CONGRESSIONAL  
LIAISON

APR 11 1979

cc: Tate

Dear Mr. President:

In connection with your proposals to conserve gasoline may I make the following suggestion.

Title 31, Section 638a of the U.S. Code provides that government cars may be used for official purposes and that "official purposes" does NOT include being driven to and from home.

There are only a few exceptions in the law, the President, Cabinet Officers (but not Under Secretaries, agency heads, etc.); doctors on outpatient duty, officials on field service long distances from their offices, and certain diplomats abroad.

All other Executive Branch officers are prohibited from being driven to and from home.

Recently I wrote to every agency in the government asking what "officials by title" are given the privilege, either regularly or on an ad hoc basis. The total came to 175 plus a number of security officials and multitudes of officials abroad.

With the exception of about 22 officials, this is clearly illegal. But the Justice Department refuses to enforce the law. In fact they wrote me that the law could be disregarded where the practice "...is deemed to be (apparently by the official breaking it) in the interest of the government" that it was a matter "...primarily of administrative discretion."

The practice wastes gasoline. It means two trips a day back and forth for each official rather than one.

It also encourages a sense of privilege and arrogance which is unbecoming public officials.

SU03  
EN00  
EV00

The Honorable Jimmy Carter  
April 6, 1979  
Page Two

This practice could be stopped by a word from either you or the Attorney General.

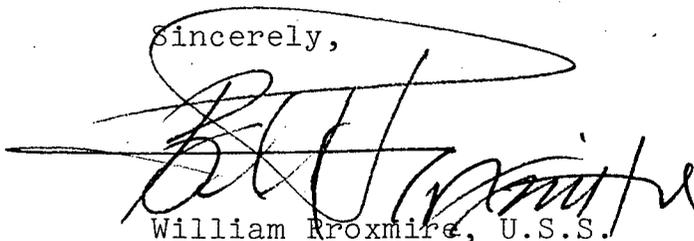
In view of your strong views on saving energy, quite apart from your own example of prohibiting it for White House personnel, I believe the time to act has come.

I hope very much that you will ask the Attorney General to enforce the law.

Failing that, you could wipe out the practice by stating that the policy of your Administration prohibits it.

With best wishes.

Sincerely,

A handwritten signature in black ink, appearing to read "William Broxmire". The signature is written in a cursive, somewhat stylized hand. Above the signature, the word "Sincerely," is printed in a simple, sans-serif font. The signature itself is written over a faint, horizontal line that spans the width of the signature area.

William Broxmire, U.S.S.

WP:hsm  
Enclosure

## SENATOR WILLIAM PROXMIRE

WISCONSIN

---

FOR RELEASE AFTER 6:30 P.M. SATURDAY, MARCH 17, 1979 FOR SUNDAY A.M.'s

Senator William Proxmire (D-Wis) said late Saturday that "Despite President Carter's example of denying most members of the White House staff the privilege of being driven to and from home in chauffeured government cars, the number of high ranking government officials who enjoy the privilege has grown from 148 to 175 in the last two years.

"The results of my most recent survey of every government agency, identical to that made during the first months of the Carter Administration two years ago, show that the total cost has gone up from \$3.33 million to \$4.86 million a year. The cost of chauffeurs and drivers has risen from \$20,000 to over \$25,000 per car, and operating costs have increased from \$2,500 to \$2,800. It is on this basis (175 x \$27,800) that the \$4,865,000 estimate is made."

The survey was made by Proxmire as chairman of the Subcommittee on Priorities and Economy in Government of the Joint Economic Committee. The Senator is also chairman of the Senate Banking, Housing and Urban Affairs Committee and a member of the Senate Appropriations Committee.

"Title 31, Section 638a, of the U.S. Code states that government automobiles may be used only for 'official purposes' and that 'official purposes' do NOT include being driven to and from home. The law applies only to the Executive Branch and domestically excludes only the President, the Secretary of a department (but not Under Secretaries, heads of agencies, boards, etc.), doctors on out-patient duty, and individuals on field service great distances from their homes.

"Recently I wrote to every department, agency, office, regulatory commission, and court in the United States government asking what officials by title in the agency are driven to and from home. I further asked for the cost of chauffeurs as well as the cost of buying or leasing, depreciation, maintenance, gas and oil, etc., for the cars. Among the key results are:

1) Of the 175 officials being driven to and from home, only 22--the President, Vice President, 13 Cabinet officers, the Chief Justice, and six Congressional officials--are clearly entitled to the privilege by a direct provision of the law.

2) The increase in total costs of 45 percent is three times the 15 percent increase in consumer prices over the last two years and more than triple the increase in prices allowed under the President's wage and price guidelines.

more

WHITE HOUSE (4)

President  
Vice President  
Assistant to the President for Security Affairs  
Director, Office of Management and Budget<sup>1</sup>

JUDICIAL BRANCH (1)

Chief Justice

CONGRESS (10)

House of Representatives  
Speaker of the House  
Majority Leader  
Minority Leader

Senate  
President Pro Tempore  
Majority Leader  
Minority Leader

Other Congressional Offices  
Architect of the Capitol  
Acting Architect of the Capitol  
Comptroller General  
Deputy Comptroller General

AGENCIES AND INSTITUTIONS (11)

President, Amtrak  
Postmaster General  
Deputy Postmaster General  
Secretary, Smithsonian Institution  
Editor, Smithsonian Magazine  
Administrator, U.S. Small Business Administration<sup>1</sup>  
Deputy Administrator, U.S. Small Business Administration<sup>1</sup>  
Director, Community Services Administration<sup>1</sup>  
Deputy Director, Community Services Administration<sup>1</sup>  
Director, Federal Mediation and Conciliation Service<sup>1</sup>  
Deputy Director, Federal Mediation and Conciliation Service<sup>1</sup>

REGULATORY COMMISSIONS & BOARDS (53)

Chairman, Federal Reserve System  
Administrator, Agency for International Development  
Chairman, Federal Communications Commission  
Chairman, Federal Deposit Insurance Corporation  
Appointive Director, FDIC  
Comptroller of the Currency, FDIC  
Deputy Chairman, FDIC  
Assistant to the Director, FDIC  
Chairman, Securities and Exchange Commission<sup>1</sup>  
Chairman, Commodities Futures Trading Commission (vacant)<sup>1</sup>  
4 Commissioners, CFTC<sup>1</sup>  
5 Commissioners, Federal Trade Commission<sup>1</sup>  
Chairman, Civil Aeronautics Board<sup>1</sup>  
(Chairman normally takes public transit)  
3 Members, CAB<sup>1</sup>  
Officials, National Labor Relations Board<sup>1</sup>  
(There are 5 Board members, including the chairman, and the General Counsel, appointed by the President)  
Commissioners and Commission officials, Interstate Commerce Commission<sup>1</sup>(There are 11 Commissioners as well as 13 bureau and office heads.

<sup>1</sup>Performed by discretion of the officials when they decide travel or after hours work suggests it.

SEN. BILL PROXMIRE  
(D) - WISCONSIN

IN CONNECTION WITH PROPOSALS TO CONSERVE GAS, SUGGESTS THAT THE JUSTICE DEPARTMENT BE DIRECTED TO ENFORCE THE LAW REGARDING GOVERNMENT CARS BEING USED FOR OFFICIAL PURPOSES; NOTES THAT SEVERAL EXECUTIVE BRANCH OFFICERS ARE BEING DRIVEN TO AND FROM WORK; BELIEVES THIS PRACTICE ENCOURAGES "A SENSE OF PRIVILEGE UNBEPFITTING PUBLIC OFFICIALS"; COMMENDS YOUR EXAMPLE OF PROHIBITING THIS PRACTICE FOR WHITE HOUSE PERSONNEL, AND URGES YOU TO STOP IT FOR THOSE NOT COVERED BY THE U.S. CODE.

ACKNOWLEDGED BY FM  
REFERRED TO  
BOB LIPSHUTZ  
CC:TATE

*Hugh Carter  
Comment*

ID 791527

THE WHITE HOUSE

WASHINGTON

DATE: 13 APR 79

FOR ACTION: HUGH CARTER

INFO ONLY:

SUBJECT: PROXMIRE LETTER RE CONSERVATION

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM MONDAY 16 APR 79 +  
+++++

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE  
WASHINGTON

4/26/79

Alfred Kahn

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

Rick Hutcheson

*Mr. President: would you please have some one call me and tell me the results as soon as possible?*

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

APR 26 1979

*(Dean Swift)  
Talked to  
Charles Myer*

MEMORANDUM TO THE PRESIDENT

FROM : ALFRED KAHN *Fred*  
SUBJECT : TELEPHONE CALL TO SEARS

*He will answer &  
Call Kahn or Poswork.  
I told them to  
expect  
Call &  
to be  
firm  
J*

We recommend that you call Mr. Edward Telling, Chairman of Sears Roebuck Co. (312) 875-2500. The discussions with Sears Roebuck have involved several technical issues about their compliance. Two points have been discussed:

- o Sears chose to measure its own compliance by constructing a sample index of average price increases. That index of price increases is in excess of the allowable standard.
- After January, Sears could have elected to use a measure of gross margins or requested a profit-margin exception. But they chose not to do so. Their profits were 18 percent above a year ago for that six-month period.
- o There is a long lead time on catalogue prices, but Sears could have held down prices on non-catalogue sales or taken some other action to comply with the intent of the program. Catalogue sales represent only about 25 percent of total sales. At a minimum, they could have discussed their problems with CWPS during the first six months of the program.

*action on  
sufficient to  
bring them back  
into compliance*

We suggest that you avoid the detailed issues about compliance since they have been discussed with CWPS staff. Simply inform Sears that the Council on Wage and Price Stability has reached a decision that Sears is out of compliance and will issue a press release to this effect. The only alternative is for Sears to agree to a significant price reduction (with details to be worked out with CWPS within the next week) and that a public announcement to that effect would be made today.

Further issues that might be raised but that you should avoid are:

- o The rate of price increase for items sold by Sears is less than the average inflation rate. This simply reflects high productivity growth in the manufacturing industries from which most Sears' products come.
- o They are only 0.4 percentage points above the standard. When applied to a company as large as Sears, this excess price increase amounts to significant revenues (\$70 million).

\* \* \* \* \*

Your advisors also recommend that you approve sending the following telegram. We believe it could be instrumental in inducing Kimberly-Clark to announce publicly price reductions in order to come into compliance with the voluntary standards. Such an announcement by Kimberly-Clark would also have a significant impact on the pricing actions of other paper companies.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

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TELEGRAM

Mr. Darwin E. Smith  
Chairman of the Board  
Kimberly-Clark Corporation  
Neenah, Wisconsin 54956

I understand that you have made a proposal to the Council on Wage and Price Stability to reduce prices to bring your Company into compliance with the voluntary price standard. I believe that your proposed pricing actions are commendable and reflect your support of the nation's anti-inflation program. I urge you to implement your proposal immediately. While I understand your reluctance to announce this action publicly, I believe the American people should be made aware of your positive efforts.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

April 26, 1979

EYES ONLY

MEMORANDUM TO THE PRESIDENT

From: Charlie Schultze <sup>CLS</sup>  
Subject: March Balance of Trade Data

For a change, it's a pleasure to give you some statistical news. Tomorrow (Friday) at 2:30 the Commerce Department will release its estimate of the March merchandise trade balance. The trade deficit fell from \$1.3 billion in February to \$0.8 billion in March.

Exports rose sharply -- by \$950 million and are now 30% above a year ago. Imports, after falling in February rose by \$450 million in March. All of the increase was petroleum products.

We are -- for awhile -- getting the best of two worlds. Last year's big dollar depreciation stimulated export orders, and that is now showing up in shipments. The recent appreciation of the dollar is boosting the price we are getting for many of our quick-lead time exports and reducing the price we pay for imports.

The trade balance deficit of \$800 million almost surely won't stay that low. It is far below our projection for the year. But it is good news.

When the Commerce Department recently estimated the first quarter GNP, they didn't have this number, and guessed a much higher deficit. Using the correct number raises the first quarter GNP growth above the published number.

The large growth in exports -- to sound a slightly sour note -- helps explain the continued strong markets and price pressures in parts of our economy.

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